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KOSOVO NEW OPPORTUNITIES FOR AGRICULTURE PROGRAM

QUARTERLY REPORT
APRIL–JUNE 2011

JULY 2011

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ACRONYMS AND ABBREVIATIONS

APS	Annual Program Statement
AWP	Annual Work Plan
B2B	Business to Business
CEED	Center for Entrepreneurship and Executive Development
CCF	Commercial Finance Fund
CoP	Chief of Party
DCoP	Deputy Chief of Party
ER	Environmental Review
EU	European Union
F&V	Fruit and Vegetables
FY	Financial Year
GoK	Government of Kosovo's
HACCP	Hazard Analysis and Critical Control Points
IC-K	Intercooperation Kosovo
IEE	Initial Environmental Examination
IIF	Innovation and Incentive Fund
IPM	Integrated Pest Management
ISO	International Organization for Standardization
KCBS	Kosovo Cluster and Business Support Project
KPEP	Kosovo Private Enterprise Program
MAFRD	Ministry of Agriculture, Forests and Rural development
M&E	Monitoring and Evaluation
MTI	Ministry of Trade and Industry
NGO	Non-Governmental Organization
NOA	New Opportunities for Agriculture
PERSUAP	Pesticide Evaluation Report and Safe Use Action Plan

PMP	Performance Monitoring Plan
RDC	Rural Development Center
RFA	Request for Approval
RTK	Radio Television of Kosovo
SME	Small and Medium Sized Enterprise
STTA	Short Term Technical Advisor
UNOPS	United Nations Office for Project Services
US	United States
USAID	United States Agency for International Development
VC	Value Chain

EXECUTIVE SUMMARY

In the second quarter of the Financial Year [FY] 2011, the Program moved into new offices in April and established the necessary procedures, policies and approvals to give a firm foundation for longer term success. A Program website was set up as one of the main ways the program will communicate with our potential and actual customers.

A “Bumpers” assessment was carried out in April, and leading on from this research, a desktop survey activity was carried out to assess regional and selected European Union [EU] markets for the main, initial crops with which the Program expects to work. In June, the Program awarded a subcontract, for completion in late August, to build a solid knowledge base about many of Kosovo's value chains. The development of the knowledge base will provide information from within Kosovo on production volumes and costs, postharvest facilities, participants and current export marketing. Following completion of these two research activities, the Program will mount in mid-July a detailed in-field research study to assess market opportunities for Kosovo's horticultural products in up to ten regional and up to three specifically targeted Western European markets as recommended by the desktop survey. In each country, once a detailed market assessment for these products/forms is conducted, detailed market entry strategies will be developed for feasible markets/countries for each product/form. Workshops will be held with the main players in each of the targeted Value Chains to give feedback on the findings from these three activities. The workshops will be used to assess the interest and commitment stakeholders have in pursuing an investment.

An initial objective in these early months of the Program was to build early credibility.. That meant the Program needed to identify activities that could be immediately implemented. After receiving 94 concept paper applications for initial funding, 14 applicants were asked to submit full applications. These proposals addressed the objectives of the Program, and could be implemented this year, by investing in new crop varieties, introducing new technology and/or identifying access to new markets. Among other activities, test plots for lettuce, gherkins, asparagus and saffron are being developed; new irrigation technology and hail protection will be demonstrated in orchards; and new grading and sorting equipment will be installed. One company, with strong potential for exporting wild fruits and mushrooms, was selected to receive support in preparing for Hazard Analysis and Critical Control Points [HACCP] certification.

In furtherance of the objectives of linking farmers and products to markets, the Program facilitated talks between one of the leading agro-processors in the country, ASK Foods, and the leading supermarket chain, ETC/Elkos. As a result 40% of ASK's products are now being sold through ETC stores. Elkos has also asked the Program to provide training to their suppliers at collection centers in better sorting and packing practices. Talks continue with other processors to find outlets for their products, on better packaging and presentation, and on improved marketing channels.

Several candidates were submitted by Tetra Tech ARD for the position of Senior Advisor to the Ministry of Agriculture, Forests and Rural development (MAFRD). The Ministry had very decided ideas about the experience and capabilities for which they were looking in a candidate. The emphasis swung away from a policy advisor, which had seemed to be the initial criterion, to a more hands-on agriculturist who could establish a rapport with the farmers, processors and supermarkets, as well as contribute to the Ministry's development of strategies and longer term

goals. After a one week assignment in early June, Greg Vaut was accepted for the position and he will start in Kosovo on July 18.

A major initiative took place on June 30 when the Program organized an information session for new owners of recently privatized land who are potential major investors in agriculture. The Program invited USAID, other donors, MAFRD, financial institutions, business service providers, laboratories, and agricultural consulting companies to participate. In total, 90 people were present, of which 41 participants were owners of privatized land who have real potential to significantly contribute to Kosovo's agricultural growth.

1.0 ANNUAL WORK PLAN OVERVIEW

The Program began in late February 2011, and a first Annual Work Plan (AWP) was issued to USAID in March 2011. At that time, the information base needed to plan Activities was still underdeveloped. A second AWP was developed for the time period May 2011 through September 2011 and submitted to USAID on June 7. The AWP for Year Two will be prepared next quarter when a more comprehensive knowledge base for new products' development has been achieved. Many of this year's Work Plan Activities are designed to establish the knowledge base needed to plan Activities for the longer term.

In this quarter, the Program established the necessary procedures, policies and approvals to provide a firm foundation for longer term success. Systems and procedures were developed for hiring and training staff, office administration, accounting and budgeting, administration of the Innovation and Incentive Fund (IIF), data collection and monitoring of program activities, and ensuring the environmental requirements were observed. A Program Website was set up as one of the main ways the program will communicate with our potential and actual customers and as a depository for the substantial amount of information the Program will develop.

To be successful the Program had to build a solid knowledge base about many of Kosovo's value chains. A subcontract to establish this knowledge base was awarded in early June for completion in late August. The knowledge base will be used by staff, customers and other stakeholders to implement effectively the Program. The knowledge base will be developed for the Program as a whole, and for each of the value chains with which we intend to work.

An initial Program objective was to achieve short term measurable results and build early credibility for the Program. That meant we needed to identify activities that could be immediately implemented. In response to a call for Concept Papers issued on 26 April, we received 94 applications for funding. After review and evaluation, the Program held a "Next Steps Clinic" and requested full applications from 14 applicants. These proposals addressed the objectives of the Program, and could be implemented this year, by investing in new crop varieties, introducing new technology and/or identifying access to new markets. Another 51 Concept Papers, which had merit but not to be implemented immediately, were put aside for consideration again in the next round of requests. The activities for which full applications were requested, and for which funding will be provided, are:

- Introduction of Hail Protection System by Netting in Top Fruit Orchards.
- Introduction of Saffron Production in Kosovo
- Improve Quality of Gherkins through Sizing
- Demonstration of Drip Irrigation and Fertigation in Apple Orchards and Top Fruit Nurseries with New Varieties.
- Strengthen Linkages within Fruit and Vegetable Chain
- Support Agribusinesses Investors in Horticultural Sector
- Training on GlobalGAP and Phytosanitary Requirements

- HACCP and ISO 9100 Training and Implementation for Berry Processing
- Asparagus Seedling Production and Promotion
- Demonstration of New Gherkin Varieties and Production Technologies
- Lettuce Variety Diversification and Introduction of New Technology

All the foregoing activities will be funded by Grants or Subcontracts awarded from the IIF. In addition, during the last quarter of Year One, the Program will seek opportunities for increasing production of existing crops, and for introducing new processing techniques and processed products.

In the Work Plan submitted to USAID, Activity Data Sheets for each activity were prepared showing:

- a brief description and reasons for selection of the Activity;
- the timeline for the implementation methodology and the steps needed for achieving results;
- the mechanism for providing assistance: internal, Short Term Technical Advisor [STTA], grant or subcontract;
- targeted customers;
- result indicators giving quantitative measures where possible;
- results indicators to be measured;
- environmental actions recommended;
- opportunities for women, minorities and youth; and
- budgeted cost of the activity.

A desktop survey activity was carried out to assess regional and selected EU markets for products which the Program will support. The development of the Knowledge Base will provide information from within Kosovo on production, cost of production, postharvest facilities, participants and current export marketing. Following completion of these two research activities, the Program will mount in mid-July a detailed research study to assess market opportunities for Kosovo's horticultural products in up to ten regional and up to three specifically targeted EU markets as determined by the desktop survey. In each country, once a detailed market assessment for these products/forms is conducted, detailed market entry strategies will be developed for feasible markets/countries for each product/form.

