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LIST OF ACRONYMS

ABA-CEELI	American Bar Association – Central European and Eurasian Law Institute
AEI	Agency for European Integration
AKA	Alliance for Kosovo Agribusiness
AKTA	Association of Kosovo Tourist Agencies
AUK	American University in Kosovo
BEE	Business Enabling Environment
AWPK	Associations of Wood Processors in Kosovo
Biz-CLIR	Business Climate, Legal and Institutional Reform
BSP	Business Service Providers
BSS	Business Support Services
CAGR	Compound Annual Growth Rate
CCMI	Center for Communications Management Information
CEFTA	Central European Free Trade Agreement
CEE	Central and Eastern Europe
CMT	Cut-Make-Trim
CMC	Certified Management Consultant
CV	Curriculum Vitae
DAG	Donor Assistance Group
DCED	Donor Committee for Enterprise Development
DFID	Department for International Development
EAR	European Agency for Reconstruction
EBRD	European Bank for Reconstruction and Development
EE	Energy Efficiency
EU	European Union
EU NACE	European Union - Nomenclature ŀconomiques Communauts Europennes
EC	European Commission
ERO	Energy Regulatory Office
ERP	Enterprise Resource Planning
FAO	Food and Agriculture Organization
FYROM	Former Yugoslavia Republic of Macedonia
FDI	Foreign Direct Investment
GAP	Gap Analysis Program
GDA	Global Development Alliance
GDP	Gross Domestic Product
GoK	Government of Kosovo
GTZ	German Society for Technical Cooperation
GWh/year	Gig watts/hours of electrical power per year
HACCP	Hazard Analysis Critical Control Point
HR	Human Resources
IATA	International Air Transport Association
ICT	Information and Communication Technology
ICO	International Civilian Office

IDC	International Data Corporation
ISO	International Organization for Standardization
IPAK	Investment Promotion Agency of Kosovo
IT	Information Technology
IPR	Intellectual Property Rights
KCBS	Kosovo Cluster Business Support
KOTAS	Kosovo Tourist Association
KPEP	Kosovo Private Enterprise Program
KEK	Kosovo Energy Corporation
MAFRD	Ministry of Agriculture, Forestry and Rural Development
MEA	Middle East and Africa
MEM	Ministry of Energy and Mining
MTI	Ministry of Trade and Industry
MIS	Management Information Systems
MPA	Metal Producers Association
MoU	Memorandum of Understanding
NAAC	National Albanian-American Council
NGO	Non-Governmental Organization
OECD	Organization for Economic Co-Operation Development
OJT	On-the-Job Training
PET	Poly Ethylene Therephthalate
PETCORE	Polyethylene Terephthalate Container Recycling Europe
PMI	Project Management Institute
PPP	Public-Private Partnership
PSD	Private Sector Development
PTK	Post and Telecommunication in Kosovo
RE	Renewable Energy
ROI	Return on Investment
RIINVEST	RIINVEST Institute
SAF	Strategic Activities Fund
SOE	Socially-Owned Enterprises
SWOT	Strengths, Weaknesses, Opportunities, Threats
SIDA	Swedish International Development Agency
SME	Small and Medium Enterprise
STTA	Short-Term Technical Assistance
TAK	Tax Administration of Kosovo
TAM/BAS	Turn Around Management / Business Advisory Service
TPA	Tons per annum
TRA	Telecommunications Regulatory Authority
UBO	UBO Consulting
UK	United Kingdom
UN	United Nations
UNMIK	United Nations Interim Administration Mission in Kosovo
UNWTO	United Nations World Tourism Organization

USA	United States of America
USAID	United States Agency for International Development
USG	United States Government
VAT	Valued added tax

1. INTRODUCTION

In September 2008, the United States Agency for International Development (USAID) launched the US\$ 17.8 million, four-year Kosovo Private Enterprise Program (KPEP). The objective of the Program is to stimulate private sector competitiveness of Kosovo's economy. The program will focus on four sub-objectives: (1) private sector development in targeted sectors, (2) robust business support services, (3) an improved business enabling environment; and, (4) workforce development activities.

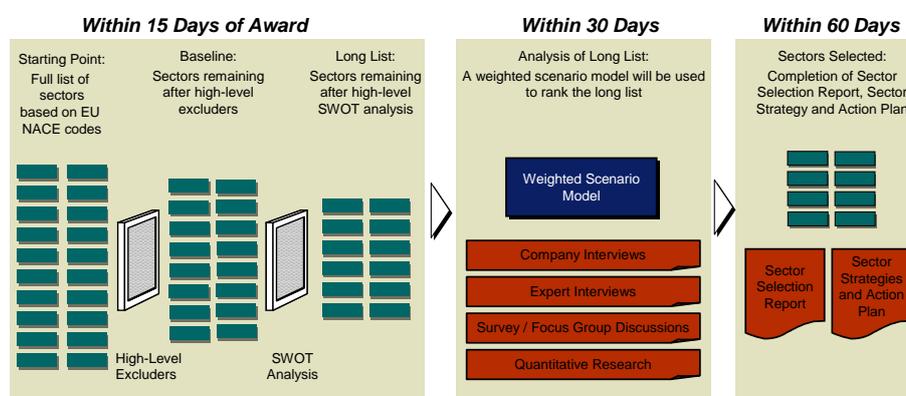
The Program will improve the competitiveness of selected sectors for which there is high growth potential. Within targeted sectors, the Program will promote improved quality and efficiency of locally produced goods and services, with the expectation of expanding employment for all of Kosovo's citizens including youth and minorities, reducing Kosovo's massive trade imbalance, and furthering Kosovo's integration into the Balkans and beyond. It will likewise identify end-market opportunities, emphasize development of local and regional capacity to promote competitiveness, and set the stage for sustainability of the private sector and gradual reduction of external assistance.

In addition, the Program will manage a US\$ 3.7 million Strategic Activities Fund (SAF) to support strategic investments by counterpart organizations, including the private sector, non-governmental organizations (NGOs), educational institutions and government entities to advance the objectives above. The Program is being implemented by Booz Allen Hamilton, a global technology and strategy consulting firm based in the USA, with significant experience implementing competitiveness projects in the Balkans region.

1.1 Sector Selection Methodology

The first step of KPEP was to identify priority sectors on which the Program will focus during the first year and most likely, the following three years. Agriculture and Construction were pre-selected as part of the KPEP Task Order, and the goal was to identify new sectors which KPEP will support. Immediately upon award of the contract, the Sector Selection Team implemented a three-phased approach towards sector selection. The Sector Selection Report which details the sector selection process and analysis was submitted as a separate document to the USAID/Kosovo Mission.

Figure 1. Sector Selection Methodology



Phase One: Within 15 days of contract award, the team came up with a Long List of Sectors. The starting point was the universe of sectors based on the most recent listing from the EU NACE codes. We applied high-level excluders and conducted a high-level strengths, weaknesses, opportunities and threat (SWOT) analysis to help us eliminate sectors and arrive at the Long List.

Phase Two: The team developed a Weighted Scenario Model that was used to evaluate each sector’s ability to contribute to five return on investment (ROI) or quantitative goals and 10 development or qualitative goals which were jointly identified and ranked by the KPEP Team and the USAID/Kosovo Mission. In addition, a results confidence level was applied to each sector to assess the ability of the Program to achieve reasonable success within the Program timeframe.

Phase Three: Once the sectors were selected, the team developed an assessment of opportunities and constraints, high-level sector strategies and one-year action plans for the priority sectors. The sector assessment, sector strategies and action plans are the focus of this report.

1.2 Framework for Sectors Selected

The team recognized that sector selection will be a continuous process dependent on progress and milestones achieved (or not achieved) during the first year. Therefore, its approach towards sector selection allows the Program to have flexibility and operational mobility based on the circumstances and information at hand.

Based on the Weighted Scenario Model scoring, the team short-listed 10 sectors which were then placed in one of three categories, each representing a different approach.

Figure 2. Framework for Sectors Selected

Informational	Transactional	Transformational	Pre-Selected
Fishing and Aquaculture	Information and Communication Technology		Agriculture
Apparel and Leather	Forestry and Wood products		Construction
Printing and Media	Recycling		
Energy Efficiency	Tourism		
	Fabricated Metals and Auto Parts		
	Decorative Stones		

The categorization of a sector as Informational, Transactional or Transformational identifies KPEP’s intended approach during the first year of implementation. For sectors that are categorized as Informational, the approach and objective is to gather more information and monitor developments in the sector to determine if there are unique opportunities that warrant project support. Limited Program resources will be devoted to this tracking, and the Project Team will provide USAID/Kosovo with periodic reports based on additional information gathered. Informational sectors include Fishing and Aquaculture, Textiles Apparel and Leather, Printing and Recorded Media, and Energy Efficiency.

On the other hand, the approach towards Transactional sectors is to focus on discrete initiatives that will help the sector increase sales, exports, and/or employment, attract foreign direct investment (FDI), or move up the value chain. Moderate Program resources that are targeted, specific and

results-driven will be allocated towards these sectors in the first year. Transactional sectors include Tourism, Recycling, Fabricated Metals and Auto Parts, and Decorative Stones.

Finally, the approach towards Transformational sectors is to undertake activities in the sector that best support the goal of achieving transformational changes within these sectors during the life of the Program. While achieving discrete ROI impact is important, only through implementation of activities related to policy advocacy, workforce development and training, business support services or association strengthening among others can the sector be transformed. Significant resources across the four components will be most directed to these sectors: Forestry and Wood Products, and Information and Communication Technology (ICT).

By being discriminating in Program attention and resources, the team can achieve maximum yet realistic impact in the first year. In addition, an evaluation of first year results and milestones will allow the team to evaluate the categorization of sectors and consider the movement of sectors among categories. For example, should substantial results be achieved in a Transactional sector, the team may consider elevating this to a Transformational sector for the second year and vice versa.

1.3 A Note on Data Sources

As mentioned in the Sector Selection Methodology, the Sector Selection Team used multiple data points to obtain the most representative picture of the current state of the sector within a very limited timeframe. This approach allowed us to gain the best possible understanding of the macro picture and micro realities of the sectors. Detailed listing of data sources is contained in the Annex.

1. *Sector Reports and Literature.* We obtained publicly available reports, studies and general literature on specific sectors. These include industry studies conducted by the Government of Kosovo (GoK), other donor and multilateral agencies, previous USAID projects; news articles; and company brochures.
2. *One-on-One Company Interviews.* The Sector Selection Team conducted 35 one-on-one company interviews across the country, in Pristina and the regions including Gjilan, Ferizaj, Peja, Istog, Prizren and others using a detailed standardized questionnaire.
3. *Expert Interviews.* The Team likewise conducted 14 interviews with experts which includes industry specialists, other donors, government officials among others.
4. *Company Survey.* The Sector Selection Team partnered with Riinvest Institute which conducted a survey of 600 companies across the full range of sectors in May 2008. The results of the survey for nine sectors were referenced by the team. These sectors include: Textiles Apparel and Leather, Wood Products Paper Products and Furniture, Other Non-Metallic Minerals (Decorative Stone), Tourism, Printing and Reproduction of Media, Base Metals Fabricated Metals and Auto Parts. In addition, results were likewise shared for the following three sectors which were ultimately dropped or re-aligned during the sector selection process: Manufacture of Food and Beverages, Wholesale and Retail Trade, and Transportation and Storage.
5. *Focus Group Discussion.* In addition, Riinvest Institute conducted Focus Group Discussions for five sectors for which survey results were either lacking or limited. These sectors include: Forestry and Wood Products, ICT, Recycling, Textiles Apparel and Leather, and Printing and Media.

6. *Official Economic Data.* The Team partnered with UBO Consulting to obtain official economic data on the sectors under evaluation. UBO Consulting obtained these statistics from the GoK, specifically the Tax Administration of Kosovo, Statistical Office of Kosovo, Ministry of Trade and Industry, Central Bank of Kosovo and the Ministry of Education, Science and Technology.

We remain fully cognizant of the limitations in the quality and reliability of official statistical data from the Government of Kosovo, and based on our internal research have frequently recognized discrepancies and inconsistencies. Yet, we present the data submitted by UBO in each of the sector write-ups, mindful that the sectoral discussion may not be fully consistent with the data. These statistics are not meant to provide a fully accurate picture of the state of the sector in Kosovo, but rather can serve as a useful benchmark against which to rank other sectors with each other.

1.4 Common Themes and Lessons Learned

Based on our research and analysis undertaken as part of the sector selection process, a number of common themes and lessons learned emerged. These observations help provide background and context and also identify issues that extend well beyond the scope of the current project. By virtue of its history, geography, and political status, Kosovo presents a unique development challenge.

Kosovo is at the same time post-communist, post-Yugoslav, and post-conflict. For almost 10 years it was a ward of the international community. Newly independent, it is still struggling to gain international recognition. It is a small, poor, landlocked country. Paul Collier in, *The Bottom Billion*, identifies several poverty traps which include: nations emerging from conflict, landlocked countries with bad neighbors, small countries with bad governance, and countries dependent on natural resource wealth. Kosovo is at risk regarding at least three out of the four.

We highlight the following themes and issues as particularly relevant to the project; they cannot be prioritized easily because of their interrelatedness and thus are presented in no special order.

Weak Legal and Regulatory Structure. An incredible number of new laws are on the books, often drafted by international advisors. The laws often contradict each other, international norms, and have not been tailored to fit local circumstances. Administrative provisions are frequently absent, and government implementation is weak or lacking altogether.

Weak Government Capacity. From the perspective of the business community the government does not evidence an understanding of the needs of the private sector and there are few opportunities for productive dialogue. The new government also appears at times overwhelmed by its responsibilities.

Donor Dependency. The country is still highly dependent on the donor community financially and institutionally. International experts perform many inherently governmental duties. There is also a recognized lack of coordination among donors.

Large Informal Sector. The size of the informal sector is huge. A consistent complaint across all sectors is the unfair competition posed by firms and individuals that do not pay taxes, duties, or meet other legal requirements.

Poor or Non-existent Economic Data. As noted above, the lack of reliable data was a significant constraint in researching and understanding the economic potential of different sectors. Government policy makers and donors alike are also handicapped by poor data.

Poor Infrastructure. The lack of reliable electricity and poor transportation infrastructure are also frequently cited as major barriers to growth.

Corruption. Corruption is perceived to be widespread and is frequently cited as a significant barrier to business growth. The Kosovar culture of avoiding rules includes non-payment of utility bills and taxes.

Human Capital. From about 1989-1999, Kosovars abandoned the public education system and set up an informal one of uneven quality based on voluntary financial contributions. The current system may be an improvement, but it is not geared to meet the needs of the private sector. The situation with respect to human capital is exacerbated by an internal brain drain, less to the developed world than to international organizations in Kosovo that hire the best and brightest away from government, academic institutions, and industry.

Trade Policy. Kosovo has not been able to represent its interests in international trade. There is a wide perception and much anecdotal evidence that its neighbors follow highly protectionist policies, regardless of agreements such as the Central European Free Trade Agreement (CEFTA), and routinely engage in dumping. There are significant non-tariff barriers to trade that have not been well studied. Kosovo is not a member of the United Nations World Trade Organization (UNWTO).

Land Issues. Land and property rights are unclear. The cadastral records were taken to Serbia. This makes it difficult to pledge land as collateral or enter into agreements with potential international investors.

Despite these many constraints, a number of firms *are* investing, hiring, growing, and exporting successfully. In addition, Kosovo has attracted respectable amounts of FDI. The key to the KPEP project will be to better understand these success stories and to leverage this knowledge to increase the size and number of firms that are able to successfully compete in the current environment. At the same time, the project will seek to contribute to resolving specific issues on a sectoral basis while working in concert with other projects and other donors to address cross-cutting issues that hurt the competitiveness of businesses in Kosovo.

1.5 Roadmap of the Report

The rest of the document will be a discussion of each sector, beginning with our assessment of the opportunities and constraints followed by a presentation of our proposed high-level strategy and first-year action plan. The next section (Section 2) will present the Informational sectors. Section 3 will present the Transactional sectors while Section 4 will present the Transformational sectors. The final section (Section 5) will be a discussion of the three cross-cutting components of KPEP: Business Environment, Business Support Services and Workforce Development. The Annex contains details about our sources of data and the sectoral activities used for the official data.

