



USAID
FROM THE AMERICAN PEOPLE

EMPOWER PRIVATE SECTOR ACTIVITY

ANNUAL REPORT YEAR 1 *including Quarter 5 Report*



In May 2015 EMPOWER Private Sector signed a Grant Agreement with Solid Shoes of Suhareka to expand its production capacities by co-financing the installation of equipment for a new product category – children’s shoes – to create 55 new jobs. U.S. Ambassador Greg Delawie distributed shoes donated by the company to children who performed at the ribbon-cutting event for the facility.

October 15, 2015 *revision 3*



EMPOWER Private Sector Activity

ANNUAL REPORT – PROJECT YEAR 1

INCLUDING QUARTERLY REPORT #5: JULY-SEPTEMBER 2015

Submitted by:

Cardno Emerging Markets USA, Ltd.

Submitted to:

USAID/Kosovo

Contract No.:

AID-167-C-14-00005
EMPOWER Private Sector

DISCLAIMER

This report is made possible by the support of the American people through the United States Agency for International Development (USAID). The contents of this report are the sole responsibility of Cardno Emerging Markets USA, Ltd. and do not necessarily reflect the views of USAID or the United States Government.

This report consists of an Executive Summary and a main report body, followed by separate annexes that provide extensive detail on results versus workplan, uses of grant and procurement funding, and communications.

Contents

1. Year 1 Executive Summary.....	3
1.1 Project Overview	3
1.2 Market Opportunity	5
1.3 Component 1: Competitive SMEs	6
1.4 Component 2: Workforce Development.....	8
1.5 Cross-Cutting Priorities.....	9
2. Activities and tasks vs. Work PLAN.....	13
2.1. General & Administrative.....	13
2.2. Component 1 - Job Creation through Competitive & Market-Oriented SMEs.....	17
2.3. Component 2: Job Creation through Workforce Development	23
2.4. Component 3 - Strengthening the Capacity of Local Partners.....	30
2.5. Cross Cutting Issues.....	31
3. Results vs. Performance Management Indicators and Other Achievements	41

Tables & Charts

<i>Table 1: PMIs by Sector – Year 1 Actual</i>	<i>4</i>
<i>Table 2: Year 1 SME Competitiveness Interventions.....</i>	<i>8</i>
<i>Table 3: Job Creation by Priority Group.....</i>	<i>10</i>
<i>Table 4: Concept Notes Received</i>	<i>14</i>
<i>Table 5: SAF Grants & Procurements Signed by Type – Year 1</i>	<i>14</i>
<i>Table 6: SAF Grants & Procurements Approved by Type – Year 1</i>	<i>14</i>
<i>Table 7: Identified Investment Opportunities Y1 – Wood & Apparel</i>	<i>18</i>
<i>Table 8: Approved Investments – Wood Sector – Y1</i>	<i>18</i>
<i>Table 9: Approved Investments – Apparel Sector – Y1</i>	<i>19</i>
<i>Table 10: Connection to Buyers Y1 – Wood & Apparel</i>	<i>22</i>
<i>Table 11: Identified Investment Opportunities Y1 – Component 2</i>	<i>24</i>
<i>Table 12: Y1 Competitiveness Grants – Component 2 Sectors</i>	<i>24</i>
<i>Table 13: Workforce Development Summary Y1</i>	<i>28</i>
<i>Table 14: Skills Trainings in ICT</i>	<i>28</i>
<i>Table 15: Job Creation – Women, Youth, Minorities – Y1 Interventions</i>	<i>31</i>
<i>Table 16: Total Co-Finance – Y1.....</i>	<i>35</i>

Table 17: Donor-GoK-Beneficiary Co-Finance by Activity.....35
Table 18: Donor and Government Collaboration Meetings38
Table 19: Group and Cluster Meetings40
Table 20: Reports and Documents Delivered43
Table 21: PMIs Summary with Year 1 Actuals45

Annex 1 – Detailed Year 1 Workplan and Results

Annex 2 – Grant-Funded Activities Status Report

Annex 3 – SAF-Funded Activities List

Annex 4 – Performance Based Management System Review

Annex 5 – Communication with Public through Social Media

Annex 6 – Monthly Project Newsletter

1. YEAR 1 EXECUTIVE SUMMARY

1.1 Project Overview

EMPOWER Private Sector (“EMPOWER”) is a USAID-sponsored project dedicated to Kosovo’s economic growth. It began in July 2014, has an expected term of five years, and an original budget of approximately \$10 million. The Project has a staff of 16 and is headquartered in Pristina, with a branch office in North Mitrovica. It is implemented by Cardno Emerging Markets, with subcontractors Crimson Capital of and RTC Consulting.

EMPOWER’s overarching objective is **job creation**. Job creation comes only from businesses that have growing sales and need to increase their employment in order to produce more goods and services for the market. To support job creation, EMPOWER aims to help *firms* expand and improve their capacities to sell into identified markets, while helping *individuals* obtain skills in demand on job markets by growing firms. These themes are reflected in EMPOWER’s two primary work components: (1) SME-level competitiveness and (2) workforce development.

EMPOWER implements its assistance through technical assistance combined with grants and procurements from its \$2.0 million Strategic Activities Fund (SAF). In early 2015 the Project issued a call for applications to the SAF, and by its closing at end-May received almost 800 applications requesting nearly €40 million. After screening and evaluating these applications, essentially the entire fund was committed by the end of program Year 1.

The following charts break down by economic sector all of EMPOWER’s approved and initiated discrete interventions during Year 1:

Figure 1: Distribution of EMPOWER Interventions by Sector



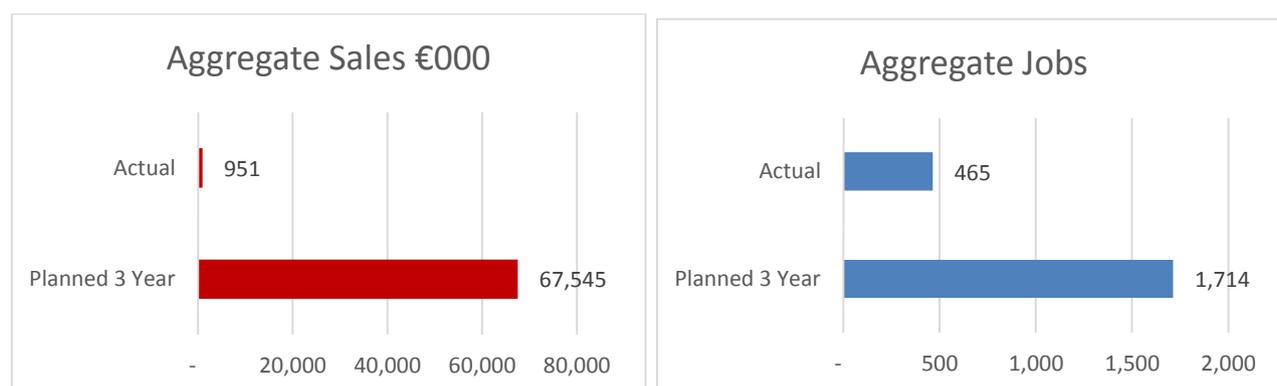
52 interventions approved in Year 1 covered six discrete product sectors, plus “other”.

EMPOWER tracks a number of Performance Management Indicators (PMIs) to measure the impact of its activities. The most important of these is job creation, followed closely by sales growth, the source of labor demand. Other PMIs include export growth, new markets entered (product or geography), firm size transition (micro-to-small, small-to-medium, medium-to-large), and leverage (co-finance, from beneficiaries and other donors and GoK agencies). Job creation goals also have affirmative priorities for women, youth, and marginalized / disadvantaged populations. EMPOWER bases its investments on expected impact over a 3-year time horizon, with a preference for “front-loaded” results.

Attribution is determined according to the role of the EMPOWER investment in contributing to new job-creating sales (Component 1) or job-creating skills development (Component 2). Determination of attribution is generally quite straightforward, since EMPOWER's investments are direct, at the firm or individual beneficiary level.

Overall impact for all 52 interventions approved and initiated through Year 1, for both project components, showing both actual and expected results through the 3-year projection horizon, is captured in the following charts:

Figure 2: Impact – Top-Line Indicators



EMPOWER interventions produced **€951,000 in actual attributable sales** through Year 1, and **465 actual jobs**. This substantially exceeded the Project's Year 1 total new jobs target (250). It fell short of the targeted aggregate beneficiaries' sales increase in Year 1 (€5.9 million), but over the Project's 3-year projection horizon, these activities are expected to generate **€67.5 million in sales**, of which almost **60% are exports**, and **1,714 new jobs**.