Workshops will be held with the main players in the Value Chain to give feedback on the findings from these three activities. The workshops will be used to assess the interest and commitment stakeholders have in pursuing an investment. The Program will not dictate the entry into any particular market with a particular crop; that is for the individual entrepreneur to decide for itself. Anticipating that there will be interest, the Program has planned to give further technical support to producers of the five crops which we have identified as key value chains of immediate interest to the Program: Apples, Table Grapes, Lettuce, Gherkins and Berries.

The requirements of the International Advisor to the MAFRD, as defined in the Scope of Work, changed in emphasis during the first few months of the Program. However, on June 17, a candidate acceptable to both USAID and MAFRD was approved. Activities in which he will be engaged include:

- Establishing an Agribusiness Donors Working Group;
- Enhancing the enabling environment for horticultural development and exports;
- Recommending special programs to support horticultural development for exports;
- Seeking opportunities for co-funding of Program activities;
- Supporting implementation of parts of the AgStrat not already being developed by the Program;
- Establishing linkages to Food Quality and Safety objectives; and
- Other activities as defined by the MAFRD Minister.

More detailed descriptions of these activities will be included in the AWP developed for Year Two of the Program.

2.0 VALUE CHAIN RESEARCH

2.1 BUMPERS ASSESSMENT

In April, the Program completed an assessment of the targeted crops of the Program to ensure its support would remain in compliance with the Production of Surplus Commodities and Agricultural Activities (Bumpers Amendment) regulations. Ten potential export crops were considered for program support. These included: apples, table grapes, cranberries/bilberries, lettuce/chicory, flower bulbs, white asparagus, cucumbers/gherkins, currants/gooseberries, saffron and kiwi. After initial post-award and discussions with USAID, yet another potential product was added to this list: blackberries/ raspberries.

Regarding five crops which necessitated a more thorough analyses of possible competition with United States [US] producers (apples, table grapes, lettuce/chicory, cranberries/bilberries and blackberries/ raspberries), research indicated that Program support to these sub-sectors and the potential increase in Kosovo exports of these crops or products will pose no threat to US producers. The assessment also determined that support to the other six products would not have an impact on US producers as they are either not produced in the US on a commercial scale or are not exported to the same third-country target markets that Kosovo would aim to supply. These include flower bulbs, white processed asparagus, kiwis, gherkins, saffron and currants/gooseberries.

2.2 TRADE DATABASE DEVELOPMENT

As described in 2.1 above, in early April 2011, the Program completed a brief study to confirm that potential Program support to the targeted ten products will comply with the Production of Surplus Commodities and Agricultural Activities (Bumpers Amendment). That study produced information and data that began to orient the Program's focus on potential export markets for four of the initially-targeted ten products (apples, table grapes, lettuce/chicory and cranberries/bilberries).

More in-depth research on likely export markets for those four products and additional research on export markets for the remaining targeted products was necessary to provide the Program team in Kosovo with critical export market information presented in an easily-used format. The team has used this data, along with additional information collected from primary sources, to develop a short-list of targeted markets (countries) for each commodity/product. This short list was developed at the end of June and target markets have been prioritized per product. Using this information, the Program has been able to develop a plan (see 2.4 below) for conducting detailed market analyses in the selected, prioritized markets.

The overall objective of this activity has been to develop and populate a product-specific trade database, to devise a system of weighting database information so that it can be used to prioritize both target Value Chains (VC) and markets, and finally, to initially prioritize, based on database content only, markets (countries) for products from seven of the eleven selected VCs.

The remaining four value chains and their product forms will be analyzed later in the year prior to the Program engaging in any support to their development.

A one page summary report on each of the seven prioritized Program-targeted VCs has been prepared, detailing recommended markets and relevant information (trade statistics and qualitative information on trade partners and the relationship between Kosovo and the targeted markets analyzed).

2.3 VALUE CHAIN ASSESSMENT

In June, the Program issued a Request for Proposal [RFP] for a subcontract under which the awarded contractor will assist the Program in developing detailed domestic profiles on nine Kosovo horticultural value chains, on products which had been identified by USAID during the Task Order phase as offering potential for production, processing and export. At least five of the nine selected VCs have very little or no domestic production and very little domestic sales via imports. The profiles for these VCs will be much less extensive than those with significant domestic production and/or consumption.

Using these profiles, the awarded contractor will make long term value chain assessments, from which proposed activity interventions for five key VCs of immediate interest to the Program may be determined. The most comprehensive proposal came from a Macedonian company which had recent experience of conducting similar assessments in the region. It was concluded that complying proposals from two Kosovo-based companies were short in experience and qualified personnel. However, the Program negotiated with the Macedonian contractor to include three Kosovo consultants on his team so that some further experience could be gained by them.

In a first phase, the subcontractor is charged with obtaining information on the following:

- Current and past domestic production quantity and value by variety and geographic location for the last five years;
- numbers of hectares planted by variety and geographic location over the last five years and yield per hectare;
- previous export development related work;
- a domestic exports data base that includes the quantity, value, form, timing and destinations of any exports from the VC for the past five years;
- a Kosovo imports data base that includes the quantity, value, form, month and country of origin of any VC product imports over the last five years;
- a description of current and potential Program customers' export oriented or influencing plans and expectations related to the VC;
- the key regulations, policies and public institutions that support and/or inhibit the more rapid development of the VC and how those could be enhanced to improve the functioning and competitiveness of each VC;
- the main forces that are driving the VC and VC dynamics; and a description of the various developmental opportunities and constraints in each of the identified VCs, ranked in terms of their importance as related to the Program objectives.

In addition, to the extent that information can be extracted from secondary sources, the contractor shall assess:

- the comparative importance in value and quantity of the various product forms (fresh, frozen, processed, etc.) at the last link of the VC within Kosovo over the last five years;

- the total number of producers participating and hectares involved in the VC;
- the main types of entities that direct
- to the extent possible identify the average sale price at each point where product changes hands in each channel

In a second phase of the subcontract, the subcontractor will perform the VC Assessments described below for the five primary long-term VCs, specifically apples, table grapes, gherkins/cucumber, berries and lettuce. The Contractor shall:

- Perform a VC Assessment identifying channels, linkages, dynamics, points of leverage and opportunities for intervention in each long-term VC. Undertake a detailed analysis of the various constraints to and opportunities for the accelerated growth of the VCs. These constraints and opportunities will be ranked in terms of their importance in each VC. Identify and prioritize generic, leveraged interventions to overcome the most significant constraints to, and opportunities for, the more rapid growth of each VC.
- Present a detailed Assessment report on the VCs and constraints and opportunities identified, including the ranking of the constraints and opportunities and information on the potential impact of successfully addressing high priority constraints and/or opportunities. The Program will then hold strategic discussions involving the Contractor regarding the intervention options available within each long-term value chain, as well as cross cutting interventions.
- Complete a detailed analysis of the possible interventions identified during the discussions where the Program has the potential to effectively and efficiently implement them, whether for business services or other types of interventions. Provide indicators of the potential impact of these interventions. Produce proposed activity intervention summaries for each priority intervention, using the established format that outlines each intervention and how the Program can effectively use its resources to achieve the desired impact.
- Participate in a two day workshop: the first day to discuss diversification of crops for Kosovo into kiwi, asparagus, saffron, chicory and flower bulbs; and the second day to discuss long-term value chain development for existing crops, apples, table grapes, cucumbers, gherkins and lettuce. The discussions will review the profiles, assessments and intervention activity summaries and enhance them via workshop participant input.
- Finalize the profiles, assessments and activity intervention summaries based on workshop and Program input.

The subcontract was signed on June 23, 2011 and is scheduled for completion by August 22, 2011. In the first week of work, the subcontractor produced a work plan for the activity.

2.4 INTERNATIONAL IN-FIELD MARKET SURVEY

During June, the Program planned for an in-field market survey to be conducted between July 18 and August 31. Although the survey has not started, much work has gone into the planning of the activity, and a description of the methodology to be followed is justified for inclusion in this Quarterly Report.

