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USAID KOSOVO PRIVATE ENTERPRISE PROGRAM (KPEP)

FACTORS DRIVING BUSINESS GROWTH – SURVEY OF KPEP BENEFICIARIES 2008-2012

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Implemented by
Booz Allen Hamilton

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The author's views expressed in this publication do not necessarily reflect the views of the United States Agency for International Development or the United States Government.

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Kosovo Private Enterprise Program project (title of the project).
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PURPOSE OF ASSIGNMENT

The purpose of this external evaluation exercise is to conduct a survey of Kosovo Private Enterprise Program's (KPEP) clients to determine their perception of factors driving the growth of their business. The Program has completed over three years of activities, and has 6 more months to conclude. The survey, entitled "factors driving business growth," assesses the relevance of KPEP interventions for the 2008-2012 phase of KPEP implementation without biasing the responses. The survey seeks input on ranking all contributors to business growth rather than only the suite of KPEP interventions.

The assessment focuses on ranking the factors, from a client perspective, that impact business growth. The overall list of rankings based on inputs provided by clients is further analyzed by category according to industry/sector, client size (as measured by turnover) and other donor linkages (measured by number of other donor programs that have supported the surveyed firms).

From this, KPEP will be able to determine the perception of the degree of relevance that KPEP interventions have been to stimulating economic growth amongst its clients. This by definition includes tangible interventions such as the grants program as well as intangibles such as client confidence and linkages. In addition the assessment looks for indications and draws conclusions from the key findings that will provide a reference for any future interventions that will build on the successes to date and aim to improve private sector competitiveness in Kosovo.

BACKGROUND

In September 2008, USAID awarded the Kosovo Private Enterprise Program to Booz Allen Hamilton (BAH). USAID designed KPEP to build on the successes achieved to date that have impacted Kosovo's economy through lasting improvements in private sector competitiveness.

KPEP includes four main components: 1) private sector support in targeted sectors with potential for growth and competitiveness; 2) identify demand driven development for business support services; 3) improve business enabling environment; and 4) workforce development. The Kosovo Private Enterprise Program also addresses several cross-cutting areas including gender, youth and minority development. Finally, the program manages a Strategic Activities Fund (SAF) valued at \$5.4 million.

With 6 months left to conclude its activities, KPEP commissioned the following survey to assess KPEP clients' perception of factors driving the growth of their business. The assessment team is comprised of an international and a local expert who conducted face-to-face interviews with all KPEP clients. A maximum of 30 working days was allocated for the survey, including all interviews, data processing and presentation of the key finding in a final report.

Methodology

For this exercise, the assessment team used a partially structured interview approach. In each interview, clients were presented with an exhaustive list of 22 business growth factors and were asked to rank these. Using probing questions, the team sought to validate the list thus generated without specific reference to KPEP interventions with the client. The clients were not asked to fill in any questionnaire in order to encourage discussion prior to finalization of the ranked list. The following list of business growth factors were presented and discussed in each interview:

Critical Success Factors (CSFs)

Technology <ul style="list-style-type: none">◦Product/Services◦Equipment◦IT◦Know-How	Business Environment <ul style="list-style-type: none">◦Government Policies◦Competition◦Water and Electricity◦Transportation◦Business Associations/ Chambers of Commerce	Entrepreneurism <ul style="list-style-type: none">◦Confidence (Business Attitude)◦Entrepreneurship◦Strategic Management◦Operational Management
Labor <ul style="list-style-type: none">◦Labor Force◦Trainings◦Study Visits	Marketing <ul style="list-style-type: none">◦Trade Fairs◦Market Linkages◦Promotional Materials	Capital <ul style="list-style-type: none">◦Grants and Donations◦Access to Banking and Finance◦Access to Raw Materials

The clients were asked to rank the top 5 contributors to business growth, assuming that beyond 5 will be difficult to effectively rank. With more than 70 clients interviewed, the aggregated responses enable a statistical analysis of the importance of these factors. Within the choices made by clients are all the interventions made by KPEP. Final analysis enables the determination of the relative importance of interventions made by KPEP amongst all factors contributing to business growth as well as within KPEP intervention types.

During the interview, client justifications as to the relative importance of intervention type were noted by the team and are incorporated into this final report in order to give context to the outcomes. This information does not affect the rankings, but explains why these are considered by the clients as important to their business.

Based on the initial concept for the main survey tool, which comprised a metallic whiteboard with magnet strips listing the above factors designed to give respondents the opportunity to easily rank and re-rank the relevant success factors, the team developed a computer based result table that was employed throughout the assessment¹. The end result yielded an electronic spreadsheet that listed all 22 CSFs arranged horizontally along the top of the table. Along the vertical axis from top to bottom runs a scale from 1 to 9 with 1 denoting the highest degree of importance and 9 signifying the lowest possible ranking. To mitigate the risk of possible bias in the selection of CSFs that could arise from the traditional processing of information from left to right, the team routinely varied the sequence of the columns and presented them in random order during the interview process.

Importantly, the computer based scoring table met the visual and flexible requirements of the presentation to encourage re-ranking during the discussion and to avoid the sense of permanence that comes from a written response. The electronic adaptation proved to be practical both in terms of collecting data efficiently and its portability and was readily familiar to interviewees who were comfortable using the table to rank and re-rank their choices during discussions.

After completing interviews with the first 20 respondents, the team met with KPEP and USAID to present the initial findings and to validate the survey methodology. The team affirmed that the preliminary sample of respondents were confident overall in using the computer based results table and in their comprehension of the assessment's purpose. Drawbacks to the survey such as translation of some CSFs into Albanian language and acknowledgement of the varying points in the respective business cycle of each client and its bearing on individual ranking and perception were noted. To add additional context to the results and to offer greater insight into private sector competitiveness, it was decided to include data on the two biggest obstacles to business growth to the Scope of Work and to incorporate these results into the findings of the final report.

The obstacles noted by the interviewees are analyzed in conjunction with the top five success factors driving growth and provide further context to the key findings of the assessment. To determine the breakdown of business by type, size and donor linkages, additional data was gathered during the interviews in terms of the client's products and services, annual turnover and donor support history.