The following table provides more detailed PMIs data for actual impact through Year 1:

Sector	#Actvts	€EMP	€CoFin	#Bens	#Jobs	#Trainees	€Sales
Apparel	10	229	820	15	117	111	107
Energy	5	80	125	4	9	-	170
ICT	6	132	471	3	247	371	400
Metal	2	74	561	2	-	-	-
Other	8	207	775	6	15	-	37
Tourism	8	102	169	47	-	35	96
Wood	13	500	2,988	14	77	-	141
TOTAL	52	1,324	5,909	91	465	517	951

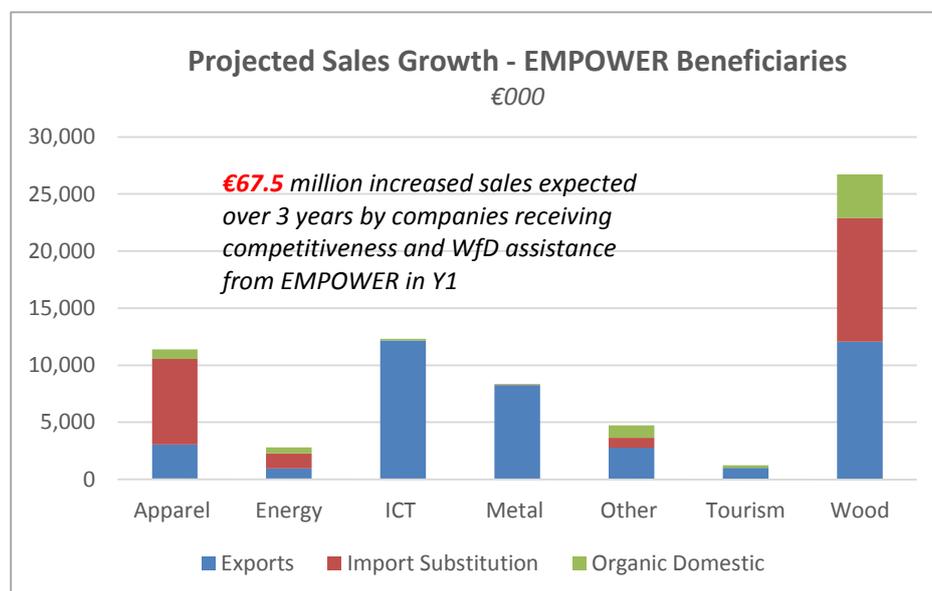
In addition to the top-line sales and jobs indicators, for 52 total interventions (activities), **517** individuals participated in workforce development programs. EMPOWER's €1.3 million investment helped stimulate a further **€5.9 million in co-financing** of program-supported activities.

The program benefitted **91 primary companies** in Year 1. Using an inference model, EMPOWER also tracks *supplier beneficiaries* – domestic companies that provide direct production inputs to

primary beneficiaries. These 185 estimated suppliers raise the total to 276 companies benefitted by EMPOWER in Year 1.

1.2 Market Opportunity

Because job growth comes only from growing private companies, all EMPOWER interventions begin with *identified market opportunities*, at the firm level. The only way to identify these



opportunities is to actually visit companies and learn about their businesses, operations, and management. During Year 1, EMPOWER staff conducted 585 site visits to 426 companies in 57 localities across all regions of Kosovo – an average of almost 10 per week. Based on an initial set of 109 visits, EMPOWER produced a *Sector Assessment and Selection Report* early in

Year 1, which identified substantial growth potential in a range of Kosovo economic sectors. Selected for particular focus were: (i) wood processing, (ii) apparel production, (iii) energy (renewable energy, energy efficiency, and recycling), (iv) tourism, and (v) ICT. During Year 1, it became apparent that (vi) the metal products sector also has significant job-creating market opportunities.

This intensive and repeated schedule of visits has given EMPOWER unusually wide and deep knowledge of the status and potential of the Kosovo manufacturing economy, which fed decisions on interventions in production capacity growth, competitiveness, and workforce development throughout Year 1.

From a macroeconomic point of view, what can we say about market opportunity in Kosovo? There are three fundamental trends that strongly favor optimism about the prospects for Kosovo producers and justify expanded support in these sectors:

- First, Kosovo's demographic and income characteristics indicate a **growing local market**. Kosovo is a market of some 2 million people, whose per capita income has grown by 55% in less than a decade. Average household income is now over \$15,000 per year – up some \$6,000 per year since 2006, most of which goes into demand for goods and services. Aggregate sales of products and services in Kosovo (GNI) are approaching \$7.5 billion, an increase of \$3.1 billion (over 70%) in just the past 8 years. Much of this represents new business for Kosovo producers. These trends will only continue in the

Population MM	GNI \$ / Capita			Total GNI \$B		
	2006	2014	Increase	2006	2014	Increase
1.8	3,270	5,070	55%	4.3	7.4	\$3.1

Source: World Bank Databank GNI = Gross National Income (formerly GDP)

years ahead – per capita income still averages only about \$5,000 annually, compared to \$10-15,000 in the recent EU accession countries of southeast Europe. In sum, the Kosovo internal market will provide strong demand growth to local producers in the years ahead.

- Second, trade statistics suggest enormous potential for **import substitution**. Kosovo is running an annual trade deficit of over \$2 billion, and it imports \$3.5 billion in goods per year. Two-

Kosovo Trade Statistics \$MM, 2013		
Imports	Exports	Deficit
3,456	1,217	(2,238)

Source: World Bank Databank

thirds or more of these are produced in very large factories mostly by multinational companies – refined petroleum products, chemicals, synthetic fabrics, heavy machinery, and some food products – and therefore may not be producible in Kosovo. But even if as much as 80% of what is imported consists of such goods, that still leaves some \$500 million per year in

local business that is potentially open to domestic producers, representing perhaps 30,000 new jobs.

- Furthermore, Kosovo has much further to go in realizing its **export potential**. Combined with labor costs that are one-fourth or less than those of Western Europe, it has major locational advantages – freight can reach any buyer in Western Europe by truck within a week. Kosovo has favorable trade agreements with the EU, and was a traditional supplier of light manufactured goods to it, with a reasonably well-educated population and professional traditions from ex-Yugoslavia. Meanwhile, frequent design adjustments by European buyers, in-season reorders, and tighter inventory control are shifting demand in many consumer-oriented sectors from the Far East back to the region, to Kosovo's benefit. These advantages, combined with the ability to produce high-quality products if modern software-driven production technologies can be financed, will continue to draw much light manufacturing out of Western Europe and into the Western Balkans, including Kosovo.

These macroeconomic attributes end up in the many firm-level market opportunities that EMPOWER has seen in its first year of operation. These are opportunities that in order to be realized must be supported, as in advanced economies, by access to adequate business finance and effective economic development assistance.

1.3 Component 1: Competitive SMEs

EMPOWER's firm-level focus is on small and medium-sized enterprises (SMEs) – with some exceptions, companies that lie between “micro” (less than 10 employees) and “large” (250+ employees). Based on Tax Administration of Kosovo (TAK) statistics, these represent almost half of Kosovo's GDP and one-fifth of total (registered) employment. These are companies that have established some position in markets that are often much larger than what they can currently supply. They have the potential for rapid sales and job growth if they can build supply capacities and improve their competitiveness. They contrast with very large companies, which have already gone through the rapid growth stage and have sizeable market shares, and microenterprises, whose sales are limited to highly local markets and can generate job growth only as a group, through multiplication. There are many SMEs in Kosovo that currently employ 20-60 people, have reasonably capable management, and have demonstrated market success. With technical and financial support, such companies may grow by a multiple of their current size, to even 150 or more employees.

This is EMPOWER’s target beneficiary group. They are companies, like their economy, that are “in transition”. They offer the highest return in terms of job creation per dollar of assistance program investment. Indeed, based on actual and likely impact through its first year, EMPOWER believes it is realistic to expect to stimulate the creation of 5,000 or more new jobs by the end of the Project.