The purpose of this proposed activity is to assess market opportunities for Program-targeted agricultural products (and product forms) in pre-selected Central and Eastern European countries and possibly some Western European markets to determine which countries present suitable markets for which products. In each country, once a detailed market assessment for

these products/forms is conducted, detailed market entry strategies will be developed for feasible markets/countries for each product/form.

As reported in 2.2 above, a Program trade database has been developed which includes trade information pertaining to each of the targeted products/forms in a broad selection of potential European markets (countries). Particular points of interest include the level of production and consumption of the targeted product, annual import and export volumes and values of trade over the course of the previous five years, trade balance and formal trade tariffs between the potential market and Kosovo. The trade database has been used to short list potential regional and Western European markets for each of the targeted products and product forms.

Beginning in mid-July, detailed market assessments will be conducted, and market entry strategies will be developed, in and for each pre-selected market by a core team of six persons composed of project staff and regional consultants having substantial relevant experience. The team is designed to draw on Program staff knowledge while building their capacity to conduct such studies in the future; at the same time, it will draw from regional expertise and market knowledge, particularly of primary targeted countries neighboring Kosovo. The Team Leader will be Mr. Greg Vaut, Senior Advisor to MAFRD designate, who has the Minister's agreement that he will complete this assignment prior to taking up his duties at the Ministry. He will train and technically assist the team throughout the process of carrying out the assessments and developing necessary market entry strategies.

At the conclusion of the study, the team will produce a draft market assessment report per country visited. This report must cover each product for which the assessment was conducted separately. The team will also produce a draft overall market entry strategy per country visited. Similarly, the report shall include a separate strategy (chapter) for each product that is to be marketed in the target country. A debriefing workshop, led by the Team Leader, with the entire market assessment team, will be hosted in Pristina after completion of the required fieldwork, after which the final market assessment reports and market entry strategies will be published.

3.0 VALUE CHAIN DEVELOPMENT

3.1 APPLES

The Program undertook a short survey/assessment of the apple sector to identify its most immediate needs. The assessment was conducted through visits to orchards and to nursery sites. Results were presented to the technical team and served to identify fast track and building block activities. The most appropriate fast track activities identified in this phase were associated with improvement of infrastructure in existing apple orchards and top fruit nurseries particularly by introducing anti-hail netting protection and irrigation and plant feeding. Longer term, it is obvious that technical support to growers in cultivation technologies is needed, and there must be improvements in marketing through better packaging.

Some 26 Concept Paper applications were related to different activities for apples. These were reviewed and those conforming to the program strategy for horticulture development were selected for further consideration. Some were asked to go ahead with full application forms, while some others have been kept as the potential applications to be considered in future. After the screening phase, five concepts were selected for implementation this year: two projects for irrigation and fertigation; and three projects for installing anti-hail netting system.

19 interested parties (individuals or representatives of local companies) visited the program for advice on the issues related to expanding their top fruits production and saplings propagation, fruit processing and packaging, improvement of technologies, as well as cultivation of new crops. In order to provide technical support to growers more efficiently, a short project brochure for apple orchard establishment has been prepared. It will be distributed to growers asking for the information on the subject. A crop calendar for apples has also been developed. It will serve as a tool in determining areas where the Program can become involved most productively.

3.2 ASPARAGUS

During a B2B of Macedonian and Kosovar agribusinesses, organized by CEED, a USAID project, the Program met a representative of the company “Dusan Ciric”, from Kavaradci, Macedonia. We discussed possible collaboration regarding Asparagus value chain.

“Dusan Ciric” produces 18 ha of asparagus, targeting market Western European countries through a trader from Greece. Following the meeting, three Kosovar nurserymen and two Program staff visited Macedonia aiming to learn about asparagus production and post-harvest handling from the large processor. The nurserymen had never seen an asparagus plant and expressed satisfaction that they had had an opportunity to go on such a visit. The study tour was a great opportunity to learn very quickly the production issues hitherto unknown. During the tour, Mr. Cedomir Dimitrov, an agronomist responsible for the production of asparagus within the company, presented production techniques and post-harvest handling requirements. He expressed interest to come to Kosovo in the future to support asparagus producers.

The Program learned that asparagus is an easy crop to produce; if market linkages are created in Western European Countries, the asparagus value chain could be developed in Kosovo.

Accordingly, the Program designed a fast track and building block activity to introduce asparagus production to Kosovo. The Program issued a RFP for a subcontract, under which the awarded contractor will assist the Program in the production and promotion of asparagus seedlings in Kosovo. Seedlings will be produced in greenhouses from seed sown this fall. The seedlings will then be transplanted in the spring of 2012. The subcontractor will manage three selected local nurseries. The nurseries will have both the capacity and interest to get involved in the asparagus value chain as a new value chain in Kosovo. The nurseries to be selected will be geographically spread throughout the country and be able to provide other interested producers with information and inputs in support of asparagus production.

Unfortunately, no acceptable proposals were received. However, the need for trial plots to demonstrate the viability of the product in Kosovo remains, so the Program will perform the work of the subcontract RFP itself. Work is expected to start in August; an international STTA Dr. Casazza, is scheduled for the last two weeks in September.

3.3 LETTUCE

The Program designed a fast track and building block activity to introduce new varieties and new production technologies of lettuce into Kosovo. Lettuce production will be promoted in open fields (spring, summer and autumn) and greenhouses (early spring and late autumn and winter). Through this activity the Program will promote production of lettuce nearly year-round in Kosovo. Lettuce is one of the vegetable crops which have been identified by USAID as offering potential for production, processing and exports.

Lettuces will be produced by five producers selected by the subcontractor in consultation with the Program's technical team. The subcontractor will design the plots, supply the inputs and provide technical advice to the selected producers during the production season. At least three lettuce varieties, plastic mulch and irrigation will be introduced to six lettuce producers, 0.4 ha each, totaling 2 Ha. Sowing of seedlings will be done every seven days – a cycle; number of plants produced per cycle will depend on market demand. Cycle planting has advantages in rationally using the planting area, and supplying the market and clients continuously with fresh lettuce. It is expected that the demonstration plots will produce at least 200,000 heads of high quality lettuce which will be supplied to restaurants and supermarkets by the producers.

Thirteen potential lettuce growers were identified as potential producers for promotion of new varieties and growing technology through the demo plots. The subcontractor selected for implementation and management of these activities is Rural Development Center, a Kosovo consulting company. The subcontractor will work closely with the Program's Vegetable Production Specialist to identify the potential producers spread over five municipalities.

Because this is a relatively new crop for large scale production in Kosovo, the Program arranged for an international expert to provide guidance and advice during production. Dr. Mathew Mulanax, a Farmer-to-farmer consultant fielded by our subcontractor CNFA, arrived in Kosovo on June 27 for twenty working days to bring his experience on lettuce production to Kosovo farmers. He will support the Vegetable Production Specialist and other stakeholders to identify proper lettuce varieties and growing technology for summer production. He has identified seventeen varieties of lettuce, including romaine, iceberg, and specialty lettuces which might prosper in Kosovo's climate at different seasons of the year and in the different

municipalities. Because of USAID's restricted commodities regulations, a source/origin waiver had to be obtained before these varietal seeds could be purchased.

As part of his assignment, Dr. Mulanax also provided a list of vendors for a small scale vacuum pre-cooler and lettuce bagging machinery equipment. There currently is no pre-cooling for lettuce in Kosovo and the addition of pre-cooling by vacuum cooling will increase the shelf life and help maintain its freshness. The Program is awarding a grant to "MONI", a company in Qyshk village, Peja, to install this equipment.

3.4 GHERKINS

In Kosovo, gherkins are being produced in greenhouses as a second crop targeting the processor markets, i.e., supplying processors with raw material. However, very often, due to the lack of coordination between farmers and processors, farmers sell their gherkins in retail markets that target families that make their own pickles. Production of gherkins in greenhouses increases the costs of production and reduces the possibilities for broad-based value chain expansion due to the higher investment required for the establishment of greenhouses. Following good practices in developed countries, two types of technologies will be tested by the Program:

- ◆ A gherkin production system using the trellis support system. The trellis system is built by wooden or concrete posts set every 4 to 5 m in the row, a plastic net fixed on the posts with wire on the top and bottom. The system will create better ventilation and sunlight on the cucumber plants thus producing less presence of fungus diseases and pests, leading to higher yields and quality. In addition, the trellis system offers the possibility of an easier harvest and better quality raw product. The trellis system will be tested on four demo plots totaling 2 hectares.
- ◆ Moreover, a gherkin system without using the trellis support system will be tested on four demo plots totaling 2 hectares. This system is less costly and requires less investment and labor; but lower yields are expected.

