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KOSOVO NEW OPPORTUNITIES FOR AGRICULTURE PROGRAM FISCAL YEAR 2011 – ANNUAL REPORT

October 2011

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DISCLAIMER

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

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ACRONYMS AND ABBREVIATIONS

AgStrat	USAID’s Agricultural Strategy dated 2009
AO	Assistance Objective
APS	Annual program Statement
AVUK	Kosovo Plant and Animal Health Agency
AWP	Annual Work Plan
COP	Chief of Party
DCA	Development Credit Authority
DCOP	Deputy Chief of Party
EPA	Environmental Protection Agency
ER	Environmental Review
EU	European Union
FACTS	Foreign Assistance Tracking and Coordination System
FTE	Full Time Equivalent
FY	Fiscal Year
GDA	Global Development Alliance
GOK	Government of Kosovo
HACCP	Hazard Analysis and Critical Control Points
IIF	Innovation and Incentive Fund
IPM	Integrated Pest Management
IR	Intermediate Result
KPEP	Kosovo Private Enterprise Project
KVFA	Kosovo Food and Veterinary Agency
MAFRD	Ministry of Agriculture, Forests and Rural Development
MCC	Millennium Challenge Corporation
MFI	Micro Finance Institution
PARD	Pre-Award Responsibility Determination
PERSUAP	Pesticide Evaluation Report and Safe Use Action Plan
PMP	Performance Monitoring Plan
RDC	Rural Development Center
RTK	Radio and Television Kosovo
SEED	Support for East European Democracy
SOE	State Owned Enterprise
STTA	Short-Term Technical Assistance
USAID	United States Agency for International Development
USDA	United States Department of Agriculture
USG	United States Government

EXECUTIVE SUMMARY

The Program was launched in February 2011. During the eight months that constituted Fiscal Year One of the Program, the team's focus was on improving production, developing new markets - supported by on-the-ground market studies - and on strengthening the value chain for known crops currently produced in Kosovo: apples, table grapes, cultivated berries, lettuce and cucumbers/gherkins. Market entry opportunities for these crops were explored by three teams of two persons each, which visited eight regional countries over a four week period. The purpose was to validate the opportunities identified in USAID's AgStrat report of 2009. Such opportunities as were found were fed back to producers, processors, wholesalers and traders during a series of workshops held in early September.

The Program established trial plots for new varieties of lettuce and gherkins, with the goal of extending the production season and increasing yields for both crops. The results from these trials have been impressive; productivity of both crops has been increased, and farmers are keen to expand their production next season. The new baby leaf lettuce has already been accepted in local supermarkets and restaurants and demand is increasing. The Program introduced two new high-value crops, saffron and asparagus; if production is successful, the Program will seek to build linkages for these crops with established buyers. The Program has established a number of contacts along the value chain; from producers, to the leading processors, to supermarkets and the larger retail outlets. These will take time to solidify and become firm linkages. The sector still does not have a culture of respecting contract agreements, albeit verbal, with respect to quality and timeliness.

The Program created a database of large-scale landholders, particularly those who had invested in former SOE lands, and who declared an interest in developing fruit orchards and were seeking technical assistance. These investors will be targeted by the Program in Year Two. In all its activities, the Program gave high priority to improving safety in the growing and processing of produce so that the final product conforms to market requirements regarding food quality and safety. Integrated Pest Management [IPM] and Good Agricultural Practices will be a focus in Year Two; all grantees will be given trainings in these subjects and will be required to comply with such practices.

Technical assistance was provided by several short term technical advisors [STTAs] from the United States. Some of this assistance was provided through the Farmer-to-Farmer Program. Crops subject to this assistance included lettuce, berries, saffron, gherkins, apples, table grapes and asparagus. An Environmental specialist completed a Pesticide Evaluation Report and Safe Use Action Plan [PERSUAP]. Tetratex ARD Home Office completed a "Bumpers" assessment for targeted crops in the first two months of the Program.

The Senior Advisor to MAFRD took up his full-time position on September 12 but prior to that he was able to accompany the Minister to a Slovene Kosovo Business Association Agra Fair in Ljubljana in August. Since then, he has been part of a Ministerial delegation to Austria to promote investment in Kosovo's agricultural sector, and he will accompany the Minister to the US in mid-October to meet with donor representatives, express thanks for their support and explore possibilities for future support to agricultural sector development in Kosovo.

Although the numerical results for production in the first year have been small, the stage has been set for significant increases in established annual crops next year. Much of the Program's work, however, is to introduce new varieties and crops that are perennial, and results from these will not be evident for two to three years. The Program will ensure that when these crops do mature, farmers will have been thoroughly trained in best production and post harvest practices so that their produce will be well received in markets and go a long way towards substituting for imports, and ultimately providing Kosovo with exports.

1.0 ACCOMPLISHMENTS AGAINST GOALS

The Task Order was awarded January 24; the Chief of Party mobilized on March 21; the full team was established in its permanent office on April 18. Goals for Year One were published in the Annual Work Plan [AWP] issued in May 2011, and covered the period March – September 2011. The priority sub-objectives, to which the Program committed in the AWP to address through September 2011, are detailed below:

Establish a useful knowledge base for the Program-supported value chains.

The Program engaged a Macedonian Consulting company that had conducted similar studies in Macedonia and Serbia. Its task was to develop detailed domestic profiles on ten Kosovo horticultural value chains, on products which have been identified by USAID in the Task Order as offering potential for production, processing and exports: apples, table grapes, lettuce, gherkins, saffron, asparagus, kiwi, flower bulbs and berries of several varieties. The profiles addressed Kosovo's production capacities, imports and exports; and the various constraints to, and opportunities for, the accelerated growth of the value chains. Information gained from this study was made available to interested stakeholders at a series of workshops held in the first week of September. The Program issued the findings of this study "Value Chains Assessments" to USAID in early October.

Conduct detailed market assessments in regional, and a select few EU countries, to identify market opportunities and develop market entry strategies for selected high-value products.

Two assessments were performed. At the same time as data was being collected on Kosovo production, a desktop study was undertaken in our Home Office in the US. This study provided in-depth research on likely export markets for the nine value chains on which the Program is focused. The "Trade Database" report was issued to USAID in July. The data from this desktop study – the first from official sources - was used to develop a short-list of targeted markets (countries) for each commodity/ product.

This short list was the basis for planning a second research activity, Market Entry Opportunities, in which the Program sent pairs of consultants to eight different regional countries over a three week period ending August 20. Each pair was made up of an outside regional consultant and a member of the Program's staff. In each country, traders, wholesalers, supermarkets, and small retailers were interviewed to ascertain buyer preferences regarding price, varieties, quality, packaging, and presentation. Three hundred and fifty-nine (359) interviews were conducted. Information was also collected on seasonality of markets, legal issues, tariffs, transportation costs, mark up rates etc. In each country the export potential for a reduced focus of the five most promising products - apples, table grapes, berries, lettuce, gherkins - was assessed, and market entry strategies were identified. Opportunities for market entries were discussed with interested stakeholders at a series of workshops held in the first week of September. A final report will be issued to USAID in October.

Organize stakeholder meetings and workshops to discuss possibilities for new product value chain development, discuss specific value chain development needs, ascertain stakeholders' willingness to invest in these value chains and develop a long term plan for specific value chain development.

As mentioned above, workshops were held on September 6, 8 and 9. MAFRD officials, as well as producers, processors and traders, attended the workshops. Stakeholders are reviewing the information presented at the workshops and the Program has started to discuss development of long term plans for their specific value chains. In Year Two, the Program will assist businesses who wish to pursue market opportunities identified at these workshops.

Work with private sector stakeholders, subcontractors and grantees to design and implement projects that test the feasibility and viability of investing in VC development for a range of possible new products considered as high-potential export crops for Kosovo.

and

Respond to increased demand for Kosovo agricultural raw materials and products, by increasing the number of producers who are willing and able to experiment with new product development with a view towards accessing new market opportunities.

The Program has designed and implemented trial projects to test the feasibility and viability of investing in completely new crops, saffron and asparagus; and in new varieties of existing crops, lettuce [15 varieties] and gherkins [5 varieties]. All the seeds for these trials were imported. Saffron and asparagus have export potential. The new lettuce varieties were selected to extend the growing season and allow lettuce to be grown in the hottest season. The new gherkin varieties were selected for their capacity to produce larger volumes of smaller gherkins suitable for pickling [an export demand]; in addition, growing gherkins on trellises was tested for the first time to reduce fungus diseases and pests, leading to higher yields and quality, easier harvesting and better quality raw product. Results of the trials on lettuce and gherkins will be presented by the subcontractor, RDC, in October, at the end of the growing season.

Increase the volumes of saleable targeted high-value crops produced by introducing new production technology and improving post harvest handling and storage practices.

A new sorting and grading machine for gherkins was installed at a collection center in Mamusha to improve quality of product being sent to supermarkets and wholesalers. But generally, it was too late in the season to introduce new technologies, especially for fruit crops, to achieve increased production volumes. The Program identified a number of new production technologies which, when implemented during the off season, could realize production benefits next year. These include: anti-hail netting protection for apple orchards, drip fertigation systems for both apples and table grapes, and a vacuum pre-cooler for lettuce. Price considerations may cause the implementation of these technologies to be reassessed.

The Program also collected data on production of fruits and vegetables in the various regions of Kosovo, and analyzed the requirements for post harvest handling and storage. This information was included in a Statement of Work included in a solicitation for the preparation of Design Briefs for three collection, packing and refrigeration storage facilities to be sited in Peja, Rahovac and Gjiilan regions. A subcontract to prepare these Briefs was awarded in September, and discussions on their development were held with MAFRD as the work progressed. Upon completion, the Design Brief will be passed to the MAFRD who will issue a contract for the detailed design and construction of the facilities.

Improve the competitiveness of private sector, agriculture-related firms involved in value chains that have good potential for increased production or processing opportunities.

The Program continued to seek out purchasers of former SOE properties, especially those interested in developing large tracts for orchards. The production potential of such farms will significantly impact Kosovo's production volumes. Many of these investors have no knowledge of agriculture and will rely on the Program to provide Technical Assistance at start up. Five businesses have already approached the Program for assistance to be delivered on a 50/50 cost share basis.

The Program has also established a working relationship with Abi-Elf [Progresi], the largest food processor in Kosovo, who for several years has been in limbo pending resolution of the ownership of his premises. That problem is now resolved and there are many areas of cooperation of mutual interest which the Program will pursue.

The Program has also worked with MOEA, ASK Foods and Eurofruti, three of the biggest processors of fruits, each with a large network of suppliers, to expand their post harvest facilities. Unfortunately the size of grant which the Program can offer to such companies is small by

comparison with other donors; accordingly, our involvement will focus more on providing technical assistance and improvements in management controls.

Improve linkages/relationships between producers and processors/marketers/ packers leading eventually to reliable agreements for the competitive production of the selected products.

ASK Foods is one of the largest fruit and vegetable processing companies in Kosovo, 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. Recently it has 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 facilitated the discussion between the two entities to resolve this issue. As a result, ASK now sells 40% of its total monthly sales through ETC stores. The Program has also assisted ASK in a marketing campaign, and in providing contacts to five other Kosovo supermarkets to which it is now selling.