2. INFORMATIONAL SECTORS

This section discusses the ‘Informational Sectors’ for the first year of the KPEP Project, particularly Fishing and Aquaculture, Textiles Apparel and Leather, Printing and Recorded Media, and Energy Efficiency. The approach towards Informational Sectors is to gather more information and monitor developments in the sector. Limited project resources will be devoted to these sectors and the Project Team will provide USAID with periodic reporting based on additional research.

2.1 FISHING AND AQUACULTURE

Sector Definition. The Fishing and Aquaculture sector includes marine fishing, freshwater fishing, marine aquaculture and freshwater aquaculture as defined in the EU NACE code. As a landlocked country, Kosovo has limited opportunities for marine fishing; however, there is some level of activity in aquaculture.

2.1.1 Sector Opportunities

Global and Regional Trends. The import and export of fish worldwide has been growing at an average rate of 10% (Compound Annual Growth Rate (CAGR) from 2002-2007). The leading importers are the United States and Japan, each comprising approximately 15% of total world imports. On the other hand, leading exporters of fish include Norway, China and the United States with 8%, 7% and 6% share of total world exports respectively. In the Balkans, fish consumption is relatively quite low. In the EU, fish consumption is about 26.2 kg/person compared to 4 kg/person in Albania, 2.9 kg/person in Bosnia/Herzegovina and 2.3 kg/person in Serbia/Montenegro. Fish consumption in Kosovo is the lowest in the region at 0.8 kg/person but gradually increasing as a result of awareness campaigns implemented in recent years.

Kosovo Sector Profile. In Kosovo, the culture of eating fish is not well established. Fish consumption is about 1% of total consumption of food and beverages from 2003 to 2006 (Living Standard Statistics 2006). Fish farming in Kosovo started in the 1960s and reached a maximum capacity of 80 hectares, mostly raising carp. Before the war, fish production was between 400 tons per annum (tpa) to 600 tpa. Fish production was suspended for some time and has recently been activated. Today, the industry is led by *Trofta* (the largest fish farm) which produces up to 300 metric tons per year, which is about 60% of current total fish production in the country. It can increase its capacity to 450 metric tons but will require investment of up to € 1.2 million. Many other small hatcheries are open in other parts of Dukagjini region, mostly in and/or near cities such as Peja and Prizren, among others. About 10 restaurants in the suburb of Prizren, close to the Albanian border, serve fresh fish; two of them have small hatcheries at limited production capacities. Trout (Californian) is the most common fish in Kosovo.

Table 1. Snapshot of the Kosovo Fishing and Aquaculture Sector

Indicator	Data	Source
Total Turnover (2007)	€ 1.2 million	UBO
% Contribution to GDP (2007)	0.08 %	UBO
CAGR (2004-2007)	(35 %)	Firm calculations
Total Number of Registered Enterprises (2007)	3 or 21 fish farms	UBO, KFA
Total Number of Employees (2007)	6 or 320	UBO, SME Report

Average Number of Employees Per Firm	No data	
Average Wage (2007)	€ 469	UBO
Average Labor Productivity	No data	
Average Turnover Per Company	€ 391,029	UBO
Profitability as a % of Sales	28%	Interviews

Source: UBO Consulting, RIINVEST Institute and Kosovo Fishing Association (KFA)

The few leading companies have plans of expanding their business. For example, *Trofta* is investing in another factory for processing and packaging of fish in several formats which includes more fish types. *Mifabeli* fish farm in Prizren recently bought about 300,000 Californian trout eggs from the USA. The owner invested about € 120,000 in a hatchery and is now producing about 20 tpa and is planning to increase this to 60 in 2009. Fish feed is entirely imported, mainly from Denmark and France.

Summary. The fishing and aquaculture sector in Kosovo is presently very small. Production is unable to meet domestic demand making exports from the sector very minimal. However, there is some potential to explore new production sites as there are rivers with reasonable water volumes that meet the criteria for trout farming. In addition, there is opportunity to export to neighboring countries, particularly Albania as Albanian trout has a virus and is prohibited by law to be served. Some companies have some plans to expand into higher value-added activities such as fish processing and packaging and other donors (i.e., GTZ) have been supporting the leading players in the sector.

2.1.2 Sector Constraints

The major constraint facing the sector is the lack of a ‘fish culture’ in Kosovo. Kosovars regard eating fish as an ‘occasional meal’. This is evident in the low rate of fish consumption in Kosovo relative to other countries in the region. Low domestic demand is coupled with a low production capacity in the sector. The leading companies have the potential to increase capacity but require much-needed financing which is difficult to obtain due to the high cost of finance. There are two Fish Production Associations and the relationship and level of inter-action between them is not known. GTZ helped create one of the Associations and has since been actively helping its members through technical assistance and marketing among others. There is general difficulty in finding qualified staff as there is very little history and culture of fishing in Kosovo. Finally, there is no policy or legislative framework - , such as environmental legislation, consumer protection, disease legislation - governing the aquaculture sector leaving the sector and its consumers vulnerable.

2.1.3 Sector Strategy

We will keep the fishing and aquaculture sector as an ‘Informational’ sector at this time. Given GTZ’s activity in this sector, we will collaborate closely with GTZ to see if there are remaining complementary areas to support. We will monitor developments in the sector, not only among the larger firms but also among the smaller firms with limited production capacity to see if there are targeted areas of assistance that will warrant project support based on significant ROI potential. Some areas for intervention can include: improving production efficiencies of existing farms, helping explore new production sites, assisting existing companies obtain an International Organization for Standardization (ISO) certification to allow them to engage in more value-added activities. In addition, we will see if there are synergies with the tourism sector. In other countries in the region the areas around the trout farms have been developed as a tourist destination with restaurants and hotels. An awareness campaign to encourage Kosovars to consume more fish will only be meaningful if the local sector has the capacity to meet such increased demand.

2.1.4 Action Plan

By the end of the first year, we will provide USAID with a report on our findings on the fishing and aquaculture sector to see if targeted opportunities have come up. In addition, we will make a recommendation on whether to retain the sector or to focus project resources on sectors that can generate more transactional and transformational results.

2.2 TEXTILES, APPAREL AND LEATHER

Sector Definition. The Textiles, Apparel and Leather sector includes the manufacture of textiles, the manufacture of wearing apparel and the manufacture of leather and related products as defined according to the EU NACE code.

2.2.1 Sector Opportunities

Global and Regional Trends. Increased competition among clothing retailers, lower prices, and lower profit margins are the most dominant trends in the apparel industry. Furthermore, the apparel industry faces increasing competition from retailers of other consumer goods. Consumers are increasingly devoting a greater share of their expenditure to non-apparel goods. “Fast fashion” is the recent phenomenon in the apparel industry reducing the entire fashion cycle to as little 22-30 days and therefore, tightening the supply chain and reducing the transport time. According to an Organization for Economic Co-operation and Development (OECD) study on the Western Balkans, exports of apparel products were € 1.4 billion in 2006. Apparel is one of the largest exports in the Western Balkans, representing 7% of the total exports in 2006. Italy and Germany are by far the largest importers of apparel products, representing 70% of total Western Balkans trade.

Table 2. Top Destinations for Western Balkans Apparel Exports, 2002-2006

(€ million)	2000	2001	2002	2003	2004	2005	2006	CAGR
Italy	213	271	323	363	395	458	515	15.9%
Germany	428	438	382	396	385	436	490	2.3%
Greece	57	70	85	101	121	118	111	11.7%

Source: OECD, 2008

According to the OECD study, when factoring in the shipping costs, it is cheaper to produce clothing in the Western Balkans than in more remote countries with lower labor costs. The Western Balkans can produce apparel for the EU market on average 22.3% cheaper than Chinese firms. This cost advantage bodes especially well for the region’s firms who target the “Fast Fashion” industry. Despite the size of the apparel industry in the region, it does not appear to attract much FDI. According to OECD, the Western Balkan countries received only €60 million of FDI in 2004, representing only 1.78% of total FDI in the region.

Kosovo Sector Profile. According to Investing in Kosovo 2008 publication, there are about 451 private companies which is close to the UBO data of 477, of which 90% are final product manufacturers and SMEs that cater solely to the local market. The apparel industry used to be second largest industrial sector, after mining. At its peak in 1990, each of the 15 Socially Owned Enterprises (SOEs) employed more than 1,000 and sales totaled €35 million. Currently, according to statistics gathered by UBO Consulting from the Tax Administration of Kosovo, total turnover for the sector was €13.6 million in 2007, which is a significant decrease from €20 million in 2004. Furthermore, based on Riinvest survey results, 60% reported that they were worse off than in the previous year, 2007.

Unlike other companies in the Western Balkans, Kosovo companies cater primarily to the domestic market. According to the OECD study, total exports of textiles from Kosovo amounted only to €1.2 million, or 0.7% of the total exports while data from UBO Consulting indicated total exports of €7.7 million. From the five companies surveyed by Riinvest, only one company reported exports to

Macedonia, comprising less than 5% of its total sales. As to imports, three companies reported importing US\$30,000 each worth of fabric and supplies from Turkey. Furthermore, the surveyed companies relied primarily on self finance as the major source of investment. The apparel industry is a traditional employer of women and minorities, approximately 70% of the employees are women and 40% of companies are located in Gijlan, Kosovo.

Table 3. Snapshot of the Kosovo Textiles, Apparel and Leather Sector

Indicator	Data	Source
Total Turnover (2007)	€ 13 million	UBO
% Contribution to GDP (2007)	0.91 %	UBO
CAGR (2004-2007)	(- 9.68 %)	Firm calculations
Total Number of Registered Enterprises (2007)	477	UBO
Total Number of Employees (2007)	4,024	UBO
Average Number of Employees Per Firm	42	Riinvest
Average Wage	€ 190 - € 163	UBO and Riinvest
Average Labor Productivity	€ 261	Riinvest
Average Turnover Per Company	€ 11,000 - € 89,627	Riinvest and UBO
Profitability as a % of Sales	14 %	Riinvest

Source: UBO Consulting and RIINVEST Institute

2.2.2 Sector Constraints

Several firms surveyed have difficulty finding labor because the wages offered are low, approximately €163 per month based on the Riinvest survey. However, two other companies reported no problem hiring new employees since the required skills set is minimal and given the fact that Kosovo used to have a large workforce employed in this sector. Furthermore, high taxes, energy supply, lack of demand, and corruption were cited as the major obstacles for the apparel businesses.

2.2.3 Sector Strategy

Given the competitive landscape for the textile industry worldwide and the fact the apparel industry is well-developed in the neighboring Balkan countries, the textiles, apparel and leather sector may not necessarily be a sustainable sector to support in the short-term. We will keep the sector as 'Informational' given the history of Kosovo in the sector. Hence, we will gather more information and monitor developments in the sector, to see if there are specific transactional areas that the project can support. In particular, we will explore opportunities with companies working in higher-value production (versus the lower wage Cut-Make or Cut-Make-Trim (CMT) segment) since this is more sustainable. CMT is the lowest value element in the apparel value chain, and competition from imports from Asia and other countries in the region undermines Kosovo's ability to compete internationally. Hence, if we are able to identify high-end designers, we may consider supporting such a segment recognizing that the impact on the sector and on the economy as a whole may be minimal. In addition, we may consider opportunities to support local companies that can serve the 'Fast Fashion' companies in the EU should they arise.

2.2.4 Action Plan

By the end of the first year, we will provide USAID with a report on our findings on the apparel sector to see if specific opportunities have come up. In addition, we will make a recommendation on whether to retain the sector or to focus on sectors that can generate more transactional and transformational results.

2.3 PRINTING AND RECORDED MEDIA

Sector Definition. Printing and Recorded Media follows the EU NACE industry classification and includes the following activities: printing of newspapers, other printing, pre-press and pre-media services, binding and related services and reproduction of recorded media.

2.3.1 Sector Opportunities

Global and Regional Trends. The Printing and Media sector is generally dependent on the overall growth and development of the economy and is particularly dependent on the growth of specific sectors (e.g., food, beverages and other consumer products, tourism and printing houses). In a world of increasing technological change and consumer choice, the printing and media industry is at the forefront of innovation to meet customer needs. Printed communication may still be a preferred form of communication but now exists with other competing forms of media and communication. In addition, the printing industry is becoming part of a wider ‘communication sector’, complementing printing with other ‘added value services’. Printing companies realize that they must strive for innovation in order to ensure long-term competitiveness of the sector. In the EU, the level of investments in modern technology is about 7% of the sector’s turnover. The printing industry is characterized by significant investment intensity and the need for highly qualified workforce.

In Europe, a European printing company guarantees its customers not only with superior product quality but also ensures that the highest standards – with respect to raw materials, processes of printing, recovery and recycling of waste paper as well as relations with customers and with employees – required by European and national legislation are met. Sustainability is a primary principle within the entire EU printing industry.

Kosovo Sector Profile. In Kosovo, according to official statistics, the printing and recorded media sector’s turnover in 2007 of € 13 million was largely driven by the publishing of newspapers (€3.6 million) and the reproduction of sound recording (€ 1.8 million). Between 2004 and 2007, the sector experienced negative growth. This was confirmed by the focus group discussion held on the printing sector where of the 10 participants, a majority experienced no change or a negative growth in their business. Companies noted that ‘I work only to cover expenditures’ or ‘I operate from month-to-month, and I haven’t had any remarkable progress in the last two years’.

Table 4. Snapshot of the Kosovo Printing and Recorded Media Sector

Indicator	Data	Source
Total Turnover (2007)	€ 13 million	UBO
% Contribution to GDP (2007)	0.87 %	UBO
CAGR (2004-2007)	(-12.46 %)	Firm calculations
Total Number of Registered Enterprises (2007)	107	UBO
Total Number of Employees (2007)	1,771	UBO
Average Number of Employees Per Firm	25.6	Riinvest
Average Wage	€ 1,418 - € 293	UBO and Riinvest
Average Labor Productivity	€ 471	Riinvest
Average Turnover Per Company	€ 12,500 - € 122,753	Riinvest and UBO
Profitability as a % of Sales	5.1 %	Riinvest

Source: UBO Consulting and RIINVEST Institute

In addition, most firms participating in the focus group discussion noted outdated technology (that of the late 70s or 80s) which undermine their capacity for any significant development. 'Having in mind the very old technology that we use, we are very far behind'. Most companies did not have a business plan or business strategy because as they claim 'under this market circumstances, it's impossible to abide by the business plan'.

Summary. The Printing and Recorded Media sector has mixed prospects. The realization of economic growth will necessitate the growth of the sector. However, until such growth is fully realized, the sector will be driven by the larger publishing firms and media houses leaving the SME printing and media companies with mixed prospects for growth. Moreover, investment in up-to-date modern technology is necessary to be truly competitive in this sector and this type of financing tends to be costly or simply unavailable.

2.3.2 Sector Constraints

The major constraint facing the industry is the lack of updated technology and equipment and the need for financing to invest in modern technology. In the focus group discussion conducted, participants noted the following key constraints: access to favorable credit to enable companies to invest in new technology and equipment, cost and supply of energy which inhibits the production processes required by the sector, informal economy, fiscal evasion, corruption, unfair customs and excise taxes, and VAT reimbursement.

In addition, participants had expressed the following possible areas for assistance: cooperation with foreign companies (expanding the market, technology and knowledge transfer), general training, management training, specific training for servicing and maintenance of the technology and assistance in developing a business plan or business strategy.

2.3.3 Sector Strategy

The strategy is to gather more information and monitor developments in the sector to see if there are sub-sectors from Printing and Recorded Media worth supporting with targeted technical assistance.

2.3.4 Action Plan

By the end of the first year, we will provide USAID with a report on our findings on the printing and media sector to see if specific opportunities have come up. Moreover, we will make a recommendation on whether to retain the sector or to focus on sectors that can generate more transactional and transformational results.

2.4 ENERGY EFFICIENCY

Sector Definition. The energy efficiency sector, for the purpose of this report, consists of renewable energy to include solar, bio-fuels, wind, hydro and geothermal among others as well as energy efficiency which would include programs to optimize the use of energy (e.g., energy efficiency standards for appliances and equipment).

2.4.1 Sector Opportunities

Global and Regional Trends. Fluctuating fuel prices and environmental concerns have made the case for renewable energy and energy efficiency globally. Studies indicate that the global bio-diesel market will grow by 30% between 2005 and 2010 with solar, bio-fuels and wind as the most attractive investment opportunities in the short-term. In addition, energy efficiency will help stretch energy resources and reduce the emission of carbons globally. A McKinsey & Company study indicates that energy efficiency can create opportunities for business and consumers to invest \$170 billion a year until 2020, at 17% average internal rate of return, if policy imperfections, market failures and information gaps are addressed.