Both of these two technologies will be used to demonstrate four new gherkin varieties and will use plastic mulch and drip irrigation. The objective is to achieve higher yields, better quality and increased disease tolerance.

The program designed a fast track and building block activity to establish these gherkin demonstration plots. Potential gherkin producers were identified, and at least five will be selected for the demo plots. The subcontractor selected for implementation of the activities is Rural Development Center (RDC). RDC will work closely with two processors of gherkins to determine their demand for quality, quantity and timing. Then RDC will select the varieties and producers interested in implementing the demo plots in collaboration with the Program's Vegetable Specialist.

Because this is a relatively new crop for large scale production in Kosovo, the Program has arranged for an international expert to provide guidance and advice during production. Mr. Williams will be in Kosovo the first two weeks of August. The subcontractor will work closely with this expert and the Program's Vegetable Production Specialist to identify and support the potential producers spread over five municipalities. It is expected that the demonstration plots may yield bigger quantities of high quality gherkins, which will be supplied to at least two processors.

The program facilitated a linkage between a collection center in Mamusha with processor “Eurofood” in Prizren. Up to the end of June, 22 tons of gherkins were supplied to “Eurofood”. Gherkin sizing equipment will be provided to the collection center under an IIF grant to improve quality of sales, and more collaboration between the two businesses is expected in the next quarter.

3.5 SAFFRON

Saffron is a relatively new product in Kosovo, so efforts have been made to collect information through visits to the few existing saffron producers in country, and by contacting suppliers of corms and possible buyers. Even more important was searching the internet for reports, articles and scientific works pertaining to saffron production. An international consultant to support the program with technical expertise was contracted for a STTA assignment in July. Five existing producers were contacted:

- Sylejman Hoti, village Krusha e madhe, Rahovec Municipality – 0.25 ha of saffron planted in 2008, since when 0.60 kg of saffron has been harvested, and sold at the rate of €3,500/kg.
- Nazush Hashani, village Muqivërcë, Kamenica Municipality – 0.3 ha saffron planted in 2009. 0.5 kg of saffron has been harvested and sold for € 1.000 in Switzerland through two Albanians living there. Analysis of samples distributed to possible buyers in both Switzerland and Germany reported high quality.
- Spasoje Andrijevic, village Novake, Prizren Municipality is no longer interested in growing saffron.
- Fehim Rexhepi, village Celina, Rahovec Municipality – in response to demand from a French buyer established a trial plot of 0.05 ha. He hasn't done any commercial harvesting yet – harvested quantity was sent to France for quality testing.
- Binak/Esat Luma, village Cermjan, Gjakova municipality. 0.30 ha planted, in 2010; 0.2 Kg was harvested but remains unsold.

Most of the above have shown interest to expand areas planted with saffron. It has a high selling price and high market demand; for them saffron is a good product for the diversification of agricultural production in Kosovo. Following receipt of Concept Papers, four producers (including two of the above) have been awarded grants for the development of a total of 1.0 ha of saffron.

Several suppliers of the corms were identified from Netherlands, Holland, India, France, the US and two Kosovar dealers who import corms from the foregoing countries. Requests for Quotation were prepared for 500.000 corms needed for 1 ha following the advice of the identified international technical adviser. Quotations were received from four suppliers; “Green Garden” from the Netherlands was the preferred supplier. However, unless a waiver for source and origin of Restricted Commodities is obtained, the Program will have to purchase corms from the USA.

A number of potential buyers of Saffron were identified and all have been invited to Kosovo during the STTA's assignment during which they will meet all the growers. This is designed as an initial step towards linking producers to potential buyers. Potential buyers included:

- Two Albanians living in Switzerland who claim they could sell saffron to their clients in Switzerland and Germany. Two years ago, they financed demonstration plots of saffron

in both Kosovo and Macedonia - in Kosovo they established the demo plots in village Muqivërcë, Kamenica, referred to above. Both of them gained technical expertise through attending courses in Switzerland and visits to saffron plantations in Spain and Italy.

- Mr. David Guilloux from France, who knows the region, heard about saffron production in Kosovo. Last year, he purchased 0.6 kg of saffron. Due to high quality of saffron, he is interested in continuing to collaborate with producers in Kosovo and to buy saffron from them; however, he said saffron has to continue to be at high quality in order to compete in the French market with saffron from Iran and other Asian countries.
- Mr. Tony Papageorgiou from Greece is seriously interested in purchasing saffron from Kosovo. Years ago in Greece, he produced saffron in 40 Ha. Now, he is interested to buy Kosovo saffron targeting international markets.

3.6 BERRIES

The Program did not work directly on berry production this quarter=. The market surveys and value chain assessment are researching several types of cultivated berries that have been proposed for production in Kosovo – strawberries, blackberries, raspberries, gooseberries, cranberries, blueberries, bilberries, as well as red and black currants. Once the Program has the data on which to make an informed judgment as to the crop(s) with most chance of success and benefit to Kosovo, the team will prepare a strategy for developing the priority crop(s). Meanwhile, the team is considering how strawberry runner propagation can be developed in the future.

The Program has identified the local Non-Governmental Organization [NGO] in Mitrovice, IADK, as a potential partner to expand strawberry production in Kosovo, particularly through the establishment of a nursery for strawberries. Initial discussions have taken place, most recently at the Strawberry Day in Skenderaj in mid- June organized by MAFRD. Discussions were also held with “Cooperative Rugova” who presently collect wild fruits. They are interested in starting cultivated berry crops for next year.

Early in the quarter, the Program started discussions with a company, “Eurofruti”, to assist it in preparing for HACCP certification; after certification they will be able to export frozen berries to Austria and Germany and other EU markets. The work was planned to be completed in two phases. The first phase will involve completing a HACCP evaluation, implementation plan and full implementation budget. The second phase will involve HACCP training, implementation assistance and an internal audit for Eurofruti so the company will then be able to achieve HACCP certification.

Following receipt of offers in response to an RFP for a sub contract, it was evident that IATCA QMS from Macedonia was the most qualified bidder, and also that there were no suitably qualified Kosovo entities. It was decided instead of a subcontract, to award separate consulting agreements to both the Macedonian specialist, and to the most qualified Kosovo specialist who would work collaborate with the Macedonian consultant and thus gain some technology transfer and increase local capacity.

A visit was made by the Program and USAID representatives to Eurofruti’s plant on June 23 to assess the condition and activities on-site. At the time of visit very good progress had been made on the construction of the new freezing and storage facilities and freezing tunnels.

Eurofruti had invested more than €200,000 to date. 60 women are employed. Further work to be completed before the end of the next quarter includes:

- Design and facilities improvements (location, premises and rooms, equipment, facilities);
- Primary production (environmental hygiene, hygienic production of food sources, handling, storage and transport, cleaning, maintenance and personal hygiene);
- Control of operation (control of product hazards, key aspects of hygiene control systems, incoming materials requirements, packaging, water, management and supervision, documentation and records, recall procedures);
- Maintenance and sanitation (maintenance and cleaning, cleaning programs, pest control, waste management, sanitation systems)
- Personal hygiene (health status, illness and injuries, personal cleanliness, personal behavior, visitors);
- Transportation (requirements, use and maintenance);
- Product information and consumer awareness (batch identification, product information, labeling, consumer education);
- Training (awareness and responsibilities, training programs, instruction and supervision, refresher training).

3.7 FLOWER BULBS

The Program had intended to plant test plots for flower bulbs this year, and a grant application to support this activity was prepared by “Las Palmas” company in Lipjan. Unfortunately the planting time was May, and due to delays in setting up the IIF process and procedures, the moment was lost. This activity will be developed in Year Two.

3.8 LINKAGES TO MARKETS

3.8.1 ASK FOODS

ASK FOODS (ASK) is a Fruit and Vegetable processing company, producing high quality: fruit jams, pickled vegetables, juices and ajvar. They have a wide product range with more than 30 products packed in different sizes and flavors. ASK is currently one of the major processors of F&V with potential to become leading domestic processor in the country. In addition to food processing ASK is a fruit grower and possesses several hectares of land with different fruits: Apples 20 ha, Cherry 40 ha and Raspberry 3 ha.