ETC is the biggest supermarket chain in Kosovo. Their fruit and vegetable needs are met mainly from imports. Their aim is to substitute their imports with local products. ETC are not happy with the quality of collected product in Kosovo and asked for the Program's assistance in post-harvest activities with a focus on sorting, grading and packing. The Program will assess needs regarding post-harvest activities, and as a first step, conducted a training session on good post-harvest practices. ELKOS is another major player in the sector with whom the Program will build long term relationships in terms of improving the sector, enabling import substitution and exporting of fruits and vegetables.

As of a result of the market research team visiting Croatia and feeding back a lead from a company interested in buying 1,000 tons of gherkins/cucumbers from Kosovo, Agro Serra has shown interest to export to Fragaria in Zagreb, Croatia. Although Agro Serra will not be able to fill the 1,000 ton request this year, it wants to establish a relationship with the Croatian buyer and make a good delivery to Croatia this season in order to ship more volume of gherkins next year. The Program has supported (and will continue to support) development of this linkage. Fragaria has many needs beyond gherkins, and the Program will work with them to assess their needs and determine which suppliers in Kosovo can respond to them.

Enhance the capacity of local entities involved in food quality and safety certification.

Little has been done as yet in this area. The Senior Advisor to MAFRD is pressing for the return of the Kosovo Plant and Animal Health Agency (AVUK) from the Prime Minister's office to be under the control of the Minister of the MAFRD. He will advise MAFRD on the restructuring and strengthening of the agency once it is returned.

The Program has funded technical advisors to support the wild fruits and mushroom processor, Eurofruti, in its preparations for HACCP certification. It has also awarded a small grant for improvements to the company's facility necessary for this certification.

Increase value chain actors' awareness of Global Gap and Phytosanitary Regulations and Standards.

Little work was done in this area. The Program has had exploratory meetings with the Phytosanitary dept. in the Kosovo Food and Veterinary Agency [KVFA] to discuss possible future developments. The Program will conduct a series of trainings and workshops on Global Gap across all municipal regions of Kosovo starting in November. The Program has identified these subjects as suitable areas for assistance from the Israel Govt. MASHAV organization.

Strengthen sector coordination and leadership by MAFRD by providing strategic advice to the Minister and assisting the Ministry to develop the strategies and systems needed to better manage resources and discharge their leadership role.

The Program's CoP attended the Ministerial Economic Retreat in Bansko, Bulgaria for the two sessions on April 12 on Infrastructure and the Private Sector and Agriculture. The Retreat was the initiative of US Ambassador to Kosovo, Christopher Dell. 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.

In July, the Senior Advisor to MAFRD position was filled by Mr. Greg Vaut. During his first two months in Kosovo, Mr. Vaut acted as Team Leader on the Market Entry Opportunities study, and was able to spend less than full-time at MAFRD. However, he has had several meetings with the Minister and his cabinet; he has accompanied the Minister to a Slovene Kosovo Business Association Agra Fair in Ljubljana in August; and he will accompany the Minister to the US in mid-October to meet with donor representative to express thanks for their support and explore possibilities for future support to ag sector development in Kosovo. The schedule in Washington, DC includes meetings with World Bank; Kosovo Embassy; IFC; MCC; USAID Washington, including DCA and GDA offices; the State Department; Senator Leahy; USDA; US Chamber of Commerce; Albanian Caucus; and the National Albanian-American Council. Thereafter the delegation will travel to Vermont where they will spend one day visiting the University of Vermont's College of Agriculture and Life Sciences and its Community Development and Applied Economics department to learn about the College's mandate to provide agricultural extension services to private farmers and agribusinesses in VT and the services the economics department provide to local farmers. The delegation will also visit a number of successful, innovative local agribusinesses in rural Vermont that exemplified opportunities for agribusiness development in Kosovo.

Mr. Vaut took up his appointment full time at the MAFRD premises on September 12.

Cooperate, coordinate, synergize and leverage resources with related USAID, Other Donor and MAFRD activities.

The Program has cooperated with USAID's Kosovo Private Enterprise Program [KPEP] to avoid overlapping in areas of activity. Essentially the Program has focused on the nine value chains enumerated above, and has kept away from the crops supported by KPEP: peppers, tomatoes and wild fruits. To avoid duplication of efforts, the Program has shared information on grants and subcontracts awarded from the Innovation and Incentive Fund [IIF] with KPEP, InterCooperation [Swiss and Danes] and Care International [Austria]. The Program also initiated monthly coordination meetings, hosted by the MAFRD, with representatives from all the donor horticultural projects in country.

Conduct PERSUAP and other necessary environmental studies to ensure that planned Program activities will not have an adverse effect on the environment and that all activities comply with USAID regulation 216 environmental requirements.

The Program 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.

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 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. The Program started to implement training sessions with partners with whom it is working. A wider dissemination is planned for 2012.

Environmental Review Checklists were prepared for all nine grant applications, for the two subcontracts, and for the asparagus trial which are being managed by the Program directly. Mitigation measures have been prescribed to each partnering farmer and the Program continues to oversee implementation by the clients in accordance to the ER recommendations.

Make all stakeholders aware of the Program's presence, objectives, mechanisms for working with stakeholders, work and accomplishments achieved. Ensure that all are aware that support for the Program is "from the American people".

Between April 21-27, the Program presented information targeting potential grantees at workshops in Pristina, Prizren, Peja, Mitrovica, Gjilan, Gjakova and Ferizaj. In total, 316 participants attended these seven workshops where funding opportunities by the Program through the Innovation and Incentive Fund were presented. The Program held a Stakeholders' meeting on June 2 attended by over 100 participants, including the Minister of Agriculture, Forestry and Rural Development and his advisors, the Deputy Minister of Ministry of Trade and Industry, and Deputy Minister of Minority and Returnees.

On June 30, a meeting was held for Kosovo's newly privatized land owners, who are potential investors in agriculture. USAID, MAFRD, donor organizations, other USAID projects, and financial institutions such as Procredit Bank, Raifeissen Bank and Crimson Finance Fund attended. The Program also 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.

These meetings have 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, and the economic websites Ekonomisti and Ekonomia.

At all the meetings, the USAID horizontal banner and roll-up banners proclaiming "from the American people" are prominently displayed. The USAID 50th anniversary banner was also displayed.

In August, an STTA training session on Gherkin production was recorded by Kosovo's only national TV station RTK's agricultural program "Bujku". The CoP took the TV coverage opportunity to give an outline of the goals of the Program and the focus and achievements of the first six months.

The Program website, www.noakos.com is continually updated. It posts reports and presentations generated by STTAs, summaries of workshops and meetings, features on field demonstrations, and solicitations for RFPs/RFQs/RFAs. All save the longer reports are posted in the three official languages, English, Albanian and Serbian.

2.0 MONITORING AND EVALUATION

2.1 DEVELOPMENT OF THE PERFORMANCE MONITORING PLAN [PMP]

An initial draft of the Performance Monitoring Plan [PMP] was issued to USAID in compliance with the Task Order's requirement for Deliverables in late March along with the initial work plan which covered the first eight months of the project, from contract award through September 30, 2011. The PMP was based on what had been agreed during the contract negotiation stage. In this initial PMP, it was stated that projected targets were *preliminary* or *tentative* and may be subject to revision once baseline information had been confirmed and value chain analyses and market studies had been conducted. These would enable the Program to set reasonable, informed targets.

As these activities have now been completed, the Program is in a much better position to propose firm, graduated targets for all selected indicators, for each year of the Program. In addition, detailed elaboration of the FY'12 work plan has given us a clear idea of what can be achieved, in terms of targets, in Fiscal Year 2 and remaining years of the Program.

In September 2011, Program staff reviewed and made necessary revisions to the narrative chapters of the PMP and revised several of the targets so that they are more in line with opportunities and expectations identified over the course of the first eight months of the project. Program staff also added a few indicators to better enable us to capture and report on key results.

The new targets have been incorporated in a revised Performance Monitoring Plan. The Plan will facilitate reporting of the results attributable to the Program's 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.

The Program has taken the opportunity in preparing the revised PMP to set targets corresponding to the fiscal calendar instead of the program calendar. Accordingly, Year one results are for the eight months ending September 30, 2011 and Year Two results will be for the work planned for FY'12.

2.2 VALUE CHAIN RESULTS FOR FISCAL YEAR ONE

A main focus of the Program has been to introduce the Program to potential actors in the sector. In addition, the Program set out to identify potential farmers, processors and distributors in the value chains, communicate high priority crops to farmers, presentation of IIF scheme to interested parties, as well as conduct/plan study tours. All these initial actions are in line with recommendations made by the Agstrat report for Year 1 and will contribute to the overall progress and success of the Program in the following years.

In that context, the Program has implemented activities which yielded modest initial results, in terms of generating income, employment and overall productivity of program beneficiaries. Such activities included introducing new gherkins and lettuce varieties in trial plots, testing new crops of asparagus and saffron bulbs, and linking farmers and producers with new markets.

2.2.1 New Gherkins Varieties

The Program introduced four new gherkin varieties which at the end of September had resulted in production of more than 114 tons of gherkins from 3.5 Ha of trial plots, by seven farmers. The average selling price was €0.43/Kg, totaling €51,000 (\$69,870) of new sales, of which 100% was sold domestically, mainly in the green market and to processors. As production of gherkins will continue

through October, more sales are anticipated. On the evidence so far, the new and healthier varieties, coupled with more frequent harvesting, and application of good practices regarding pesticide, herbicide and fertilizer use, will yield more than double previous yields. It is calculated that for every new hectare of gherkins planted, 3 new FTE jobs will be created.

Through implementing gherkins demo plots, 24 gherkins farmers have expressed interest in producing these new varieties in the coming year.

During the year, the Program used IIF funds to finance a gherkins sizing and grading machine for the Agroserra collection center, in a region mainly inhabited by Turkish minorities. Using the machine, eleven farmers have been able to grade their produce more precisely and consequently have received better prices.

2.2.2 New Lettuce Varieties

Eight farmers and one agriculture school planted 12 new varieties of lettuce in a total of 2 Ha of trial plots. These varieties include varieties which are heat resistant and are new for Kosovar farmers. As the planting of lettuce started late, the first production of lettuce is expected to start by Mid October 2011.

It is expected that 200,000 heads of lettuce will be produced, with an average price of €0.25 per head, totaling €50,000 of new sales from lettuce. Already, the new baby lettuce varieties have been sold through four supermarkets, Albi Shopping Center, Era Hypermarkets, City Center and Intereminex. Following their introduction, farmers have reported increasing orders from the supermarkets as customers find the baby lettuce appealing. The other new varieties are still being sold through greenmarkets.

When it comes to full time employment, no major changes have occurred as result of new variety production; however, as a result of the trials, current employees have more sustainable employment because the diversified varieties extend the season. Areas of lettuce production are increased, thus creating more jobs in the future.