The team conducted face to face interviews with all KPEP clients. All interviews were conducted independently to minimize the risk of respondent bias, and the survey was introduced to clients as a general survey and not specifically a survey to determine the suitability of KPEP support. Interviewing the entire client list reduced bias further.

¹ See Annex 1 for hard copy example of electronic scoring table.

EXECUTIVE SUMMARY

This survey was commissioned by KPEP to assess the relevance of KPEP's interventions based on the clients' perception of the factors driving the growth of their business. The survey includes input on ranking all contributors to business growth and extends beyond the suite of KPEP interventions and includes both tangible interventions such as grants as well as intangibles such as confidence and business attitude.

The assessment team interviewed an extensive list of beneficiaries. The key findings and data obtained in the process are analyzed and presented in this report. The data is further analyzed by category according to industry/sector, client size (as measured by turnover) and other donor linkages (measured by number of other donor programs in support). The report also examines the biggest obstacles to business growth as perceived by KPEP's clients.

The results of the data analyzed show that the top five critical success factors are: confidence and business attitude, know-how, grants and donations, entrepreneurship and product and services in respective order. Other critical factors such as training, study visits, trade fairs, market linkages, equipment, labor force, strategic and operational management comprise the mid-range factors and were ranked in the top five with less frequency. The two most significant obstacles to business grow are electricity and government policy.

The report draws attention to the supporting arguments and validations made by the respondents throughout the ranking process, which provide additional context to the final rankings and the obstacles to business growth. Further analysis by business type and by donor linkages reveals significant variations in perception of CSFs among respondents in some categories and highlights these differences where relevant. Other observations gleaned from the process that are potentially relevant to the survey are also noted in the findings.

The report finds that confidence and business attitude, ranked highest most often by KPEP's clients, is bolstered by a number of contributing factors. In the front line were grants and donations that increased confidence while acting as a catalyst for timely growth for many clients. Training, study visits and trade fairs also boosted confidence while amplifying other top five critical success factors such as entrepreneurship skills and know-how. Given the cross-cutting nature of these factors, the holistic approach of KPEP's interventions proved effective in promoting private sector competitiveness.

The report recommends that future support to Kosovo's private enterprises should look to build on the success to date where possible. A future grants program could also potentially help improve access to investment capital. It would also be beneficial to include a component to support government policy development to promote business growth.

FIELD ACTIVITIES TO ACHIEVE PURPOSE

The assessment team commenced its work on 30 April 2012 and interviewed a total of 75 KPEP clients² over a period of 23 working days. The initial draft client list presented to the team contained 120 businesses throughout Kosovo. Within the client roster were included several companies that collaborated with KPEP and provided services to KPEP clients during the project implementation and were not direct beneficiaries of the KPEP suite of interventions. When edited from the register, the updated client list included a total of 88 beneficiaries. Out of these, the team interviewed a total of 75 clients or 85.2 percent of the final list.

In the few cases where the team was unable to conduct interviews, clients were either traveling outside of Kosovo or constituted last-minute cancelations that could not be rescheduled during the time period given to conduct the assessment vis-à-vis client availability.

Due to travel constraints associated with the location of some clients, the team, for practical reasons conducted phone interviews with a total of 2 clients. Ultimately, the methodology of the face to face interviews proved difficult to fully replicate by phone and was not applied to additional cases. Given the time necessary to collate the interview results and to draft the final report, additional time would need to be allocated for the assessment to ensure full coverage of all 88 KPEP clients.

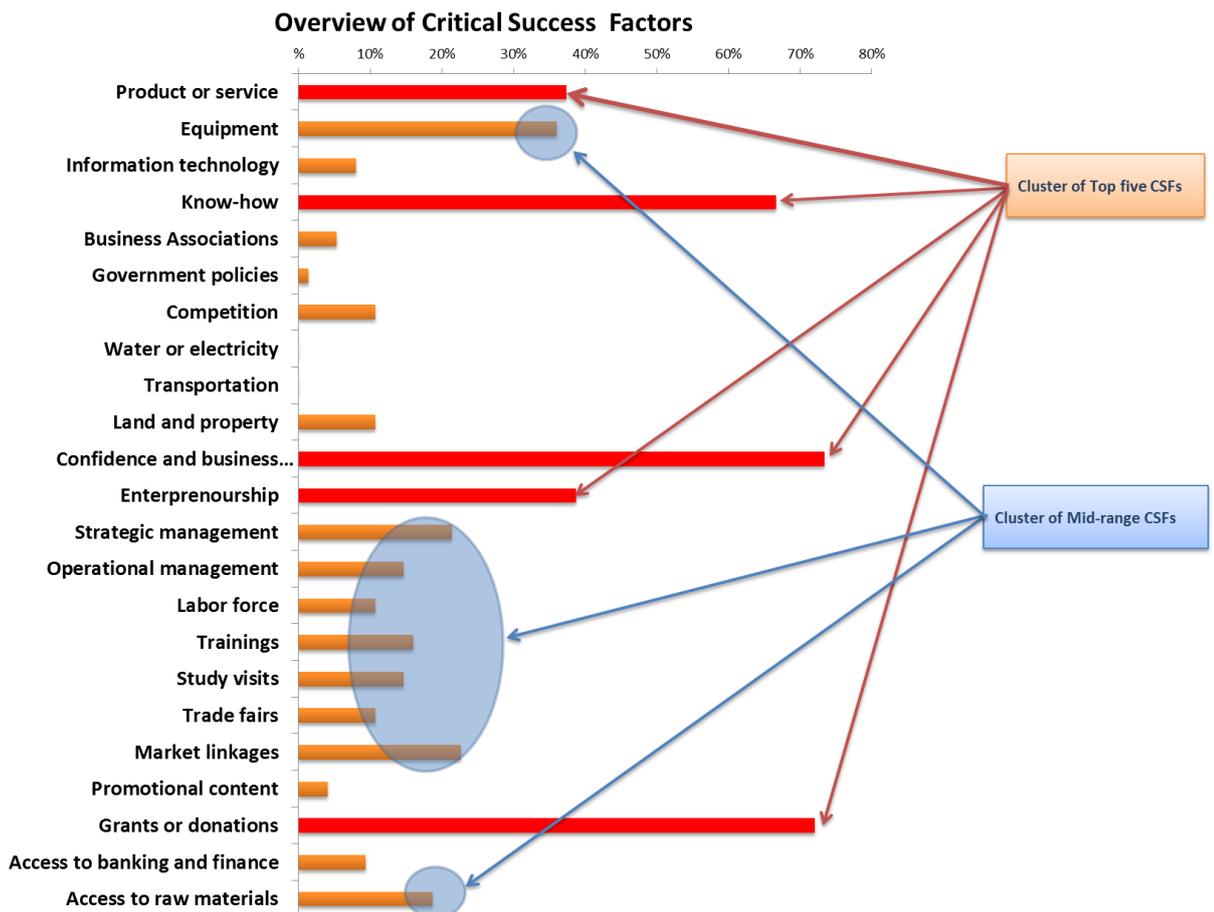
² See Annex 2 for complete detailed list of clients interviewed.