ASK launched its products in March 2011, initially selling to the biggest supermarkets in Gjilan and Prishtina. It faced problems in sales to the biggest Supermarket chain in Kosovo ETC (14 supermarket chains in 14 different towns), and for several weeks ASK could not reach any agreement with these markets. The Program arranged for ASK to meet with ETC and three other large supermarkets in Peja region (NEDEX, NORA-Market and LIRIDONI) on April 27th. Deals were struck for ASK to have prominent shelf displays with 50% discount or free of charge product exposure expenses.

In May, ASK products were displayed in six ETC supermarkets located in main Kosovo towns; this resulted in an 18% increase in ASK's sales during May. On June 9, the Program had another meeting with ETC Director and received confirmation that ASK products will now be offered in all other remaining ETC supermarkets. As a result, we expect ASK will now sell up to 40 % of its total monthly sales through ETC stores.

Unfortunately, ASK failed to deliver to the supermarkets NEDEX and NORA Market due to lack of proper management. The owner of ASK has problems with delegation and appointment of the right people to certain functions. Additional sales contacts and appointments with other Supermarkets were planned to be intermediated by the program but the owner never had the time to follow up with these contacts (Greta Market –Intercoop, Pre-Comerc, Tropicana and Market- KU).

ASK FOODS was also supported with a one day visit and advice on marketing campaign to be launched in June. Remarks and recommendations emanating from our Program:

- Brand name and slogan is in English; needs translation and adaption as per local understanding (brand name “delicious choice” is hard to understand and be remembered by local clients).
- Video advertisement was too long; needs to be shorter because it is more efficient, less costly and has better reach to the audience
- Brand name and slogan needs more highlight in the video through repetition in writing, voice and video message.
- Client needs to outsource marketing activities especially media buying and PR; needs more than one offer from more than one marketing company when deciding to launch a campaign.
- Marketing channels; needs to diversify using WEB portals such as Telegrafi (with around 100,000 viewers per day) newspapers and billboards
- Identify customer target groups and select proper communication channels to reach them.

3.8.2 “CLICK-IN”

Program visited a recently opened fast food restaurant in Prishtina, “Click in”, the first fast food chain in Kosovo similar to McDonalds. We found that the pickled gherkins they were using were a Macedonian product; therefore advised the client to search for local products. We introduced “Click in” to Fitimi, one of local pickled gherkin processors, but “Click in” decided to use products from Koral, another local producer from Prishtina.

3.8.3 KORAL

Koral has a well-established business in meat processing, with a 3500 m2 factory, 172 employees, €25 million yearly turnover, 9 ha land of business premises, 12 cooling rooms - each with 300 Ton capacity. Koral is a distributor for Hungarian milk and cheese products produced by “SOLE”. Seven months ago Koral bought a processing company IDEAL that was producing ketchup, mayonnaise, pickled vegetables and fruit jams. Koral is among the three top ketchup producers in Kosovo. Its pickled vegetables production is still modest but it has potential and plans to grow. Currently they operate in a rented premise, but plan to build a new factory on their own land. Koral asked for our program's support on: a) new factory line

arrangements; b) linkages with farmers; c) marketing and rebranding support, etc., and a first initial meeting about new factory arrangement and equipment placement has been held. A first initial meeting about new factory arrangement and equipment placement has been held, and Program will continue to support and monitor Koral's development.

3.8.4 ETC/ELKOS

ETC is the biggest supermarket chain in Kosovo. Their F&V needs are met from local farmers but mainly from imports. Their aim is to substitute their imports with local products. They are planning to build a big collection center in Xerxe (construction starts in July); in addition they will establish another four collection centers distributed geographically around Kosovo, similar to one already operating in Lushnje/Albania. Albania has an early harvest season in comparison to Kosovo; therefore notwithstanding its preference to use Kosovar products, ELKOS is planning to have collection centers there as well. ELKOS has ambitious plans for exporting fresh fruit and vegetables [F&V] to the regional markets. It has already started to export watermelons to Croatia.

As described above, the Program had initial collaboration with ELKOS in regards to linking the local processor ASK FOODS with ETC supermarkets. In further discussions between the Program and ETC, ETC said they were not happy with the quality of collected F&V in Kosovo and asked for our assistance in post-harvest activities with a focus on sorting, grading and packing. The Program will assess needs regarding post-harvest activities and based on this analysis will prepare a training program.

In addition, ELKOS has asked for our technical assistance regarding the design and planning for the collection/cooling storage facility they plan to build. During July, the activity plan for short term and long term activities with ELKOS will be completed.

We consider ELKOS as a major player in F&V sector and we plan to build long term relationships in terms of improving the sector, enabling import substitution and exporting of F&V. There are several opportunities for collaboration with this stakeholder.

3.8.5 EUROFOOD

Processor "Eurofood" contacted the Program and requested support on establishing linkages with collection centers and farmers selling gherkins, but they wanted sized gherkins. Program identified Mamusha Collection Center, with whom Eurofood reached an agreement for supply. Mamusha engaged twelve farmers to produce sized gherkins and up to the end of June, 22 tons have been supplied to Eurofood. The Program is funding a new sizing machine for the collection center under an IIF grant. At present, Eurofood consider the price they are paying is too high and they intend to renegotiate a lower price for the September season.

4.0 INCREASED AFFORDABLE AND ACCESSIBLE CREDIT

Very little was done this quarter to address this objective. Consultations have taken place with the USAID program, SME Commercial Finance Fund (CFF), and with the Kosovo Enterprise Fund (KEP) to see how the separate programs can cooperate. KEP submitted a Concept Paper for a grant application which, though not approved, stimulated sufficient interest for the Program to have discussions on how the two programs could work together.

It has become painfully apparent in all discussions with the agricultural community that access to affordable credit is a major constraint to developments in the sector. In Section 5.2 below, the report refers to the Government of Kosovo's [GoK] Ministerial retreat in Bansko, Bulgaria, whose purpose was to develop an Economic Development Vision for Kosovo. At USAID's request, the Program funded participation at the retreat by Dr. John Mellor, a world renowned agronomist. It was interesting to hear Dr. Mellor at the retreat state:

“Always when farmers are asked what they most want from their government, credit is near the top of the list. Unfortunately micro credit which has become so widespread specializes in high interest rate, very small loans. It is inappropriate to small commercial farmers, although some of the lessons from growth of micro credit can be applied to growth of agricultural finance systems.

Similarly, commercial banks rarely have an interest in lending to small farmers. *That is why in essentially all countries government plays a key role in developing a specialized agricultural finance system.* Farmers note this when it is applied and that adds to political support from the rural areas”.

This constraint has been evident in Kosovo throughout the years since the war, during which support for agricultural programs has largely depended on international donors. Internal systems of financial support to the agricultural sector have not been adequately developed. In the next quarter, the Program will actively bring together the MAFRD, financial institutions and donors to seek a remedy to this donor-dependency and introduce an internal system of financing sustainable agricultural growth and expansion.

5.0 IMPROVED COORDINATION WITHIN AGRICULTURAL SECTOR

5.1 SENIOR ADVISOR TO MAFRD

Several candidates were submitted by Tetra Tech ARD for this position, but the Ministry had very decided ideas about the experience and capabilities for which they were looking in a candidate. The emphasis swung away from a policy advisor which had seemed to be the initial criterion, to a more hands-on agriculturist who could establish a rapport with the farmers, processors and supermarkets, as well as contribute to the Ministry's development of strategies and longer term goals. In early June, Greg Vaut came to Kosovo on a one week assignment, essentially to be vetted by the Ministry but also to confirm his interest in the job and the project.

The first day, Mr. Vaut met with the Minister and his Senior Advisor; with Economic Strategy team from the Prime Minister's Office with MAFRD, USAID and the Program; and afterwards, attended a meeting at USAID with CoP and DCoP to review the goals of the Program and the draft of the Work Plan forwarded to USAID the previous Friday.

Thereafter, during the week, he met with the Austrian Embassy Technical Cooperation Office; with InterCooperation and Riinvest representing the Swiss Agency for Development and Cooperation; with Friendship Association Kosova-Israel; and with Crimson Capital. He made field trips to Shtime to see strawberries; to Ettlinger for vegetable processing; to the MOEA plant in Gjilan; to supermarkets [Interex, City and Elkos]; a business meeting with ETC; a visit to Pristina wholesale market; a visit to the Peja Institute; to apple association UVB; a rootstock producer in Ishtok; and to a potential investor in a cold storage center for apples. On all these trips Mr. Vaut was accompanied by the DCoP and the Senior Advisor to the Minister, Uran Ismaili, and in the afternoon by Brian Fahey, Senior Agricultural Advisor at USAID.