Through implementing lettuce demo plots, 33 new lettuce farmers have expressed interest to produce these new varieties in the coming year.

2.2.3 Asparagus

Three varieties, UC157F1, Depali, and Jersey Giant of asparagus have been introduced and planted. Three nurseries, from three different municipalities (Lipjan, Mitrovica and Shtime) of Kosovo, were gifted with 100,000 seeds of asparagus. This crop is a perennial and will not produce until year 3 of the Program, therefore, no sales are planned during this reporting period. On the other hand, seed planting, maintenance, and transplanting created 792 working days or 3.5 new FTE's.

2.2.4 Saffron

Saffron is seen by the Program as a potential crop to assist in future agricultural growth. This year the Program purchased 500,000 saffron bulbs sufficient to plant 2.4Ha of land, in four different plots. As this is a new crop, yields are expected to start during the second year, with estimation of 1Kg of stigmas per Ha, totaling 2.4 Kg of stigmas produced by the end of year two.

This activity has engaged new people in planting, weeding and irrigation process for 121 days which is equivalent of 0.5 FTE. Although this number is symbolic, and contribution to employment is minimal to date, production of saffron is labor intensive, and once the harvesting is started (a small first yield is expected during October 2011), it will engage significant numbers of people, and generate significant new income for targeted farmers.

2.3 MARKET LINKAGES

The Program has managed to create new linkages for ASK Foods processing company, with three big supermarkets, which are selling products in 14 different cities through 19 shops. Today, Elkos, Nedex and Nora supermarkets are selling Ask Foods products, and have accounted for €31,818 of new sales for ASK Foods. This amount makes up around 25 % of total sales of ASK Foods since they started sales five months ago.

In addition, as result of the Program's efforts, a new linkage was established between Eurofood processing company from Prizren and Agroserra from Mamusha. The latter supplied Eurofood with 30 Tons of gherkins, with the price of €0.40/Kg, totaling €12,000. More recently, over 21 tons of gherkins graded on the new machine supplied to Agroserra referred to in 2.2.1 above, have been sold for processing to Koral Company as a result of a linkage created by the Program.

Program-supported demonstrations of gherkins and lettuce production have increased awareness of the possibilities for enhanced marketing of these products in Kosovo. All farmers involved in production activities were guided toward supermarkets such as City market, Elkos and Interex or toward processors such as Koral.

The Program also participated in discussions between Elkos and Kovraga apple association in Pema prior to contract signing during a recently conducted Apple Day and offered their support in the facilitation of the ongoing contractual process. In addition, the Program participated in discussions which led to an agreement between juice producer MOEA and local farmers, to purchase at a reasonable price class 2 and 3 apples and apples that had fallen from trees.

2.4 TRAINING

During the first eight months of engagement, the Program has organized a total of 17 trainings and presentations for a total of 949 actors in the Program-targeted value chains (842 men and 107 women). These include 10 trainings and 7 presentations on various subjects. Six-hundred and forty-three (643) participants attended presentations including stakeholders meeting, grants information meetings, SOE meetings and value chain assessment meetings. Regarding trainings, a total of 306 people were trained in agricultural productivity for selected crops. Eighty-eight (88) people were trained in gherkins production, 92 trained on lettuce production, 20 trained in saffron production, 33 on apple production, 52 on berries production and 7 on table grape production. 14 people were trained on post-harvest activities and 30 people were trained on grant application. A summary of each of these trainings/presentations is included in Annex I.

2.5 REPORT ON INDICATOR TARGETS AND RESULTS

The below is a summary, per program indicator, of the results that were attained during the first eight months of the project and a brief description of how they were tallied. Annex II provides a numerical snapshot of results compared against targets. The revised Performance Monitoring Plan (PMP) submitted along with this FY 2011 Annual Report provides more detail on indicators, terminology used within them and the overall performance monitoring and reporting system employed by the Program. Euro sales have been converted to dollars at an exchange rate of 1.37

AO2: Increasing Private Sector-Led Growth

Indicator AO2.1: Total Value of sales as a result of USG assistance

Definition of the indicator: Total value of sales of Program-supported crops

Disaggregation by: Type of market (domestic, regional and international)

Data Source: Program reports, records of customers, data collection tools designed by the Program.

Annual Results: For FY 2011, this indicator reports only on sales of gherkins and lettuce achieved through October 15, 2011. This is because lettuce and gherkins are the only two products that the Program worked concretely on, that actually came to fruition during the initial eight months of the Program. While apples and table grapes were also harvested during this period, we cannot claim any direct influence on those sales since the Program had not yet begun to implement apple or table grape production-enhancement activities. We have, however, been deeply involved in production assessment and marketing assessment activities related to these crops, as described in Section I above. The sale of gherkins, in particular, was enhanced by the purchase and provision (through the IIF) of a gherkins sorting and sizing machine. Total value of sales for FY 2011 amounted to €381,244 (or \$522,304). This figure does not include sales of lettuce which farmers began to harvest only in early October, 2011.

Indicator AO2.2: Total value of exports as result of USG assistance

Definition of the indicator: This indicator tracks the value of sales of program targeted crops sold to foreign (including regional and international) markets.

Disaggregation by: Product, destination country.

Data Source: Data is collected from Program reports and producer's, processors' or other value chain actors' records as well as from data collection tools designed by the Program.

Annual Result: During FY 2011, the main focus of the Program was to *identify* crops which have solid export potential in coming years. Consequently, no exports have been recorded during the present reporting period. In the past eight months, improved variety gherkins and lettuce production efforts have been in an experimental phase in preparation for possible export of the best performing varieties in the coming year and beyond. Accordingly, marketing of this year's gherkins and lettuce production has focused on import substitution rather than on export. Once the preferred and most productive varieties are identified, export markets can be attained by ramping up production and improving post-harvest handling and storage facilities and techniques. In FY 2011, the Program also planted trials of asparagus and saffron which are both primarily targeted to export markets in the EU. While neither of these crops has yet come to fruition, we are expecting a small saffron harvest in November of this year.

Indicator AO.2.3: Total value of domestic sales as result of USG assistance

Definition of the indicator: Total value of sales made to domestic markets. This includes only Program-supported crops sold to local/domestic markets.

Disaggregation by: Product.

Data Source: Data received from Program customer records and from data collection tools designed by the Program.

Annual Result: In FY 2011, *all* sales of Program targeted products achieved through various Program interventions were, in fact, domestic sales. Therefore, €381,244 (or \$522,304). in domestic sales was achieved (as cited in Indicator AO 2.1 above).

Indicator AO2.4: Number of person-days/FTE generated through target value chains as result of USG assistance

Definition of the indicator: Number of person days of full time employment generated (including farmers themselves) across different levels of the Program-targeted value chains. Data presented sums the number of fulltime jobs created as FTEs as well as part time employment converted into FTEs based on a standard 225 workdays per year. The sum of the FTEs and part time conversion into FTEs renders the total number of FTEs generated.

Disaggregation by: Value chain

Data Source: Data received from program customers' records and from data collection tools designed by the Program.

Annual Results: The Program has created a modest number of new jobs through the introduction of new gherkin and lettuce varieties and through the planting of new crops - asparagus and saffron. Because these efforts were necessarily experimental in nature (in order to determine crop feasibility and select the best varieties for Kosovo production and market opportunities) and crop areas were not expansive, in FY 2011 we are able to report 259 FTEs created as result of program interventions. This is further broken down into 252 FTEs resulting from full time jobs created, plus the equivalent of 7 FTEs in part time employment created. This number is satisfactory given the fact that essentially only 4 of the 9-10 Program-targeted crops were actually planted this year (lettuce, gherkins, asparagus and saffron) and only 2 of those (lettuce and gherkins) required much labor due to the limited area out planted and the crops' stage in development through the end of the reporting period. Program planned activities for 2012 focus increasing the number new crops planted and expanding the area of new crops and varieties planted. This will result in a significant increase in the generation of new jobs in the coming year. Additionally, as new farmers learn of this season's successful lettuce and gherkins experiments, and possibilities for asparagus and saffron production, more farmers will be interested in planting Program-supported crops and job expansion should increase significantly.

IR 1: Products and Farmers Linked to Markets

Indicator IR.1.1: Number of delivery contracts issued for targeted crops

Definition of the indicator: Number of delivery contracts signed between Program-targeted value chain actors.

Disaggregation by: Type of market (domestic, regional and international), product.

Data Source: Data is collected from Program customers, using the delivery contract log tool developed by the Program.

Annual Results: The preparation and signing of delivery contract agreements between value chain actors in Kosovo (and between Kosovo and export partners) is still not widely practiced. While we have, and will continue to, encourage(d) the development of such formal contracts, in its first eight months, the Program has only managed to facilitate *verbal* sales agreements by linking producers and buyers together and by assisting in their negotiations. This we see as a first step in the right direction, in order to build relationships and trust between value chain actors. During the reporting period, Agroserra collection center obtained a verbal agreement with 11 farmers to sort and size gherkins using sorting equipment financed by the Program. In addition, through intermediation of the Program, Agroserra has managed to sell gherkins (based on verbal agreements) to Eurofood and Koral (processors). Therefore, in total, the Program can report 13 verbal agreements made between value chain actors in FY 2011.

Indicator IR.1.2: Value of sales resulting from linkages created between farmers, processors and traders as result of USG assistance

Definition of the indicator: Total value of sales carried out as a result of the Program's engagement in the identification and creation of linkages between program customers including farmers, collection centers, processors and traders.

Disaggregation by: Type of market (domestic, regional and international), product.

Source of data: Collection of reports and advisory forms filled out by Program specialists.

Annual Results: During the first eight months of the Program, NOA staff has put great effort into trying to link actors working at different levels of the targeted value chains. Some of the early results which the Program has accomplished include linking Askfoods processing company with ELKOS, NEDEX and NORA supermarkets and linking Agroserra collection center with Eurofood and Koral processing companies. As a result, €54,981, (or \$75,324) in sales has been recorded in FY 2011.

Indicator IR.1.3: Number of farmers engaged in target value chains as a result of USG assistance

Definition of the indicator: Total number of farmers that are producing crops targeted by the program and farmers that showed interest (during open field days) in producing those crops in the following year.

Disaggregation by: Gender, ethnicity, value chain.

Source of data: Customers' employment records, training participation lists, data collection tools designed by the Program.

Annual Results: In FY 2011, 331 farmers have been identified, and are directly or indirectly engaged in one or more of the Program's value chains. Eighty-two percent (82%) or 278 farmers are from Rahovec municipality, of which 14% or 48 are from the Turkish community.

Indicator IR.1.4: Number of participants in study tours, B2B, market investigation and trade shows

Definition of the indicator: Number of people who participated in program sponsored events, including study tours, business to business and trade shows.

Disaggregation by: Gender, ethnicity.

Source of data: Data are received from event participant lists and reports from Program specialists.

Annual Results: In its first eight months, the Program has organized one study tour trip to Macedonia. During the trip, 29 people had the opportunity to visit established table grape vineyards and other Program-targeted crops grown in Macedonia. In addition, three B2B meetings were conducted, including meeting between Askfoods with Elkos, and Agroserra with Eurofood and Koral processing companies. In total, 5 people participated in B2B meetings. Thus, in total, 34 people participated in study tours and B2B meetings in FY 2011. The Program has not yet organized attendance at any trade shows or international B2B meetings but plans to begin doing in FY 2012 after new products come into fruition.