TASK FINDINGS

Main overview

The KPEP list of project beneficiaries represents a diverse universe of businesses ranging from basic rudimentary farming enterprises to agro processors, textile manufacturers, software development companies, innovation labs, recycling plants and larger scale manufacturers. Included here are a number of nonprofit trade associations and chambers of commerce that were also benefactors of KPEP interventions³.

The overall results from all 75 survey respondents reflect this broad array of businesses and indicate a wide-ranging client perspective of the top five growth factors as illustrated in the following table. The percentages represent the frequency that each CSF was ranked by respondents among their top five from all other factors driving growth:



A total of 20 out of 22 factors included in the survey were ranked among the top five growth factors with only water and electricity and transportation not being placed in the top 5 by any of the respondents. Notwithstanding this variation in client perspective, there are five CSFs that top the list of respondents' rankings with the highest frequency by a substantial margin in percentage points: confidence and business attitude, grants and donations, know how, and product or services in respective order from 1 to 5.

³ See Annex 3 for breakdown of KPEP clients by industry sector.

Confidence and business attitude

Confidence and business attitude ranked the highest most often at 73 percent and featured prominently throughout the survey process as an essential ingredient for success, but as a critical success factor, KPEP clients held differing perceptions on how this concept applied. One group that rated confidence among the top five factors attributed confidence to a self-assuredness that stemmed from their respective professional or academic background. Having a university education in a field relevant to their business, or prior professional experience in a particular trade, translated into confidence and generated a positive business attitude that they assigned as a key growth factor.

Another group's perception measured confidence by the amount of support they had received from USAID. Here, the benefit of KPEP interventions had a two-fold effect. First, the beneficiaries perceived that their business concept and strategic plan had been screened and approved by KPEP. In essence they felt they were given a second opinion from an external and highly valued partner. Second, many respondents stated that the assistance received by USAID served as a seal of approval that opened doors for their business. Not only did their confidence go up as a result of KPEP assistance, but so too did the confidence of others making it easier for them to sign new contracts with suppliers and distributors and to apply successfully for additional grants and commercial loans.

The assessment team observed that beneficiaries that displayed a high degree of business confidence were frequently oriented to export markets both in terms of products and services such as IT companies as well as agricultural producers that were interviewed.

In stark contrast to the benefits to be gained from self-confidence, confidence alone, without support from other critical factors had a negative impact on business growth in some instances. This notion was illustrated by a small number of respondents who stated that overconfidence, coupled with poor entrepreneurship, had prompted them to take unwarranted risks by foregoing market research and investment feasibility studies.

Grants and donations

Immediately following the war in 1999, grants and donations played a key role in helping to establish businesses and to support private sector growth in Kosovo. In the absence of venture capital markets and the scarcity of other sources of capital besides commercial banks, this trend has continued and has elevated the importance of donor support as a critical success factor in the current business environment. Grants and donations overall ranked second among the top five of respondents surveyed with a frequency of 72 percent, just slightly below confidence and business attitude.

A majority of the beneficiaries described grants as a catalyst that greatly sped up their development cycle, two to three years on average, allowing them to expand their activities in a timely manner to capture market opportunities that would have otherwise eluded them or would have been dependent on their own internal growth rate and subsequently would have taken much longer to reach. This perception was widely held by established businesses where sustainability and growth was already present when they received grant support and other donations.

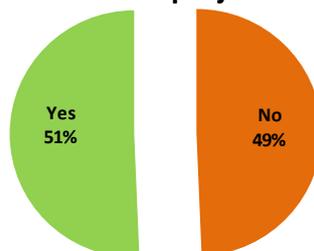
Because of their slow growth rate as a result of their early position in the business cycle, recently established companies tended to view grants and donations more in terms of partial startup capital that helped them meet their initial investment needs. Respondents in this category stated that grants helped them turn a critical corner from the strategic phase to achieving full operational capacity, which would have been otherwise impossible given the limited capital that they were generating prior to receiving grant support.

Respondents overall reported that grants and donations generated employment opportunities and increased income. It is the long-term positive impact, and the grants that unlocked this potential that underscore the respondents' high ranking of grants and donations among the other CSFs.

It is significant to note that 17 percent of the respondents who received KPEP grants have also benefitted from EU grant scheme under the Instrument for Pre-Accession Assistance (IPA) program. The set of criteria required of applicants by the IPA program is notably high. The fact that recipients of KPEP financial assistance have since qualified and been awarded grants under this EU grant scheme is a positive trend and an indicator of growth in capacity as well as improvement in the overall market competitiveness of these enterprises.

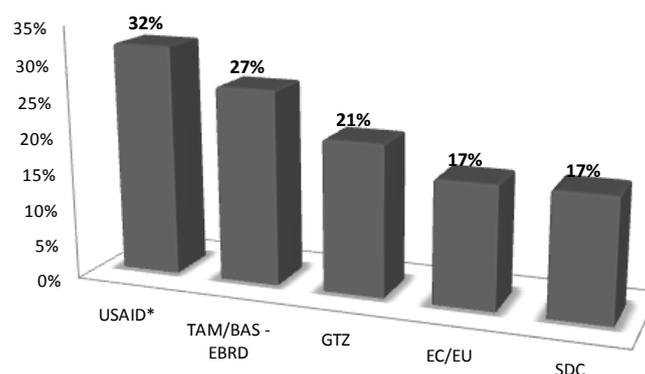
In total 51 percent of the respondents stated that they received donor support from other agencies including other USAID projects.