On the last day of his visit, Mr. Vaut attended a debrief at the MAFRD at which he gave an impressive appraisal of the agricultural situation in Kosovo, as much as could be determined in just four days. Later in the day, he gave a similar appraisal to USAID's Acting Mission Director and Director of Economic Growth. The result was satisfaction on all sides, and Mr. Vaut will take up his long-term assignment on July 18.

5.2 MINISTERIAL RETREAT IN BANSKO, BULGARIA

CoP attended the Ministerial Economic Retreat in Bansko, Bulgaria for the two sessions on April 12 on Infrastructure and the Private Sector [am] and Agriculture [pm]. The Retreat was the initiative of US Ambassador to Kosovo, Christopher Dell. Six GoK Ministers most connected with economic affairs were asked to attend, with just one advisor, and CoPs of USAID programs involved with those ministries also attended. At the end of the week the Ministers prepared their own material to be presented to the Prime Minister and to the US Ambassadors to Kosovo and

Bulgaria on their Economic Development Vision for Kosovo and the major action items to be taken to achieve it. Subsequent meetings during May and June amplified these actions.

At the US Ambassador's request, the Program arranged for Dr. John Mellor to attend the Retreat. Dr. Mellor is a world renowned agronomist. His presentation on "Agricultural Growth and Employment for Kosovo – Impact, Causes and Policies" was provocative, but well received by MAFRD. The following week Dr. Mellor returned to Pristina and met at MAFRD together with CoPs of NOA and KPEP; with the Ambassador; and with the Acting Mission Director at USAID. He met with the Program's technical team for an afternoon, and was impressed by their command and knowledge of the agricultural issues facing Kosovo.

5.3 OWNERS OF RECENTLY PRIVATIZED LAND

On June 30, the Program organized an information session for new owners of recently privatized land who are potential investors in agriculture. With USAID presence and support, the event was a joint effort with the Ministry of Agriculture, Forestry and Rural Development. Also present were donor organizations, other USAID projects, and financial institutions such as Procredit Bank, Raifeissen Bank and Crimson Finance Fund. The Program arranged for business service providers, testing laboratories, and agricultural consulting companies to participate. In total, 90 people were present, of which 41 participants were owners of privatized land.

Representatives of MAFRD outlined their support programs for agriculture; the DCoP gave a stirring talk on the challenges, but also opportunities, for entrepreneurs engaging in agriculture; and a successful entrepreneur – the owner of MOEA – spoke about his experience in building his business. After the presentations, there was a consultation segment with staff from a number of financial institutions, business services, and donors who have particular programs in the agriculture sector. Attendees were able to meet with specialists set up at separate consultation tables. 45% of the owners expressed interest in financing; 22% in technical assistance; and 28% asked for general assistance in all aspects of developing their land.

The meeting was enthusiastically received. The entrepreneurs said they had never had the agricultural opportunities presented so comprehensively in one session; and the Ministry officials also reacted most favourably, claiming that they felt a real partnership was developing in the sector. It is now important that the Program maintains the momentum generated by this meeting. The following steps are contemplated:

- Conduct field visits to interested parties identified by this meeting and subsequent feedback;
- Conduct visit to successfully implemented privatization process in Macedonia to see all value chain activities at a company that is exporting peaches and grapes to Russian market;
- Assist entrepreneurs in developing technical plans that can be supported by the Program by engaging local consultants.
- Organize a follow up second meeting in September when market analyses have been completed to present the results and provide more information for interested investors.

5.4 COORDINATION OF PROGRAMS

In consultation with the horticultural department in MAFRD, the DCoP has initiated monthly coordination meetings with all horticultural projects. The first meeting will take place in week commencing July 11.

Another important issue to be addressed is effective distribution of financial support to farmers through the several donor grant programs. The Program has arranged for donors to share information on their respective grant awards (and rejections), and is in the process of analyzing those it has received for better coordination purposes.

5.5 INTERNSHIPS

It has become evident in the first quarter that there is a lack of good young practitioners in the horticultural sector. The Program plans to engage up to five interns during the quarter to build capacities in the younger generation in the sector.

6.0 ENVIRONMENTAL ISSUES

6.1 ENVIRONMENTAL REQUIREMENTS DEFINED

Based on the Initial Environmental Examination (IEE), during the development of the Work Plan, all planned FY '11 Program activities were categorized and determined according to their specific environmental requirements. Early in the Program, the Environmental Compliance Specialist, presented to the program staff, USAID's environmental procedures and requirements and discussed regularly the environmental issues related to grant applications and subcontracts. The Program's Summary of Environmental Compliance Actions was developed.

6.2 PERSUAP

Dr. Alan Schroeder, an STTA, conducted a Pesticide Evaluation Report and Safe Use Action Plan (PERSUAP). The purpose of this document is to enable the Program to respond to and comply with the requirements of USAID Regulation 22CFR 216.3(b), USAID's pesticide procedures. Beyond compliance, this document offers best practices and helps ensure that projects avoid and reduce the chances for errors and liability.

PERSUAP was initially planned to be conducted for the Program's top ten VCs. Later the scope was expanded to include other crops whose development is likely to be absorbed from another project in 2012. Crops now covered by the PERSUAP are:

- Vegetables: lettuce, chicory (Belgian endive), asparagus, cucumbers/gherkins, chili peppers, potato, tomato and cabbage;
- Fruits: apples, table grapes, currants/gooseberries, cranberries, blueberry/bilberry, blackberries, raspberries, red watermelon, orange, yellow, white and green melons, strawberry and kiwi;
- Flower bulbs: Gladiolus, Dahlia, Begonia, Lily and Tulip;
- Spice: saffron.

The Program submitted the PERSUAP report to USAID on June 8. During the Mission review prior to final approval at the end of June, the Program was asked to supplement the report with information covering "stone" fruits [it being possible that these would feature in the Program in the future] should such an expansion of the scope of the report be accommodated easily. Contact with Dr. Schroeder indicated that another ten days of work would be required. It was decided to press for a rapid approval of the PERSUAP as now written, and add an Amendment at a later date to include new crops.

The purpose of the PERSUAP is to:

- a. Ensure compliance with the Agency's pesticide procedures;

- b. Ensure compliance with the Government of Kosovo pesticide importation, testing, storage, use, disposal and registration regulations, laws, policies and procedures;
- c. Identify and recommend appropriate mitigative actions for incorporation into the programs' activities;
- d. Identify and recommend alternative actions and/or pesticides, as appropriate;
- e. Facilitate use of Integrated Pest Management (IPM) with a view of avoiding or reducing unnecessary pesticide risk; and
- f. Identify and address key pesticide use issues, particularly those that impact on pesticide utilization by producers and farm laborers.

The completed PERSUAP documents the specific uses of pesticides for each activity concerned with procurement or use of pesticides, including promoting the adoption of particular pesticides and pesticide use technologies supported by USAID. It also provides mechanisms for capacity building of the various partners. This specifically includes design of the Safe Use Action Plan part of the PERSUAP, including mitigation and training to ensure that procedures are disseminated and understood by all partners.

6.3 ER CHECKLISTS FOR IIF ACTIVITIES

To ensure no adverse environmental impacts result from IIF grants, Environmental Review Checklists (ERs) were produced for the first nine grant applications in line for approval: MOEA, Sunrise, Heron&Adea, ASKFOODS, Bytyqi, AgroCelina, Agroprodukt Syne Agroserra and Moni. Checklists must be completed prior to approving disbursement of funds. According to the type of activity covered by the grant, mitigation measures have been prescribed to each grantee and will be implemented by the clients in accordance to the ER recommendations.

Similarly, three ER Checklists for three subcontracts supporting lettuce, asparagus and gherkins production have been prepared.

7.0 INNOVATION AND INCENTIVE FUND

7.1 INTRODUCTION OF THE INNOVATION AND INCENTIVE FUND MANUAL

On March 25, the Program submitted the Innovation and Incentive Fund (IIF) Manual and its annexes to USAID for approval. After much discussion and simplification, the Manual was approved in early June. Senior Officers from the Home Office, Ms. Pamela Doran and Ms. Indeok Oak conducted training with all the NOA staff on grantee responsibility determination and the pre-award process and technical collaboration, including monitoring grant projects and incorporating grants data into the Project PMP. They outlined and discussed the roles and responsibilities of the different NOA staff, and the circumstances and objectives under which different funding mechanisms should be used.