Also very worthy of noting here, is the Program's organization and implementation of the "Market Entry Opportunities" regional market assessment conducted by three Program staff, three regional market experts and several third-country assistants that investigated market opportunities in eight Eastern and Central European countries. This team conducted a total of 359 interviews with traders, wholesalers, supermarkets, and small retailers in each targeted country, gathering detailed information on buyer preferences regarding price, varieties, quality, packaging, and presentation.

IR 2: Agriculture Products Diversified and Increased

Indicator IR.2.1: Number of new markets entered for target value chain products

Definition of the indicator: Number of new markets (countries) identified as a result of the Program's efforts. *Disaggregated by:* Type of market: local, regional or international, product/value chain.

Source of data: Data is collected using sales record tool developed by the Program and kept by Program customers.

Annual Results: One of the main focuses of the Program is to identify and/or create new market potential for Program-sponsored crops. Through the "Market Entry Opportunities" activity, the Program was able to identify particular interests and preferences of short listed regional countries as potential buyers of several of the initial Program-supported products (apples, table grapes, cucumber, lettuce and berries – strawberries, raspberries, blackberries and blueberries). The Albanian market is particularly interested in strawberries, Fragraria Company in Croatia is interested in purchasing Kosovo gherkins and the Slovenian market showed heightened interest in both vegetables and fruits in general.

The below table illustrates these opportunities and categorizes them as near-term, mid-term or unlikely opportunities (highlighted in green, yellow and red, respectively).

Country	Market Opportunity Ranking				
	Apples	Berries	Gherkins	Grapes	Lettuce
Albania	3	1	3	3	2
Bosnia-Herzegovina	2	2	2	3	2
Bulgaria	3	3	3	3	3
Croatia	2	3	2	3	2
Macedonia	2	3	2	3	2
Montenegro	1	2	2	3	2
Serbia	2	2	2	2	2
Slovenia	3	2	2	3	2

In the coming year the Program will focus on the “1s” and “2s” to determine the most probably markets among them and develop linkages to buyers for the targeted products in these countries. To date, the program has not “entered” any of these new markets but it will be poised to do so in the coming year as new crop (or variety) production expands and linkages are facilitated through ramped-up B2B and trade fair activity. This year, although no “deals” were struck, Fragraria Company from Croatia did show an interest in purchasing Kosovo gherkins from Agroserra and a French company expressed interest in importing saffron from Kosovo. These are the types of initial contacts export linkages the Program will pursue in the coming year.

During the first eight months of the program, while focusing more on import substitution and domestic sales of gherkins and lettuce product, the team successfully identified five new *domestic* markets for targeted crops that are worth mentioning. These include Ask Foods selling their products to three new buyers operating in different regions of the country (Elkos, Nedex and Nora supermarkets). Elkos is now distributing Askfoods products to 17 selling points around country. In addition, as a result of Program support, Agroserra is now selling gherkins to Koral and Eurofood processing companies, both of which represent domestic markets.

Indicator IR.2.2: Value of sales/purchases from small holders for products as a result of USG assistance (FACTS)

Indicator Definition: Value of sales made by farmers that have <5 Ha of land under targeted crop production.

Dissagragated by: Product

Source of data: Data is collected using sales record tool developed by the Program and kept by Program customers.

Annual Results: Results achieved due to the Program’s intervention during FY 2011, include sales of new gherkins and lettuce varieties. All farmers growing the new gherkins and lettuce varieties are, in fact, small holders according to the above definition. Thus, this sales figure is the same as overall sales achieved by the Program in FY 2011, €168,278 (or \$230,540). These results are promising in that they show that small holder farmers have been able to increase their productivity and expand the growing season (through producing earlier and later during the year), allowing them to increase sales and generate new jobs.

Indicator IR.2.3: Number of new technologies and/or management practices introduced as result of USG assistance

Definition of the indicator: Value adding technologies and management practices related to grading and sorting, drying, canning, packaging, fertigation and irrigation, IPM, open field production, micro spraying, trellising, plastic mulch, pruning, etc.

Disaggregated by: None.

Source of information: Data is collected from IIF reports and customer advisory forms.

Annual Results: During its first eight months, the Program has introduced in total six new technologies and management practices. These include new grading and sorting technology and trellising for gherkins, micro spraying for lettuce and open-field production of gherkins and lettuce. Furthermore, the Program introduced IPM and record keeping systems for targeted customers.

Indicator IR.2.4: Number of people trained in agriculture productivity as a result of USG assistance (FACTS)

Definition of the indicator: Total number of people that participated in Program-sponsored trainings on agricultural productivity.

Disaggregated by: Gender, ethnic group, location and value chain.

Source of information: Data received from training participation lists.

Annual Results: During the initial eight months of the Program, in total 306 people (275 men and 31 women) were trained in agricultural productivity for selected crops. 88 people were trained in gherkins production, 92 trained on lettuce production, 20 trained in saffron production, 40 on apple production, 52 on berries production and 7 on table grape production. In addition, 14 people were trained on post-harvest activities.

Indicator IR.2.5: Number of farmers, processors and others who have adopted new technologies or management practices as a result of USG assistance.

Definition of the indicator: Number of farmers adopting new practices or techniques provided by NOA.

Disaggregated by: Gender, ethnic group, location.

Source of data: Data received from field visit reports and IIF reports.

Annual Results: In total, 70 farmers (32 gherkins and 38 lettuce producers) have adopted new gherkins and lettuce production technologies (see indicator IR.2.3 for technologies and management practices adopted). An additional 96 farmers have attended lettuce and gherkin field days but we have not yet determined their level of interest or commitment to adopting the new technologies or management practices demonstrated. This is a follow up point for FY 2012.

Indicator IR.2.6: Number of firms receiving USG assistance to invest in improved technologies (FACTS)

Definition of the indicator: Number of Collection Centers and Processors to whom the Program has provided trainings or technical support, and/or IIF funding to improve or upgrade their operations.

Disaggregated by: None

Source of data: Program training participation lists and IIF reports.

Annual Results: During the reporting period, in total, eleven firms have received and/or are in process of receiving IIF support to invest in new technologies. These firms include, Agroserra collection center which has received funds to purchase new gherkins grading/sorting equipment. In addition, three companies (MOEA, Sunrise, and Heron&Adea) are poised to implement Hail Protection Systems and Agrocelina and Agroproduct Syne are to invest in new saffron crop development using new land preparation technology. Furthermore, the planting of asparagus using new technologies has been conducted by Agroserra, Godanci Nursery, and Las Palmas. RDC has received assistance on new growing technologies used in gherkins and lettuce production and Bytyqi Nursery is investing in the establishment of an improved irrigation system.

Indicator IR.2.7: Number of hectares under improved technologies and/or management practices as a result of USG assistance (FACTS)

Definition of the indicator: This includes lands which are being cultivated using new/improved technology and/or management practices as defined in the indicator IR2.3.

Disaggregated by: None

Source of data: Program reports including IIF reports and field visit reports.

Annual Results: In total, 8.4 Ha of land has been planted with new crops using technologies that are new to Kosovo or with familiar crops using new technologies and/or management practices that were not practiced before. Fr (4) Ha of gherkins was produced using a trellising system which was otherwise unknown to Kosovo. In addition, 2 Ha of open field lettuce was produced using a new technology, micro spray system. In addition, 2.4 Ha of saffron was planted using proper land preparation, irrigation and fertigation methods.

Indicator IR.2.8: Number of new varieties (including new crops) introduced as result of USG assistance

Definition of indicator: Assumes that these crops and/or varieties are planted for the first time by Program customers.

Disaggregated by: Product/value chain

Source of data: Program reports including reports from IIF.

Annual Results: One of the main objectives of the program is to introduce new varieties for targeted crops which would result in increased productivity, marketability and healthier products. Accordingly, the Program has introduced new crops or varieties of existing crops which have significant potential in terms of expanding to economy of scale, new markets and feasibility for export. During the first eight months of the Program, in total 20 new product varieties have been introduced and planted, including 12 new varieties of lettuce, 4 new varieties of gherkins, 3 varieties of asparagus (a new crop) and one saffron variety (also an essentially new crop).

Indicator IR.2.9: Number of farmers receiving new varieties (including new crops) as result of USG assistance

Definition of the indicator: Total number of farmers who receive program-sponsored new varieties and plant materials.

Disaggregated by: Gender, ethnic group, location.

Source of data: IIF grants and subcontractor reports.

Annual Results: In total, 21 farmers received new varieties of existing and new crops. Seven farmers received new gherkins varieties, nine farmers received new lettuce varieties, four farmers received saffron seeds and three farmers received asparagus seeds. Some of these farmers received varieties of more than one crop.

IR 3: Food Quality and Safety Improved

Indicator IR.3.1: Number of farmers/firms receiving USG assistance that obtain certification with international quality control, environmental and other process voluntary standards or regulations

Definition of the indicator: Number of farmers and/or firms that receive certification from licensed bodies, for at least one of the existing food and safety standards.

Disaggregated by: Gender, ethnic group, location, product.

Source of data: Reports from post-harvest specialist.

Annual Results: During its first year, the Program was to identify companies, including food processors, which have export potential or are already exporting, in order to assist them in preparing for food standard certification. During this reporting period, the Program has worked closely with

Eurofruti processing company and provided technical assistance in preparing the company for implementation of the HACCP standard.

Indicator IR.3.2: Number of farmers and processors trained in food quality, safety and certification

Definition of the indicator: Training includes classroom trainings, field based trainings, study tours and other equally intensive means of transferring knowledge about food quality, safety and certification.

Disaggregated by: Gender, ethnicity, location.

Source of data: Data is collected from training participant lists, study tour lists.

Annual Results: Considering that we are initially focusing on introducing new crops and varieties and establishing production, the Program has not yet begun to design or implement any trainings or training-type activities focusing on food safety and certification. We have planned several such activities for FY 2012.

Indicator IR.3.3: Value of sales of Program-supported certified products (a sub-set of total value of products sold)

Definition of the indicator: Value of sales of all certified, Program-targeted products sold by Program customers. This does not include certified products that are not program-targeted crops but still sold by Program customers.

Disaggregated by: Type of certification.

Source of data: Data are collected from sales records of the sellers, using tools developed by the Program.

Annual Results: Nothing to report for this period since the Program has not yet assisted in or otherwise supported certification of any of its products.

Indicator IR.3.4: Number of local food inspectors trained

Definition of the indicator: Local food inspectors include all Kosovo-based inspectors that receive training under the Program. Training includes classroom based learning, field based trainings, study tours and other intensive learning methodologies (mentoring, etc.).

Disaggregated by: Gender, ethnicity, location.

Source of data: Data are collected from training participation lists, study tour lists, Program records and reports.

Annual Results: Nothing to report for this period since the Program has not yet organized any trainings for food inspectors. We have, however, planned such activities for implementation in FY 2012.