EMPOWER’s work to encourage and enable such growth addresses three principal competitiveness needs for firms that have credible market opportunities:

1. Expansion of production supply capacities to reach large local and / or export markets. EMPOWER’s assistance takes the form of growth-financing grants, mainly for production equipment. In Year 1, EMPOWER approved **26 such grants for a total of €921 thousand**. The average size of these grants was about €35,000, the largest being €75,000 and the smallest €4,800. In all cases, EMPOWER’s investment was highly leveraged – that is, stimulated substantial co-funding – in order to catalyze the highest number of jobs per grant dollar. The consequent business expansion created **194 actual jobs** by the end of Year 1, with **980 new jobs expected** within the coming three years.



Production staff at Palma, a high-quality cabinetry manufacturer in Gjilan, which received a production expansion grant from EMPOWER that will allow employment to grow from 25 to 75.

It is important to note that EMPOWER’s grants, for production expansion or otherwise, are always **conditioned on additionality**. That is, they must add to, rather than substitute for, funds potentially available from owner capital (including retained earnings) or bank finance. EMPOWER seeks to leverage, but not replace, other sources of growth finance. In fact, bank lending, especially to production-oriented SMEs, has grown at an extremely slow pace since the 2008 financial crisis (less than one half of one percent per annum of combined Kosovo bank assets), and many owners have exhausted their personal resources. The consequent need to access additional finance was revealed in the overwhelming volume of applications received for EMPOWER grants in Year 1, reaching 20x available SAF resources.

2. Connection to markets, especially for exports, through promotion at trade shows and business-to-business (B2B) events, and establishing sales agent networks. During its first project year, EMPOWER supported the attendance of **32 private companies** and approximately 60 individuals to participate in 9 international trade fairs. These participations to date have generated approximately **€402,000 in actual sales**, and are projected to generate almost **€4.4 million in sales and 128 new jobs over the coming 3 years**. Kosovo producers have already penetrated **27 new markets** as a result of fair attendance.
3. Quality / Productivity. EMPOWER provides focused technical assistance to improve beneficiaries’ product quality and operational efficiency. EMPOWER initiated such activities in Year 1, with assessments by short-term technical advisors that identified shortcomings in product quality at Kosovo apparel producers, and room for improvement in production line

efficiency in some furniture companies. Having dedicated most of EMPOWER's support in Y1 to helping companies with identified market opportunities expand their supply capacities, in Year 2 the Project will intensify its assistance to them in the quality and productivity area, by making available sector-focused short-term technical expertise. This assistance will cover specific product safety and quality certifications required not only for export trade, but eventually for local production as Kosovo moves toward EU accession, having signed a Stabilization and Association Agreement with the European Commission during EMPOWER's Year 1.



Kosovo producers attend a regional textiles and apparel trade fair in Tirana, Albania with EMPOWER's support.

These Year 1 interventions are summarized in the following table. There were 38 total Component 1 / competitiveness activities, in which EMPOWER invested €1.0 million. In terms of impact, competitiveness interventions produced €501K in actual sales and 201 actual jobs, with **€54.6 million in sales and 987 jobs expected over 3 years**. Furthermore, dividing total activities value by EMPOWER's contribution, the Project **leveraged 6.1x** its own investment in funds from beneficiaries, other donors, GoK agencies, and banks into its supported competitiveness activities.

Activity Type	Number of Interventions							Value €000		
	Wood	Apprl	Enrgy	Tour	Metal	Other	Total	EMP	Co-Fin	Total
Production	10	5	3	2	1	5	26	921	4,641	5,562
Markets	2	3	1	4	-	1	11	64	145	209
Quality/Prdty	-	-	-	-	1	-	1	55	525	580
TOTAL	12	8	4	6	2	6	38	1,040	5,311	6,351

1.4 Component 2: Workforce Development

As is the case for interventions to build SME competitiveness, most of EMPOWER's investments in Workforce Development (WfD) are based on the intervention's potential for creating actual permanent jobs during or shortly following the skills training activity. As a result, EMPOWER focuses on trainings and internships in skills that companies actually need.

There are three areas of activity in WfD that EMPOWER supports:

- **In-company skills training.** One of the problems most frequently voiced by the many companies that EMPOWER has visited is the difficulty in finding workers with adequate skills, and the consequent expense in training them on the job. During Year 1 EMPOWER began to address this problem with support for **9 in-company training programs** in the apparel, metal, and ICT sectors, with 397 total trainees through Year 1 and **687 trainees for the life of the**

programs. Most of these activities include internships or apprenticeships prior to permanent engagement.

- **Institutional training programs.** Skills preparation programs that are directed at training participants for jobs that are clearly in demand in the labor market also fulfill EMPOWER’s objectives. EMPOWER supported **6** such interventions with educational institutions, private training providers, and an international business association, benefitting 120 participants through Year 1 and **301 trainees** by the end of the programs. EMPOWER also initiated collaboration with USAID’s Transitional Leadership Program (TLP), working with the University of Pristina, to plan placement of its participants in company internships.
- **Systemic interventions.** While EMPOWER does not focus broadly on education policy and governance, the Project must help address the communications gap between private business and public education, which has been identified in many assessments as a key cause of the



Industrial sewing machine operator trainees are certified after in-company training at Menakon, a designer and manufacturer of bridal and evening gowns in Gjilan supported by EMPOWER.

lack of employability of many graduates, and of companies’ difficulty in finding good workers. In Year 1, EMPOWER set the groundwork for its Local Vocational Education and Training Councils (LVETCs) initiative, which will establish public-private dialogue groups at the municipal level to enable business leaders to communicate their needs to educational and municipal officials.

A particular focus for WfD activities in Year 1 was in ICT, in both institutional and in-company programs. This will

continue, because there is clear labor market demand for a range of specific skills at various levels in this field, from network management to specialized coding.

Summarizing, EMPOWER supported **15 WfD interventions for 517 trainees resulting in 264 new jobs** during Year 1. 210 of the trainees were in **internship programs**. Over their entire course, extending into Year 2, the 15 WfD programs that EMPOWER supported are expected to include **988 trainees and create 727 new permanent jobs**.

1.5 Cross-Cutting Priorities

In addition to these basic project components, EMPOWER also has the following important **cross-cutting objectives**:

1. **Gender:** EMPOWER has a major affirmative focus on job creation for women. The Project has one focus sector, apparel, that predominantly employs women, and the interventions in Year 1 with 8 companies in that sector have already created 78 jobs for women and are expected to create a total of 212 jobs over three years. Looking at all 52 EMPOWER-supported activities, **255 jobs for women** were created in Year 1, and **797 are expected within the next three years** – 46% of the total.

EMPOWER also catalyzed the *Women in Economic Growth (WEG) Coordination Group*, made up of leaders of the principal NGOs in Kosovo that promote increased participation of women in the economy, the GoK Agency for Gender Equality, and other donors with similar priorities (SDC PPSE, GIZ, other USAID projects). The purpose of the WEG group is to collaborate in planning, financing, and implementing concrete activities that will create sustainable jobs for women and advance women’s representation in private company management and ownership. EMPOWER also launched a *Lean In Kosovo* initiative, following the international movement stimulated by the noted Cheryl Sandberg book, to encourage networking, collaboration, and mentoring among actual and prospective women leaders.



EMPOWER provided a grant to this woman-owned bakery in Ferizaj that will enable it to move from its original garage space into a modern factory and add 25 employees, mostly women, several of whom have never worked before.

Of the 517 participants in EMPOWER-supported workforce development activities, **346 trainees were women – 67%** of the total. This is a promising indicator for raising the low level of women’s participation in the labor force in Kosovo. EMPOWER particularly focused on preparing women for jobs in the ICT sector, where they have been under-represented. Of 371 participants in ICT skills training programs supported by EMPOWER, 260 (70%) were women, and of the 247 new jobs created in ICT attributable to EMPOWER’s support, 173 (also 70%) went to women.

2. Priority Populations: Aside from women, EMPOWER also prioritizes job creation in North Kosovo and among youth and traditionally marginalized groups – minority ethnicities, disadvantaged rural populations, war victims, and the disabled. For example, in collaboration with the Office of the President of Kosovo, EMPOWER supported internships leading to fulltime employment of women war victims at a large jeans producer.

The following table breaks down Project-attributable job creation across women and the other priority groups:

Population	Year 1		3 Years	
	#	%	#	%
Women	255	55%	797	46%
Youth	289	62%	991	58%
Marginalized	9	2%	44	3%
North Kosovo	21	5%	123	7%
TOTAL New Jobs (not additive)	465		1,714	

It is notable that **well over half of jobs already created and expected are for youth** aged 18-24. Also, **over 70% of the participants in workforce development programs were youth**. About two thirds of the new jobs for youth were in ICT. These results are contributing to a reduction of the frequently-noted elevated unemployment rate of this population in Kosovo.