Kosovo Sector Profile. In Kosovo, the energy sector is in a critical situation. Once a net exporter of electricity given its extensive reserves of lignite, Kosovo is unable to meet present and future domestic demand for energy. Existing electricity production has suffered from years of underinvestment, there is no reserve capacity, and power outages are frequent. This was exacerbated by the leniency in bill collection after the war which led to problems in collecting and law enforcement, *a problem that continues to the present day.*

The Law on Energy, 2004/8, Article 10, provides the framework for the implementation of energy efficiency (EE) and renewable energy (RE) in Kosovo. This is in compliance with the Energy Community Treaty to which Kosovo is a signatory. In 2006, the Ministry of Energy and Mining (MEM) drafted the Kosovo Program for Energy Efficiency and Renewable Energy Resources (2007-2009). Six different activities were identified: (1) Public services sector covering government buildings, schools and hospitals; (2) Residential sector perceived to be the highest users of energy; (3) Industry, transport and agriculture as the three major sectors; (4) Renewable energy potential; (5) Education, training and publicity to begin the necessary culture change; and (6) Electricity power to explore the potential for energy efficiency in power generation. Although comprehensive, it is unclear to what extent MEM has implemented these programs.

At the level of industry, the Alliance of Kosovo Agribusiness (AKA) started to implement an energy efficiency program for its members with some support from the KCBS project. Training on how to optimize the use of the Maxigraph, a device which registers high power consumption which increases the electrical bill for many businesses, was conducted. Companies, particularly flour millers and animal feed producers, need to decrease their electrical bill through better production management and proper use of the Maxigraph. The project was not continued due to lack of funds and support.

Based on the World Bank donor report, there is a need to further develop the basic framework to promote energy efficiency. In particular, donors can support GOK with the following: (i) public sector energy efficiency program focusing on ministries, universities, army and police, municipal buildings and organizations, (ii) building codes and minimum efficiency standards for electrical equipment and appliances and for vehicles, and effective enforcement mechanisms, (iii) a building

insulation and lighting market transformation program to switch to high-efficiency lighting, (iv) training, including in energy auditing techniques, and (v) energy efficiency in power generation and district heating. Previous efforts to develop public awareness were not part of a wider package of programs and were therefore unsustainable. The EU is planning continued assistance in implementing energy-efficiency measures in public buildings, public awareness campaign and training for energy auditors.

In the field of renewable energy, the European Agency for Reconstruction (EAR)/MEM assessment on renewable energy resources (June 2008) indicates that the total theoretical RE resource in Kosovo is in the order of 9,484 GWh/year. This is broken down into: biomass, wood; biomass, livestock; biomass, agriculture; solid waste; solar energy. In addition, a World Bank report indicates that Kosovo has 43 MW of operational hydropower capacity although there is significantly more potential. The World Bank is assisting the GoK with the proposed Zhur hydropower project. The potential for wind energy and geothermal energy is currently unknown.

While there is likely great potential for increased use of renewable energy and energy efficiency technologies, there is currently no identifiable private sector activity in the area.

2.4.2 Sector Constraints

There are no policy measures to support renewable energy implementation, although a renewable energy policy has been formulated. The immediate implementation of a framework that governs investment in renewable energy (e.g., public private partnerships) is important to encourage local and foreign investors to begin to engage in commercial negotiations. The World Bank is assisting the Energy Regulatory Office (ERO) develop a regulatory framework for renewable energy. In addition, work on a Concession Law is ongoing.

However, the bigger constraint facing the energy efficiency industry is the prevalence of 'non-payment' of electrical bills that started in the aftermath of the war. Until this is changed and the law fully enforced, there will be very minimal incentive for individuals and businesses to invest in energy efficient practices and technologies.

2.4.3 Sector Strategy

The project will review the policy environment for renewable energy and energy efficiency to determine the opportunities and incentives for working in this sector. In addition, it will consider energy efficiency programs and activities as it relates to the other priority sectors that are transformational and transactional, particularly in construction, agriculture, forestry and wood products. For example the forestry and wood products sector will explore the potential of turning wood waste into bio-mass.

2.4.4 Action Plan

By the end of 180 days of the project, we will provide USAID with a report on our findings on the policy environment for the renewable energy and energy efficiency sector in Kosovo which will include a review of regional models to determine the potential for providing direct support to the sector.

3. TRANSACTIONAL SECTORS

This section discusses the ‘Transactional Sectors’ for the first year of the KPEP Project, particularly Tourism, Recycling, Base Metals and Fabricated Metals and Decorative Stones. Transactional sectors will focus on discrete ROI initiatives that will help the sector increase sales, export, increase employment, attract FDI, or move up the value chain. Moderate project resources that are targeted, specific and results-driven will be allocated towards these sectors in the first year. The activities listed for each sector are based on our initial understanding of the sectors and are therefore illustrative and will depend on the availability of requisite resources to accomplish the tasks.

3.1 TOURISM

Sector Definition. The Tourism sector, for the purpose of this analysis, was broadly defined to include accommodation and food service, travel agencies, tour operators and tour guides, and tourist destinations. However, statistical data was gathered for ‘accommodation and food service’ in accordance with the EU NACE code.

3.1.1 Sector Opportunities

Global and Regional Trends. The global tourism industry accounted for 3.6% of the world’s GDP, employed 234 million people (8.7% of world employment) and realized expenditures from incoming tourists of US\$ 632 billion in 2006. The industry grew by 8.5% from 2005 to 2006 and is expected to grow further with expenditures from incoming tourists expected to reach US\$ 841 billion annually by 2011. From 2000 to 2007, international tourist arrivals in developing countries increased to 360 million with an average growth of 4% per year. In the region, international tourist arrivals vary. Greece had tourist arrivals up to 14 million in 2005 while Serbia received 725,000, FYROM 197,000 and Albania 46,000. Unfortunately, there are no official statistics on tourist arrivals to Kosovo at this time.

Table 5. Tourist Arrivals in Neighboring Countries

Country	Tourist Arrivals	Tourist Receipts	Receipts Per Arrival
Greece	14,000,000	US\$ 14 billion	US\$ 965
Serbia & Montenegro	725,000	US\$ 201million (2000)	US\$ 420
FYROM	197,000	US\$ 84 million	US\$ 435
Albania	46,000	US\$ 861 million	US\$ 17,500

Source: UN World Tourism Organization Website, from UNWTO database as of November 2006 unless noted otherwise.

In addition, there has been a growth of ‘alternative tourism’, defined broadly to include adventure tourism (hiking, biking, camping), agri-tourism and ‘living with locals,’ and cultural/historical tourism. These groups, smaller and more targeted, can spend more than the average tourist as healthier, wealthier tourists who have done it all are attracted to alternatives. Serbia, Macedonia, Bulgaria, Montenegro and Albania have begun to develop packages to attract this market. In Kosovo, KOTAS is offering full-service package tours, including an ‘Adventure Tour Group Experiencing Multi-ethnic Reconciliation in Kosovo’ as well as natural heritage, cultural and ethnographic heritage tours. There are nascent efforts at regional integration. Kosovo is taking part in a regional/Balkan

hotel alliance and regional/Balkan alliance of travel agents. “City Break” tours is expected to pilot in 2009 with Regent Holidays of the UK.

Kosovo Sector Profile. As mentioned above, tourism was defined as Accommodation and Food Service for the purpose of gathering official statistical data. Hence, official statistics do not include travel agents and tour operators among others. Based on this definition, the Accommodation and Food Service Sector (to be referred to as Tourism) generated a turnover of € 34 million in 2007, comprising 2.28% of GDP. CAGR for the period 2004 to 2007 was negative 5%. More than 1,100 enterprises were registered, employing about 3,700. Survey results indicate an average of 20 employees per firm with an average salary of € 185 to € 235. Average labor productivity was € 1,116. Average turnover per company was € 22,339 to € 29,356 while firm profitability was approximately 15.8%. According to the Association of Kosovo Tourist Agencies (AKTA), 70% of revenue was outbound charters. AKTA estimates the industry to be a € 200 million industry with one million incoming tourists.

Table 6. Snapshot of the Kosovo Tourism (Accommodation and Food Service) Sector

Indicator	Data	Source
Total Turnover (2007)	€ 34 million	UBO
% Contribution to GDP (2007)	2.28%	UBO
CAGR (2004-2007)	(5%)	Firm calculations
Total Number of Registered Enterprises (2007)	1,161	UBO
Total Number of Employees (2007)	3,700	UBO
Average Number of Employees Per Firm	20	Riinvest
Average Wage	€ 185 - € 235 or € 300 - € 500	UBO and Riinvest
Average Labor Productivity	€ 1,116	Riinvest
Average Turnover Per Company	€ 22,339 - € 29,356	Riinvest and UBO
Profitability as a % of Sales	15.8%	Riinvest

Source: UBO Consulting and RIINVEST Institute

Despite negative growth and nearly half of survey respondents declaring that business was worse in 2007 than in 2006, survey results showed increased investments (from € 80,548 in 2006 to € 123,969 in 2007), demonstrating potential optimism among entrepreneurs. While employment statistics may be understated, the sector has the potential to generate significant employment. A sizeable majority of survey respondents (90%) indicated that the employment market was able to fill the need for employees with sufficient qualifications and abilities completely or partially.

Summary. The tourism sector can generate significant impact in the short- and long-term. While the revenue growth is moderate, employment is substantial, especially among youth, women and minorities. In addition, tourism is the strongest sector for regional economic integration as regional/Balkan tour packages will make the sector more attractive and viable. The multiplier effect on other sectors of the economy is significant as tourism relies on several allied industries (e.g., construction, handicrafts, transportation), and the synergy with other donors is high as KPEP can collaborate with GTZ and the Swedish International Development Agency (SIDA) in support of the sector.

In addition, in the short-term, the tourism sector can leverage the current influx of business/donor tourists and create niche packages for this market that already exists in Kosovo. It can collaborate with its neighbors to develop regional tour packages focusing on ‘alternative tourism’. In the long-term, it will need to attract critical foreign investment to invest in tourist sites, such as the ski resort in the *Bjeshket e Sharrit* ranges of snow-capped mountains that can be seen for approximately eight months of the year. In fact, the ski zones have 18 more days of snow than their European counterparts, a definite competitive advantage.

3.1.2 Sector Constraints

Summary. While the impact potential of the tourism sector is significant, the sector faces constraints at various levels. The major constraint for tourism is Kosovo's negative image as a result of ongoing regional conflicts and warfare. Despite the progress made, it is often perceived as a dangerous place as it remains stigmatized by its political history. Aside from the branding and marketing of Kosovo, more needs to be done in the area of product development – enhancing the product that is Kosovo. Creative and pro-active approaches will need to take place in order for Kosovo to capture niche markets for unique opportunities. The following discussion breaks down the major constraints in the sector according to general categories.

Marketing and Sales. As mentioned above, the major constraint is image, a need for branding and marketing of Kosovo to existing and potential tourists. The country has a limited sense of identity, and will need to differentiate itself from its Balkan neighbors. Programs to market Kosovo tourism to residents as well as resident-foreigners are lacking. In addition, specific knowledge of potential customers and target markets and the capacity to do market research to attract target markets are limited. Very little information on Kosovo is available in the public domain, and limited professional marketing materials exist. Information on websites is not updated or accurate as some websites still refer to Kosovo as a province of Serbia.

Product Development. The focus has been out-bound tourism. KOTAS has begun implementing full-service package tours, yet, there is limited development of in-country tours and limited contact with foreign tour operators. In addition, the weak waste management system negatively contributes to the country's image. Trash and garbage are ubiquitous, a significant problem. For example, a tour group of Chicago Rotary Club members commented that trash problem was the biggest constraint and did clean ups as they toured. No known agency is attempting to serve the captive tourists of business travelers and expats living in-country for one to 12 months yet this is a viable source of revenue and practical experience. While KOTAS has begun thinking creatively with the development of 'alternative tour packages', there is still a lack of creativity in thinking about tourists and customer-orientation. In addition, few travel agents are International Air Transport Association (IATA) certified because of financial and time constraints.

Business Environment. Kosovo has neither a national tourism strategy nor a national tourism agency. At present, the tourism entity is a department of the Ministry of Trade and Industry. A national strategy and central promotion organization are crucial if this sector is to succeed. The existing, outdated 'tourism law' is currently under review and being amended by the MTI to include establishing a national tourism agency.

Business Support Services/Associations. Kosovo has two tourism associations in Kosovo that are independent of the chamber of commerce system. KOTAS was founded in May 2004 as an "umbrella" organization with 240 members engaged in tourism. It currently works with GTZ. Forty percent of its members pay dues, which average 200 euro/year (small café pays € 50 while a large hotel pays € 500). AKTA was formed in 2005 and consists of 60 travel agencies. About half pay dues between € 50-300. Both associations appear quite active and willing to collaborate with the KPEP Project.

Workforce Development. There is an overall need for training targeted to the various sub-sectors. Few travel agents are using the internet effectively. There is little, if any, electronic ticketing. Trainings can include: electronic reservation systems for travel agents; language training; and social skills. Based on the Riinvest survey, the top three most needed training by management personnel are: financial management (28.5%); marketing management (22%), personnel management (17.9%).

In addition, KOTAS noted a need for IT training and training in customer service skills while AKTA noted a need for IATA certification, availability of and training in new electronic systems.

3.1.3 Sector Strategy

Sub-Sectors. KPEP plans to work across the various sub-sectors comprising the tourism sector. This includes travel agents, tour operators, accommodation, food service and tourist destinations.

Overall Strategy. Tourism's designation by KPEP as a Transactional sector means that the project will focus on specific ROI opportunities. These will increase sector revenue through exports (tourist arrivals) or domestic sales (local tourists) or increase foreign or domestic investment into the sector. We plan to work at the sectoral level to identify strong local counterpart institutions while collaborating with other donors and leveraging the experience of other USAID projects (e.g., Macedonia). For example, the project will focus on developing the 'alternative tourism' market targeted to 'internal tourists' – business travelers already in-country for other reasons (potential investors, development professionals and consultants among others) and Kosovars who might otherwise travel outside the country ('import substitution').

Our strategy will focus on 'Alternative Tourism Product Development and Marketing for Internal Tourists' which will include a product development and marketing and sales component by supporting the active dissemination of these tour packages to the target market through various distribution channels. If successful, the project may consider broadening its scope to collaborate regionally. Additionally, if an opportunity arises, KPEP has at its disposal a tourism consultant who has successfully privatized state-owned tourist facilities and established developing country brand identity in the region.

Illustrative Sector Activities: Tourism Product Development and Marketing

1. Identify local institutional partners with whom the Project will collaborate
2. Conduct market research on the target market (i.e., business travelers, donor community)
3. Conduct package-tour competition among the travel agents and develop package tour awards
4. Support marketing activities to promote the winning tours
5. Be on the look-out for potential foreign direct investment to improve infrastructure or to invest in existing tourist attractions

Should additional resources permit, the project may support the amendments to the tourism law and the establishment of the national tourism agency.

Expected Results

1. Increase in the number of 'internal tourists' availing of tour packages
2. Increase in the value of sales of travel agents, tour operators

Collaboration with Other Organizations

1. GTZ
2. International Civilian Office (ICO)
3. USAID Regional Competitiveness Initiative
4. USAID Economic Growth Projects in the region

Assumptions or Critical Success Factors

1. Kosovo remains a peaceful and stable country and makes progress towards true 'statehood'
2. Number of business travelers and members of donor community remains constant or increases

3. Local partner is identified and is active with KPEP
4. Recycling activity begins to show results in terms of a cleaner outdoor environment

3.1.4 Action Plan

Tourism		J	F	M	A	M	J	J	A	S
1	Identify local institutional counterpart	X								
2	Conduct market research on target market	X	X							
3	Conduct package tour competition among tour operators and develop package tour awards			X	X	X	X	X	X	
4	Support development and dissemination of marketing materials and collaterals					X	X	X		
5	Be on the look-out for foreign direct investment	X	X	X	X	X	X	X	X	X

3.2 RECYCLING

Sector Definition. Recycling refers to the collection, sorting and processing of metal, glass, paper or plastic items so that the materials from which they were made can be reused. However, statistical data on recycling (or waste management) included the following activities: (a) recycling of metal waste and scrap, (b) recycling of non-metal waste and scrap and (c) sewage and refuse disposal, sanitation and similar activities, as described in the EU NACE code.