Indicator IR.4: Increased Access to Agricultural Finance

Indicator IR.4.1: Value of lending to Program customers to support investment in Program-targeted crops and products as result of USG assistance

Definition of the indicator: The total value of loans received by Program customers from financial institutions (including banks and MFI's) invested in targeted crops and value chain.

Disaggregated (if possible) by: Point in the value chain: production, processing, marketing, etc.

Source of data: Data received from customers' records cross checked with financial institutions' records.

Annual Results: Nothing to report.

Indicator IR.4.2: Number of finance institutions offering new products targeted at the agriculture sector and agri-business as a result of USG assistance

Definition of the indicator: This indicator counts all finance institutions that have developed such agricultural financing products.

Disaggregated by: Type of financial institution.

Source of data: Internal Program reports.

Annual Results: USAID and TEB bank have sign an agreement for a DCA program with the value of \$2.5m. The DCA program covers the Program's supported crops. While the Program can not claim to have worked with TEB to develop any new loan products offered, it will focus on working with TEB and future DCA partners to do so in the future.

Indicator IR.4.3: Number of SME's receiving USG assistance to access bank loans or private equity (FACTS)

Definition of the indicator: This indicator includes SMEs along all levels of the targeted value chains including producers, processors, traders, business development support service providers and the like.

Disaggregated by: Level of the value chain, value chain, size of SME.

Source of data: Relevant data is collected from Program reports.

Annual Result: In FY 2011 the program organized a round table to which a total of 41 SOE owners and a number of commercial banks and MFIs were invited to discuss needs and options for agricultural financing in Kosovo. We consider this an initial step towards assisting both the SMEs and MFIs/banks in understanding the need for agricultural credit and existing opportunities for accessing it.

Indicator IR.4.4: Number of producers in target value chains receiving assistance to access credit

Definition of the indicator: This includes only direct credit to producers provided by MFIs and banks. It does not consider credit or advances provided by buyers.

Disaggregated by: Gender, ethnicity, location, value chain.

Source of data: Data collected from Program training reports and technical specialists reports on type of assistance provided.

Annual Results: In total 46 producers have been assisted on access to credit. These producers were linked to different banks across the country, and were advised as to the supporting documentation that the banks would require before agreeing to make a loan.

Indicator IR.4.5: Value of grants issued for value chain operators of targeted crops and products as result of USG assistance.

Definition of the indicator: This indicator tracks the total value of grants issued to support investment in Program-focused value chain development by other donor organizations, NGOs, Government or other entities. Grants and subcontracts issued by the Program under the IIF are shown separately.

Source of data: IIF reports, customer survey.

Annual Result: All the values recorded during this reporting period are attributable to the Program's IIF which provided €170,168 (or \$233,130) in grants, and €112,927 (\$154,710) in subcontracts to Program customers – a total of €283,095 (\$387,840). We are not aware of other funding our customers may have received from other entities.

Indicator IR.4.6: Number of value chain operators of target crops and products receiving grants as result of USG assistance.

Definition of the indicator: The total number of customers that receive funds as a result of Program assistance through grants from other entities. Recipients of IIF Grants and subcontracts are shown separately.

Disaggregated by: Gender, ethnicity and value chain.

Source of data: IIF grant reports, customer survey.

Annual Results: All the operators receiving assistance recorded during this reporting period received it from the Program's IIF. In total, 13 Program customers have received IIF funds for the implementation of activities related to Program objectives. Disbursement to three of these grantees has not yet started. In addition, two of the subcontracts awarded to a single business service provider generated funding to 15 small farmers.

Indicator IR.5: Improved Coordination within the Agricultural Sector

Indicator IR.5.1: Number of policy reforms/regulations/administrative procedures drafted and presented for public/stakeholder consultation as result of USG assistance (FACTS)

Definition of the indicator: This indicator refers to policy reforms/regulations/administrative procedures drafted and presented to stakeholders for consultation but not yet submitted formally to government or other bodies that would approve it.

Source of data: Data collected from reports from the Advisor to the MAFRD

Annual Results: Nothing to report.

Indicator IR.5.2: Number of policy reforms/regulations/administrative procedures presented for public/stakeholder consultation *and submitted for approval* as result of USG assistance (FACTS)

Definition of the indicator: This indicator refers to policy reforms/regulations/administrative procedures that have been presented to stakeholders, perhaps revised, and have been formally submitted to the Government or other entities that would approve them.

Source of data: Data collected from reports from the Advisor to the MAFRD

Annual Results: Nothing to report.

Indicator IR.5.3: Number of donor, GOK and agriculture sector roundtables or other events facilitated by NOA

Definition of the indicator: Number of formal agricultural coordination events sponsored by the Program.

Source of data: Program Records

Annual Results: In total, the Program has organized 11 sponsored events during the first eight months of the Program, including a general stakeholders meeting (1), SOE meeting (1), regional marketing assessments (5), MAFRD coordination meeting (1), and Kos Agria Meetings (3). All of these meetings had as part of their agenda, improved coordination of the agriculture sector.

3.0 INNOVATION AND INCENTIVE FUND (IIF)

3.1 INTRODUCTION OF THE INNOVATION AND INCENTIVE FUND MANUAL

The COP and the Grants and Subcontracts Manager made seven presentations to prospective applicants for funds from the IIF. Description of the objectives of the program, illustrative activities which might qualify for funding, and the operation of the fund was described. 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].

3.2 FY 2011 GRANTS

The Program received 94 applications (concept papers) for which were established three groups of evaluators comprised of Technical staff in order to do the screening of the received Concept Papers.

In most of the cases, evaluators noticed that the request and presentation was quite general in nature and not specific enough. We therefore concluded that for the next APS issue, more training and support to farmers in the preparation of Concept Papers will be required. DCOP and Technical staff, assessed all Concept Paper applications and agreed that technical staff would visit 26 applicants that manifested greater potential, or where clarifications were needed, to properly evaluate their ideas and determine whether or not they were in compliance with program objectives.

The applicants with approved Concept Papers were invited to the “Next Steps Clinic” after which ten full applications were returned to the Program and all ten applications were accorded more than 70 points. The tenth, “Moni” had technical merit but the proposal was not up to par so it was decided to help “Moni” put forward a decent proposal. The evaluation members considered that one of the nine proposals that scored more than 70 points (NGO Frutti) was in fact acceptable, however, evaluators felt that the proposed activity was likely to raise property issues which the Program was not prepared to face at this time. Consequently that proposal was put on hold. Yet another proposal (submitted by “Moni”) was put on hold because the equipment requested by the grantee exceeded by far, the price that the grantee had put in his application.

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

Disbursement of grants took longer than planned because of the fact that NOA is introducing innovative and new technologies which cannot be found to be purchased within Kosovo and regulation authorizing procurement from the Geographic Code 000.

A listing of the grants, the name of the grantee, the amount of the grant, and the purpose of the grant are described in the table 1 below.

TABLE 1: FY 2011 GRANT RECIPIENTS

No.	Grantee	Grant Short Description	Grant Amount	Project Total Cost	Status
1	MOEA LLC	Hail Protection System for Apple Orchards in Kravarica	€ 36,370	€ 74,039	RFQ out
2	ASK FOODS	Irrigation System and Fertilization for Apple Fruits Plantation 10 ha			Terminated
3	HERON & ADEA	Construction for Hail Protection	€ 36,070	€ 74,039	RFQ out
4	FIDANISHTJA BYTYQI	Installation of fertigation system at fruit tree and ornamentals nursery "Bytyqi"	€ 8,300	€ 13,350	Ongoing
5	AGROPRODUKT-SYNE	Cultivation of Saffron in 1.5 Ha	€ 41,250	€ 46,910	Saffron delivered
6	AGROSERA	Modernization of gherkin sizing and building of collection capacities for fresh vegetables	€ 19,200	€ 37,285	Machine purchased and delivered to the grantee
7	AGROCELINA	Saffron Cultivation in 0.5 Ha	€ 13,750	€ 32,250	Saffron delivered
8	SUNRISE	Anti Hail System for 2 Ha	€ 15,228	€ 30,106	RFQ out
Total			€ 170,168		

Implementation of the actions foreseen under the grant with ASK Foods, had been accomplished prior to the date on which the grant agreement was to be signed. USAID procedures and regulations for managing grants make it impossible to reimburse any of the expenses incurred before signing the agreement; therefore under these circumstances the Program terminated the ASK Foods grant.

A RFQ was published for Anti Hail systems for three grantees, offers received were from one bidder only and were too high based on the information NOA and the grantees have. The grantees, as per grant agreements with them, will be funding 50% of the total cost of the system, making them part of the decision making team charged with choosing the best vendor. Given the high estimate we received, it was decided that the RFQ should be re-issued in order to get quotes from companies outside Kosovo because the intermediation is imposing custom tax and VAT which, should such equipment be imported directly by the grantees, would be exempt.

3.3 FY 2011 SUBCONTRACTS

During the reporting period six Statements of Work were prepared by the Technical Staff on: value chain assessment; assisting Eurofruti to become HACCP certified; for management of trial plots of asparagus, lettuce and gherkins; and Design Brief for Collection, Packing and Refrigerated Storage Centers. Six RFPs were published and several proposals received. The Program organized and held pre-bid Information Meetings with potential sub-contractors for all six RFPs.

After reception, the proposals were evaluated by assigned members of the evaluation committee, and a summary evaluation sheet was presented to the members of the committee. The chosen companies to do the job were contacted to negotiate the budget. The Program also negotiated the inclusion of local Kosovar consultants on the bidders' team for two projects for which Macedonian companies proved themselves to be the most satisfactory bidder.

The Program decided to award the HACCP certification work under three consultant agreements, for which 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. The SOW, after eliminating the management part of the anticipated activity, was re-advertised and three nurseries were contracted for cultivating of asparagus seedlings.

The Subcontract for Design Brief for Collection, Packing and Refrigerated Storage Centers was done in coordination with MAFRD to assist the Ministry in designing three collection/ storage centers in three different regions of Kosovo.

A listing of the subcontracts, the name of the subcontractor, the amount of the subcontract, and the purpose of the subcontract are described in the table 2 below.

TABLE 2: FY 2011 SUBCONTRACTORS

No.	Subcontractor	Contract Short Description	Sub-contract Value in €	Status
1	EPI CENTAR	Value Chain Assessment	€ 29,150	Finished
2	AGRO SERRA	Asparagus Seedling Production	€ 9,500	Ongoing
3	FIDANISHTJA GODANCI	Asparagus Seedling Production	€ 9,500	Ongoing
4	LAS PALLMAS	Asparagus Seedling Production	€ 9,500	Ongoing
5	RDC	Lettuce Variety Diversification	€ 13,720	Ongoing
6	RDC	Demonstration of New Gherkin Varieties	€ 26,607	Ongoing
7	PATRIA GROUP	Design Brief for Collection, Packing and Refrigerated Storage Centers	€ 14,950	Ongoing
Total			€ 112,927	

3.4 FY 2011 AWARDS UNDER THE IIF

Table 3 below summarizes the type of award made under the IIF in FY 2011 and the percentage of funds approved that have been distributed to date.