Grants Received from Other Donors or USAID projects?



KPEP clients reported receiving donor support from a substantial number of donor organizations that are actively supporting private enterprise growth. On average, approximately one third or 32 percent reported having received support from other USAID projects.

Other Donor Sources



*Donations received from all other sources excluding USAID/KPEP

Many of the respondents that received grants and donations reported having secured additional loans from financial institutions signaling a positive trend of increased risk taking on the part of KPEP clients.

Know-how

Know-how ranked third out of 22 CSFs at 67 percent. Closely linked to confidence, many of interviewees ascribed know-how to academic credentials, growing up with a family business or previous professional experiences. It is technical know-how acquired in the past as opposed to business know-how and was directly linked by the interviewees to their choice of business field and what sparked their initiative. Despite this slant in perception towards technical capacities, some respondents noted the importance of continued learning in order to address the challenges that arise from a rapidly changing business environment. These clients valued their participation in trade fairs not only as an opportunity to establish new market linkages, but as a means of keeping abreast of new technologies, which is essential to maintaining a competitive edge.

Entrepreneurship

Entrepreneurship for the purpose of this survey is defined in the broad context of general business skills in areas of organizational management, communications skills, cost management, contracting and other key disciplines.

By definition this was a difficult success factor for the respondents to quantify and respondents struggled to rank their business skills objectively. In reality most of the clients interviewed had very little formal business training and limited experiences in business, with the absolute majority only having experience in their respective trade or discipline. This stands to reason why entrepreneurship ranks 28 points below know-how at 39 percent. This gap in frequency of the top five rankings also reflects the rudimentary nature of Kosovo markets and current business environment.

For the vast majority of the respondents, entrepreneurship came much later in the middle of their business cycle. Many of KPEP's clients readily acknowledge this short coming in overall business skills and recognized that they are improving their skills as entrepreneurs every day. The re-ranking process during the interview and discussions helped clients reconsider and reposition entrepreneurship in reference to other critical success factors.

Product and Services

Product and services ranks fifth overall among other critical success factors at 37 percent. Producers and service providers frequently assigned an innate importance to product and services stating that without these there would be no business. Product innovation and improved services, however, was not at the fore of the discussion. Instead, emphasis rested on the decision making aspects of products and services. For the majority of interviewees it was making the right decision as to what product to produce or service to provide that mattered most as a growth factor; quality often came second.

Mid-range factors and non-ranked factors

Labor force consistently ranked on average in the mid-range of the scale of importance as a success factor—well below the top 5 factors driving growth and slightly above the lower end of the scale of importance. During the interviews many KPEP clients described the labor force in Kosovo as abundant and cost competitive but at the same time labeled it largely unskilled and inexperienced. In this context respondents referred to a skilled labor force as a prerequisite for a successful business and essential in driving business forward and highlighted several disciplines where skilled labor is currently lacking including in sales, marketing, financial management, as well as technical machine operators. This mixed perception of the labor market in Kosovo by the respondents underpins its middle ranking.

Strategic planning is another CSF that is positioned in the middle of the survey results. Most enterprises noted the importance of strategic planning as a first step in the business cycle, followed by a gradual shift of focus towards operational management that mirrors their growth curve. Priority in ranking of both strategic and operational management was closely tied to the respondent's current position in the business cycle. Another factor that influenced management rankings was business size where the larger manufacturers routinely ranked operational management as a critical success factor above strategic management.

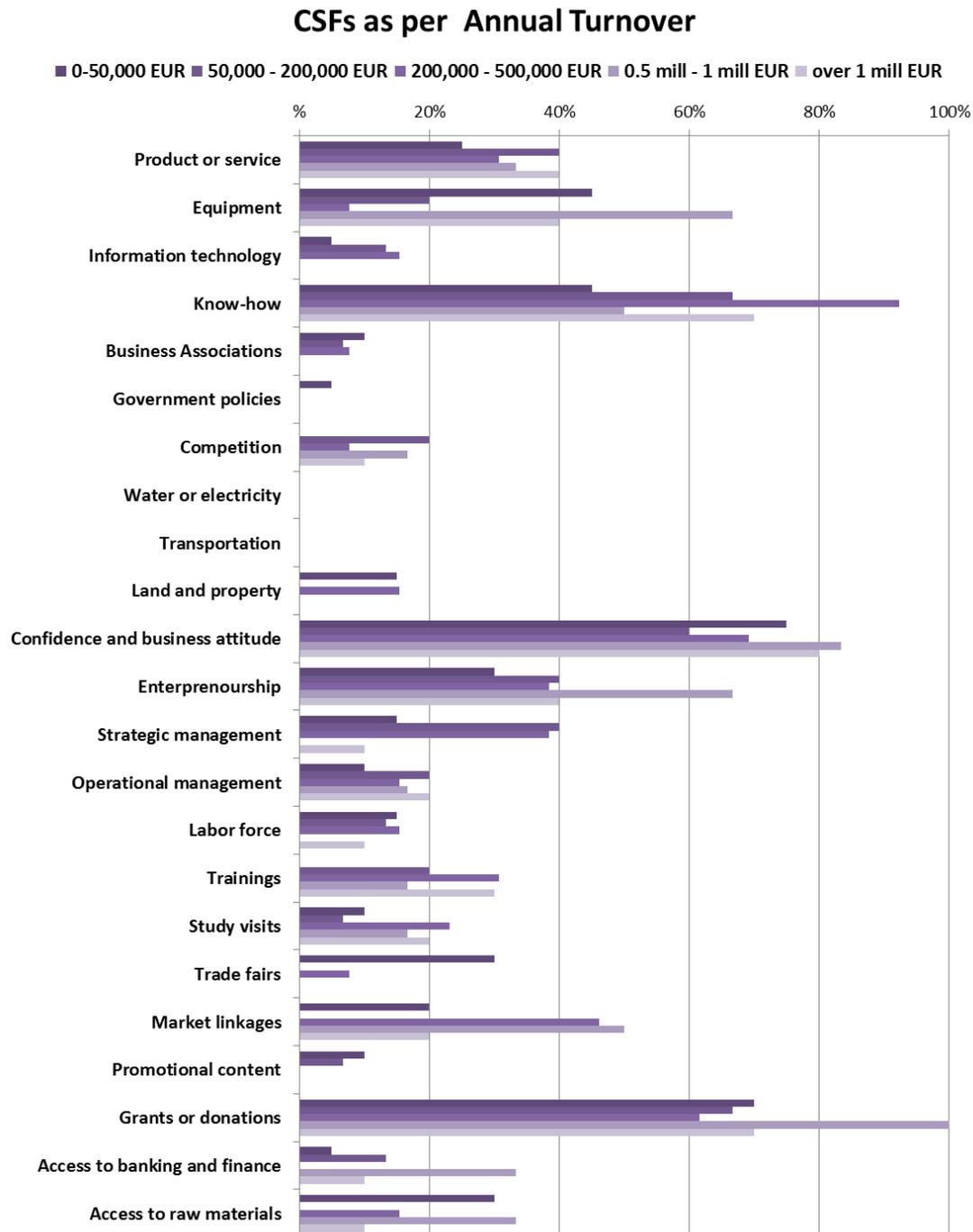
The prevailing sentiment of many respondents is that competition in certain sectors of the economy is lacking and according to them the Kosovo brand name continues to struggle in the market place. Several KPEP clients supported this claim recalling specific instances where certain disingenuous businesses sent inferior goods to the market which resulted in all of the local producers, including the quality conscience companies, being collectively punished by consumers who in these cases purchase import products, which they view as superior in quality. Other respondents noted the presence of a healthy, competitive market environment that was good for elevating product quality and ranked competition as a top five critical success factor for growth.