For the purpose of KPEP, recycling will be limited to only one of the 50 types of plastic, PET (PolyEthylene Therephthalate).

3.2.1 Sector Opportunities

Global and Regional Trends. Plastic is about 5% to 10% of waste today. Among recyclables, plastics are non-renewable, fast growing and have a low recycling ratio in Europe, according to the European Association of Plastics, Recycling, and Recovery Organizations (EPRO). Yet, plastics are easy to recycle, and there is a low degree of contamination. PET, one of the three main types of plastic used commercially, is mainly used for beverage bottles.

An estimated 1.5 million tons of PET is collected worldwide every year. A survey by PETCORE (PET Container Recycling Europe, a packaging trade association) showed that Europe collected 790,000 metric tons of PET plastic bottles in 2005, a 15% increase over 2004. PETCORE forecasts that Europe alone will have more than one million tons of PET by 2010. (One metric ton is 20,000 plastic bottles). According to recycle-more.co.uk, a website of a recycling information center in the UK, re-processor demand for plastic outstrips supply three times over. One of many uses is fleece jackets – 25 recycled PET bottles can be used to make one adult fleece jacket.

Recycling is catching on in the region, and Macedonia offers an example of what is possible in the Balkans. A Global Development Alliance (GDA) grant through the USAID Mission launched a new industry, PET recycling, and has had a significant impact on the cleanliness of the countryside. The grant supported development of a PET recycling plant near Skopje that generates annual exports of more than US\$ 600,000, recycling close to 1,500 tons of PET per year. The number of municipalities and local collecting organizations taking part has expanded over the years and educational activities have been targeted at schools and the public, including Earth Day activities. USAID assistance ended in August 2008 leaving a sustainable facility and cleaner Macedonia. (www.plasticrecycling.org.mk)

Kosovo Sector Profile. In Kosovo, nearly a decade after the war, improved waste management systems are in place and are regulated by local and national authorities. While there is even some waste recovery and recycling, no facilities exist for the collection and treatment of plastic waste, creating a growing problem for landfills and other waste facilities. A University of Business & Technology student business plan for a recycling facility estimated that Kosovars generate about 1.1 kg of waste per person per day, or 876,000 tons per year. Look around Pristina and it's easy to believe those statistics. Plastic bottles litter empty lots and spill from dumpsters. A group of Chicago Rotarians touring Kosovo for potential tourist development said trash and litter were the biggest constraints to any tourism development.

While an association of metal and non-metal recyclers has 10 member companies, it does not appear to be active in plastic recycling, focusing instead on metal, which is a shrinking market. USAID implementer Mercy Corps is attempting to establish a pilot collection project. A few companies

doing at least some plastic recycling have been identified – Plastika, Plaskos, Eko Plast and Inova. EuroKos has a joint venture with a Greek company (Spyder) that is also interested in importing recycled PET. AG Group Kosovo could potentially export PET to the Macedonia facility and several in Serbia as well.

Table 7. Snapshot of the Kosovo Recycling (Waste Management) Sector

Indicator	Data	Source
Total Turnover (2007)	€ 12.9 million	UBO
% Contribution to GDP (2007)	0.86 €	UBO
CAGR (2004-2007)	(-15.07 %)	Firm calculations
Total Number of Registered Enterprises (2007)	30	UBO
Total Number of Employees (2007)	1,317	UBO
Average Number of Employees Per Firm	No data	
Average Wage	€ 282	UBO
Average Labor Productivity	No data	
Average Turnover Per Company	€ 429,703	UBO
Profitability as a % of Sales	No data	

Source: UBO Consulting and RIINVEST Institute

Summary. At this time, recycling in general, and PET recycling in particular, does not really represent an industry in Kosovo. PET recycling is not even an organized activity except in isolated instances, and Kosovo does not have a ‘culture of recycling.’ However, as a transactional sector, recycling scored strongly on potential impact both in terms of ROI and development indicators in the sector selection assessment. This resulted from a high degree of synergy with other industries – especially tourism and food processing; its ability to provide a cleaner, healthier environment overall; its ability to create low-skill, easy-entry jobs, including among youth, women and minorities; and the potential to export to neighboring countries. However, at this time, very little information is available. A statistical base on which to measure any progress is lacking, as evidenced in the table above. Before embarking on a PET recycling program even on a transactional basis, a feasibility study should be completed. In the meantime, KPEP can undertake one or two specific activities to increase awareness of recycling among targeted audiences, while ensuring there is a system and mechanism to support recycling practices.

3.2.2 Sector Constraints

Summary. Major constraints to PET recycling endeavors are the lack of any identifiable industry and the lack of a culture of recycling in Kosovo, both of which result in lack of experience. Additionally, enabling legislation is necessary to allow recycling collection, and any effort must include a sustainability strategy that includes the private sector.

Marketing and Sales. Recycled PET plastic export markets in the region, especially Macedonia and Greece, exist. However, sales from Kosovo have been limited to a few isolated companies or efforts. Because marketing is the weakest business skill in transition economies, companies will need training to develop marketing plans that support recycling endeavors.

Individual recycling initiatives have been undertaken by donors in the past. Success has been limited most likely due to lack of underlying recycling infrastructure and of a sustainability strategy.

Product Development. The product of any PET recycling facility is very generic – the sorted and baled PET plastic bottles that it collects. To differentiate themselves, Kosovo recyclers may need to offer guarantees in quantity, delivery time etc.

Business Environment. Kosovo needs enabling legislation to allow private operators to participate in “waste collection,” including recyclables. Two laws appear necessary and are expected to be passed in February 2009. The law on public-private partnerships (PPP) would allow private sector actors to collect waste and invest in recycling. The environmental law would regulate the treatment of landfills and waste sorting.

Business Support Services/ Associations. PET recycling is not an industry. The only “recycling” association is inactive and focuses on recycling metals, not PET plastics. Statistical data on PET plastic usage and recycling in Kosovo are lacking.

Workforce Development. While potential workers may lack experience in recycling, the jobs are low skill, and job entry requirements are minimal. What is more important is overcoming the lack of a recycling culture in the population from whom PET plastics will be collected. Creativity in awareness programs and incentives to recycle will be needed.

3.2.3 Sector Strategy

Sub-Sectors. For the purpose of KPEP, recycling will be limited to only one of the 50 types of plastic, PET (PolyEthylene Therephthalate).

Overall Strategy. Recycling is a Transactional sector with virtually no information available and very limited private sector involvement. KPEP will focus only on PET recycling in year one because of its synergies with other targeted sectors. KPEP will implement one or two concrete activities to demonstrate the benefits of recycling and undertake a feasibility study to determine the feasibility of a broader approach.

Sector Activity. A feasibility study will determine the viability of adapting the Macedonia model to Kosovo and how to do that. Because no PET recycling industry exists, KPEP needs to build a body of information. This will come from an accurate, thorough feasibility study to determine the potential for a countrywide recycling effort. From the feasibility study, KPEP will identify a clearly a sustainable pilot project to demonstrate the financial and other benefits of recycling.

KPEP will also work with existing recycling companies and manufacturers to identify incentives for plastics collection and recycling and support creative initiatives through the Strategic Activities Fund. KPEP will meet with Mercy Corp to identify ways to jump-start and build on their nascent recycling initiative. If a strong partner such as the Alliance of Kosovo Business can be convinced, KPEP will support a business forum on recycling and business as part of Earth Day 2009.

Expected Results

1. Feasibility study identifying specific opportunities for additional intervention
2. Increased quantity of PET plastics recycled and exported
3. Investment in recycling increases, including FDI

Collaboration with Other Organizations

1. USAID Mercy Corps
2. Regional Environmental Center (office in Pristina)
3. Ministry of Environment

4. Alliance of Kosovo Business and other associations

Assumptions or Critical Success Factors

1. The laws on public-private partnerships and on the environment must be passed and include the required language on private sector involvement
2. Finding the right partners for individual activities will be critical to success.
3. Identifying the right incentives are critical to getting individuals to collect and recycle.
4. Establishing a countrywide recycling network/system from collection and sorting through a minimum of baling, legal constraints must be overcome.

3.2.4 Action Plan

Recycling		J	F	M	A	M	J	J	A	S
1	Conduct feasibility study to determine viability of adopting Macedonia model, including, possible GDA grant and foreign investment					X	X			
2	Identify and implement follow up activities							X	X	X
3	Work with existing recyclers and manufactures to identify creative incentives to increase recycling and support through SAF				X	X	X			
4	Meet with Mercy Corps to determine what, if any, support KPEP can provide to jump-start and build on pilot initiative	X	X							
5	Implement specific actions, if any identified			X	X	X	X	X	X	X
6	Support Business forum on recycling and business if strong partner found			X	X					

3.3 METALS

Sector Definition. The Metals sector for the purpose of this analysis was defined as fabricated metals (primarily sheet metal products, including duct work, gutter pipes, etc.) and automotive parts (auto parts). It excludes the extraction of base metals and the processing of scrap metals.

3.3.1 Sector Opportunities

Global and Regional Trends. The global market for auto parts is large, totaling US\$ 242 billion of imports (2006) and has grown at 13% CAGR between 2002 and 2006. In Europe, Germany, France, Spain, and the UK continue to be the major importers. Germany is an especially attractive market importing US\$ 22 billion of autoparts and growing at an above average rate of 16% CAGR (2002-2006). France is another attractive market. It has imported US\$ 13.5 billion of autoparts (2006) and has grown at 14% for the same period. Driven by demand from China, articles of iron and steel is a market with imports totaling US\$ 208 billion and growing at 21% rate (CAGR, 2002-2006).

The Western Balkans can be cost competitive in the manufacture of auto parts. Operating costs can be up to 60% lower than in Hungary or Poland. According to an OECD study, one job in the auto parts industry generates 4.2 other jobs. Most Western Balkan countries are net importers of auto parts. The main suppliers are Germany, Italy and France. As to articles of iron and steel, the Western Balkans are net importers as well. In 2006, Albania imported US\$ 79 million articles of iron and steel, Bosnia and Herzegovina US\$ 187 million, Croatia US\$ 709 million, and Bulgaria US\$ 453 million.

Kosovo Sector Profile. The auto components industry in Kosovo dates back to the 1960s, when several subcontractors to *Zastava* were established to respond to the 'Yugoslav policy' of developing and maintaining an auto components industry in each of the republics and provinces rather than a response to efficiency reasons. According to an OECD study, Kosovar suppliers were reportedly unreliable in terms of volume and quality. For example, *Ramiz Sadiku* lacked skilled personnel, suffered from lack of maintenance of equipment, machinery and serious financial mismanagement. *Ramiz Sadiku* was privatized and became 'Kosovo Steel' producing vehicle chassis, frame beams, seat skeletons, exhaust systems, car mouldings and trim and other steel products. It is one of a few remaining auto parts manufacturers in Kosovo.

However, based on the IPAK study on the metal processing sector, before 1999, the metal processing industry was extensive, well-equipped and with a good skills base. There were 43 SOEs, some of which have been privatized. Performance of the privatized SOEs are mixed. The report indicates that there are less than 100 companies today compared to the 123 companies reported by UBO. IPAK indicates that total annual turnover was € 80 million compared to the € 10.9 million obtained from GoK statistics.

Table 8. Snapshot of the Kosovo Metals (Base Metals) Sector

Indicator	Data	Source
Total Turnover (2007)	€ 10.9 million	UBO
% Contribution to GDP (2007)	0.73 %	UBO
CAGR (2004-2007)	(19.98 %)	Firm calculations
Total Number of Registered Enterprises (2007)	123	UBO
Total Number of Employees (2007)	911	UBO

Average Number of Employees Per Firm	162.9	Riinvest
Average Wage	€ 194 - € 275.35	UBO and Riinvest
Average Labor Productivity	€ 890	Riinvest
Average Turnover Per Company	€ 145,000 - € 88,626	Riinvest and UBO
Profitability as a % of Sales	15.2 %	Riinvest

Source: UBO Consulting and RIINVEST Institute

Summary. The two sub-sectors in metals with the most potential and fewest major constraints are fabricated metals and auto parts. There appear to be significant opportunities in both areas, but both should be treated with some caution and carefully targeted intervention.

Auto parts, in particular, due to the lack of an existing industry and significant, potentially crippling, constraints, will require additional study before any commitments are made. But, the high potential for both exports and import substitution, as well as high potential revenue and jobs possibilities make auto parts a sector worth additional research and, perhaps, targeted short term technical assistance.

Metal fabrication is a sector that presents significant opportunities, with existing companies already online, and at least one that is ready to come online soon, as well as a ready-made construction products market in Kosovo that is ripe for import substitution activities. Nonetheless, since another donor, GTZ, is already providing substantial assistance to the entire related value chain, KPEP intervention should be carefully targeted to activities that are complementary to GTZ's work and those that present the potential for high return on investment.

An additional positive feature is the likely crossover with other KPEP sectors, such as construction and agriculture. Fabricated metal products may contribute significantly to growth in construction products and products used regularly by the agriculture industry.

3.3.2 Sector Constraints

Summary. Metals is a sector with very high potential, but coexistent high risk. The potential for significant growth in jobs, revenue, FDI and trade, is counterbalanced to large degree by difficult to resolve issues in energy, quality standards, workforce development and business enabling environment.

Marketing and Sales. Though the global industry is broad enough, and with enough growth, to accommodate new entrants, the major constraint will be finding a niche in an industry that is already highly competitive. Cheap imported products (both produced legitimately more cheaply abroad, as well as products unfairly dumped on the Kosovo market) will make import substitution difficult, and exports to the region and elsewhere will need to contend with already established competitors and will need to be distinguished on price.

Product Development. Since these products can range from relatively low-tech (i.e., sheet metal duct work) to highly technical precision machined pieces (i.e., auto engine parts), the types of product development and innovation will depend highly on the level of skill in the workforce. Some sheet metal products clearly have already made it to the Kosovo market, and are known for having been adapted, with the assistance of GTZ, to local environmental conditions.

Infrastructure. The serious lack of consistent power supply may make this type of industry too inefficient to be profitable.

Business Environment. The following BEE issues will hamper efforts at growth in the sector:

- The lack of a sophisticated structure for establishing, testing and measuring standards and quality will make certification of products difficult, and may deter trade and investment generally.
- The absence of a sufficiently engaged trade policy/regime in Kosovo, as well as the lack of legitimately protective trade measures (such as those protecting against dumping, foreign subsidies, and countervailing duties).
- The recent ban on the import of vehicles older than eight years may reduce the competitiveness of the after-market auto parts industry.
- Auto parts manufacture for newer vehicles may interfere with foreign exporters' distribution agreements.
- Though compliance with environmental protection laws and principles is not high on the GoK agenda, the potential impact of this sector on the environment is significant.

Business Support Services/ Associations. The Metal Producers Association (MPA) supports the sector, although it remains unclear whether any members are in the auto parts or fabrication sectors. It is thought that there may be as few as two auto parts manufacturing companies. The Association is at an early stage of development and has not yet developed a comprehensive mission statement.

Workforce Development. Establishment of a skilled workforce in metals is critical, though little has been done thus far to establish vocational programming in the area.

3.3.3 Sector Strategy

Sub-Sectors. KPEP will engage in the Metal Fabrication and Auto Parts sub-sectors.

Overall Strategy. In metal fabrication, the Project will provide targeted technical assistance and support services to producers of metal products and auto parts, through the MPA, on a fee for service basis, to maximize ROI. KPEP will also, after gaining a complete understanding of its involvement in the sector, find the most effective ways to collaborate with GTZ in the metal fabrication sub-sector. More data is needed on the state of the current firms active in auto parts and the feasibility of manufacturing to international standards before a specific strategy can be crafted.

Sector Activities

Metal Fabrication

1. Map GTZ activity in the sector
2. In close collaboration with GTZ, provide targeted short term technical assistance in training and support, through the MPA, designed to maximize ROI
3. Support for the work of the Metal Producers Association (MPA)

Auto Parts

4. Commission a study of the existing auto parts manufacturing industry
5. Targeted STTA/support if there is a significant chance for ROI

Expected Results

1. Transactional results in the fabricated metals sector are expected
2. Transactional results in the auto parts sector are possible but depend on more research
3. Targeted collaborative assistance with the MPA should result in a stronger association

Collaboration with Other Organizations

1. GTZ

Assumptions or Critical Success Factors

1. Continued political stability
2. Significant advances in Kosovo's trade policy regime, as well as in regional trade

3.3.4 Action Plan

Fabricated Metals and Auto Parts		J	F	M	A	M	J	J	A	S
1	Fabricated Metals - Map GTZ involment in Fabricated Metals	X								
2	Fabricated Metals - Provide short term technical assistance in training and support		X	X	X	X	X	X	X	X
3	Auto parts - Review existing industry				X					
4	Auto parts - Take transactional action where indicated				X	X	X	X	X	X

3.4 DECORATIVE STONE

Sector Definition. For the purpose of this report the Decorative Stone sector in Kosovo consists of (a) the quarrying of marble, granite, dolomite, porphyry, and ceramic materials, (b) cutting and polishing of stone slabs, and (c) manufacture of ceramic tiles.