TABLE 3: FY 2011 AWARDS UNDER IIF

Type of Awards		
Type of Award	Approved	% Distribution
Grants	€ 170,168	40.25%
Subcontracts	€ 112,927	41.31%
Total	€ 283,095	100%

4.0 ENVIRONMENTAL COMPLIANCE

4.1 ENVIRONMENTAL COMPLIANCE

The Program is complying with the Environmental Compliance Factsheet DCN:2010-KOS-036, and with the Environmental Actions recommended therein regarding categorical Exclusion(s), and Initial Environmental Examination. All proposals for grants and subcontracts initiated in Year One went through a screening process; those that were assessed as Negative Determination with Conditions were submitted to USAID for approval and incorporated mitigation measures into the project description.

4.2 PERSUAP

As reported in Section 1.0, the Program conducted a Pesticide Evaluation Report (PER) and Safe Use and Action Plan (SUAP) to bring USAID-funded projects into compliance with USAID’s environmental regulations (Title 22 of the Code of Federal Regulations (CFR), part 216, or Regulation 216) on pesticide use. Beyond compliance, this document offered best practices and helps ensure that the Program reduces the chances for errors and liability.

The practice of Integrated Pest Management [IPM] – the use of which is considered to be a policy of USAID – is fully supported and promoted in Section 1.4 of the PERSUAP as well as in the required Section 3.3 Factor C analysis of the extent to which the proposed pesticide use is, or could be, part of an IPM program.

The Program produced a list matching pesticide commercial product names with each of the Active Ingredients found in Annex 8 – “Internationally Banned, Restricted and Kosovo-Registered Pesticide Active Ingredients NOT to be promoted, paid for, financed or used on USAID-funded activities”. The result is that from 240 Kosovo registered products, 72 are not to be promoted, purchased or used with USAID resources. The list has been delivered to the beneficiaries who have been made aware that these pesticide commercial products containing such Active Ingredients has been evaluated to be carcinogen, not Environmental Protection Agency [EPA] registered or Restricted Use Pesticide [RUP].

The most critical PERSUAP sections and Annexes have been translated into Albanian, and the Program is in the process of translating the whole document.

4.3 ENVIRONMENTAL COMPLIANCE UNDER IIF

During this year, NOA supported 12 activities through IIF (see table below). Out of these, 2 activities fall under “Categorical Exclusion” – activities that have no effect on the natural or physical environment, while 10 fall under the category “Negative Determination with Conditions” - activities that have potential for environmental impact. For these activities NOA conducted full ER Checklists and special mitigation measures were specified for each proposed activity to prevent unintended impacts.

NO	ORGANIZATION	CATEGORICAL EXCLUSION	NEGATIVE DETERM. WITH CONDITIONS	PROJECT NAME
1.	MOEA		X	Hail Protection System for Apple orchards in Kravarica
2.	HERON & ADEA		X	Construction for Hail Protection
3.	FIDANISHTJA BYTYQI		X	Installation of Irrigation and Fertigation System
4.	AGROPRODUKT-SYNE and two farmers		X	Kosova's Golden Spice
5.	AGROSERRA		X	Modernization of gherkin collection and building collection capacities.
6.	AGROCELINA		X	Saffron Cultivation
7.	SUNRISE		X	Anti-hail System
8.	Seven Farms/RDC		X	Demonstration of New Gherkin Varieties and Production Technologies
9.	Eight Farms /RDC		X	Lettuce Variety Diversification
10	Three Nurseries (Fidanishtja Godanci; Agro Serra; Las Pallmas)		X	Asparagus seedling production and promotion
11.	EPI CENTAR	X		Value Chain Assessment
12.	PATRIA GROUP	X		Design Brief for Collection, Packing and Refrigerated Storage Centers

4.4 ONGOING ADVICE

During the Year the Program has held a number of field demonstrations involving STTAs from abroad who advised farmers of better production practices. They also talked about the safe and effective use of agricultural chemicals, fertilizers and pesticides. These demonstrations were held for lettuce, gherkin and saffron growers with whom the Program was cooperating through grants or subcontracts. At the end of each demonstration, the Program's Environmental Compliance Specialist spoke about the need for better controls of pesticide use and handed out the crop-relevant sections of Annex 1 of the PERSUAP report – "Matrix of Kosovo NOA crops with Primary Pests, Pest Prevention Tools and Tactics, and Pest Control or Management Tools & Tactics". The Program's Environment Compliance Specialist also stressed that this was the first introduction to improving pest and pesticide management; she would be returning to the individual farms to give more focused advice throughout the period of the assistance and test the IPM information with the farmers for validation, modification or adaptation.

5.0 COMPLIANCE WITH USAID REGULATIONS

5.1 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 four crops which necessitated a more thorough analyses of possible competition with United States [US] producers (apples, table grapes, lettuce/chicory and cranberries/bilberries), 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, currants/gooseberries and blackberries/raspberries

5.2 GEOGRAPHIC CODE 000

In late August, the Program wrote to USAID requesting relaxation of the requirement that funds spent under the Innovation and Incentive Fund [IIF] must be spent in Kosovo. The Program argued that the IIF Manual was written to comply with the terms and conditions of the Task Order. The Geographic Code in Section A.22 (page 40) of the contract states that “The authorized geographic code for procurement of goods and services under this award is 000 (US)”. Therefore, to comply with these terms and conditions, the IIF Manual stated that the Program would only contract with firms registered in Kosovo.

Many of the objectives of the Program are, in essence, innovative. The Program is charged with introducing to Kosovo new crop varieties, which involves acquiring new seeds and rootstocks not hitherto found in Kosovo; it is charged with introducing new technologies, which typically involves acquiring equipment which has been proven elsewhere but not in Kosovo; the Program is expected to introduce trainings in the development of these new crops and in the application of new technologies for which there are no established practitioners in Kosovo whom we might engage as trainers.

If these products and services are not available in Kosovo, the Program has two options: we can purchase them in the United States, and incur higher costs, transportation fees and delays; or we can purchase them through a Kosovo trader or middleman, whose sole function in the contracting process is to satisfy the requirement that the purchase is made through a Kosovo company. Neither of these options seems an efficient use of USAID development funds.

In May 2008, the Assistant Administrator for Europe and Eurasia approved for a one-year trial period, a limited waiver of the source, origin and nationality requirements for assistance programs in countries eligible for funding through the Support for East European Democracy (SEED) Act of 1989. This waiver was later extended through May 2012. At the time the IIF Manual was written, the Program was not aware of this waiver. It was only when the issue of purchasing seeds and other

supplies for the project arose that the waiver was provided to us. The waiver would allow the Program to purchase commodities not exceeding \$50,000 in value, and services not exceeding \$250,000 in value, that have a “source” in a SEED or EU country. After detailed discussions with the USAID Mission in Kosovo, it was agreed that the Program will comply with the provisions of the IIF Manual in sourcing all materials, equipment and services, on which IIF funds will be spent, from Kosovo companies. However, should procurement have to be made from companies outside of Kosovo and the SEED waiver be applied, the expenses on such items will not be paid from the IIF but from the line-item Activities in the budget.

6.0 MAJOR CHALLENGES AND CONSTRAINTS

6.1 ACHIEVING EARLY QUANTITATIVE RESULTS

The Scope of Work for the Task Order was to a large extent predicated on the AgStrat, a report commissioned by USAID in 2009 to set out Kosovo's Agricultural Opportunities Strategy. In particular, the Scope of Work addressed the first of 21 initiatives proposed by the AgStrat to achieve growth in the sector, namely "Increase the Value and Diversity of Kosovo's Agricultural Output".

In describing the first year's activities to implement this Initiative, the report stated:

The crop diversification initiative is designed to help Kosovo address these challenges and bring significant volumes of high value crops to market by the end of the third year. The first year of the crop diversification initiative will: 1) communicate the high priority crops to farmers and agribusiness owners and identify champions for specific crops, 2) develop test plots for priority crops and begin extension services, 3) begin to provide cost-share grants, insurance and loans for producers of new crops, and 4) visit fairs to develop relationships and market intelligence.

Many of the new high value crops proposed in the AgStrat are perennials, which will not start producing until the third and even fourth year. Those that are annuals can be expected to produce results in the first year, but the most appropriate varieties of those crops must first be tested in trial plots. Other crops, currently grown in Kosovo, which the Program has identified as being of potential high value, need to have a different mix of varieties if the higher values are to be realized. The foregoing means that the sequence of activities necessary to realize the goals of the AgStrat will not produce significant quantitative results in the first two years.

6.2 DELAYED PROGRAM START-UP

A further constraint to obtaining significant results in Year One was the delayed award of the Task Order. The award was not made until late February, and by the time the team was mobilized, most farmers already had planned their planting schedules. Decisions regarding a spring's planting are made in the previous fall; this is especially true if changes in varieties and production practices are to be implemented. Consequently, while we were able to introduce some small scale test plots, and bring out STTAs to advise farmers on improved practices, no large scale results from these interventions could be expected. Nevertheless during the six months that effectively constituted Year One, the Program introduced many of the Implementation Steps identified for Year One in the AgStrat Initiative.

Similarly, most agricultural Trade Shows occur outside the summer season. The Program was unable to attend any this year. We did introduce farmers to cold storage operations in Strumica, Macedonia, where they could see the process of storing product and forwarding it on to the Russian market. The Program also planned a study tour to Italy in September for apple sector stakeholders to take place in October 2011.

6.3 ASSISTANCE TO LARGE LANDHOLDERS

In the fruit sector, the Program is focused on supporting the large landholders who want to invest in apples, pears, stone fruits and berries. Many of these investors know little about agriculture, but have

made their money in other fields, and see large scale agriculture as a good investment – much as USAID and the Government of Kosovo does. Two of the most progressive agricultural firms in the horticultural sector, ASK Foods and MOEA, were started by entrepreneurs who made their money in computer sales.

Unfortunately, when these new investors, and potential clients, come to the Program for assistance, it is apparent that very often the available funds have been depleted in buying up the former SOE land which forms their investment. While the Program is able to offer technical assistance, the IIF will not support the significant amounts of money needed to populate the orchards. For example, it costs €12,000 to start an apple orchard with new rootstocks. If hail protection is provided, this sum doubles, so €100,000 is needed to start up just 4 ha. New berry farms require an investment of €6,000 per ha. just for rootstocks; after that investment in an adjacent cold storage facility and refrigerated trucks is required. The maximum awards which the Program may make in grants or subcontracts is €70,000; this contrasts with amounts being paid by EU and other donors who dispense much larger grants.

In FY'12, the Program plans to work with other donors to see if it can leverage the grants it is able to make into more significant amounts.

6.4 ACCESSIBLE CREDIT

Access to affordable credit by the agricultural sector remains, as it has done for many years in Kosovo, a problem. MAFRD is studying the possibility of creating a new guarantee program with a €5 million fund of its own. The Program and USAID are assisting MAFRD in exploring alternatives for the structuring of such a program. One option would be for MAFRD to turn these funds over to USAID/DCA and for USAID/DCA to then establish a DCA similar to an earlier one with Raiffeisen. In the last month of the year, the Program provided an STTA to report on the feasibility of the DCA and on other options available.