3. Microenterprise Development: EMPOWER has objectives to support the competitiveness and growth of microenterprises that cut across all project components, as well as to help some of them grow into “small” companies – greater than 10 employees. In Year 1, EMPOWER approved grants to **13 microenterprises** – for €311,455 in SAF funding, over 40% of total approved grants, both in number and amount. Two-thirds of these companies are expected to “graduate” from micro to small size as a result of EMPOWER’s support. In addition, as noted above, EMPOWER tracks *supplier beneficiaries* – domestic companies that provide production inputs to larger companies receiving EMPOWER support, and about 150 of these were microenterprises.



The President of Kosovo and USAID Mission Director tour a jeans manufacturer with which EMPOWER collaborated to train and employ marginalized community members.

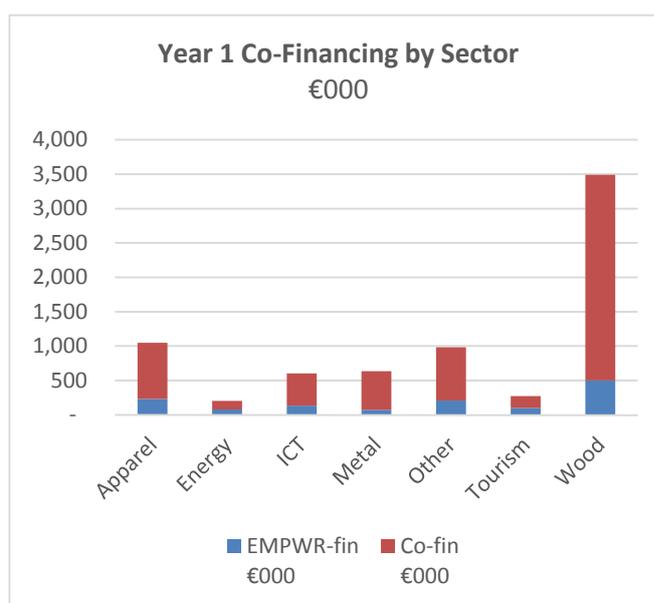
4. Public Communications: Through an active program of public outreach, EMPOWER seeks to raise awareness about the value of private sector-led development generally, and to promote USAID’s contribution to it. The Project has a website and a Facebook page for active 2-way communication, contributes regularly to USAID Kosovo’s own communications channels, and publishes a monthly newsletter. During Year 1, on three occasions EMPOWER provided professional staff as discussants on local business-oriented television programs to discuss the Project and Kosovo private sector development conditions and problems, that were broadcast live in prime time and rebroadcast. EMPOWER organized national and/or local media coverage (TV, radio, newspapers) for all of its public activities, including the initial set of launch events that took place in seven municipalities, at VIP visits and “ribbon-cuttings” to grantee companies, and at recognition events (such as on International Women’s Day). These efforts have made EMPOWER one of the most widely-known development assistance programs in Kosovo, and contributed favorably to publicly communicating USG/USAID’s strategic support for the country’s economic growth.

5. Capacity-Building: Local capacity-building is a fundamental objective of the EMPOWER project. This is pursued through the strengthening of local implementing partners with which EMPOWER works, and in beneficiary companies themselves. EMPOWER is contributing to the capacities of Kosovo business associations, including the Association of Wood Processors of Kosovo (**AWPK**), which had been moribund before EMPOWER’s start, and a new business association, the Kosovo Apparel Marketing Association (**KAMA**), actually created and formally registered by the Project in Year 1. EMPOWER also initiated planning for another new and necessary association, to be established in Year 2, the Adventure Tourism Association of Kosovo (**ATAK**). EMPOWER’s close work with the Kosovo Investment and Enterprise Support Agency (**KIESA**) is also helping to build the capacities of this Kosovo government agency.

6. Collaboration and Coordination.

EMPOWER is one of a number of actors supporting private sector development in Kosovo, and the Project constantly seeks to collaborate and co-finance activities with other donors and GoK agencies that have similar goals in supporting enterprise development. Complementing its €1.3 million in intervention investments in Year 1, **other donors contributed €866,000 in co-financing**. These included the Swiss Development Cooperation Promoting Private Sector Employment (PPSE), which teamed with EMPOWER in several interventions in support of tourism, and SDC's Enhancing Youth Employment (EYE) project,

with which EMPOWER collaborated in activities supporting the training of young women for ICT sector jobs. EMPOWER also regularly coordinated workplanning with GIZ and UNDP, both of which work in private sector development. In the Government of Kosovo, EMPOWER worked most closely with MTI and especially KIESA, by providing it with strategic advice in supporting the wood, apparel, and tourism sectors. EMPOWER, KIESA, and PPSE co-funded the attendance and exhibition of private companies at regional and international trade fairs in these sectors. Toward the costs of all EMPOWER-supported activities, private sector beneficiaries contributed €3.1 million in own capital and €1.9 million in bank financing. Overall, the achieved **leverage ratio was 5.5x**, with **co-financing providing 82% of overall activity cost**.



This concludes the high-level review of EMPOWER's first year of operation. The main body of the report follows, and further detail is provided in separate annexes to this report.

2. ACTIVITIES AND TASKS VS. WORK PLAN

The main body of this report, which follows, is organized according to EMPOWER's Year 1 workplan. In each section, it covers both Year 1 as a whole (actually slightly longer, from the contract date of July 16, 2014 through September 30, 2015), and project Quarter 5 (July 1-September 30 2015).

The narrative description is followed by a tabular presentation, In Annex 1, showing actual versus expected results for each line item in the Year 1 Workplan.

2.1. General & Administrative

2.1.1. Administrative

- *Establish and equip office; Identify and hire all technical and operational staff*

At the end of Year 1 EMPOWER employed 11 technical professionals, 4 administrative and operational support, and 3 interns. The Project also engaged 7 local and 3 international short-term technical assistants (STTAs) during the year. It is expected that both full-time staffing and STTA support will expand in Year 2.

EMPOWER offices – the main office in Pristina and branch office in North Mitrovica – were established in Project Q1, and are fully equipped and operational.

- *Institute all EMPOWER operational and financial policies and procedures*

All policies governing HR, procurement, local and international travel, reporting, and financial management are successfully established and are operational.

2.1.2. Monitoring & Evaluation

- *Complete PBMS*

The Performance-Based Management System Plan (PBMS) with PMIs was finalized and approved by USAID in Quarter 2.

- *Customize and install Project Activities Database (PAD)*

EMPOWER's M&E specialist organized data collection with an expansive set of forms and spreadsheets. Standard operating procedures for follow-up monitoring and validation of PMIs were established. Data will later be transferred to the PAD. EMPOWER completed detailed instructions for customizing the PAD for the Project's particular requirements, and prepared a request for proposals to distribute to IT services providers to program the actual customization.

2.1.3. SAF Management

- *Prepare Operations Manual for procurements and subcontracts*

The Operations Manual was completed and approved in Project Quarter 1.

- *Prepare Grants Manual*

Submitted in October 2014; final approval received from USAID RCO in January 2015.

- *Prepare and publish the Annual Program Statement (APS) to invite applications*

Immediately upon approval of the Grants Manual, EMPOWER published on its website (www.empowerkosovo.org) the APS and related materials, specifying conditions for grants and inviting candidates to submit Concept Notes describing their businesses and market opportunities, their job creation potential, and their need for and use of financial support. The program had been first announced publicly at the EMPOWER launch event on December 9, 2014. EMPOWER subsequently organized a series of public information sessions across Kosovo, attended by some 280 representatives of businesses and economic development organizations. These sessions provided information on the program, supported sectors, grant scheme, and application process. They stimulated active discussion among attendees on business opportunities and obstacles.

Concept Note Status	# of CNs	Amount Requested €	Jobs Expected
Received	313	€ 13,829,478	5390
Not Accepted	369	€ 18,512,902	4151
In Process	55	€3,298,785	1415
Approved	54	€ 2,442,714	1445
Total	791	€ 38,083,879	12,401

The table above shows that a total of **791 applications were received** by the closing date of May 31, 2015, requesting over **€38 million** – far in excess of EMPOWER’s SAF resources of \$2 million. Though many of these did not qualify, either because the business concept was not persuasive, or the job creation impact was less than desired, the number that did qualify still substantially exceeded the available SAF funding.