3.4.1 Sector Opportunities

Global and Regional Trends. The stone industry is a sector enjoying worldwide growth. The industry has expanded rapidly since the 1990s with production growing by 7.3% per year and trade increasing by 8.7%. In recent years production was more than 150 million tons and consumption was about 8.8 billion square feet, generating overall turnover of US\$ 40 billion dollars. The leading producers – China, India, Italy, Spain, and Portugal – account for 53% of world quarrying production. The EU has 65% of world exports and enjoys leadership in all trade categories (cutting, honing, polishing, and finishing). Forecasts for the future, in terms of both production and trade are favorable. By 2025, the volume of stone materials quarried worldwide should grow to more than 450 million tons gross. Considering growth, problems concerning infrastructure and waste disposal must be resolved on a supra-national scale. (Association of Italian Natural Stone Industry and Allied Trades)

Kosovo Sector Profile. Although Kosovo is endowed with substantial high quality, high demand decorative stone resources, excavation is nominal, export is low, and finished (market-ready) decorative stones are imported. The industry in Kosovo is in a primitive form of raw material extraction and has small scale processing capabilities and sales. Anecdotal information suggests that some firms are able to export small quantities and that there is some level of interest on the part of foreign investors.

According to IPAK there are more than 24 decorative stone quarries in Kosovo. Regional reserves are as follows: Istog - about 6 million m³ of Onyx Marble; Rahovec - large amounts of White and Gray Marble; Rugova Gorge - high amounts of Black Marble; Shipashnica - 16.5 million m³ of Gray Granite; Decan - 420,000 m³ Breccia Marble; Gadime near Lipjan - over 2, 400,000 m³ of Breccia Marble. Large reserves of other decorative stones such as Gneiss, Andesite, Magnesite, Serpentine, Quarzite, Trachyte, Porphyry etc., are also found in Kosovo.

Table 9. Snapshot of the Kosovo Decorative Stone Sector

Indicator	Data	Source
Total Turnover (2007)	€ 1.3 million	UBO
% Contribution to GDP (2007)	0.09 %	UBO
CAGR (2004-2007)	(11%)	Firm calculations
Total Number of Registered Enterprises (2007)	No Data	
Total Number of Employees	60	UBO
Average Number of Employees Per Firm	75	Riinvest
Average Wage	€ 250	UBO and Riinvest
Average Labor Productivity per Person	€ 769	Riinvest
Average Turnover Per Company	€ 77,000	Riinvest and UBO
Profitability as a % of sales	14 %	Riinvest

Source: UBO Consulting and RIINVEST Institute

3.4.2 Sector Constraints

The key constraint facing the Decorative Stones sector is the need for substantial financial investment to engage in quarry activities. Until recently, licenses were not provided to the private sector, but for those companies that were provided a license, the investment requirement is substantial (up to € 1-2 million per quarry). In some instances, access to quarry sites is likewise problematic because of landowner or ‘unresolved status’ issues. Below are some of the other constraints facing the sector:

Marketing and Sales

- Positive and recognizable product image is absent
- Exports are low and on “order-basis”
- Low regional demand

Product Development

- Heavy investment is needed (€ 1-2 million per quarry)
- “The decorative stone industry in Kosovo is in a primitive form of raw material extraction” (KCBS Report, 2005)
- Quality assurance is lacking or absent

Business Environment

- Landowner and “unresolved status” issues, which affect many but not all sites
- Source of some marble reserves is in a protected zone

Business Support Services

- The industry has no association

Workforce Development

- Employment potential is negligible
- Standards certification is lacking or absent
- Industry is male dominated – little opportunity for women

Infrastructure

- Energy requirements exceed current supply
- Deficient high-load transportation from quarry to market
- Potential negative environmental impact

3.4.3 Sector Strategy

Overall Strategy. In view of its sizeable constraints and prospect of low-return for high-effort, the decorative stone sector could have, at first glance, been consigned to the informational category of sectors. However, committed monitoring could unearth rewarding opportunities for investment, new market access, increased sales, enterprise expansion, and larger exports. Given the possibility of a ‘game-changing’ event (e.g., a large investment or a low-effort high-yield technical assistance intervention) the decorative stone sector will be actively transactional. The core strategy will be threefold: maintain contacts with quarries regarding opportunities and needs; network with current and potential investors to keep abreast of investment activity; and facilitate investment opportunities to supply capital and operational improvements.

Sector Activity. KPEP will stay abreast of sector developments via media reports, local industry records, and systematic contacts with quarry and stone/ceramic fabrication enterprises. Opportunities will be pinpointed for foreign investment by exploring new market access, increased sales, exports, etc. KPEP will also initiate steps to identify and attract investors. To isolate enterprises positioned to gain quick and calculable benefits from technical assistance efforts, periodic low-level flash surveys will be conducted. Finally, as resources and priorities dictate, KPEP may provide limited-scope, short duration technical assistance aimed to yield rapid and tangible benefits.

Expected Results

1. Swift and wide ranging results are not expected
2. Transactional results (e.g., investment, new market access, increased sales) will be actively pursued and are possibly expected
3. One or several high-impacts results are viable but nominally expected

Collaboration with Other Organizations

1. IPAC
2. GTZ

Assumptions or Critical Success Factors

1. Kosovo remains a peaceful and stable country and makes progress towards true 'statehood'
2. The demand for decorative stones remains constant

3.4.4 Action Plan

Decorative Stones		J	F	M	A	M	J	J	A	S
1	Stay abreast of sector developments and pinpoint opportunities for foreign investment	X			X			X		
2	Network with current and potential investors to keep abreast of investment activity (ongoing)	(Ongoing)								
3	Initiate rudimentary steps to identify and attract investors	(As indicated)								
4	Conduct flash survey to identify enterprises positioned to gain benefits from technical assistance	X			X			X		
5	Provide limited technical assistance aimed to yield rapid benefits	(As resources and priorities dictate)								

4. TRANSFORMATIONAL SECTORS

This section discusses the ‘Transformational Sectors’ for the first year of KPEP, particularly Forestry and Wood Products, and Information and Communication Technology (ICT). Transformational sectors will require interventions that go beyond specific ROI transactions and may include the entire spectrum of assistance from policy advocacy to workforce development to business support services and association strengthening among others. Project resources will be focused on activities that best support the goal of achieving transformational change within these sectors.

4.1 FORESTRY AND WOOD PRODUCTS

Sector Definition. The Forestry and Wood Products sector includes the entire value chain from forestry, logging, primary wood processing, and finished wood products, including doors, windows, flooring, and furniture. It does not include non-wood forest products such as wild mushroom and berries.

4.1.1 Sector Opportunities

Global and Regional Trends. Global imports of wood and wood products are valued at over US\$ 144 billion a year with a five year CAGR of 12%. Six of the top 10 importers in the world are in the EU. Large regional importers of wood and wood products include Greece, Turkey, Croatia, Serbia, Bulgaria, and Albania.

Kosovo Sector Profile. Forty percent of Kosovo’s land is covered by forest. Approximately 40% of this amount is privately held. Privately owned forests average only about 0.69 hectares and are almost exclusively used as a source of firewood. UBO data has sales from forestry and logging as very small and declining, falling from € 838,515 (2004) to € 502,848 (2007). With respect to growth potential, the estimated sustainable cut is estimated at 900,000 m³ of wood where official harvesting was only 210,000 m³ suggesting significant unrealized potential.

Table 10. Snapshot of the Kosovo Wood Products, Paper Products and Furniture Sector

Indicator	Data	Source
Total Turnover (2007)	€ 7.3 million	UBO
% Contribution to GDP (2007)	0.49 %	UBO
CAGR (2004-2007)	(1.93 %)	Firm calculations
Total Number of Registered Enterprises (2007)	171	UBO
Total Number of Employees (2007)	586	UBO
Average Number of Employees Per Firm	25.5	Riinvest
Average Wage	€ 169 - € 330	UBO and Riinvest
Average Labor Productivity	€ 1,310	Riinvest
Average Turnover Per Company	€ 33,421 - € 42,748	Riinvest and UBO
Profitability as a % of Sales	19 %	Riinvest

Source: UBO Consulting and RIINVEST Institute

Turnover in wood products has risen marginally from € 6.8 million (2004) to € 7.3 million (2007). Survey results of 19 wood processors show over 50% had increased revenue in 2007. Previous studies indicate that total value creation in forestry is between € 50 and € 75 million and could expand from the current level of 1.8-2.6% of GDP to 3-4% of GDP. IPAK literature shows that the average

monthly wage in the sector of € 236 is quite competitive in the region and that Kosovo products are price competitive. The Riinvest survey reports average profits among 19 firms at a healthy 19%.

UBO data on employment is suspect; it shows only four employees total in the forestry sector in 2007, down from 98 in 2004 and 586 employees in wood processing down from 944 in 2004. The Riinvest survey of 19 wood processors shows 484 full time employees. The Agricultural Master Plan estimates that 8-10% of the population obtains their livelihood from the forest. Given the strong growth potential in the sector employment potential should also be strong.

Kosovo is importing wood while only getting 20% of the annual sustainable cut. Kosovo meets only 22% of its need for firewood; imports of firewood could be as high as 100,000 m³ annually. UBO has no data on export or import of lumber. Exports of wood products have grown significantly from € 1.3 million in 2004 to € 5 million in 2007. Imports of wood products dwarf exports growing from € 66 million in 2004 to € 106 million in 2006. UNMIK customs data tell a slightly different story with exports of wood products of € 1 million and imports at €52 million in 2006. The Kosovo Investment Agency shows Kosovo as a net importer of primary wood, firewood and lumber of 224,000 m³. Forty four percent of the 9 companies surveyed export regularly and the remainder export from time to time. Eleven companies currently import on average €181,000 a year. Up until 1989, the forestry and wood products sector was a source of significant exports. There is a liberal trade regime with duty free access to the CEFTA market and customs free access to the EU. There is huge potential to replace imports of firewood, lumber, and finished wood products with domestic production and to increase the export of finished wood products.

There is no official data on FDI in the forestry or wood product sector. We are aware through our interview process that an American investor invested € 3 million in a firm that does logging and wood processing. Based on experience in other countries this can be a very attractive sector for foreign investors.

Given that about 70% of the current workforce in the sector is under 25, we anticipate that new employment will favor young workers. In addition, because approximately 50% of the state forests are in the north of the country, growth in this sector will likely benefit ethnic minority groups. The environmental impact of better management of the forestry sector is expected to be strongly positive with less illegal logging and better forest management. Certified forests and eco-labels of finished products, documenting that the source material is from a certified forests, are important goals. The growth of forestry and wood products is expected to have a strong multiplier effect on other sectors.

Summary. Kosovo has great growth potential in forestry and wood products in terms of increased revenue, employment, import substitution and exports, and the ability to attract FDI. In addition, there are other important development goals related to youth employment, ethnic balance, and improved environmental practices that can be achieved by working in this sector.

4.1.2 Sector Constraints

Summary. Clearly, the business environment is the single most pressing issue facing this sector.

Business Environment. The Law on Forests in Kosovo and the related administrative directives have many omissions, contradictions, and inconsistencies. The role of municipalities in forest management is unclear, and the existing law does not permit the long term lease of forest assets, a common practice in other countries. There is a new law being drafted related to public private partnerships that may allow for such long term relationships.

Current management of the forests is exceedingly weak. There are no certified forests and illegal logging is widespread. The lack of certified wood and eco-labels on wood products will severely limit export potential. Enforcement is weak and even when illegal loggers are prosecuted fines are too low to serve as a deterrent. KFA has neither the resources nor trained staff to maintain the forest adequately with respect to control of disease, pest, or fire.

The tendering process for logging rights is highly inefficient and not transparent. The management units put out to tender are too small and the period of time is too short. This contributes to the very low official harvest compared to sustainable yield and the lack of local wood for local processors.

Wood processors express concern over the legal framework, corruption, competition from the informal economy, and high taxes as the most difficult issues. Many importers are able to bypass tax and customs duties creating a huge price advantage compared to domestic processors. While Kosovo is a member of CEFTA, many neighbors do not honor terms of the agreement. Tax and customs duties on imported raw material and equipment are high.

Infrastructure. The system of forest roads is inadequate and poorly maintained, 7.9 meters of road per hectare in Kosovo vs. 36 in Austria for similar terrain. Lack of reliable electricity is a major issue for wood producers.

Marketing and Sales. Most firms are not experienced in marketing internationally. Assistance is required to identify and successfully reach international buyers.

Product Development, Innovation, Production. There is no grading system in place for lumber. With respect to wood products, quality is generally thought to be high but products do not meet recognized international standards. There is a need to provide assistance with product design particularly with items such as furniture. No firm currently meets ISO standards in production. Many firms have outdated production processes. There are also safety concerns that need to be addressed.

Business Management. Wood production firms that participated in the survey did not consider that management issues posed any constraint to further growth. International experts however believe that improved management skills, organization, and discipline are essential in order to compete in a highly competitive global economy.

Workforce Development. With respect to forestry, SIDA and the Norwegian Forestry Group are concluding a four-year project to support forestry training and education in Kosovo which is currently regarded as weak. They are currently working with Ministry of Education to establish a forest secondary vocational school to produce new forest technicians. For wood processing, there is currently only one secondary school that teaches wood technology; they do not cover furniture. The curriculum deals more with theory than practice. Some firms complain they have trouble finding workers to operate sophisticated machinery. In the Riinvest survey, the level of employee capacity was not thought to be a significant problem.

Business Support Services/Associations. The Association of Wood Processors in Kosovo (AWPK) is an important organization with 78 members; they have received support from GTZ and USAID. They are trying to introduce membership fees and fees for service. They also have an MOU with an Italian association. The association has a full time executive director and one other full time staff. The Association of Private Forest Owners was established in September of 2005 with assistance from the SOROS Foundation. It currently have 630 members and membership is free. The Association has five volunteer staff. No donor is currently supporting the Association.

4.1.3 Sector Strategy

Sub-Sectors. Forestry and wood products constitute a Transformational sector. The program will work across the entire value chain from standing trees to finished wood products.

Overall Strategy. The long-term goal is to improve forestry management practices leading to certified forests in Kosovo and the ability to significantly increase the quantity of locally grown wood available for local wood processors. Wood processors need to improve their ability to meet recognized international standards, including eco-labeling of wood products. Locally manufactured wood products should increasingly displace imports while at the same time expanding exports to the region and to the EU. The project will also explore the feasibility of using wood waste for bio-mass as a source of renewable energy. Project interventions will include legal and regulatory reform, targeted technical assistance and training, association building, workforce development, and export and investment promotion. Where possible, we will work to improve coordination with other donor projects in the region dealing with forestry and wood products.

The project will take a phased approach to achieving these goals. Initially, the project will focus on providing targeted assistance to wood processors to improve revenue, job creation, and exports, helping create good will and collaborative behavior. Support to wood producers will be demand driven and designed to maximize ROI. To the maximum extent possible, services will be provided through AWPk. We will collaborate closely with GTZ which is also providing support to the sector. KPEP will focus more on production issues while GTZ will work on sales and marketing. Specific support may include training and certification of skilled labor, financial management, quality assurance, operations management, new product development, safety, and quality and standards.

KPEP will also directly support AWPk. We will help the Association provide services to members on a fee basis thereby improving their financial sustainability. The project will also work to significantly improve the lobbying and advocacy efforts of the association. For example, there is currently a working group developing a National Forest Policy and Strategy. Ideally, AWPk should be part of the working group but at a minimum the Association should provide specific and detailed commentary on the document prior to its adoption.

KPEP will work to identify and address specific issues with the Law on Forests and the associated administrative provisions, including drafting proposed amendments to the law as necessary. The project will also focus specifically on deficiencies with the tendering process for wood with the goal of improving transparency and using multiple sales techniques to meet the long-term needs of wood processors.