7.0 MANAGEMENT ISSUES

7.1 CHIEF OF PARTY

The Program operated with an Acting Chief of Party, Mr. Jim Maxwell, for the first two months of the program. Several candidates were proposed by Tetra Tech ARD but for various reasons none was acceptable to USAID. The approved long-term CoP, Mr. Martin Wood, joined the Program on March 21, 2011 and was able to participate in many of the personnel appointments for the Program.

7.2 SENIOR ADVISOR TO THE MINISTRY OF AGRICULTURE, FORESTS AND RURAL DEVELOPMENT

The Program did not appoint the Senior Advisor to the Ministry until the middle of July. Several candidates were proposed by Tetra Tech ARD but none was acceptable to the Minister and his advisors until Mr. Greg Vaut was proposed. Mr. Vaut had been assigned by the Program to lead a market research activity that was planned for the months of August and early September. This he completed before taking up full-time residence at the MAFRD on September 13. Since then he has accompanied the Minister on business trips to Slovenia and Austria, and will be going to Washington DC and Bulgaria in October.

7.3 SENIOR TECHNICAL ADVISOR/MANAGER

The Acting Chief of Party, Mr. Jim Maxwell, returned to the Home Office in Burlington, Vermont at the end of March 2011 and took the position of Senior Technical Advisor/Manager. However, he retired at the end of June 2011 and was replaced by Ms. Claudia Lalumia. Ms. Lalumia visited Kosovo in September and contributed to the preparation of the Year Two Annual Work Plan and the Performance Monitoring Plan. In the Home Office she has spearheaded the sourcing and purchasing of the many new varieties of vegetable seeds and fruit cultivars which the Program has introduced in the first year and which it plans to introduce in Year Two.

7.4 STAFFING

The Program was essentially fully staffed by April 15. Since that date, it has also taken on a Minority Liaison and Marketing Specialist, a second translator to work with the Senior Advisor to the Ministry at MAFRD, an Assistant to the Grants Manager and an IT Specialist. The staffing level is higher than was anticipated in the proposal – there are seven more full-time positions than anticipated (mostly administrative). This is because the Program requires a full-time presence in some positions which were previously anticipated to be serviced by short term hires, and is due to a more realistic assessment of the needs of the Program in order to operate effectively.

7.5 OFFICE LOCATION

With hindsight, it was regrettable that the location of the office was selected in the middle of the old downtown area of Prishtina, and that a two year lease was signed. Unlike many USAID projects on which most meetings are conducted with government officials and national associations, the New Opportunities for Agriculture Program conducts most of its meetings in the field. Access in and out of Prishtina has proved difficult and time-consuming from the present office location.

8.0 LESSONS LEARNED

8.1 QUALITY OF GRANT APPLICATIONS

It was apparent that many applicants for grants did not have the capacity to prepare comprehensive grant applications. Program staff had to provide assistance in fully describing applicant's needs, the benefits that would accrue from an award, and the means of implementing it. In certain cases, it was deemed more effective to award a subcontract, in which the scope, the tasks to be performed, and the deliverables are all carefully defined by the Program. However, subcontracts have to be bid competitively, and once awarded may only be changed by amendment to subcontract. An alternative, which the Program will use in Year Two, is to solicit and award Fixed Obligation Grants. Such grants have more flexibility than a subcontract, do allow for grantees input, and yet retain the initiative for the Program. Furthermore, the Program will provide training in Grants preparation to business service providers/consultants from whom aspiring grant applicants can seek assistance.

8.2 PRODUCER/PROCESSOR/TRADERS LINKAGES

During the presentations of the findings of the Regional Market Entry Opportunities activity, to which producers, processors, wholesalers and traders were invited, it was obvious that there were contact gaps. Many appeared to be meeting their counterparts for the first time, and were surprised at what service each had to offer. The Program will address this shortcoming in Year Two by holding several workshops to bring the parties together and at which reviews of the status of the value chains will be presented by Program staff. It is expected that such workshops will engender greater awareness of each party's needs and expectations.

8.3 OWNER/MANAGER DELEGATION

The objectives of the Program have caused us to deal with the larger players in the horticultural sector. Many of the companies have been set up by newcomers to the sector who, as successful entrepreneurs, have made their money in other industries. Owners are reluctant to delegate decision making within their companies. The owner retains a micro-management approach as well as trying to strategize for future development. As a consequence, the owner will be chief executive, finance manager, production manager, sales and marketing manager etc. overloading him/herself to the point when paralysis sets in, or decisions are taken without adequate consideration of issues involved. He/she is also reluctant to outsource preferring to keep all operations involved in making the product within the company. Largely both these attitudes stem from suspicion and a lack of trust. The Program is encouraging such businesses to examine their operations and see if more efficient and effective management structures can be set up.

8.4 COSTS OF PRODUCTION

The Program has found that many farmers do not know their costs of production; in fact, few know how to calculate these costs. Until the true costs of production are known, and compared with expected market prices, a farmer is unable to make rational decisions as to which crop to plant, when, and for how long. In the coming year, the Program will make a series of interventions at farms and orchards to which we shall distribute new varieties of seeds and cultivars. The Program will issue a grant to a local business service provider who will be engaged to help producers develop traditional farm management and modern financial management skills. The BSP will not only provide the trainings but will be responsible for following through with each beneficiary to ensure it knows the costs of production in detail for the trials.

8.5 IMPORT SUBSTITUTION

Initially, the Program was almost exclusively oriented towards the development of products for *export* markets. However, as we have proceeded with Program implementation we have identified many opportunities for import substitution, in particular for products that exist in Kosovo but for which we will be introducing new and improved varieties, such as apples, table grapes and gherkins. Our early discussions with local experts and international contracted STTA, the MAFRD, traders and businesses support this finding and led us to be more flexible with respect to the type of market (local, regional or international) we feel will be most feasible to target in the coming years.

The Program also reviewed national Import-Export data as well as a study produced by Intercooperation, and noticed a huge imbalance in import/export trade data regarding all Value Chains in which the Program is involved. Because Kosovo is a net importer of most to all of our targeted products, import substitution seems a reasonable goal with regards to many of our targeted products. To better understand the situation without jumping to any conclusions and to ensure that we do not ignore substantial export market opportunities, the Program completed a national Value Chain Assessment for our targeted Value Chains and implemented the Regional Market Assessment activity to deepen our understanding of market potential export opportunities. After much investigation, the Program concludes that import substitution does, indeed, represent significant market opportunities that the Program must not ignore. In addition, we acknowledge that there are certain export market opportunities, particularly for new products such as asparagus, blueberries and saffron, that we will continue to pursue.

Import substitution, like export promotion, demands that a great deal of work be done to increase productivity and improve the quality of locally produced goods. In both cases (import substitution and export) Kosovo needs to be able to compete with products produced in other parts of the region. Any progress towards import substitution does, in essence, progress Kosovo that much further towards being able to export large quantities of quality product.

After the discussions held with USAID and MAFRD it was agreed that the Program should concentrate more on import substitution while still pursuing existing export opportunities related to certain new products introduced by the Program.

9.0 SUCCESS STORIES

9.1 USAID PROJECT INTRODUCES ASPARAGUS VALUE CHAIN IN KOSOVO

The following article was submitted to USAID/Kosovo for the USAID news publication “Frontlines”

Distinguished as one of nature’s perfect foods, asparagus is one of the most nutritionally well-balanced vegetables in existence, and the leading source among vegetables of vitamin B9, usually called folic acid. It contains no fat, no cholesterol and is low in sodium.



USAID/Kosovo’s New Opportunities for Agriculture Program has introduced the asparagus plant to Kosovo. The Program is supporting local farmers in the production of asparagus seedlings for the first time in this newly established country of southeastern Europe. These first seedlings, produced locally, will be used as planting material in the early spring of 2012, to establish three hectares of transplanted asparagus.



The Program has imported three kinds of asparagus varieties from the United States, including: UC 157-F1 (98,000 seeds), Jersey Giant (16,000 seeds) DePaoli (10,000 seeds). The three Kosovo nurseries contracted for carrying out the planting of seedlings are Las Palmas, Fidanishtja e Godancit and Agroserra. The Program facilitated the planting in trays which was carried out on August 13th and 14th, 2011, and has now prepared the ground for establishing three hectares of new asparagus using locally produced seedlings.

The owner of Las Palmas nursery, Luan Buqaj, has planted 40,000 asparagus seedlings.

“It is a new challenge. Growing asparagus in Kosovo requires learning new skills and new knowledge. We were the first nursery in Kosovo and the region to receive a seeding line machine from USAID in 2009, to improve the quality of planted seeds. We like taking precedence and are always on the lookout for new challenges,” Buqaj said.



Experts at USAID’s New Opportunities for Agriculture Program say that “Introducing asparagus requires specialized knowledge. Kosovo farmers will be trained on cultivation, processing and cold chain storage methods so that GlobalGAP certification and HACCP requirements will be met. These trainings will raise the awareness and need for improved quality control amongst Kosovo farmers if they are to enter new EU markets”.

And why not introduce and grow this high-value vegetable to new areas? According to experts, asparagus is one of the most nutritionally well-balanced vegetables in existence. It leads nearly all produce items in the wide array of nutrients it supplies in significant amounts for a healthy diet.

Asparagus is a member of the Lily family. According to the Michigan Asparagus Advisory Board which seeks to promote the production and consumption of asparagus, under ideal conditions an asparagus spear can grow 10" in a 24-hour period. The seedlings planted at the three Kosovo nurseries already have a 100% germination rate. An asparagus planting is usually not harvested for the first three years after the crowns are planted allowing the crown to develop a strong fibrous root

system. A well cared for asparagus planting will generally produce for about 15 years without being replanted.

9.2 DEVELOPING THE GHERKIN MARKET

Although cucumbers have been grown for many years in Kosovo, and have been pickled as a “cottage industry”, there has never been a focused approach on producing the smaller sized cucumbers, termed gherkins, for the industrialized processing market. Many of the cucumber varieties are old, and have much lower productivity than new hybrids which are available. Yet Kosovo’s climate and soil provide ideal conditions under which to promote an expansion of this crop. As a labor intensive crop, it is also seen as providing significant opportunities to expand employment. Since consumption of gherkins has remained stable and generally remains consistent year-round, gherkins are seen as a potential export crop for Kosovo.



The Program introduced four new gherkin varieties to be planted in 3.5 Ha of trial plots by seven farmers. A Farmer-to-Farmer expert on cucumber production came from the United States to provide technical assistance to the farmers and hold a field day to which other interested farmers were invited. New planting techniques and the use of trellising were introduced. The new and healthier varieties, coupled with more frequent harvesting, and application of good practices regarding pesticide, herbicide and fertilizer use, will more than double previous yields. For every new hectare of gherkins planted, 3 new FTE jobs will be created.