The following table provides a breakdown of SAF-funded grants and procurements approved and signed by the end of Year 1:

Status	Number	SAF	Co-Finance	Jobs	Leverage	SAF / JOB
Approved & Signed	41	€ 1,038,122	€ 3,732,428	1,380	4.6	€ 752
Breakdown by Category						
Firm Level Growth	21	€ 742,806	€ 3,060,027	610	5.1	€ 1,218
Market Development	8	€ 50,591	€ 136,941	98	3.7	€ 516
Workforce Development	12	€ 244,725	€ 535,460	672	3.2	€ 364
<i>Of which:</i>						
North Kosovo	7	€ 185,620	€ 334,395	111	2.8	€ 1,672
Microenterprise	19	€ 312,776	€ 939,534	643	4.0	€ 486

41 grants and procurements for a total of €1.0MM in SAF funds were approved and signed in Year 1, of which **€244K was actually disbursed** by September 30.

The table below provides the same breakdown for all grants and procurements approved, both signed and not yet signed by the end of Year 1.

Status	Number	SAF	Co-Finance	Jobs	Lverage	SAF / JOB
Approved & Signed	41	€ 1,038,122	€ 3,732,428	1,380	4.6	€ 752
Approved; not yet Signed	11	€ 285,741	€ 2,176,790	351	8.6	€ 814
Total Approved	52	€ 1,323,863	€ 5,909,218	1,731	5.5	€ 765

Table 6: SAF Grants & Procurements Approved by Type – Year 1

Status	Number	SAF	Co-Finance	Jobs	Leverage	SAF / JOB
Breakdown by Category						
Firm Level Growth	27	€ 975,906	€ 5,166,457	879	6.3	€ 1,110
Market Development	11	€ 63,732	€ 144,801	125	3.3	€ 510
Workforce Development	13	€ 269,725	€ 597,960	727	3.2	€ 371
<i>Of which:</i>						
North Kosovo	8	€ 204,620	€ 369,895	122	2.8	€ 1,677
Microenterprise	23	€ 399,059	€ 1,507,034	733	4.8	€ 544

A total of **52 grants for €1.3 million in SAF funds** were approved in Year 1, including 11 that were not yet signed. All are expected to be fully disbursed by the end of FY16.

The majority – over 70% – of grants and procurements approved in year 1 were for equipment to help companies expand their production capacities in order to fulfill market demand opportunities, increase their sales, and create new jobs. 20% of grants and procurements went for workforce development interventions. Of beneficiary companies, 30% were microenterprises, and 15% were in North Kosovo.

At €765 (\$840) overall, EMPOWER bettered its nonbinding guideline of \$1000 in SAF funding per new job in Year 1.

Annex 2 provides a list of all SAF-funded grants and procurements provided by EMPOWER in Year 1, for all Project components.

2.1.4. Public Events & Communications

- *EMPOWER print materials, Facebook page and website*

In Quarter 5, EMPOWER Private Sector continued the publication and circulation of a monthly two-page newsletter, which was initiated earlier in Year 1. The newsletter has a broad audience, including EMPOWER beneficiaries and the business community at large, government institutions, and the general public. It is published electronically in three languages on the program’s website and Facebook page. Printed copies are exhibited in the program’s office and distributed at meetings and events.

EMPOWER opened a Facebook page in February 2015, a dynamic online presence alongside the program website launched earlier. This page is the primary information tool about program activities on daily basis, serving as a two-way communication platform for a diverse audience. The number of page likes exceeded 1,400 by the end of Y1 and has increased steadily. Of the people who “like” the page, a majority are aged 25-34 and 52% are women. The page is updated several times per week with brief, active posts in English, Albanian, and Serbian, accompanied by pictures that tell the story of what the Project does.

Since its launch, EMPOWER’s webpage was updated with the latest news 26 times, an average of twice per week. All information is available in three languages.

EMPOWER’s visual identity was developed early in Y1 and since then has been featured prominently in all promotional and public materials, both in print and electronic versions.

- *Success Stories*

In Q5 EMPOWER published a success story from the wood processing industry entitled “Success Brewing Behind Partition Walls” on the Project’s website (<http://goo.gl/e9kiSo>) and shared through Facebook. Also in Q5, at the request of the USAID DOC, EMPOWER arranged for an interview with the Executive Director of the Association of Wood Processors of Kosovo, to be featured in a story about how USAID’s assistance helps women succeed in business.

- *Project Promotional Events*

In Year 1 EMPOWER public events attracted high-profile participation of Kosovo institutions and USG representatives. The program’s launch event on December 9, 2014 was officiated by U.S. Ambassador Tracy Jacobson, and was also the first public appearance of the newly-appointed USAID Mission Director, James Hope. Their message to the audience of over 120 representatives of the business sector, institutions, international and national organizations and media emphasized private sector job creation as a key priority for U.S. assistance in Kosovo. The event received extensive media coverage.



US Ambassador to Kosovo Tracy Jacobson addresses EMPOWER Private Sector’s launch event in Pristina on December 9, 2014 .

EMPOWER conducted extensive outreach to municipalities outside of Pristina to introduce the Project and engage private sector and local government representatives in a dialogue about economic opportunities and challenges. Over 280 representatives of businesses, local associations, and municipal authorities attended in events in Gjilan, Ferizaj, Peja, Prizren, and Mitrovica. All of these events received good publicity, especially by local media outlets.

EMPOWER’s booth at the two-day annual Finance Fair organized by the Kosovo Banking Association in Q5 was visited by over 100

attendees interested in the Project’s grant scheme, business sectors supported, and training opportunities, especially for youth.

EMPOWER participated in information fairs to minority communities organized by the U.S. Embassy in February-March 2015 in Leposavić/q (organized by EMPOWER), Zvečan/Zveçan, Mitrovicë/a, Zubin Potok, and Shtërpce/Štrpce. These events together attracted several hundred visitors, mostly SME owners and managers, and good media coverage.

- *EMPOWER-Supported Interventions Receiving Significant Media Attention*

Many of EMPOWER-supported activities were publicized favorably during the year. EMPOWER organized two well-covered factory visits for the new U.S. Ambassador in Kosovo, Greg Delawie, during Q5. These visits, to furniture producer Tefik Çanga in Ferizaj, and wood biomass stove producer Enrad in Gjilan, highlighted the USG’s economic development priority for manufacturing competitiveness and job creation in Kosovo.

EMPOWER organized a six-month training program for a group of marginalized rural women at KosovaTex jeans factory. The President of Kosovo, Atifete Jahjaga, and USAID Mission Director James Hope officiated at the launch of this initiative, attracting a high level of media attention.

At another event, Prime Minister Isa Mustafa, USAID Kosovo Mission Director James Hope, and the Mayor of Podujevë/o Agim Veliu inaugurated the new sportswear factory S//Sprint, including

the signing of an EMPOWER grant supporting the factory's expansion and creation of an expected 80 new jobs over the next three years.

Throughout the reporting year, EMPOWER collaborated closely with business associations in its supported sectors to strengthen their capacities for public promotional capacities. These included the Association of Wood Processors of Kosovo (AWPK) as to the participation of Kosovo furniture producers in supported trade fairs, and the Kosovo ICT Association (STIKK) to disseminate press releases on their activities in collaboration with EMPOWER.

Several EMPOWER-supported activities that received elevated public attention in Y1 involved women in the economy. These included the participation of women from both North and south Kosovo in Women in Business Regional B2B events in Belgrade and Tirana organized by the CEED Network, in collaboration with USAID/REG. EMPOWER also participated in a conference organized to mark the annual International Day of Girls in ICT, featuring 70 young Kosovo women who had started a year-long ICT training program at the American University of Kosovo (AUK) supported by EMPOWER and the SDC EYE project. EMPOWER's COP was a keynote speaker.

2.2. Component 1 - Job Creation through Competitive & Market-Oriented SMEs

The originally-selected Component 1 focus sectors were wood processing and apparel. As Year 1 progressed it became clear that firms in the tourism, energy, and even metal sectors had significant job-creation potential and deserved support. The overall workplan for improving Kosovo SME competitiveness and thereby creating new jobs consisted of first identifying the most growth-ready sectors and companies within them, then addressing three of main challenges they face: (i) finance for physical expansion, (ii) connection to buyers, and (iii) product quality and productivity. A fourth major challenge, workforce skills, is addressed under EMPOWER Component 2.