Finally, the project will work to pilot a long-term leasing arrangement for logging rights within publicly managed forests using the new draft law on public private partnerships. The law as now drafted will allow for leases of 40 years with a 10 year option and it expressly covers forestry. If properly structured, the agreement will leverage significant private investment to upgrade forest roads and improve logging practices, laying the ground work for forest certification, in return for guaranteed long-term access to wood resources.

Sector Activities

1. Provide targeted technical assistance and support services to wood processors, through AWPk, on a fee for service basis, to maximize ROI.
2. Provide assistance to AWPk to conduct an annual survey of the wood processors to baseline performance with respect to revenue, exports, employment, and foreign investment. The survey will also be used as a client relationship tool to identify and prioritize members' demands for service as well as to monitor client satisfaction.

3. Provide assistance to AWPK to upgrade and maintain website to strengthen communication with members as well as to provide current and accurate information regarding the sector to potential customers, suppliers, and investors worldwide.
4. Review current Law on Forests and related administrative provisions and provide specific recommendations to remedy identified shortcomings.
5. Review draft National Forest Policy and Strategy and provide detailed written expert commentary against international best practices.
6. Review current process for tendering forest assets and compare to international best practices leading to specific recommendations for improvements in timber sales methodology.
7. Provide technical assistance to draft feasibility study, RFP, and model long term timber agreement consistent with new law on public-private partnerships.
8. Sponsor education, advocacy, and outreach events with respect to benefits of public private partnerships in natural resource management.
9. Provide technical assistance to identify potential investors interested in long-term timber agreement.
10. Carry out feasibility study on creating biomass from wood waste as an alternative energy source.

Expected Results

1. Firms receiving technical assistance demonstrate increased sales, exports, employment and/or foreign investment.
2. AWPK provides wider range of services to effectively meet demands of its members and improves financial sustainability.
3. AWPK increases number and quality of outreach, lobbying, and advocacy efforts on behalf of its members.
4. Legal and regulatory framework for managing forest assets is improved.
5. Government improves transparency and methods for timber sales which better meet the needs of wood producers.
6. Government enters into one long-term timber agreement with a private investor on a pilot basis.

Collaboration with Other Organizations

1. GTZ
2. SIDA
3. FAO
4. IPAK
5. Bearing Point's Public Private Partnership project

Assumptions or Critical Success Factors

1. Combination of improved advocacy by association and its members and coordinated policy dialogue on the part of donors leads to improved legal and regulatory framework for management of forest resources.
2. Current worldwide economic downturn does not significantly reduce regional and EU demand for wood products.

4.1.4 Action Plan

Forestry and Wood Products		J	F	M	A	M	J	J	A	S
1	Provide targeted technical assistance to wood producers through AWPk	X	X	X	X	X	X	X	X	X
2	Provide assistance to AWPk to conduct survey		X							
3	Provide assistance to AWPk to upgrade and maintain website				X					
4	Review current Law on Forestry					X				
5	Review draft National Forest Policy and Strategy	X								
7	Review process for tendering forest assets					X				
8	Draft model long term timber agreement			X						
9	Conduct advocacy and outreach regarding benefits of long term lease				X					
10	Conduct investment promotion activities to identify potential investors for long term timber lease						X			
11	Prepare feasibility study for bio mass							X		

4.2 INFORMATION AND COMMUNICATION TECHNOLOGY

Sector Definition. ICT is an umbrella term that includes all technologies associated with the manipulation, creation, development, storage, maintenance, enhancement and communication of information. For the purpose of KPEP, the definition will also include the human resources to accomplish these tasks, the laws and regulations to provide a stable environment and the associations and specialty groups required to enhance and grow the sector.

4.2.1 Sector Opportunities

Global and Regional Trends. According to IDC, the market of IT services is projected to grow by 15% CAGR between 2004 and 2009 with value of imports totaling US\$ 9.8 billion. The USA and Europe continue to be the major importers of IT services. The major player in the market is India providing roughly 50% of all IT imports, followed by the regions, including Central & Eastern Europe, Philippines, China, MEA and Canada.

In 2004, the USA imported US\$ 466 million of IT services from Central & Eastern Europe compared to US\$ 428 million from the Philippines and US\$ 375 million from Latin America. Western Europe imported US\$ 183 million of IT services from Central & Eastern Europe compared to US\$ 1,487 million from India and US\$ 14 million from China.

Kosovo Sector Profile. Based on rough estimates from interviews, the sector has an annual revenue of approximately € 35 to 50 million. Roughly 25 to 30 percent of this revenue is for IT services, the remainder for equipment resell, installation and related services. The sector is growing roughly 20 to 25 percent annually. There are fewer than 106 firms in the sector with 649 employees. Only a few firms appear to be “world class,” i.e., meeting international standards. Fewer than eight (and perhaps only four or five) have more than 20 employees; another 25 to 30 have more than five employees and there are probably dozens of one or two person “shops”. In total, there may be about 400 to 600 people working directly in the sector, not including those in IT departments of non-IT companies. The ICT sector in total (including government IT units, banks, etc.) exceed 3,000 people.

On the other hand, official data from GoK indicates that turnover was € 11 million in 2007 (private firms) contributing 0.72% to the GDP. CAGR for the period of 2004-2007 was 0.72%. This revenue was created by less than 100 firms and 649 employees with an average wage of € 316.

Very few (if any) innovative solutions are being developed and sold by these companies, domestically or internationally.¹ Major customers, as in most emerging markets, are the government and financial institutions (banks). Some companies resell basic business application packages, some they have developed themselves.

A few firms provide outsourcing software integration or development services internationally, most based on connections from the firms’ principals’ past training or work abroad (e.g., to Austria). Several firms plan on expanding their market to include Albania, but only one reported they have already done so. Few firms market their services.

¹ An exception to this might be a bar code enabled mobile application for tracking livestock that representatives from Cactus mentioned to the team.

The sector has a relatively dormant IT association with no paid staff but supported by the Chamber of Commerce. Some firms collaborate and many use free lancers to meet project requirements. Most firms seemed optimistic about their futures but we did not sense strong entrepreneurial “sparks” – where a firm or a set of firms were tackling with some success a specific market with some innovative product or services.

Labor costs are equal to or a bit higher than those in neighboring countries (e.g., Macedonia and Serbia). Junior engineers earn approximately € 300 to € 500 per month; a senior engineer, € 550 to € 850 per month. Another interviewee said they paid between € 100 and € 150 per day for freelancers and this rate was favorable when compared to EU rates but the daily rate for Bulgarians was cheaper.

Employees mostly come from University of Pristina, had reasonable math and analytical skills but were ill-prepared for work without at least six months of on-the-job training in the most current development environments. Kosovo has the youngest population in Europe that is skilled and multi-lingual. Good project management is hard to find, but the AUK Institute reported it was starting to provide project management training.

Table 11. Snapshot of the Kosovo ICT Sector

Indicator	Data	Source
Total Turnover (2007)	€ 10.8 million	UBO
% Contribution to GDP (2007)	0.72 %	UBO
CAGR (2004-2007)	(0.10 %)	Firm calculations
Total Number of Registered Enterprises (2007)	106	UBO
Total Number of Employees (2007)	649	UBO
Average Number of Employees Per Firm	No data	
Average Wage	€ 185	UBO
Average Labor Productivity	No data	
Average Turnover Per Company	€ 102,171	UBO
Profitability as a % of Sales	No data	

Source: UBO Consulting and RIINVEST Institute

Summary. The ICT sector was selected as a Transformational Sector and ranked in the highest percentile of confidence because of the great potential embedded in the growth of its people, products, services and companies. ICT is unique in that supports the growth of all other sectors selected by KPEP and will meet the objectives set for employment, increased firm revenue, FDI, increased exports and import substitution. The sector will have a high-level of impact in the core selection criteria of gender, youth, ethnic balance, economic integration, multiplier effect, and donor synergy.

The employees are skilled in some of the basic skills of programming and software development. However, the skills required to create the “Pipeline” of truly skilled employees at all management and technical levels is missing and will be created under the KPEP Workforce Development program.

Secondly, few of the companies are exporting or developing products or services that will address import substitution. Some have opened offices within the region and penetrated the region by establishing partnerships and alliances. This indicates that the potential and experience exist allowing KPEP to provide specific industry training to create products and services based on international standards and to establish regional connections that will growth and revenue.

Based on this focus, certification, training, business growth, standards and market visibility FDI becomes more practical and feasible. To date, there is no official data on FDI in the ICT sector. However, the foundation has been laid with € 75 million invested by the second mobile operator in mobile telecommunications, IPKO (with a pending 200 million pending as part of the sales agreement) and the significant potential for increased FDI, especially with the privatization of PTK.

4.2.2 Sector Constraints

Summary. There are numerous constraints across the ICT sector within workforce development, business support, business environment, marketing and sales, product development, production quality and technology, and management - finance and accounting.

There are a limited number of skilled resources within the “Pipeline” as employees, sub-contractors and partners. Kosovo has its strengths. If employed in the right way the new generation is flexible, smart and eager to learn. They are intelligent, multilingual and multi cultural, have experience with people from other cultures and countries, the international community and the diaspora... making Kosovo ideal environment for growth and innovation.

However, there is a need in every case to improve skills in management, business analysis, and project management among others. Education needs to be based on a unified curriculum with tailored programs based on immediate and long-term requirements. The universities are not digitalized, there are few vocational schools and educational points are not linked.

Most critical to the nation’s growth is the “low level of creativity” and innovation. The base cognitive skills, logical systematic thinking and entrepreneurial skills are lacking as are the ‘idea centers”, incubators and innovation centers. It is essential to create the ability and forum for individuals and business to travel from “idea-to-market” and to carry this innovation throughout the industry to make innovation routine.

This impacts the creation of new products and service as well as the ability to attract “key-stone” international partners and FDI.

The FDI Intelligence Unit reports that FDI has the following location determinates:

- 75% Domestic market growth potential
- 56% Proximity to markets or customers
- 23% Skilled workforce available
- 17% Government support
- 16% Industry cluster or critical mass
- 13% Lower cost
- 10% Regulation and business climate
- 9% Infrastructure and logistics
- 8% Language skills
- 8% Natural resources

For Kosovo, the first criteria of domestic market potential will be viewed as a *regional* growth potential. The strategy outlined below will work to create a skilled workforce, leverage proximity to markets within the region, influence government support and business regulatory climate and create a critical industry mass through the ICT Association and unified ICT training.

Marketing and Sales. Marketing and sales are limited to the domestic market and to some regional involvement. Firms have limited branding and marketing expertise and no unique products or service capabilities and limited ability to differentiate themselves at any level.

Product Development. Products are mostly local solutions that are non-transferable as they are not compliant with international standards certification and non-licensed based.

Business Enabling Environment. The GoK has passed laws, policies, strategies and regulations that are beneficial to the growth of the ICT sector. The telecommunications law was passed in December 2002, regulations in 2003, and the law in Information Society Services (enabling commerce) passed in July 2005. Formally, Kosovo had in place the laws, policies, strategy, regulations and government entities to govern the telecommunications sector well.

The Ministry of Transport and Communications is responsible for policy related to telecommunications and a telecommunications policy was proposed to and accepted by the government this year. The Telecommunications Regulatory Authority (TRA) is responsible for carrying out this policy in accordance with the telecommunications law. We did not do a detailed analysis of these documents but, according to interviewees, the law may have several areas needing improvement.²

Further, in July 2005, Kosovo passed a Law on Information Society Services – essentially enabling electronic commerce techniques to be used legally and a law addressing cybercrime in August 2006. Per eSEE (Electronic South Eastern Europe Initiative) reports, Kosovo has a national strategy for information society (adopted April 2006).³ Finally, Kosovo has endorsed the eSEE+ Agenda which is a forward looking framework for promoting the information society in the member countries of the Stability Pact for South Eastern Europe.⁴

The TRA does not have the capacity or staff needed to perform its functions as well as possible. In terms of critical issues such as interconnectivity agreements and spectrum management, the sector is essentially self-regulating. IPKO and PTK have negotiated commercial agreements to address interconnectivity between phone services, usually not the best way to ensure the customer gets the lowest prices.

The telecommunications law includes a universal service obligation as most modern telecommunications laws do. This means that the regulator sets up a process – in compliance with the law and the national telecommunications policy – to ensure that telecommunication services are provided to the poor and to areas where service is commercially not available. So far, TRA has not begun this process. The policy requires that it begin within 12 months of when the policy is approved.

All said, one of the most important regulations that have yet to be adopted, address or enforced is the International Property Rights (IPR) law. This impacts every element of the potential ICT growth such as outsourcing and development market, product and service development such as remote maintenance and 24/7 maintenance and support, activities and services required by law such as disaster recovery for the banking industry and the attraction of FDI by technology based firms.

Business Support Services/Associations. The membership of the original IT Association has recently recognized that a restructure and refocus is required. The association is unfocused, does not have an industry/association strategy and lacks a service mentality. KPEP anticipates that the new Association (name to be determined) will be anxious to play an important role by meeting the requirements of the workforce development described below and by offering a forum for creativity and innovation, a voice for the membership for modification and enforcement of the tax laws and certified training to its membership.

² Per discussions with an advisor of a recently ended EAR funded project to improve the telecommunications enabling environment.

³ For a summary of Kosovo's formal progress on information society indicators, see the eSEE's most recent matrix dated 9/2007: <http://www.eseeinitiative.org/sadrzaj/RelatedDocuments/sadrzaj/terms/Matrix%20September%202007.pdf>

⁴ See <http://www.stabilitypact.org/e-see/> and <http://www.eseeinitiative.org/>.

Workforce Development. One of the major constraints to growth in the ICT sector is the lack of a “pipeline” of skilled resources. This includes new employees at all levels within ICT firms, sub-contractors and partners. Formal education is required as well as focused training in such areas as strategy and planning, procurement and tendering, branding and marketing, export and import of products and services and customer relationship management.

Core business skills are required in general management, human resources (HR), MIS, engineering management, operations management and logistics, production, technical management and project planning (PMI), media management, marketing and sales, finance and administration.

To reach the next level of growth there must also be a unified ICT education program, accredited programs for standards (ISO) and certification based on EU and International Standards (such as CCMI) and programs in entrepreneurship, innovation and regional-global business development.

4.2.3 Sector Strategy

Sub-Sectors. ICT constitutes a Transformational sector. The program will work across the entire value chain from the development to the export or domestic use of finished products and services.

Cross-Sectors. ICT is seen as both a vertical sector with a high potential for growth and employment and a “horizontal enabler” that will become a key element within construction, and all of the transformational and transaction sectors.

Overall Strategy. The long term goal is to improve the ICT sector in such a way as to provide a globally recognized resource of ICT professionals, with both private sector and academia enabling their communities and nation to create and sustain both short and long term economic growth and competitiveness.

This will be accomplished by providing four primary and parallel streams of activity:

1. Training and expert assistance at all levels of the industry and the creation of innovation or “idea-to-market” centers;
2. Promoting the relations and representatives of the ICT industry regionally and internationally;
3. Creation of an interlink between the ICT companies, the identified growth sectors, academia and professionals; and
4. Identifying and attracting sources of foreign direct investment.

These four streams or pillars of activity are of vital importance for all elements of the ICT value chain. It is crucial to have the private sector come together in the spirit of partnership and collaboration to avoid unnecessary duplication, adopt self regulation and promote business ethics and values. It is the private sector which contributes to the long-term development efforts taking place in the global digital economy and is a key ingredient to creating opportunities for adopting new technologies and sharing their specific areas of expertise on a national, regional and international level.

In summary, KPEP recommends that it is this holistic approach that will have the greatest impact on employment by creating skilled workers in growth sectors; increases revenue by creating a national plan that trains businesses at all levels, creates regional and international exposure and executes against a growth strategy; attracts FDI by providing best-in-class business products and services based on international skilled workers in innovative sectors and; increases exports and import substitution

by creating a clear and focused strategy. To accomplish these activities, KPEP will undertake activities as follows:

Sector Activities

1. Industry Assessment. KPEP will work to first identify, document and track true and actual data on the number of ICT firms, the related revenue, number of employees, services and products, exports, alliances, business capabilities and other business critical data.

2. Community Awareness. Prior to the detailed assessment, the data available through the recent high-level assessment of UBO and RIINVEST will be analyzed and presented to the community to create an industry-wide awareness of the importance of the assessment and the current-state of the ICT industry.