None of the respondents ranked transportation among their top five CSFs. Even in those companies where transportation is critical to their success, such as businesses that export their products to European markets, transportation played a limited role in terms of being a top five success factor according to KPEP's clients. In the majority of cases transportation is reportedly provided by third party, out-of-state companies based in Serbia or Macedonia.

Study trips, professional trainings and trade fairs were widely perceived as positive growth factors to the majority of clients, but were not always perceived as critical to growth. Examples of specific benefits derived from all three factors were abundant throughout the assessment. Study trips and professional trainings had a big impact on know-how and raised confidence, the latter helping many clients obtain important certification such as HACCP. At the same time trade fairs supported development of know-how and strengthened market linkages. The crossover effects of this grouping of mid-range factors clearly had a direct impact on the top five CSFs. Study trips, professional trainings and trade fairs bolstered confidence and raised the level of client know-how. This paved the way for grants and improved the quality of products and services, which in turn increased market competitiveness.

Breakdown by size as measured by turnover

The following chart represents the breakdown of the survey results according to client size (as measured by turnover) and their corresponding rankings of CSFs. The percentages denote the frequency that each CSF was ranked by respondents among their top five from all other factors driving growth as per annual turnover:



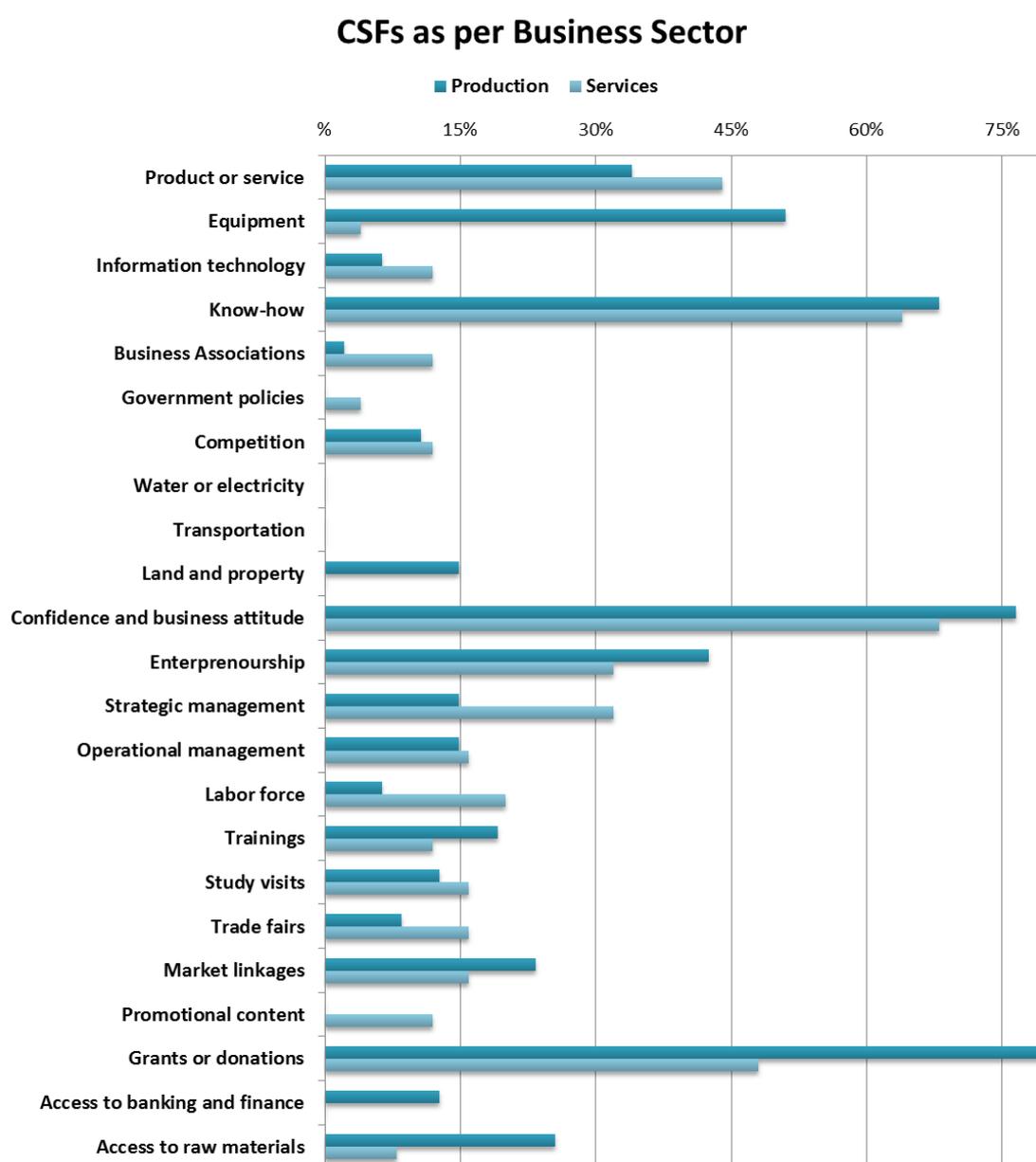
When comparing enterprises that have a turnover up to 50,000 euros, know-how ranks fourth among critical success factors, while KPEP clients with a reported turnover in the range of 200,000 to 500,000 euros, the higher growth companies, know-how ranks first.