2.2.1. Identify Growth-Ready Sectors for Project Focus

- *Draft Sector Assessment & Selection Report*

A foundation deliverable for EMPOWER, required by contract was a *Sector Assessment & Selection Report*, on which the Year 1 Workplan and Annual Program Statements (request for grant applications) would be based. For this report, EMPOWER engaged seven local professionals and provided them with interview protocols in order to conduct site visits to 10-20 companies in the each of the following sectors, which had been preselected as having competitive potential: wood processing, leather and apparel, ICT, food processing, tourism, and energy. Ultimately, all of these sectors were determined to have significant job-creation potential consistent with EMPOWER's objectives. Other than food processing, which was covered by another USAID project, all were selected for EMPOWER's attention. Wood processing and apparel were identified as primary sectors that would receive a full range of competitiveness interventions, while the others were selected for narrower focus: tourism would concentrate on the adventure / outdoor subsector, ICT mainly on workforce development, and energy on renewable energy generation and energy efficiency (such as building materials and renovation).

The *Sector Assessment & Selection Report* was conducted and finalized in project Quarters 1-2, and approved by USAID in Q2. It was printed in 250 copies and distributed to stakeholders, and published on EMPOWER's website for electronic access.

2.2.2. Identify, Evaluate, and Support Job-Creating Business Expansion Opportunities

To identify specific companies that had the potential to create significant numbers of new jobs, EMPOWER staff conducted site visits in response to Concept Notes received, as well as on their own initiative to gain better understanding of conditions in the focus sectors. Over the course of the entire year, EMPOWER staff conducted **585 site visits to 426 companies in 57 localities** across all regions of Kosovo, giving the Project unparalleled ground-level knowledge of prospects and conditions in the Kosovo economy.

Table 7: Identified Investment Opportunities Y1 – Wood & Apparel

Expected	Actual
<ul style="list-style-type: none"> 30 focus sector investment opportunity candidates (interventions / activities) identified and recorded 	<ul style="list-style-type: none"> 42 opportunities identified - 20 in Wood and 22 in Apparel
<ul style="list-style-type: none"> 12 viable focus sector investment opportunities (interventions / activities) selected for interventions; 24 total beneficiaries incl SMEs in supply chain 	<ul style="list-style-type: none"> 23 (19 WP and 7 Apparel) viable focus sector investment opportunities selected €38MM expected sales increase as a result of these interventions in the first year after the award (€729K in Y1) 764 (490 Wood and 274 Apparel) jobs expected over 3 years (420 in Y1)

Wood Sector

5th Quarter Progress

In Q5 EMPOWER continued the process of carefully evaluating each and every one of the surge in Concept Notes received during the final weeks that the APS was open to May 31, and in the wood sector selected 23 of them as worthy of further consideration.

EMPOWER signed 8 grant agreements with wood sector beneficiaries in Q5, for €357K. The number of jobs

expected to be created from these interventions is 293.

Year 1 Progress

EMPOWER's well-publicized launch and media awareness of its activities generated Concept Note submissions (grant requests) from over 150 companies in the wood processing sector – the majority toward the end of the May 31 deadline. Requests came from all regions of Kosovo, including 16 from North Kosovo.

Most requested support for growth in order to realized what they considered to be realistic market opportunities. In particular, they sought finance to purchase additional equipment and update their production technology.

EMPOWER's growth finance investments are always conditioned on "additionality": that is, program money is needed because the company lacks access to bank finance and has exhausted owner capital. Most companies do have some bank finance already and are limited in their ability to borrow more, especially given the dramatic slowdown in bank lending to the productive sector in Kosovo since the global financial crisis of 2008. Many companies have grown mainly through owner capital and lack further personal resources.

Table 8: Approved Investments – Wood Sector – Y1			
# Companies	Investment Amount €		Jobs (3 yrs)
	EMPOWER	Co-Invest	
13	€500,260	€3.0 MM	490

As seen in Table 8, EMPOWER selected 13 wood companies for expansion support in Year 1, requiring almost €500K in SAF funds and leveraging €3MM in co-investment, mainly from owners but also from banks. Three of the beneficiaries were from North Kosovo.



EMPOWER short-term technical expert for the wood sector provides quality management and marketing advice to a furniture manufacturer in Ferizaj that was subsequently approved for an expansion grant .

Many of the companies selected for assistance aim to increase their regional and European exports. EMPOWER is also working to help them expand their business connections through trade show attendance and identification of sales agents. Most companies also expressed a need for assistance in developing workforce skills, which EMPOWER supports under Component 2.

During Y1 EMPOWER worked closely through the Association of Wood Processors of Kosovo (AWPK). AWPK was engaged to implement an internship program with 40 interns, of whom at least 25 are expected to gain permanent employment. AWPK also organized attendance of 10 wood processors at two international trade fairs, with EMPOWER's support.

Apparel Sector

5th Quarter Progress

During Q5 EMPOWER identified four new business support opportunities in apparel, requiring €173K in SAF funding, leveraging up to €360K in owner and bank finance, and expected to create 180 new jobs.

The Project also succeeded in catalyzing and achieving during the quarter the registration of a new business association, the Kosovo Apparel Marketing Association (KAMA), whose primary purpose is to facilitate, as a permanently sustainable organization, substantial growth in export sales of Kosovo apparel producers. EMPOWER had organized and facilitated a kickoff meeting for KAMA attended by 50 companies that pledged their support for the initiative. The Project supported development of the association's statute, organization of its Board of Directors, and recruitment of its first Executive Director. Through the formation of KAMA, EMPOWER helped organize the Kosovo apparel sector into seven working groups: jeans, uniforms, underwear, home textiles, designers (evening gowns/ready-to-wear), sportswear, and shoes. These working groups will develop their particular development and support strategies during Year 2.

Year 1 Progress

#	Investment Amount €		Jobs (3 yrs)
	EMPOWER	Co-Invest	
10	€228,814	€820K	274

During Year 1 EMPOWER received 126 Concept Notes from apparel companies seeking assistance, requesting €4.4 million. EMPOWER staff conducted 90 field visits to apparel companies to assess their prospects and management.

Many Kosovo apparel producers are working with outdated technology which limits their ability to produce high-quality products at the volumes needed for significant orders, not only for export contracting – the real opportunity for large-scale employment generation in the sector – but even from the major domestic supermarket chains that are currently importing the majority of their apparel sales. By supporting additional and updated technologies, EMPOWER can help companies substantially expand their overall employment even as worker productivity increases and wages rise, by enabling access to these much larger orders.

Of these visits, 22 were identified as good opportunities for product expansion and job creation, and 10 were approved for grants in Y1, of which one was in North Kosovo. The 10 investments will require €229K in SAF funding and are expected to generate 274 new jobs over 3 years.

Approximately two-thirds of the new jobs will be for women.

While the sector faces significant challenges in terms of market connections and product quality, it is making progress especially in import substitution, with some signs of export potential. In tracking sales growth, EMPOWER projects and records all three sources: exports, import substitution, and organic domestic expansion. EMPOWER remains highly optimistic about the apparel sector's prospects.

Though EMPOWER largely committed its original \$2MM grant fund by the end of Y1, there are a number of additional apparel companies that are good candidates for grants should further funding become available.

2.2.3. Widen and Deepen Connections to Buyers

EMPOWER supports buyer connections primarily through two channels: (i) selective trade show attendance, and (ii) development of sales agent networks. Secondary activities are promotion through media (internet-based and through industry publications), and cluster networking, including linking smaller companies to larger Kosovo producers and organizing joint / collaborative production for large orders from single buyers. During Year 1 EMPOWER made a strong beginning on the two primary channels for both wood and apparel, with limited activities so far on the secondary ones.

The great majority of employment in the global apparel industry is in contract production, known most widely as CMT (cut-make-trim), or also as *lohn* or *facon*. The reason that Albania employs as many as 100,000 people in the apparel industry, and Macedonia 40,000, is that at least 90% of their work is as outsourced producers for major European brands. In Kosovo, however, very little of this business has been developed – almost all factories design and sell their own products, or do limited runs for event T-shirts, donor events, and the like. This is why the industry here employs only about 3,000. As evidence, it is revealing that the only significant CMT supplier in Kosovo, Kosovatex, is also by far the largest apparel operation in the country, employing over 300 people at its Pristina factory, making jeans for major European labels.