The Program's Grants and Subcontracts Manager gave further presentations to the staff, reinforcing the earlier tutorials on funding from the IIF, during which illustrative activities which might qualify for funding, and the operation of the fund were described, together with the concept paper procedures.

The Grants and Subcontracts Manager met with other USAID projects to learn from their experience with their own grants and subcontracts system approaches: with the DCoP of Agbiz Project, Macedonia, and with KPEP's Grants Manager, with whom he discussed the types of grants and subcontracts and different procedures accompanying them that KPEP uses. Procedures for publication of APS/RFA and RfPs and other matters of common interest were also discussed.

The CoP and the Grants and Subcontracts Manager made seven presentations to prospective applicants for funds from the IIF wherein they described the objectives of the program, illustrative activities which might qualify for funding, and the operation of the fund. Presentations were held: at Prizren [20 attendees]; at Mitrovica [39]; at Prishtina [59], at Gjilan [65]; at Ferizaj [40]; Peja [46] and in Gjakova [47].

The procedures prescribed in the IIF Manual have proved difficult to absorb, and the technical staff have spent more time than anticipated in processing the technical content of grant applications. The applicants, too, have had difficulty in presenting their cases in the detail required. While this should be expected with a new employer/contractor, all the staff have commented that in ten years of administering grants in Kosovo, these procedures are the most complex yet. As such, after the first round of grants are well underway, the program will reassess the IIF procedures in view of streamlining certain processes while ensuring they are still compliant with USAID regulations.

7.2 FIRST ROUND OF GRANTS

The Program received 94 applications (concept papers) for which were established three groups of evaluators made up of Technical staff charged with screening the received Concept Papers. The objective was to do an initial screening of the idea proposed and rank the concept papers as "Worth scoring", "Worth considering in later stages" and "Not worth scoring".

In most of the cases, we noticed that the request and presentation is general and not specific. For the next APS issue, more training and support to farmers in preparation of Concept Papers is required. DCoP and Technical staff assessed all of the Concept Paper applications and agreed that the technical staff would visit 26 applicants with higher potential, or where clarifications were needed, to properly evaluate their ideas and whether or not they were in compliance with program objectives.

The applicants with approved Concept Papers were invited to the “Next Steps Clinic”. Ten full applications were returned. Nine out of the ten applications were given more than 70 points out of a possible 100., but one of these was subsequently rejected because of property issues. The tenth, from “Moni”, a leading vegetable farmer, had technical merit and it was decided the Program should help “Moni” put forward a decent proposal.

Together with assigned Technical Officers, the Senior Finance and Admin Manager visited eight successful grant applicants and completed the Pre-Award Responsibility Determination (PARD). Negotiation memoranda were prepared for two simplified grants, and six in-kind grants.

7.3 FIRST SUB-CONTRACTS

During the quarter five Statements of Work were prepared by the Technical Staff on: value chain assessment; assisting Eurofruti to become HACCP certified; and for management of trial plots of asparagus, lettuce and gherkins. Five RFPs were published and several proposals received. The Program organized and held pre-bid Information Meetings with potential sub-contractors for all five RFPs.

After receiving proposals, they were evaluated by the assigned members of the evaluation committees, and a summary evaluation sheet was presented to the members of the committee. The chosen companies to do the job were contacted to negotiate their budgets. The program also negotiated the inclusion of local Kosovo consultants on the bidders’ team for two projects on which Macedonian companies proved the most satisfactory.

It was decided to award the HACCP certification work under three consultant agreements, wherein the senior consultant would be a Macedonian consultant.

There was only one bidder for the asparagus trial plots, and since the proposal was unacceptable, the team decided that the activity would be managed internally by NOA Vegetable Technical Advisor, Ismet Babaj.

7.4 GENERAL OBSERVATION

There is a shortage of local consultants or consulting companies capable of performing the work identified this quarter in the sector. During the grant and sub-contract application process we have identified that the quality of applications is low and in only a few cases the application fulfilled the selection criteria. Most of qualified consultants are engaged in other projects. . As noted above, in two cases companies or individuals from Macedonia were judged to be the most competent bidders. Contracts were placed with these Macedonian companies, but in each case, the Program negotiated for inclusion of Kosovo consultants to work on the contractor’s team and thereby gain experience.

8.0 PERFORMANCE MONITORING PLAN

8.1 SUMMARY

The Program will monitor progress against program targets through a Performance Monitoring Plan. The plan will facilitate reporting of the results attributable to NOA efforts and provide data for reporting to USAID. It will identify successful agricultural clients, interventions and consultants and will allow the team to compare projected results to actual results on a quarterly, semi-annual and annual basis.

A Performance Monitoring Plan was issued to USAID in compliance with the Task Order's requirement for Deliverables in late March based on what had been agreed during the contract negotiation stage. However, some of the results anticipated by this plan are quite optimistic in terms of the period in which they will be achieved. Accordingly, the Program is evaluating the results expected from the grant activities, subcontracts and direct technical assistance that will be provided during the first year, and will include a revised set of targets in the Work Plan to be produced for Year Two.

During the Quarter, the Monitoring and Evaluation Specialist assisted the DCoP in reviewing Grants to identify how they will contribute to overall Program indicators and results, and to develop forms and procedures which will form the basis for data collection throughout Program implementation.

8.2 MONITORING TOOLS

Four tools were developed in order to collect data for performance monitoring and reporting purposes, including: Grantee Form, Advisory Form, Training Participation List, and Study Tour Form.

The Grantee Form is a tool which the Program will use to collect data from grantees. The form contains general information on grantees, and information related to indicators required by the Program. This tool covers USAID indicators such as the value of sales disaggregated by domestic and export and number of people employed. In addition, it covers components two, three and four of the Program. This form will be used to collect baseline data from the grantee, and evaluate the progress after the activity has ended.

The Grantee Form tracks information regarding the people advised on agriculture matters. During this quarter, the Program has been able to advise 32 people, of which 95% were male and 5% female Albanian nationality, and one Bosnian male. In addition, 24% of the customers asked for advice on applying for IIF funds; 42% asked for technical advice and the rest were people who were advised on food safety 8%, marketing and sales 11%, and general agriculture questions 15%. The data collected are available in hard copy hand written and signed by responsible staff, and when possible signed by the customer as well. The hard copy will be kept for validation purposes.

One of the main focuses of the Program for this quarter was issuing of grants for the first round. During the process, there were information sessions held by the CoP and the Grants Manager, and the Program collected data on all people who participated. 316 people attended these grant information sessions throughout Kosovo. 17% of the people were from Pristina region, from Prizren 6%, from Mitrovica region 12%, from Ferizaj 12%, from Gjakova 15%, from Gjilan 16% and from Peja region 15%. In addition, 24 business people received direct training on the grant application format and content.

The Study Tour form will track study tours, B2Bs and other events financed by the Program. This form collects information on the number of customers who attended the event, place where the event took place, orders/contracts and their value, regarding orders resulting from the event. During this quarter, just one study tour was organized, to Macedonia where three Kosovo nurserymen and two NOA staff visited an asparagus producer.

Training on M&E tools has been conducted for internal staff. The training covered an introduction and presentation of the tools that the Program will be using for monitoring and evaluation purposes. In addition, PMP indicators have been discussed, and as they come into use the team was asked to give feedback on the application of the indicators.

8.3 INDICATORS

In preparing the Negotiation Memo with grantees, indicators were identified for the grants. These indicators will help the Program track the activity progress and will serve as a tool to measure the impact of the investment in the business. Each grant has specific indicators which were developed based on the objectives set for each activity. The indicators will be reported based on the schedule set for each objective.

The Program developed a Sensitive Data memorandum which will be signed by the Program's customers and CoP. This document describes the responsibilities of the Program for data collected from the grantee. It assures customers that all data will be kept with highest level of security and confidentiality by protecting databases with passwords and limited access. In addition, any approved disclosure of confidential data by the Program will be treated in accordance with USAID rules and regulations.

9.0 OUTREACH AND TRAINING

The New Opportunities for Agriculture program is one of the newest USAID projects in Kosovo and the first project focusing entirely on horticulture. Communication activities during its first quarter were centered on the successful promotion and launching of Program activities towards various stakeholders and beneficiaries, and were aimed at highlighting USAID's commitment to advance Kosovo's agriculture sector.