3. ICT GAP Analysis. One of the results of the detailed assessment will be an industry-wide GAP Analysis. This will include recommendations on the skills requirements and workforce development plan, infrastructure, financing, barriers and constraints and functionality of associations and donor activities. It will also address the constraints associated with the laws and regulations governing the industry.

4. Business Enabling Environment. KPEP will work to assess the current state of a regulations and laws impacting the growth of the ICT sector, review specific plans to address the IPR law and VAT tax issues and host an awareness seminar for the ICT industry to communicate findings and create a Roadmap for intervention.

5. ICT Innovation Roadmap. KPEP will lead the development of the ICT roadmap. It will be developed in conjunction with all key stakeholders, industry, universities, associations, BSPs and government. It will include cross-linkages to other KPEP sectors, recommendation of potential services and products for domestic and international markets, operation and structure of the ICT Association, charter of an ICT Leadership Advisory Council and the plan to create Innovation Centers designed to stimulate, create and carry new and innovative products and services from “idea-to-market”.

6. ICT Innovation Symposium and Working Groups. KPEP will develop and host the first ICT Innovation Symposium designed to communicate the state of the ICT industry, the ICT roadmap and recommended key growth industries (domestic, regional and global). Based on wide-flexible platforms international standards and certification, the outcome of the GAP analysis and the innovation roadmap, KPEP will work to identify and address specific issues and identify high-impact focus areas including value add, low-cost and volume-driven elements within such industries as accounting energy, public utilities, construction. KPEP has identified transactional and transformational sectors and potential services areas such as sales and marketing, operational and logistics, business processing and technical outsourcing, ERP, data storage, distribution and recovery, and consulting embedded with broader solutions. This will result in clear areas of development and the development of a workforce development plan.

7. Workforce Development. KPEP will create a workforce development plan designed to provide a “pipeline” of skilled resources. This includes new employees at all levels within the ICT firms, sub-contractors and partners. Formal education is required as well as focused training in such areas as strategy and planning, procurement and tendering, branding and marketing, export and import of products and services and customer relationship management. The plan will also provide training in the core business skills in general management, HR, MIS, engineering management, operations management and logistics, production, technical management and project planning (PMI), media

management, marketing and sales, finance and administration. Finally, to reach the next level of growth there must also be a unified ICT education program, internship programs, accredited programs for standards (ISO) and certification based on EU and international standards (such as CCMI) and programs in entrepreneurship, innovation and regional-global business development.

8. Market Approach - Marketing and Branding. KPEP, based upon the industry assessment, GAP Analysis and roadmap, will provide the expertise to work with industry leaders and BSPs to determine the current and required levels of marketing and branding. An awareness symposium will be conducted and designed to provide firm level assessment, education and training. KPEP will also work to identify key industry players (Siemens, Microsoft, etc.), facilitate customer forums to determine GAP in customer data, identify ICT tradeshow, determine product and service applicability and provide full marketing and sales training ...“capture to contract” and finally, assess the feasibility of an ICT trading portal.

9. FDI. Based upon the outcome of the symposium and innovation roadmap, KPEP will work to develop a clear strategy for the identification of key industry alliances and investors and the attraction of FDI. Working with the associations, IPAK and the Innovation Leadership Council, KPEP will help determine the best approach, secure support at all levels and develop formal strategy to secure sponsorship and host FDI awareness meeting to finalize the plan and market approach.

Expected Results

1. Firms receiving technical assistance demonstrate increased sales, exports, and or employment.
2. Firms provide wider range of services to effectively meet demands of its customers and increase revenues
3. ICT Association shows increased number of members, improved quality and quantity of outreach, lobbying, and advocacy efforts on behalf of its members
4. Unified ICT educational program
5. Legal and regulatory framework is improved
6. Government improves transparency and methods for procurement
7. FDI increases in planned areas

Collaboration with Other Organizations

5. GTZ
6. EBRD
7. University of Pittsburg/University of Pristina – Telecommunications Project
8. Crimson capital – SME Community Financing

Assumptions or Critical Success Factors

1. Combination of improved advocacy by association and its members and coordinated policy dialogue on the part of donors leads to improved legal and regulatory framework for IPR, procurement and customs and taxation.
2. Current worldwide economic downturn does not significantly reduce spending in the services sector and FDI in the region.
3. Integrated and coordinated ICT educational program.

4.2.4 Action Plan

Information and Communication Technology		J	F	M	A	M	J	J	A	S
1	Conduct industry assessment	X	X							
2	Hold community Awareness Symposium		X							
3	Develop and Present ICT GAP Analysis			X						
4	Assess current state and create action plan for BEE	X		X	X					
5	Develop ICT Innovation Roadmap			X	X					
6	Hold ICT Innovation Symposium and initiate action plan				X	X	X	X	X	X
7	Develop and Implement Workforce Development plan		X		X	X	X	X	X	X
8	Develop and Implement Market Approach - Marketing and Branding		X	X	X	X	X	X	X	X
9	Create Strategy and active FDI plan		X			X	X	X	X	X
10	Strengthen ICT Association, plan and implement	X		X	X	X	X	X	X	X

6. COMPONENT STRATEGIES

KPEP identified cross-cutting components of Business Enabling Environment, Business Support Services and Workforce Development. The strategies for these cross-cutting components discussed in this section will be a common feature of the priority sectors selected. However, there may also be discrete activities that go beyond the sectors targeted but which nonetheless will contribute to the development of the sectors but also the broader Kosovo economy.

6.1 BUSINESS ENABLING ENVIRONMENT

The Business Enabling Environment (BEE) component is a unique feature of KPEP, unusual in competitiveness projects, and provides a flexible tool both for reaching out in a responsive way to the specific needs of individual sectors, and for improving the commercial legal and institutional environment in some more general – but carefully targeted – ways that will facilitate economic growth across *all* the chosen sectors.

Sector-Specific Demand Driven Activities

A great majority of the work planned for the BEE component will be sector-specific and highly responsive to particular needs. The component staff will work in tandem with the competitiveness team and the sector leads to determine, *as the sector focus and strategy are developed*, the necessary and appropriate targeted BEE interventions and other activities. For a detailed look at specific activities, see the individual sector strategies.

Crosscutting Activities

A smaller, yet no less important category of work, will consist of very carefully chosen more generalized cross-sector assistance. This kind of assistance has been chosen based on the following parameters: *That it is consistent with the Project Task Order, that the activity is critical to the success of all project sectors, and that the activity is better suited to a cross-sector approach than a sector-specific approach.*

These activities fall into five categories, most of which are interrelated to some degree:

1. Identification of Reform Needs

In identifying general and sector-specific assistance needs KPEP will employ a modified Business Climate, Legal and Institutional Reform (BizCLIR) approach. A BizCLIR assessment in 2004, followed by three updates through 2006, (available at www.bizlawreform.com), as well as the KCBS Business Conditions Index, provide an excellent foundation. An approach tailored to the KPEP sectors will involve a mini-assessment and series of focus groups to get updated and specific information on the policy and implementation needs of the project.

2. Donor Information Sharing

Success in Kosovo will be significantly dependent upon KPEP's ability to align policy framework and implementation with the competitiveness activities. The Project will collaborate with other donors and the Donor Committee for Enterprise Development (DCED) to establish a Private Sector

Development, Trade and Commercial reform Donor Assistance Group (DAG). The UK Department for International Development (DFID) and GTZ have both expressed significant enthusiasm. The European Commission (EC), and the Donor Coordination Agency within the Agency for European Integration will be informed and updated regularly. The objective of the group would be to share information and activity plans on work in both PSD and associated commercial legal environment reform so that redundancy can be avoided and synergies exploited.

3. Trade Facilitation monitoring and targeted assistance

Less than six percent of Kosovo's trade is exports, and even that dismal figure is set to drop with the disappearance of the scrap metal industry after a recent ban on the import of older vehicles. It will be difficult to improve the level of exports unless the reasons for the low numbers are catalogued and analyzed, and solutions are offered. These reasons can be broadly defined as Non-Tariff Barriers to Trade – that is, the universe of everything, other than a legitimate import tariff, that acts to limit trade, from the non-recognition by other countries of Kosovar license plates, to the lack of implementation of regulations, to issues of corruption. Thus far, no agency in Kosovo has ever highlighted such barriers.

The KPEP BEE Component will support the establishment of an organization, perhaps inter-ministerial or outside the government as a DAG function, with the objective of cataloguing and monitoring these barriers, and providing prioritized solutions.

Specific assistance may also be provided, within the capabilities of the project, to the Ministry of Trade and Industry, on CEFTA issues.

4. Legal Framework and Implementation

Two legal framework areas with crosscutting significance are tax law/administration and PPPs. These areas are significant in their relevance to work in virtually all the chosen sectors. Tax law has been liberalized, but there remain issues, particularly in administration. An example is the burdensome process for reimbursement of VAT on imported items that will undergo further processing and be re-exported as value added goods.

A PPP law is in the drafting process and will have far reaching implications for most, if not all the major sectors. Examples include the role the law will have in leasing of forest land, and in public private partnerships in major capital construction projects.

KPEP will take an active role in the framework and implementation of each of these laws.

5. Contracting Capacity Building

One of the major areas of poor capacity in Kosovo is in business' lack of reliance on arm's length, risk allocating contracting. Few Kosovo businesses enter into written contracts, and typically gravitate towards reducing risk by doing business only with friends and family members, a practice which limits business' ability to diversify, and dramatically increases transaction costs.

The KPEP BEE team will develop, in collaboration with the BearingPoint commercial law training programs, and the ABA-CEELI relationship with the Chamber of Advocates, a simple training package in the basic skills of contracting. This programming will be offered to the legal community, and will be required of business support services/grantees entering into agreements with KPEP. The result will be businesses that are more sophisticated contractors less likely to breach contracts.

6.2 BUSINESS SUPPORT SERVICES

The Business Support Services component comprises an added element in USAID's approach to increasing the competitiveness of selected sectors of the Kosovo economy. The previous project supported the development of independent associations in its targeted sectors, including helping associations understand their roles as service providers to their members and develop at least one fee-generating service. Associations, however, are just one small group of business service providers (BSPs). KPEP will engage and work with the full range of BSPs – from consulting firms and training companies to graphic design, web development and IT firms.

A majority of the BSP component's level of effort will be specific to the targeted sectors and directed at services needed either directly by the project or by client companies or associations of targeted sectors. KPEP will expand the realm of business services available in Kosovo and improve the quality of service provision by stimulating demand and helping create services that are unavailable or only available in limited quantities. To guide our work we will develop of a BSP inventory of local expertise in general business (for example, finance, marketing, human resources), as well as more technical areas (for example, ISO certification, HACCP, or sector-specific standards).

To maximize the benefit from limited resources, the two-person BSP team will allocate significantly more effort to the Transformational sectors than the Transactional sectors. Informational sectors will be aided only if resources allow. While there are synergies between the BSP and Workforce Development components, a potential for duplication, overlap and conflict of approach exists. To ensure coordinated strategies and tactics, the two teams have already begun working together and speaking in "one voice."

As noted, the BSP component's work with associations will focus on their role as service providers. However, where a sector lead believes a new association is needed, the team will develop a package of "start-up" services for associations.

Cross-cutting Activities

During its pre-proposal assessment and the sector selection process, KPEP became aware of a number of cross-cutting issues that the BSP component will address:

1. While business people bemoan the lack of available credit, bankers and donors with loan or grant funds indicate that money is available, adding one big caveat: the business must present a business plan that meets the *funder's* idea of a "bankable" proposal. And too often these proposals, even when prepared by an outside consultant, do not. KPEP will address this with an intensive training program in cooperation with local partners.
2. A related area of difficulty is the bidding-contracting process – from an inability to write specifications to a lack of knowledge in how to evaluate bids to limited if any understanding of the basics of contracts, including the need to honor them. The BSP team will address this issue in cooperation and coordination with the SAF and BEE teams.
3. Internationally recognized certifications can benefit individual BSPs and their companies to gain credibility both inside and outside Kosovo. This will become increasingly important as Kosovo becomes more integrated with the rest of Europe. The BSP team will assess how to assist efforts to attain international certifications such as Certified Management Consultant (CMC)

through support to an association and in cooperation with other partners, such as TAM-BAS Program of EBRD.

6.3 WORKFORCE DEVELOPMENT

Although the former KCBS Project contained some incidental training aspects, workforce development was not an explicit part of KCBS. Inclusion of a workforce development component in KPEP will enhance the provision of job skills and access to employment. On the whole, workforce development interventions will align with targeted sectors. Activities will be guided by the strategic principles and best practices outlined below:

1. **Fostering Market-Oriented Education.** A significant constraint to competitiveness in Kosovo is the limited scope and weak performance of education and training to prepare skilled workers. General education and vocational training is by and large theoretical and lacks a real connection to the needs of employers for specific skills. In this regard, the KPEP workforce development component will foster market-oriented education by means of the following activities:
 - a. *Linking and engaging stakeholders.* Best practices confirm that the most effective workforce development models respond to articulated needs of business and industry. To this end, KPEP will endeavor to form workforce advisory groups composed of the following stakeholders: associations, employers, educational authorities, training providers, donors, municipal officials, and employee organizations. Stakeholder groups will be engaged in developing standards, curricula, instructional methods and outcome measures. Cooperation between these partners will be a key element in advancing market-oriented education.
 - b. *Enhancing development of skill / standard-based curricula.* Education and training that equips learners with *real skills for real jobs* is vital for a ready and adaptive workforce. As such, KPEP will undertake activities to inform curricula development through input from associations, industrial councils, employers, and employee organizations. Also, steps will be taken to link training to industry-based skill standards and certification systems.
 - c. *Expanding and improving experiential-based learning.* On-the-job training programs are known to result in after-program placement rates of approximately 25-30%. Considering their value, KPEP will endeavor to expand and improve work-based modalities such as internships, embedded training, structured on-the-job training, field placements, job shadowing, and career awareness activities.
2. **Improving Capacity of Vocational / Technical Teachers.** Current instructional systems in Kosovo are marked by deep-rooted teaching approaches that are largely ineffective and non-engaging. To boost instructional capacity, KPEP will undertake activities to promote active-learning and participative project techniques.
3. **Improving Capacity of KPEP Training Vendors and Technical Experts.** KPEP will give high priority to building overall capacity of training partners to assure sustained (post-project) provision of high value training. Additionally, technical experts (who may have superior expertise but inferior instructional capability) will undergo succinct training in adult learning principles and effective / engaging training techniques.
4. **Providing Management, General Business, and Entrepreneurial Training.** Sector selection interviews with association officials and employers underscored a common need for management and general business training. Additionally, access to entrepreneurial training is indicated for

school leavers and workers interested in starting businesses. KPEP will partner with capable training providers to address these critical needs.

5. **Providing USAID-Assisted Trainees with High Quality Job Counseling and Placement Services.** Job counseling entails helping trainees gain a better understanding of themselves in relation to the world of work. Resultant insights help job seekers make informed decisions and achieve employment ambitions. To this end, KPEP will:
- Assist trainees with vocational choice, change, and adjustment
 - Provide guidance to trainees to reduce barriers to employment
 - Disseminate essential labor market information
 - Provide information to trainees on occupational requirements
 - Provide assistance on job search and CV preparation
 - Provide coaching to job seekers for job interview preparation
 - Conduct employability workshops and soft-skills trainings
 - Provide employment follow-up and aftercare

Additionally, KPEP will establish mechanisms to refer or place trainees with appropriate employers. Interns will be utilized to develop capacity and sustain activity for job counseling and placement services.

Crosscutting Activities

While the bulk of KPEP workforce development interventions will align with targeted sectors, our research and analysis has identified needs and opportunities that are not sector specific. Two potential target areas for cross cutting activities are discussed below:

1. *Labor Export.* With an overall unemployment rate of 45% and upwards of 70% unemployment for youth (ages 15-25), migration is an alluring option for Kosovo's unemployed and new job entrants (in fact, according to the World Bank's 2008 report entitled *Kosovo Youth in Jeopardy*, 44% of all youth intend to migrate from Kosovo). In view of Kosovo's worker surplus and Europe's labor shortages, labor itself could be an important Kosovo export. KPEP will retain flexibility in attending to this issue, especially in regards to employability and 'soft skills' training tailored for migrant workers.
2. *Youth / Women Unemployment and Entrepreneurship.* It is reported that each year in Kosovo about 25,000 youthful graduates compete for about 2,500 jobs. Also, four out of 10 unemployed youth have been unemployed for a year or longer. Because entrepreneurial exposure and training are excellent routes to employment, KPEP will look to partner with programs such as Junior Achievement. Additionally, KPEP could collaborate with the National American Albanian Council's Hope Fellowship Program to avail young women to educational and internships leading to professional employment opportunities.