Likewise, when growth eventually slows down as was the case with many clients with an annual turnover in excess of 500,000 euros know-how drops in importance as the business growth curve reaches a plateau and levels off.

For these larger, capital intensive companies know-how was viewed as a standardized element within their business structures, and they were less inclined to highlight it as a stand-alone, critical success factor.

Break down by business sector

The following chart represents the breakdown of the survey results according to client type (production or services) and their corresponding rankings of CSFs. The percentages denote the frequency that each CSF was ranked by respondents among their top five from all other factors driving growth as per business type:



The majority of production and services enterprises ranked confidence and business attitude among the top five success factors most frequently with only a marginal difference present

between the two business types. Likewise, other top five CSFs such as know-how and product or service were in essence equal in ranking among the two business types.

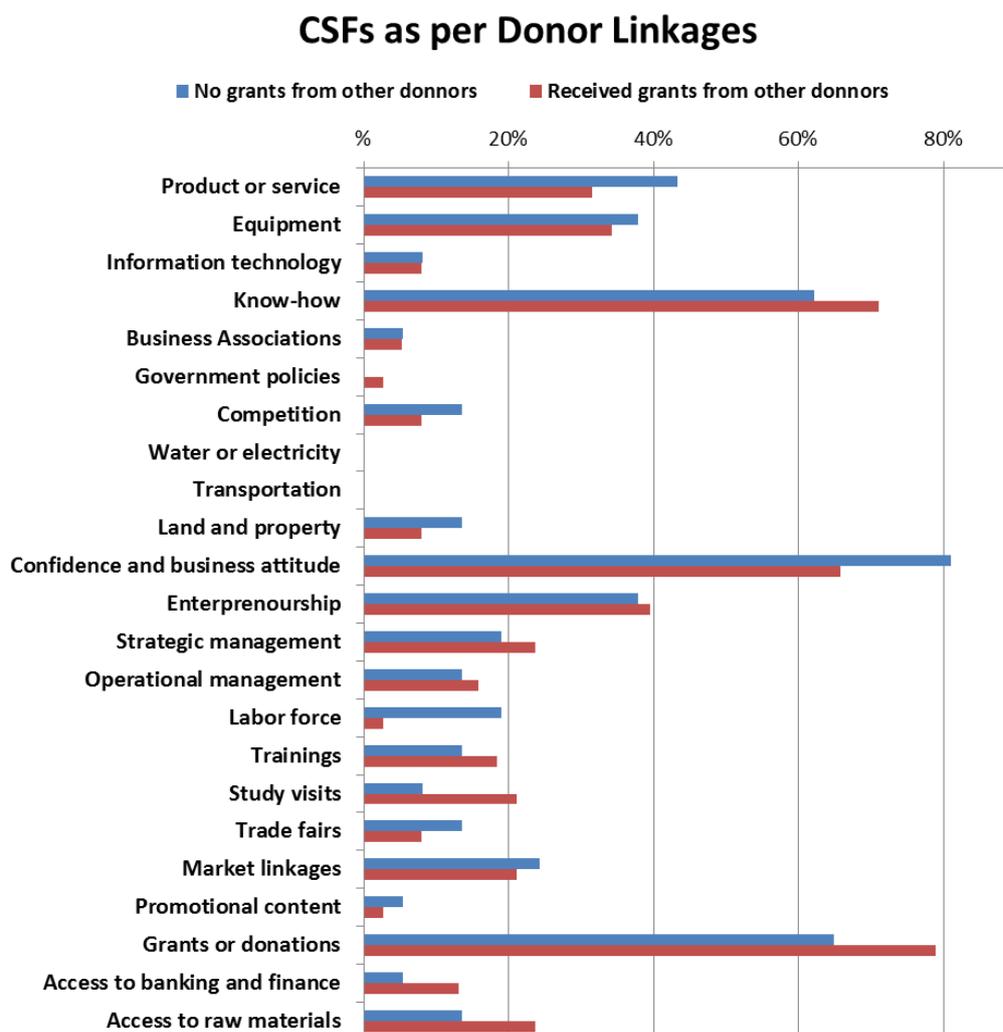
Significant variations in perception of CSFs among respondents are present in the categories of equipment and grants and donations where both are considerably more critical to producers and manufactures. Access to raw materials is also ranked high more frequently by this type of business.

Alternatively, labor force and strategic management are noted more often as critical to business success by service enterprises as opposed to production companies.

Mid-range factors such as products services and strategic management were also ranked high more often by service providers.

Breakdown by donor linkages

The following chart represents the breakdown of the survey results according to the presence of other donor programs that have supported the surveyed firms and their corresponding rankings of CSFs. The percentages denote the frequency that each CSF was ranked by respondents among their top five from all other factors driving growth as per donor linkages:



Overall the breakdown by donor linkages presents fewer significant variations in rankings among KPEP's clients than the analysis by annual turnover and by business type. Even so, businesses less dependent on grants and donations from other sources ranked confidence and business attitude a total of 15 percentage points higher as a top five CSFs with 81 percent frequency compared to KPEP's clients that reported having received grants from other sources with 66 percent frequency.

The converse of this is evident in the breakdown of grants and donations where respondents that reported having other donor linkages ranked grants and donations nearly 15 percent more frequently among their top five CSFs as compared to enterprises receiving support solely from KPEP. At the same time, nearly twice as many respondents where other donor linkages were present ranked access to banking and finance in the top five as opposed to clients without additional donor support.