- *Trade Shows and Producer Sales Agencies*

Wood Sector

5th Quarter Progress

In Q5 EMPOWER, through AWPk, supported the exhibition of three Kosovo furniture producers at a 5-day fair near Hannover, Germany – MOW, one of the most important annual European furniture shows. The companies exhibited chairs, tables, and sofas on a joint stand. It was the first time since 2006 that Kosovo furniture companies exhibited jointly at a furniture fair in the EU.



EMPOWER supported the joint exhibition of Kosovo furniture producers at a key international trade fair in Germany, which produced immediate contracts and business relationship with a well-connected sales representative for European markets.

In addition to concluding actual sales contracts worth over €250,000 to buyers in Germany and Spain, a contact for permanent sales representation in Germany and the wider EU market was signed at this fair. The principal of Kelmendi Holzmoebel (<http://kelmendi-holzmoebel.de/>), a furniture sales agency operating from Stuttgart, Germany, visited the Kosovo stand at MOW. Based on the high level of interest expressed by the

agency, EMPOWER initiated a follow-up visit to Kosovo to conduct a B2B session with wood sector beneficiaries. The agency indicated an interest in establishing a permanent showroom in Germany for Kosovo furniture products.

Year 1 Progress

In addition to the above, in Y1 EMPOWER supported the participation of four wood processors at the Tirana Furniture Trade Show. The Tirana show produced sales contracts at the fair of €25K, and €141K as of six months later, mostly with hotels and restaurants serving tourists on the Albanian coast. Recognizing sustainable sales potential, the three attendees are establishing permanent showrooms in Albania. EMPOWER also initiated organization and advance planning for wood processors to exhibit at the upcoming SwissBau furniture and interior elements fair to be held in Basel, and the IMM Furniture Fair in Cologne.

All of EMPOWER's support for trade fair attendance in the wood sector was effectively implemented through AWPK, with close assistance from the Project.

In addition to the wood sector sales agency contact mentioned above, EMPOWER worked to identify market agents in other countries, including Albania and Italy. This resulted in EMPOWER organizing the travel of another agency (Tirana-based Granit Nikqi) to Kosovo organized by EMPOWER, who visited four wood processors.

Apparel Sector

5th Quarter Progress

In Q5 EMPOWER planned the attendance of three companies at the A+A Fair in Dusseldorf, scheduled early in Y2, in cooperation with Kosovar-German Chamber of Commerce and KIESA. This large biannual fair is focused on work and protective wear, and Kosovo uniform producers may expect to find business there. B2B meetings were organized in advance with German companies.

EMPOWER also identified a potential sales agency for apparel in Albania, who may also be expected to intermediate contracts with Italian contract buyers. This agent was engaged at the Albania Textile Fair that Kosovo producers attended with EMPOWER's support in June 2015.

Year 1 Progress

For Y1 as a whole, EMPOWER supported participation of 9 apparel producers in exhibiting and visiting foreign trade fairs. These included the Tirana International Fair in November 2014, where three companies visited. The fair produced less-than-anticipated results in terms of sales

Expected	Actual
<ul style="list-style-type: none"> • 6-8 trade shows / B2B activities completed, 25 company beneficiaries • New business for wood and apparel producers with 5 domestic importers, 15 beneficiaries • 10 new buyer relationships 	<ul style="list-style-type: none"> • 6 trade shows / B2B activities supported; 17 participating companies • All but one of the supported trade shows took place very close to the end of Y1, so information as to new business and buyer relationships is forthcoming in Y2
<ul style="list-style-type: none"> • 5 agents/agencies recruited • 20 beneficiaries 	<ul style="list-style-type: none"> • 2 agents identified in the wood sector; 1 contract signed for Germany, benefitting at least 15 companies • 2 potential agents in apparel

contracts, but was positive in terms of contacts, including the President of Albanian Chamber of Garments and Footwear (Arben Peçi), who also owns a large apparel contractor. EMPOWER subsequently organized his visit to Kosovo to provide assessments and expert advice to producers here, including connection to Italian equipment suppliers.

EMPOWER also supported the visit of four companies from the Gjilan wedding dress / evening gowns cluster to two trade fairs in Turkey – IF Wedding Show Izmir and

TEXPOEUROASIA 2015 in Istanbul. While the sales results of these fairs were also less than hoped, the trip was important for gaining knowledge and networking through meetings both at the fairs and through meetings organized with the Izmir Chamber of Commerce, Izmir Fashion Chamber of Commerce, and the Turkey–Kosovo Business Council.

For the Southeast Europe Textile Fashion & Facon Expo in Tirana in June, EMPOWER supported the exhibition of 8 Kosovo companies on an attractive joint stand. The stand attracted VIP visits – and therefore good media attention – by the Albanian Minister of Economic Development, the Albanian Minister of Labor, and the Kosovo Ambassador to Albania. The fair produced 5 new buyer connections and a limited amount of new business. It also motivated one of the attendees, S//Sprint, to embark on a significant expansion of its production operation in Podujevo, which was eventually supported by EMPOWER.

Overall, these regional trade fairs, though producing positive but limited sales results, at least began introducing Kosovo producers in export markets. In future years it is important to replace visits with exhibitions, and also to widen trade show attendance to the larger European fairs. It is also very important to establish sales agency relationships in order to break into the large export contracting market.

- *SME Networking and Media Promotion*

To network more SMEs into business, EMPOWER had a series of meetings with buyers at the large Kosovo supermarket chains (ETC, Viva Fresh, others), to determine their potential for replacing imports with domestic production. There is potential, but quantities need to be adequate and pricing attractive. EMPOWER did a limited amount of work linking companies within its focus sectors to each other – for example, an outsourcing relationship in jeans washing and dyeing between Kosovatex in Pristina and Riki Jeans of Gjakovo.

EMPOWER conducted a series of meetings with beneficiaries in the wood, apparel, and energy clusters. These were focused on strategy development, obstacles identification, and marketing.

In promotion, EMPOWER planned to initiate advertising of Kosovo wood and apparel production in European industry journals, but this was postponed to Y2 when at least some sales agents are in place in those markets. For the Kosovo market, EMPOWER supported advertising of wedding dress / evening gown beneficiaries in the magazine *Flatra*.

EMPOWER initiated planning for web portals for wood and apparel, including focus groups to select a shared visual / branding identity. The two sectors are also being promoted through EMPOWER's FB page.

2.2.4. Elevate Product Design, Quality, and Operational Productivity

SME competitiveness for import competition and exporting depends on designs that are current and desired by the market, on a high level of product quality (often certified), and on production efficiency enabling good pricing and high volumes. These are areas that a number of Kosovo producers – especially in the furniture sector – have addressed adequately enough to experience a degree of export market success. There are a few examples (beyond Kosovotex) of adequate quality and quantity in sportswear and uniforms that have enabled good import substitution business, and others in metal. But in general, almost all companies have room for upgrading quality and productivity.

EMPOWER's assistance in this area was quite limited in Year 1, because it is to be most effectively applied (in terms of further job creation) to companies that have qualified for expansion grants, and the process of selecting and approving those occupied most of EMPOWER's efforts in Y1. Follow-on assistance in design, quality, and operational productivity will be a major Y2 theme.

Consultants providing these services will be supported in part through a Quality Certification Fund that EMPOWER has planned and discussed with key institutional counterparts (especially MTI/KIESA) during Y1. This initiative was expected for Y1 but postponed to Y2.

5th Quarter / Y1 Progress

EMPOWER helped facilitate the engagement of international consultants to advise Solid Shoes (Suhareka) for its new children's shoe line, and Unikat (Peja) for its new dress shirts line. The Project also engaged STTAs (Lukša Šoljan of BiH in wood, and Roberty Alexandriysky of Bulgaria in apparel) to initiate in-depth assessments of product quality and operational efficiency at EMPOWER grantees in these sectors.

2.3. Component 2: Job Creation through Workforce Development

The headline theme of project Component 2 is workforce development, but this component also gives EMPOWER the opportunity to intervene for significant job creation in any other sector, beyond those of primary focus. Even though as Year 1 progressed it developed that the "secondary" sectors selected in EMPOWER's *Sector Assessment & Selection Report* (especially energy and tourism) became more mainstream – i.e., appropriate for SME competitiveness / Component 1 interventions for production expansion, market connections, and product quality / productivity – they are discussed in this Component 2 section, since that is where they started out and where they are placed in the Project's work organization. With its primary interventions in workforce development, ICT is also included in Component 2, and discussed in the WfD section below.