ANNEX 1: OFFICIAL STATISTICS' SECTOR DEFINITION

The following are the activities included in each of the sectors for which official statistics were gathered by UBO Consulting. Official statistics were obtained from the Tax Authority of Kosovo, Ministry of Trade and Industry, Statistical Office of Kosovo, and Central Bank of Kosovo.

Sector	Activities Included
Forestry and Wood Products	Botanical and ecological gardens and nature reserve activities Forestry and logging Forestry and logging-related service activities Manufacture of chairs and seats
ICT	Data processing Telecommunications Other computer related activities
Tourism	Bars Camp sites, including caravan sites Canteens Catering Hotels and motels, with restaurant Hotels and motels, without restaurant Hunting trapping and game propagation including related service activities Museum activities and preservation of historical sites and buildings Operation of arts facilities Other entertainment activities nec. Other provision of lodgings nec. Other recreational activities nec. Restaurants Youth hostels and mountain refuges
Recycling	Recycling of metal waste and scrap Recycling of non-metal waste and scrap Sewage and refuse disposal, sanitation and similar activities
Metals	Aluminum production Casting of iron Casting of light metals Cold drawing Cold forming or folding Cold rolling of narrow strip Copper production Forging, pressing, stamping and roll-forming of metal; powder metallurgy Manufacture of basic iron and steel and of ferro-alloys (ECSC) Manufacture of computers and other information processing equipment Manufacture of cutlery Manufacture of light metal packaging Manufacture of locks and hinges Manufacture of man-made fibers Manufacture of mattresses Manufacture of motor vehicles Manufacture of non-electric domestic appliances Manufacture of other electrical equipment nec. Manufacture of other fabricated metal products nec. Manufacture of other general purpose machinery nec. Manufacture of steel drums and similar containers Manufacture of steel tubes Manufacture of tanks, reservoirs and containers of metal Manufacture of tools Other first processing of iron and steel nec; production of non-ECSC ferro-alloyes Precious metals production Treatment and coating of metals
Decorative Stone	Manufacture of ceramic household and ornamental articles Manufacture of ceramic sanitary fixtures

	<p>Manufacture of ceramic tiles and flags Manufacture of flat glass Manufacture of other non-metallic mineral products nec. Manufacture of other technical ceramic products Shaping and processing of flat glass</p>
Fishing and Aquaculture	<p>Fishing Operation of fish hatcheries and fish farms Processing and preserving of fish and fish products</p>
Textiles, Apparel and Leather	<p>Cotton-type weaving Finishing of textiles Manufacture of builders' carpentry and joinery of metal Manufacture of footwear Manufacture of games and toys Manufacture of imitation jewelry Manufacture of jewelry and related articles nec. Manufacture of knitted and crocheted fabrics Manufacture of knitted and crocheted hosiery Manufacture of knitted and crocheted pullovers, cardigans and similar articles Manufacture of leather clothes Manufacture of lighting equipment and electric lamps Manufacture of luggage, handbags and the like, saddlery and harness Manufacture of made-up textile articles, except apparel Manufacture of non-wovens and articles made from non-wovens, except apparel Manufacture of other kitchen furniture Manufacture of other office and shop furniture Manufacture of other outerwear Manufacture of other textiles nec. Manufacture of other wearing apparel and accessories nec. Manufacture of sewing threads Manufacture of sports goods Manufacture of underwear Manufacture of veneer sheets; manufacture of plywood, laminboard, particle board, fibre board and other panels and boards Manufacture of watches and clocks Manufacture of wines Manufacture of workwear Other textile weaving Preparation and spinning of cotton-type fibres Preparation and spinning of other textile fibres Preparation and spinning of woollen-type fibres Preparation and spinning of worsted-type fibres Silk-type weaving Tanning and dressing of leather Test drilling and boring Washing and dry cleaning of textile and fur products</p>
Printing and Recorded Media	<p>Bookbinding and finishing Motion picture and video distribution Motion picture and video production Motion picture projection Other activities related to printing Other publishing Photographic activities Printing nec. Printing of newspapers Publishing of books Publishing of journals and periodicals Publishing of newspapers Publishing of sound recordings Radio and television activities Reproduction of sound recording Reproduction of video recording</p>

ANNEX 2: DATA SOURCES

The following is our detailed list of data sources for each of the 10 sectors analyzed. Data sources include sectoral research, company interviews, Riinvest Survey, Riinvest Focus Group Discussions and official data from the GoK collected by UBO Consulting.

1. Forestry and Wood Products

Research	<ol style="list-style-type: none"> 1. ECIKS, Wood Production and Wood Processing, 2008 2. ECIKS, Investors Guide (Section on Forestry and Wood), 2008 3. KCBS, Forest Certification Benchmarking Assessment, 2006 4. KCBS, Evaluation of Forest Management in Kosovo's Publicly Owned Forests, 2007 5. KCBS, Forest Industry Challenges of Development and Balanced Use, 2008 6. KCBS, Wood Processing in Kosovo, 2005 7. KCBS, Wood Processing Report, 2005 8. USAID, Forestry Final Report to USAID, 2008 9. IPAK, Kosovo Forestry and Wood Processing Sector, 2008 10. USAID, Engineered Wood Flooring, 2006 11. KosovaWood, Company Brochure, 2008 12. MAFW, HCVF Manual RS, 2007 13. KosovaNews, Report Construction, Textile and Wood Processing, 2008
Company Interviews	<ol style="list-style-type: none"> 1. Wood Combine (Kosova Wood Company), Agron Krasniqi, Owner 2. Association of Private Forest Owners, Bashkim Gashi, Chairman 3. Association of Wood Processors, Hashim Deshishku, Chairman 4. Forestry Expert, Hysen Shabanaj 5. MAFRD & SIDA, Arbore Brovina, Deputy Team Leader 6. MAFRD & SIDA, Naser Krasniqi, National Expert 7. IPAK, Felim Cluskey, Deputy Team Leader 8. Green Belt (Sustainable Forestry Management Projects), Andrew Mitchell, Team Leader 9. Sweden Office / SIDA, Fatos Mula, Forester
Flash Survey (Riinvest)	<ol style="list-style-type: none"> 1. Seko 2. Folea Com 3. Hipermarket "KU" 4. N.T.P.,, Pëllumbi" 5. Agro Produkt 6. Final 7. shabani NTP 8. Kompania Ndërtimore Iliria 9. Shkumbini A 10. Goni 11. " FAN " Sh.p.k. 12. Galenteria Group 13. DPZ Fitimi 14. N.P.Sh.,,Culi - Enterier" 15. Alfa Trade 16. Lumi Plast 17. AC Dobrushe (Post Privatized) 18. Peja Wood Combine (Post Privatized) 19. Gjeravica Industrial Forestry Enterprise (Post Privatized)
Focus Group Discussion (Riinvest)	<ol style="list-style-type: none"> 1. Kosova Wood 2. Lesna 3. Duglas 4. Gateri 5. H. Bah Hoti 6. Mobileria Djellza 7. Independent Forestry Expert

2. ICT – Information and Communication Technology

Research	<ol style="list-style-type: none"> 1. UNMIK, EU Communication, 2008 2. ECIKS, Investors Guide (Section on ICT) , 2008 3. OECD, Recommendation for a Regional Investment Strategy (Textiles, Autos, ICT) - Advance Copy, 2008 4. USAID, Kosovo ICT Assessment, 2008 5. KS-Gov, Electronic Governance Strategy (Alb.), 2008 6. Pronet, Pronet Company Presentation, 2008 7. Pronet, Pronet_profile, 2008 8. IDC, World wide Offshore IT Services 2005 - 2009 Forecast, 2005
Company Interviews	<ol style="list-style-type: none"> 1. IPKO, Visar Dobrosi, Head of FIX department 2. PRONET, Valon Budima, Manager 3. CACTUS, Driton Hapciu, Owner 4. ICT Association, Enver Doko, President
Focus Group Discussion (Riinvest)	<ol style="list-style-type: none"> 1. Infosoft 2. ATI-KOS 3. Gashi Comp 4. Info Trade 5. Com Trade 6. PTK 7. Komtel 8. Informatika 9. Rrota

3. Tourism

Research	<ol style="list-style-type: none"> 1. MTI, Kosovo Tourist Prospect (Albanian), Project of Tourist Products for Albanian Alps, 2008 2. ECIKS, Investors Guide (Section on Tourism), 2008 3. MTI, Kosovo Tourism Brochure, 2008 4. KOTAS, Tourist Region of Accursed Mountains, 2008 5. KOTAS, Tourist Package, 2008 6. GTZ, Full service tour package for Kosovo the youngest country of unique, 2008 7. UNWTO, "Tourism Market Trends, 2006 Edition -- Annex"
Company Interviews	<ol style="list-style-type: none"> 1. Kosovo Tourism Association, Zekë Ceku, President 2. Association for Tourist Agencies, Naim Ejupi, President
Flash Survey (Riinvest)	(Pending List from Riinvest)

4. Recycling

Research	<ol style="list-style-type: none"> 1. EAR, Recycling in Kosovo, 2003 2. UNMIK, Recycling Stats, 2008 3. UNMIK, State of the Environment, 2003 4. Kos. Gov., The Waste Law, 2007 5. Recycle, Comport at School, 2007 6. RIINVEST, FGD Waste management - list of participants, 2008 7. UBT, Business Plan Final, 2007 8. UBT, Waste Management Recycling Business Plan, 2007
Company Interviews	<ol style="list-style-type: none"> 1. Euro Kos, Zeqir Shamolli, Owner 2. Dobruna Recycling, Driton Dobruna, Owner 3. Association of Recycling Sector, Ramadan Krackini, Deputy
Focus Group Discussion (Riinvest)	<ol style="list-style-type: none"> 1. Inova (Gjakovë) 2. Plaskos (Kastriot) 3. Medruplast (Prishtinë) 4. Tiki Niti (Ferizaj) 5. X Metal 6. Rec Kos 7. The Metalurgic Faculty in Mitrovica

5. Base Metals, Fabricated Metals and Auto Parts

Research	<ol style="list-style-type: none"> 1. IPAK, Kosovo Metal Processing Industry, 2008 2. OECD, Recommendation for a Regional Investment Strategy (Textiles, Autos, ICT) - Advance Copy, 2008 3. GTZ, Potential metalworking, 2007 4. RIINVEST, FGD Sector of Base Metals, fabricated metals, auto and parts, 2008 5. ECIKS, Investors Guide (Section on Auto Components), 2008
Company Interviews	<ol style="list-style-type: none"> 1. NEW CO CELIKU L.L.C., Shaim Berisha, Owner 2. ELSAM, Sami Musliu, Owner 3. Association for Metal Processing, Agron Zhubi, Chairman 4. Kosovo Steel, Blerim Krasniqi, Owner 5. IPAK, Felim Cluskey, Deputy Team Leader 6. ITERSTEEL, Bujar Reka, Owner
Flash Survey (Riinvest)	<ol style="list-style-type: none"> 1. Feral 2. Arbri 3. Ramosaj 4. N.P.T. " Agro - Butrinti " 5. Farkatari Qirezi 6. Arda Rei Energoinvest 7. N.SH.T. " Mekanizimi " 8. OTHPB Fabrika e pumpave me piston (Post-Privatized) 9. Celiku (Post-Privatized) 10. Eurometal (Post-Privatized) 11. Ferizaj Car and Truck Service (Post-Privatized) 12. Celiku Rollers (Post-Privatized) 13. Kosovosirovina (Post-Privatized) 14. Fabrika e Veglave (Tools Producer) and (Electric Producer) (Post-Privatized) 15. Metal Holding (ex Metalac) (Post-Privatized) 16. N.P.T.SH. K.B. "Kosova" (Post-Privatized) 17. SOE "Metaliku" (Post-Privatized)

6. Decorative Stones

Research	KCBS, Decorative and Dimensional Stone– Development Potential in Kosovo, 2005
Company Interviews	<ol style="list-style-type: none"> 1. KCBS Decorative Stones Expert, Musli Berisha 2. PARADISO, Alban Uka, General Manager 3. ELSA (ART-COM), Brahim Selimaj, Owner 4. IPAK, Felim Cluskey, Deputy Team Leader
Flash Survey (Riinvest)	<ol style="list-style-type: none"> 1. Ndermarrja private treg.sherb.hotel.Export-Import Sofra 2. Furra Aroma 3. Burimi 4. Ndërmarrje Private Tregtare Shërbyese Ndërtimore"Luli Parket" 5. N.T.SH. " Remo Com " 6. Burimi 7. Lushaku komerc 8. Fortesa 9. Ekoplast 10. Ramiz Sadiku Brick Factory 11. Plastic and Toys Factory 12. Elast 13. "Radusha" 14. Kosovoplast

7. Fishing and Aquaculture

Research	<ol style="list-style-type: none"> 1. KCC, Overview of Agriculture in Related Sectors (Albanian), 2008 2. KosovaNews, The world of Trofta, 2007 3. KTA, Trofta Model, 2008 4. EAR, Fisheries and Aquaculture Input Report, 2004 5. Trofta, Fact Sheet Trofta, 2008
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Company Interviews	<ol style="list-style-type: none"> 1. ADI, Abdurrahman Konjufca, Owner 2. Msc. On Aquaculture, Agim Rexhepi 3. TROFTA, Ismajl Bytyqi, Owner
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8. Textiles Apparel and Leather

Research	<ol style="list-style-type: none"> 1. ECIKS, Investors Guide (Section on Textiles), 2008 2. OECD, Recommendation for a Regional Investment Strategy (Textiles, Autos, ICT) - Advance Copy, 2008 3. KosovaNews, Report Construction, Textile and Wood Processing, 2008 4. KTA, New Kosovo Tex LLC, 2005
Company Interviews	<ol style="list-style-type: none"> 1. ASTORIA, Naim Hoxha, Owner 2. KCBS Decorative Stones and Leather Expert, Musli Berisha 3. ARTA TEX, Agim Mustafa, Manager
Flash Survey (Riinvest)	(Pending List from Riinvest)
Focus Group Discussion (Riinvest)	<ol style="list-style-type: none"> 1. Remateks (Dragash) 2. Fabatex (Deçan) 3. Solid (Suharekë) 4. Arta Tex (Pejë) 5. Arta tex (Suharekë) 6. Didixhan (Gjilan)

9. Printing

Research	Integraf_ Why Work with the European Printing Industry, 2008
Company Interviews	Association for Graphic Enterprises, Fadil Daia, Chairman
Flash Survey (Riinvest)	(Pending List from Riinvest)
Focus Group Discussion (Riinvest)	<ol style="list-style-type: none"> 1. Grafika Reznici 2. Twins 3. Studio Forma 4. Xhad Studio 5. Alfa Print 6. KGT 7. Shtypshkronja Trend 8. Shtypshkronja 9. Prograf 10. Europrinty 11. PrintingPress

10. Energy Efficiency

Research	<ol style="list-style-type: none"> 1. KDC, Technical Background Sector Paper on the Energy Sector, 2008 2. UNDP, Energy for Development, 2007 3. UNMIK, EU Energy, 2008 4. UNMIK, EU Factsheet on Energy, 2008 5. AKA, Improve the power supply and decrease the price of this service for Kosovo businesses, 2008 6. EC – WB, Kosovo Technical Background Paper on the Energy Sector, 2008 7. EAR – MEM, Assessment Study of Renewable Energy Resources in Kosovo FINAL DRAFT Report, 2008 8. MEM, Treaty Establishing Energy Community-Final Draft, 2005 9. MEM, Forecast Energy Demand, 2007 10. MEM, Water-Hydroplants, 2006 11. DFK, References, 2006 12. MEM, Program Contact References, 2007 13. MEM, Forecast of Energy Demand in Kosovo for the period 2007 – 2016, 2007 14. MEM, Kosovo Programme for Energy Efficiency and Renewable Energy Resources
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	2006-2016, 2006 15. MEM, Kosovo Energy Efficiency Programme, 2006 16. WB, Kosovo-Energy Sector Policy Note (Final), 2008
Company Interviews	1. Alliance of Kosovo Agro-Businesses, Mentor Thaqi, Manager 2. EBRD-TAM/BAS, Leonora Kusari, Officer 3. KOSTT, Naim Bejtullahu, Energy Expert 4. MEM, Nezir Myrtaj, Energy Expert