Lastly, respondents that did not receive grants from other donors ranked production and services, equipment and market linkages among the top five with slightly higher frequency while study visits, training, strategic management and entrepreneurship were ranked higher by businesses reporting additional donor support.

Impediments and obstacles to growth

The two most significant factors that impede growth as ranked by the KPEP clients are electricity and government policies. Interruptions in electrical power supply continues to create serious issues for most KPEP clients and hampers growth through increased production costs resulting from the purchase of costly fuel for generators to supplement intermittent electrical power supply from the state provider. In addition several interviewees noted that they incurred large costs to replace or repair sensitive equipment that was damaged as a result of these frequent interruptions in power supply.

Many of the industrial manufacturers, including dairy producers highlight the challenges posed by volatile markets with fluctuating prices. This, they claim, is due to dumping of heavily subsidized products from the Euro zone that are sold at prices substantially below cost. In their opinion the government of Kosovo has allowed this to continue unabated to the detriment of their enterprises or has reacted too slowly put in place effective policies to halt this practice.

Several respondents cited the government's practice to levy imports of raw materials such as metal scrap and packaging materials in support of this category. They stated that businesses in neighboring countries, where they are not obliged to pay these import taxes, maintain a competitive advantage over their products. Even with the government's policy to partially reimburse some of these tax payments, many clients claimed that this process was slow and ineffective taking up to 15 months to complete in one reported case. Adding to their angst, many businesses claimed that the delay in reimbursement obliged them to extend payment on commercial bank loans at high rates of interest.

Notwithstanding this negative perception of government support, many of the respondents reported that they sought help directly from relevant government agencies. However, in the majority of these cases the businesses still await a response from the respective authority.

A distant third, banking and finance more often than not was ranked as an obstacle to growth. The universal complaints are the banks' high interest rates and inflexible lending terms yet many of the respondents noted this did not stop them from engaging these institutions. Some of the interviewees reported that in the absence of flexible lending terms they were able to take advantage of the banks overdraft policies in order to finance the requirements of their working capital. Other business noted that they borrowed money regardless of the interest rates and stated that their enterprises generated the capital to service these debts.

Although it was not included in the list of key factors affecting growth, meteorological conditions were cited by several agribusinesses as a potential obstacle highlighting the difficulties posed by unpredictable weather patterns. At the top of their list were recent drought conditions that limited production and severe thunderstorms that destroyed crops. With a lack of insurance and other mechanisms to mitigate the risk of crop failure, these businesses affirmed that this dilemma often impeded growth and had a negative impact on their debt service ratio.

Risks and drawbacks

Many of the non-profit trade associations and business support providers interviewed by the assessment team were highly people driven entities with the bulk of the expertise and know-how residing with the organization's respective directors. Interviews with these types of organizations revealed that this is mainly due to the short period of time in operation and to a lesser extent a limited access to funding. The result is a noticeable lack of institutionalized expertise that exposes these associations to the risk that a change in leadership may have a negative impact on the associations' capacity to continue to provide the same level of support and quality services to its members.

Survey Limitations

To more accurately examine the breakdown of the rankings of CSFs it would be advantageous to have surveyed a control group of similar business types to the assessment that were not beneficiaries of KPEP interventions. In the absence of a comparison group of businesses that experienced growth without grants and other types of donor assistance and an overview of their ranking of critical factors driving growth, it is not possible to fully assess the exact impact of KPEP's interventions.

In some instances it was too early for respondents to effectively measure or to determine the impact of KPEP's interventions. This was especially true of non-wood forest businesses many of whom recently received grants to expand the refrigeration capacity of their enterprise. Due to a number of unforeseen factors and delays, several of these businesses were unable to install the refrigerators in time for last year's harvest and will only utilize the new storage capacity in the coming year. Notwithstanding, these businesses ranked both grants and equipment high as critical success factors and were optimistic that the grants would pave the way to increased sales and profits.

Given the diversity of businesses surveyed and the limited sample size of KPEP's clients in some fields, the breakdown of the survey results by industry sector is not feasible. For example it would be difficult to compare data from construction, media and recycling firms, which collectively account for 4 percent of KPEP's clients to data gathered from agro business firms that make up 55 percent of KPEP's overall client list. This large discrepancy

in sample size limits this assessment to an overview of the key findings by business type as differentiated by production and service providers.

CONCLUSIONS

Confidence and know-how was a constant theme throughout the business and organization cycle of the vast majority of KPEP clients. The respondents confirmed that these two critical success factors climbed to the top of their respective rankings drawing on the positive impact from grants and donations received and to a lesser extent their entrepreneurship skills and selection of product and services. Confidence (business attitude) and know-how were further amplified by professional training, study visits and participation in trade fairs. Given the cross-cutting nature these critical success factors, the holistic approach of KPEP's interventions where grants were often paired with a study tour and mentoring proved effective and ideally suited for the clients' needs regardless of their business type or respective position in the business cycle.

As noted above confidence and business attitude among KPEP's clients is shaped in part by the mere association with the USAID trademark. It was self-evident during the interviews that the increased confidence that resulted from this partnership was sustained throughout the business cycle of the respondents well after the grants and other KPEP interventions were received, a fact which stands as an important added value of the program. Confidence is rated high as a critical factor for success, but as confirmed by many of the respondents confidence needs to be balanced with entrepreneurship and business skills. Here, professional training, trade fairs and study trips had a positive impact on both factors.