In parallel, the Program supported a grant application from the AgroSerra collection center in Mamusha to co-finance a gherkins sizing and grading machine in a region mainly inhabited by Turkish minorities. Using the machine, fifteen farmers have been able to grade their produce more precisely and consequently have received prices on average 20% higher than they received previously for ungraded produce.

The increased attention to gherkins, promoted by the Program in presentations and in reference to the AgStrat, has created interest not just among the farmers with whom the Program has worked, but also among farmers invited to attend field days put on by the Program and amongst processors. As a result of the Program’s efforts, a new linkage was established between Eurofood processing company from Prizren and the Agroserra collection center. Another linkage was established between the Koral Company in Fushe Kosove and AgroSerra. More than 35 tons have already been distributed through these linkages.



As of a result of the market research team visiting Croatia and feeding back a lead from a company interested in buying 1,000 tons of gherkins/cucumbers from Kosovo, Agro Serra has shown interest to export to Fragaria in Zagreb, Croatia. Although Agro Serra will not be able to fill the 1,000 ton request this year, it wants to establish a relationship with the Croatian buyer and make a good delivery to Croatia this season in order to ship more volume of gherkins to the buyer next year.

9.3 INTRODUCING BABY LETTUCE

In July 2011, the Program engaged a Farmer to Farmer (FtF) volunteer from the United States to provide technical assistance to support lettuce production, and assist with selection of heat resistant iceberg, romaine, and baby leaf lettuce varieties. The purpose was to introduce new varieties of heat resistant lettuce cultivars and new production technologies to producers in Kosovo to enable year-round lettuce production.

This summer, the Program initiated field trials to test 12 new varieties of lettuce in eight sites spread over five municipalities in Kosovo. Lettuce production was promoted in open fields (summer and autumn) and greenhouses (late autumn and winter). Transplanting of seedlings was done every seven days to enable staged harvesting and continuous availability of fresh lettuce on the market.

The growing season is not yet over at the time of writing this report, but the success of baby lettuce is already evident. Already, farmers have sold the new baby lettuce varieties through four supermarkets: Albi Shopping Center, Era Hypermarkets, City Center and Intereminex. Following their introduction, farmers have reported increasing orders from the supermarkets as customers increasingly find the baby lettuce appealing. One farmer has directly marketed his produce to two restaurants in Pristina. This is a phenomenon that the FtF volunteer predicted; once the baby lettuce is available, demand for it will quickly grow.



During the Market Entry Opportunities activity in August 2011, the Program found that in order to replace lettuce imports (into Kosovo) from Italy alone, Kosovo producers would need to supply 600,000 heads of lettuce of different varieties, year-round, to consumers in country. To do this the Program will facilitate linkages between supermarkets, restaurants and producers, traders and collection centers. The primary focus for marketing lettuce will be on Kosovo import substitution with possible export trials to neighboring countries.

ANNEX I. SUMMARY OF TRAININGS AND PRESENTATIONS

#	EVENT TITLE	SUBJECT MATTER ADDRESSED	TOTAL # TRAINEES	# MEN TRAINED	# WOMEN TRAINED
Trainings					
1	Gherkins production	<ul style="list-style-type: none"> Field preparation Sowing 	19	15	4
2	Gherkins Field Day	<ul style="list-style-type: none"> Demonstration of new gherkin varieties, and technologies 	40	23	17
3	Gherkins Market Opportunity	<ul style="list-style-type: none"> Demonstration on new market opportunities (i.e. how to access new regional and international markets) 	29	29	0
4	Saffron production	<ul style="list-style-type: none"> Site selection Field preparation 	20	15	5
5	Lettuce farmer field day #1	<ul style="list-style-type: none"> Demonstration of new gherkin varieties, and technologies Field preparation 	56	54	2
6	Lettuce Market Opportunity	<ul style="list-style-type: none"> Demonstration on new market opportunities (i.e. how to access new regional and international markets) 	36	35	1
7	Apple Market Opportunity	<ul style="list-style-type: none"> Demonstration on new market opportunities (i.e. how to access new regional and international markets) 	40	40	0
8	Berries Market Opportunity	<ul style="list-style-type: none"> Demonstration on new market opportunities (i.e. how to access new regional and international markets) 	17	16	1
9	New Berry Varieties	<ul style="list-style-type: none"> Demonstration and presentation of new berry variety plantation 	35	35	0
10	Post-Harvest	<ul style="list-style-type: none"> Introduction of new post-harvest sorting/grading and packaging 	14	13	1
Totals			306	275	31
Presentations					
1	Staff Orientation Meeting	<ul style="list-style-type: none"> Presentation of the program to local staff Local staff introduction including roles and responsibilities with the 	25	18	7

#	EVENT TITLE	SUBJECT MATTER ADDRESSED	TOTAL # TRAINEES	# MEN TRAINED	# WOMEN TRAINED
		program			
2	Grants Information meetings	<ul style="list-style-type: none"> Introduction of grants IIF scheme of the program to interested parties 	300	276	24
3	Grants and Subcontracts	<ul style="list-style-type: none"> Provide detailed application procedure to finalist for grants and subcontracts 	45	33	12
4	Stakeholders Meeting	<ul style="list-style-type: none"> Presentation of the program to actors of the sector 	120	107	13
5	SOE meeting	<ul style="list-style-type: none"> Presentation of the program to SOE owners Create linkage between SOE, donors and financial institution 	90	78	12
6	Epi Centar Presentation	<ul style="list-style-type: none"> Presentation of value chain assessment to interested parties 	33	29	4
7	Next Clinic Steps-training of grantees	<ul style="list-style-type: none"> Training on filling out the full application form 	30	26	4
Totals			643	567	76
Grand Totals			949	842	107

ANNEX II. INDICATOR TARGETS AND RESULTS

	Indicator	Unit Measure	FY1 (8 months) Targets	FY1 (8 months) Actual	FY2	FY3	FY4	FY5 (5 mos)	Total
AO2: Increasing Private Sector-Led Growth									
AO2.1	Total value of sales as a result of USG assistance	\$	\$1m	\$522,304	\$4m	\$8m	\$12m	\$7.5m	\$32.5m
AO2.2	Total value of exports as a result of USG assistance	\$	\$200k	0	\$500k	\$2m	\$4m	\$3m	\$9.7m
AO2.3	Total value of domestic sales as a result of USG assistance	\$	\$800k	\$522,304	\$3.5m	\$6m	\$8m	\$4.5m	\$22.8m
AO2.4	Number of Person-days/FTE generated through target value chains as result of USG assistance	Number FTE	500	259	1000	1500	2000	1500	6500
IR 1: Products and Farmers Linked to Markets									
IR1.1	Number of delivery contracts issued for targeted crops	Number	-	13	100	250	475	325	1150
IR1.2	Value sales resulting from linkages created between farmer, processors and traders as result of USG assistance	\$	\$500k	\$75,323	\$1.6m	\$2.4m	\$3m	\$1.5m	\$9m
IR1.3	Number of farmers engaged in target value chains as a result of USG assistance	Number	300	331	600	900	1500	1500	1500
IR1.4	Number of participants in study tours, B2B, market investigation and trade shows	Number	20	34	60	60	60	30	230
IR 2: Agricultural Products Diversified and Increased									
IR2.1	Number of new markets entered for target value chain products	Number	-	5	3	5	10	12	12

	Indicator	Unit Measure	FY1 (8 months) Targets	FY1 (8 months) Actual	FY2	FY3	FY4	FY5 (5 mos)	Total
IR2.2	Value of Sales /purchases from smallholders for products as a result of USG assistance (FACTS)	Number	\$500k	\$230,540	\$2.5m	\$3.5m	\$5m	\$3m	\$14.5m
IR2.3	Number of new technologies and/or management practices introduced as result of USG assistance	Number	3	6	6	5	5	4	23
IR2.4	Number of individuals trained in agriculture productivity through USG assistance (FACTS)	Number	500	306	1500	2000	2500	500	7000
IR2.5	Number of farmers, processors, and others who have adopted new technologies or management practices as a result of USG assistance	Number	350	70	800	1200	1500	1750	1750
IR2.6	Number of firms receiving USG assistance to invest in improved technologies (FACTS)	Number	-	11	5	15	30	35	35
IR2.7	Number of hectares under improved technologies and/ or management practices as a result of USG assistance (FACTS)	HA	5	8.4	30	50	60	60	205
IR2.8	Number of new varieties (including new crops) introduced as result of USG assistance	Number	15	20	15	10	0	0	40
IR2.9	Number of farmers receiving new varieties (including new crops) as result of USG assistance	Number	20	21	40	50	60	0	170
IR 3: Food Quality and Safety Improved									
IR3.1	Number of firms receiving USG assistance that obtain certification with international quality control, environmental and other process voluntary standards or regulations	Number	-	1	1	4	8	10	10

	Indicator	Unit Measure	FY1 (8 months) Targets	FY1 (8 months) Actual	FY2	FY3	FY4	FY5 (5 mos)	Total
IR3.2	Number of NOA-supported products certified and meeting established international standards	Number	-	-		2	6	4	12
IR3.3	Value of sales of NOA-supported certified products (a sub-set of total value of products sold)	\$	-	-		\$500K	1.5m	\$2m	\$4m
IR3.4	Number of local food inspectors trained	Number	-	-	20	40	40	30	130
IR 4: Increased Affordable and Accessible Credit									
IR4.1	Value of lending of program customers for targeted crops and products as a result of USG assistance	Number	-	-	\$500 k	\$2.5 m	\$5 m	\$1 m	\$9m
IR4.2	Number of institutions offering new products targeted at agriculture and agri-businesses as a result of USG (NOA Project) assistance	Number	-	1	2	4	5	0	5
IR4.3	Number of SMEs receiving USG (NOA Project) assistance to access bank loans or private equity (FACTS)	Number	-	41	15	40	55	75	75
IR4.4	Number of producers in target value chains receiving assistance to access credit	Number	-	46	100	200	400	600	600
IR4.5	Value of grants issued for value chain operators of target crops and products as result of USG assistance (excl. IIF) <i>From IIF – grants and subcontracts</i>	\$	- \$200k	- \$387,840	\$100k \$1m	\$200k \$1m	\$400k \$500k	\$400k \$200k	\$1.1m \$2.9m
IR4.6	Number of value chain operators of target crops and products receiving grants as result of USG assistance (excl. IIF) <i>From IIF – grants and subcontracts</i>	Number	- 10	- 28	5 100	10 100	20 50	20 20	55 280
IR 5: Improved Coordination within Agricultural Sector									

	Indicator	Unit Measure	FY1 (8 months) Targets	FY1 (8 months) Actual	FY2	FY3	FY4	FY5 (5 mos)	Total
IR5.1	Number of policy reforms/regulations/administrative procedures drafted and presented for public/stakeholder consultation as result of USG assistance (FACTS)	Number	-	-	2	3	0	0	5
IR5.2	Number of policy reforms/regulations/administrative procedures presented for public/stakeholder consultation as result of USG assistance (FACTS)	Number	-	-	0	2	3	0	5
IR5.3	Number of donor, GOK and agriculture sector roundtables or other events facilitated by NOA	Number	8	11	12	12	12	5	52

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