9.1 EVENTS

The official launching and introduction of the New Opportunities for Agriculture Program was executed with a Stakeholders' Meeting held at Hotel Victory on June 2. In total over 100 participants were present, including the Minister of Agriculture, Forestry and Rural Development and his advisors, the Deputy Minister of MTI and Deputy Minister of Minority and Returnees. The event enjoyed wide media coverage by Kosovo written and electronic media outlets, including Radio Television of Kosovo (RTK), Radio Kosova, Radio Television 21, News TV, daily Zeri, daily Lajmi, daily Kosova Press, economic websites Ekonomisti and Ekonomia.

Another outreach event was a workshop held on June 30, with Kosovo's newly privatized land owners, who are potential investors in agriculture. This event has already been described in section 5.3 above.

9.2 WEBSITE

The Program website was launched in May, and since then has been in constant development with the assistance of our IT specialist. Four news articles have been published on the website together with all media releases the Program has had until now. The website is in the process of developing a permanent format, with the aim of being informative, interactive and updated. The link of the Program website is www.noakos.com

9.3 TRAINING

The program's training activities began initially with an Orientation Meeting on April 20 at the Baci Hotel, during which information about expectations and current work plan development, code of conduct, and the employee handbook were presented to the Program staff.

Between April 21 & 27, information workshops targeting potential grantees were presented to farmers in Pristina, Prizren, Peja, Mitrovica, Gjilan, Gjakova and Ferizaj. In total, 316 participants attended these workshops where funding opportunities by the Program through the Innovation and Incentive Fund were presented.

During May 23-24, two internal trainings were held by Home Office staff in relation to procedures of USAID Grants and Subcontracts. This was followed on May 27 by a "Next Steps

Clinic” training targeting 30 potential grantees, who had passed the first phase of the grants approvals process. The training was devised to introduce them to the forms and requirements for submitting a full grant application following the acceptance of their Concept paper submissions.

9.4 MEDIA RELEASES

Three media releases went out to local newspapers and radios:

- Annual Program Statement (APS) was advertised on April 19, 20 & 22 in local newspapers (Koha Ditore, Kosova Sot) and local radios (Radio Kosova, Dukagjini).
- Request for Proposal (RfP) for HACCP Certification of Eurofruti company was advertised on May 13, 14 & 16 in leading local newspaper Koha Ditore.
- Request for Proposal (RfP) for Value Chains Assessments in the horticultural sector was advertised on May 21 & 23 in leading local newspaper Koha Ditore.

9.5 COMMUNICATIONS MATERIAL

In this first quarter, for promotion purposes the Program printed two roll up banners, one large wall banner, as well as internal staff ID-s, business cards and Program letterheads.

10.0 ADMINISTRATION

10.1 MAIN SUBCONTRACTORS

After some delays, the Cost Reimbursable Subcontract with Intercooperation Kosovo (IC-K) was signed on April 18, and the three subcontracted staff started working full time on the Program from that date. IC-K are supplying the team's Fruit Production Specialist, the Vegetable Specialist and the Value Chains Linkages Specialist.

CNFA have engaged three farmer-to-farmer advisors and they are coming to Kosovo in the next three months to provide technical assistance in the production of Asparagus, Lettuce and Gherkins.

10.2 MOBILIZATION

In the first two weeks of April, the new office was carpeted, furnished, and computer networked and the Program team moved in on April 18. Subsequently, a standby generator of 40 KWA capacity was installed, a contract for 24/7 security was signed with "Delta" company, a contract was signed for office cleaning services, and an internal/external phone system installed.

The Program obtained bids from three health insurance companies operating in Kosovo. The decision was made to sign an agreement with health company "Illirya"; they offered the best coverage with the cheapest price. Starting from May 1, each staff member is provided with health insurance for himself/herself, and if applicable for their spouse and two children.

In conformance with the office lease agreement, the Program requested quotations from four property insurance companies in Pristina who inspected the Program office in order to determine the value of the building and the inventory. Decision was made to go with Sigkos Insurance.

As the program developed, need for additional staff became evident. Four employees, three drivers and the translator, transitioned from daily contracts to regular full-time employment. An assistant to the Grants and Subcontracts Manager, Edita Mejzini-Ajeti joins us with much experience from her previous jobs at UNOPS and KCBS. Branimir Dimitrijevic was hired as Minority Liaison and Marketing Specialist, who fulfilled the same role on KCBS, and he will start to work with the Program on 18 July.

Further to the Staff Orientation meeting on April 20, the Finance and Administration Manager prepared a 30 minute power point presentation to the staff regarding Tetra Tech ARD and USAID administration and finance rules. The presentation covered subjects like time sheets, payment and pay period, compensatory time, paid leave, pension, health insurance, vehicle policies, cell/land line phone policies and per diem when on travel.

10.3 VEHICLES

The purchase of the needed three project vehicles has proved time consuming and frustrating. After finding three vehicles in Pristina, some confusion over waiver requirement and delayed

decision-making resulted in those vehicles being no longer available. Subsequently, Tetra Tech ARD's application for a waiver to purchase vehicles locally or in neighboring countries was rejected. This being the case, Tetra Tech ARD has initiated a search for three US-manufactured vehicles to be bought from a US dealer. A request for approval to purchase the three vehicles was submitted to USAID in early July.

11.0 PLANS FOR NEXT QUARTER

The main new activity in the next quarter will be the Regional Market Assessment starting July 18. That will be followed by workshops with the main stakeholders at which the results of the survey, supported by additional information obtained from the value chain assessment of the Kosovo market, will be presented. Both activities are charged with recommending intervention strategies for strengthening the value chain, for expanding existing markets and for entering new markets.

All of the currently IIF-funded activities are scheduled to be finished by the end of the next quarter. The field trials of asparagus, which was originally conceived as an IIF funded activity, will now be managed by the Program's own staff. The scope of this activity involves an initial planting in early July and the subsequent transplanting of the seedlings in early October. However, the nurseries shall maintain the seedlings produced, in good conditions, over the winter and shall supply them at the farm gate to Program-selected producers in May 2012.

For all the activities, the M&E specialist will collect baseline data from direct beneficiaries of the Program, and establish databases and data collection tools based on constraints that might arise. The Outreach and Training Coordinator will collect stories about the activities, post them on our website and will develop media material to publicize the successes and goals of the Program.

In August, the Program will review the grant applications which were set aside in June for consideration later in the year. It will also review new applications which are expected to be received following the successful presentation to the new owners of recently privatized land. These applications will be processed, and successful applications will be identified for inclusion in the Year Two Work Plan. After addressing fast-track activities in this past quarter, we expect more emphasis in this next round of awards to be on supporting longer term projects, particularly associated with improvements in post-harvest activities. By the end of August a first draft of this AWP will be issued to USAID, but details on projects to be finally included will not be available until end September.

The Program will continue to ensure compliance with USAID Environmental Regulations on all the activities currently underway, building on the work done in the past quarter. Much of this involves implementing the recommendations of the PERSUAP, and to effect this we shall translate into Albanian and distribute to farmers the most critical PERSUAP sections and Annexes. The Program will apply the pesticide safe use action plan to increase Integrated Pest Management (IPM). It will raise awareness of, and mitigate pesticide risks, on identified project sites by performing IPM and Safe Pesticide Use training for all implementers and beneficiaries. For beneficiary farmers that do not hire spraying and record-keeping services, the Program will explore ways to subsidize or cost-share Personal Protection Equipment (PPE), or have farmer associations maintain and share such equipment among members. The Program will promote GlobalGAP standards for leftover pesticides and empty container disposal and pesticide record-keeping. It will make and keep copies of the current list of pesticide Active Ingredients analyzed by the PERSUAP at all project sites.

As mentioned above in section 4.0 the Program will actively bring together the MAFRD, financial institutions and donors to seek a remedy to the sector's donor-dependency for financial aid by developing plans for an internal system of financing sustainable agricultural growth and expansion. The Program will try to leverage on existing programs of other donors and the MAFRD

After leading the team on Regional Market Assessment,, the Senior Advisor to the MAFRD will assume his duties full-time in the Ministry, and will develop strategies to improve donor coordination, recommending special programs to support horticultural exports; and establishing linkages to Food Quality and Safety objectives in collaboration with the Kosovo Food and Veterinary Agency [KVFA]..

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