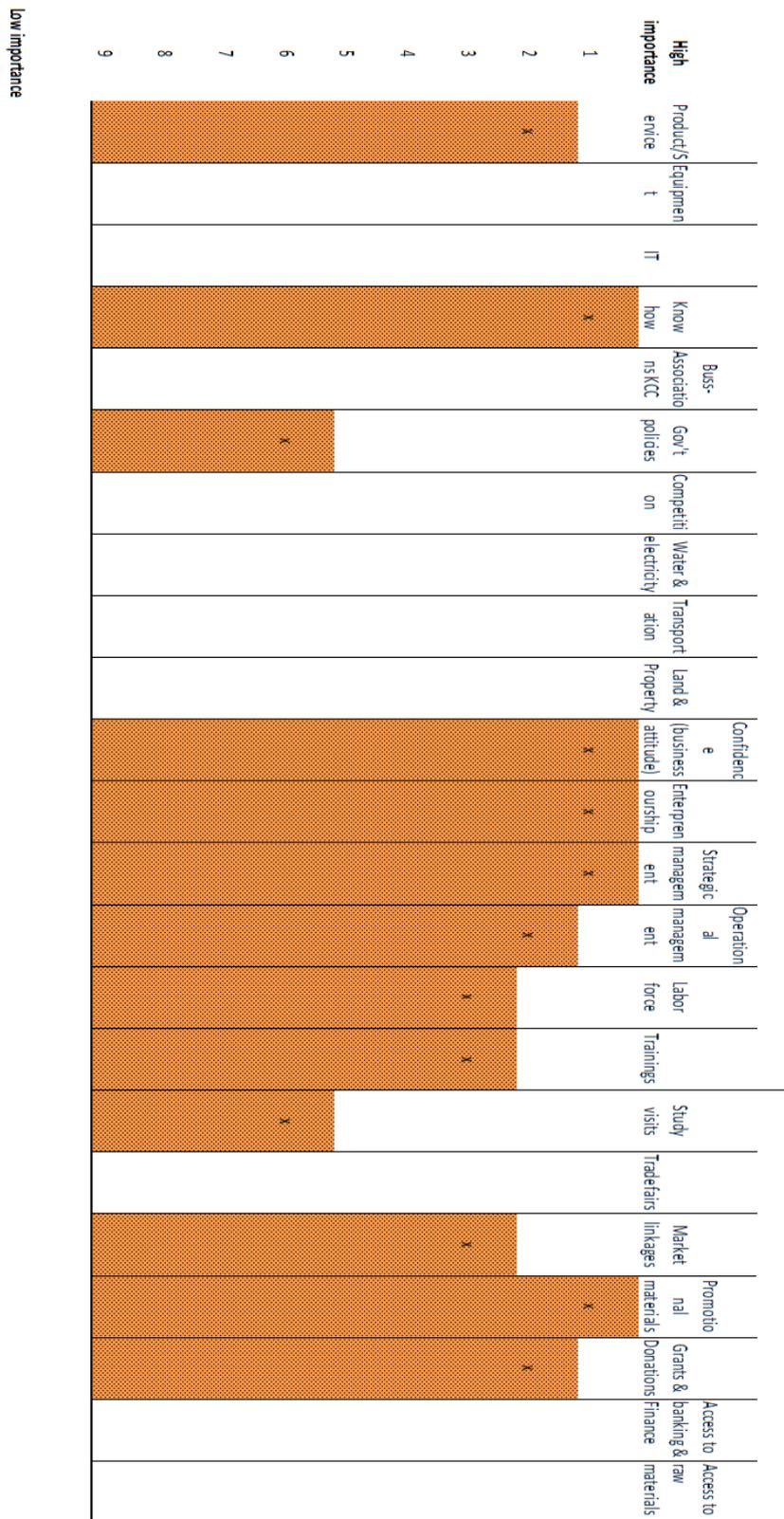
The majority of KPEP's clients rank grants and donations very high as critical to their success with little difference registered among different types of businesses (production or service). The comparison of grants and donations by other donor linkages, however, suggests a perception of expectancy on the part of the beneficiaries and a potential reliance on grants where a larger number of respondents that have other donor linkages ranked grants and donations as a top five CSF as compared to those clients who did not receive support from other donors. While grants and donations are widely perceived as a critical success factor by KPEP's clients, over dependency on grants and donations as a primary source of investment capital could prove detrimental to growth if donor support is no longer readily available in the future.

Electricity and government policies were reported as the two biggest impediments of business growth with few exceptions. Many of the respondents commented extensively on the latter, and collectively they support the notion that more could be done by government to promote growth and private sector competitiveness. At the fore of the discussion are effective agricultural policies to support agribusiness struggling to cope with unstable market prices, to pay import taxes on raw materials or that address the lack of access to insurance schemes to deal with crop failure. Given the consistency of feedback received from the respondents, a component that supports government policy development in any future project merits consideration.

Access to banking and finance was also noted by most respondents as an obstacle to growth due to high interest rates and inflexible lending terms. A future project designed to support private sector competitiveness in Kosovo could address this issue in part through a grant scheme that would provide contributions to cover interest payments on commercial bank loans. Such a program would increase the impact of grant funds by increasing private enterprise access to greater amounts of investment capital.

ANNEXES

Annex 1: Hard Copy view of Electronic Scoring Table



Annex 2:

List of KPEP clients Interviewed

1. RCAK
2. AFAs
3. BSC
4. KTEX
5. MDA
6. RROTA
7. STIKK
8. TEKFUZE
9. AGPAPER
10. AMCHAM
11. AWPK
12. BARUTI
13. CACTUS
14. CREATIVE IT
15. KATA
16. KBA
17. KDPA
18. KCC
19. TBM
20. Ranch
21. Besiana
22. DST
23. Greentech
24. LasPalmas
25. Brickos
26. Bylmeti
27. Cooperativa
28. Eurolona
29. Ferođa
30. Fruti
31. Fungokos
32. KABI
33. Pestova
34. Eurofruti
35. Natyra
36. Thesari
37. UBO Cosult
38. Vinex
39. WUS
40. MVM
41. SCARDUS
42. BIOPAK
43. Plastike Rogova
44. Agroprod Syne
45. ATI KOS
46. DPZ Fitimi
47. Fidanishtja Godan
48. Flores
49. Forestry Lean
50. Gacaferri
51. Hit Flores
52. Intercoop
53. Konsoni
54. NRS
55. Rizona
56. RUGOVA
57. Ruka Ruci
58. Vokrri Commerce
59. Agro Peti
60. Fungo FF
61. Kelmendi GMBH
62. Kooperativa Liria
63. Korenica
64. Magic Ice
65. Rugova Kooperativa
66. Swiss EU Medical
67. Yaprak
68. AS Promet
69. Aves Prom
70. Metal
71. Naja
72. Zoo Trejd
73. Antonije
74. SZTR Markovic
75. Zvecan Comerc

Annex 3:

Breakdown of Organizations by Industry