In addition, during Y1 the metal sector emerged as having strong selective job growth potential, and EMPOWER expects to increase support to this sector in Year 2. EMPOWER also discovered job-creating opportunities in recycling companies, which were then grouped with the energy sector for management and investment evaluation purposes. Finally, “opportunistic” interventions developed in such wide-ranging sectors as health & beauty supplies, automotive parts, and pastries/confections.

2.3.1. Identify, Evaluate, and Support Job-Creating Growth in Other Sectors

As for the Component 1 sectors, some of the most effective activities for significant job creation are in supporting companies that have demonstrable market opportunities, but need to improve

their competitiveness – increase physical production capacities, expand market connections, and improve product quality – to meet them. EMPOWER staff conducted site visits to over 150 companies in the energy, tourism, metal, and other sectors in response to requests for support as well as to investigate and understand business status and economic opportunities. EMPOWER

approved 12 grants for companies in these sectors for €342K in SAF funding and 247 expected jobs.

Energy Sector

In EMPOWER’s *Sector Assessment & Selection Report*, this sector originally included businesses in renewable energy and energy efficiency. In Year 1 most of EMPOWER’s support for renewable energy involved producers of biomass fuel – mainly wood waste-based pellets. Toward the end

Status	#	SAF €	Jobs (3 Yrs)
Approved & Signed	12	€342,091	247

of the year, a producer of solar panels was identified. Energy efficiency was expected to cover mainly building insulation products. Over the course of the year, EMPOWER identified several business opportunities in the recycling sector, and categorized these with

energy, since recycling contributes generally to energy efficiency and greenhouse gas reduction.

5th Quarter Progress

Three investment opportunities from this sector were identified in Q5. With SAF investment of €85K, together they have the potential of creating 96 new jobs.

Also during the quarter EMPOWER identified a serious investor, Jaha Energy, a company that is investing approximately €5 million to build a factory for the production of solar panels in Kosovo, with annual production capacity of 180,000 pieces (45MW). The investment is supported by a German product licensee. The company will sell to local and regional markets. EMPOWER will team with Jaha in promoting this renewable energy technology, especially in rural areas. During

Q5 EMPOWER also identified a potential producer of biomass pellets from chicken manure, for a 30% more efficient product and alternative raw material source.

Y1 Progress

EMPOWER, working with private companies, organized the non-utility energy sector into four clusters: a) wood biomass fuel and stove producers; b) insulation production companies, c) solar and geothermal companies, and d) recyclers.

a) Wood biomass fuel producers and stove producers. In Year 1 EMPOWER thoroughly assessed the biomass cluster and organized two cluster roundtables in March and July, each attended by 10-12 companies plus representatives of associations and other donors. These meetings discussed challenges and opportunities and produced a draft action plan that will be implemented in Year 2, focused on product quality, productivity, and promotion of pellet fuel and pellet stoves.

ENRAD of Gjilan is the leading producer of pellet stoves and boilers in Kosovo. EMPOWER supported its attendance at a trade fair in Zagreb, as well as an internship program at the company that will engage 25 individuals yearly for the next three years, the majority of whom should end up permanently employed at the company. EMPOWER supported production expansion at two pellet producers, Europa of Leposavić/q and Jeta-H of Decan.



U.S. Ambassador Greg Delawie and USAID Mission Director James Hope tour the Gjilan factory of Elnor, a manufacturer of stoves and boilers that burn renewable biomass fuel. EMPOWER supported the company's workforce internship program and helped it in sales promotion to regional export markets.

EMPOWER commissioned and published a study of the Kosovo biomass fuel sector. The study estimated the total domestic market at some 25,000 tons annually, of which currently only about half is locally produced, the rest imported mainly from Serbia. Demand is growing rapidly. Other than finance for expansion, the report identified challenges to expansion of the sector, the main ones of which are: (i) access to raw material, inhibited by disorganized and non-certified Kosovo forest management, (ii) poor public perception of domestically-produced pellet quality, (iii) suboptimal pellet factory productivity, and (iv) lack of household and business finance for energy efficiency technologies and renovations. EMPOWER will be addressing all of these issues in Y2.

b) Insulation production companies. EMPOWER initiated assessment of this subsector in Y1, conducting site visits to 6 producers of building insulation materials. Producers noted as obstacles to business growth the lack of expansion capital, the absence of a local authority/laboratory for product certification, and VAT paid in advance at customs for raw material (a problem shared by other sectors that was partly addressed by recent legislation).

EMPOWER is collaborating with the Kosovo Agency for Energy Efficiency, which will administer a World Bank loan of €27 million dedicated to the renovation of public buildings in Kosovo. Disbursal of these funds will create substantial business opportunities for energy efficient construction materials suppliers (insulation, thermal doors and windows) and building contractors. Studies at the international level have estimated that at least as many jobs will be

created in the coming years by renovation / rebuilding for energy efficiency as will be generated by the renewable energy business. EMPOWER will support expansion and training for these companies in Year 2.

c) *Geothermal/thermic pumps and solar installers/producers.* EMPOWER established a relationship with Mega Term, the country leader in geothermal installations, which noted the lack of consumer awareness about the efficiency of geothermal energy, as well as needs for training licensing of installers of this technology. EMPOWER also approved a grant for Osa Termosistemi (Rahovac), a principal producer of a range of heating, ventilation, and cooling products, to enable it to acquire equipment that will improve the insulation efficiency of its products. Osa seeks to expand its production of heat pumps, a demanding product with high export potential.

d) *Recyclers.* Recyclers contribute to a cleaner environment and save energy by reusing previously manufactured materials. Collaborating with a reprocessor, EMPOWER initiated a formal assessment of the potential supply chain for motor oil recycling in Kosovo. The Project also identified a business opportunity in recycling of polyethylene waste (plastic bags) with a producer of insulation and agricultural foils for greenhouses and mulching (Izolimi Plast from Obiliq), for which a production equipment grant was approved. The company recycles 4,000 tons of waste plastic bags per year and is growing rapidly. In paper recycling, EMPOWER identified an egg carton startup (Cornet Kosova of Ferizaj). In glass recycling, EMPOWER identified a Turkish-Kosovar partnership (Orient) that is planning to open a factory in Mitrovica producing wall tiles from mosaics made from waste glass. EMPOWER will continue to seek opportunities in the growing and multi-faceted recycling subsector.

EMPOWER started planning for a “Green Festival” during Year 2 – a major event bringing together all players in the Kosovo renewable energy, energy efficiency, and recycling subsectors.

Tourism Sector

EMPOWER’s focus in tourism is the promotion of outdoor / adventure tourism, and the linking of the Kosovo product to already-successful Western Balkans marketing platforms for this product. EMPOWER collaborates with other USAID-supported projects supporting development of the adventure tourism segment in the region, including USAID/REG and Macedonia SBEP (Small Business Expansion Project). EMPOWER also collaborates closely with SDC/PPSE, GIZ, and KIESA in co-financing and coordinating support in this area.

In Year 1, EMPOWER was responsible for initiating this collaboration and beginning to put Kosovo on the global adventure tourism map, through several initiatives focused mainly on developing a Kosovo portion of the **Via Dinarica trail** (<http://viadinarica.com/>). Via Dinarica is the world’s newest long-range mountain crest hiking trail, running from Slovenia to Macedonia. It was launched five years ago in Bosnia, in part with support from USAID’s FIRMA project there.

5th Quarter Progress

Development and Promotion of Kosovo Via Dinarica: In Q5, using regional experts working through the Kosovo Mountaineering Federation, EMPOWER initiated support for the layout and mapping of the two segments of the Via Dinarica trail running through western Kosovo, connecting it with the existing trail that runs through Montenegro and Albania and the Kosovo-Macedonia Transversal trail that runs through the southern border Sharri mountain massif.



EMPOWER supported the mapping and signposting of Via Dinarica across the beautiful highlands of western Kosovo, linking the country to this long trail, a rapidly-emerging global adventure tourism attraction.

EMPOWER collaborated in Q5 with USAID Macedonia SBEP to support the Sharr Sky race, first of its kind in the two countries, cooperatively organized by the Shterpce/Štrpce-based Beli Vuk extreme sports association, the Macedonian Trex Club, and the Serbian Federation of Sky Running. The 33.5 kilometer race traversed the Sharr Mountains reaching an elevation of 2,800 meters, ending at the Macedonian village of Staro Selo. 70 professional trail runners

participated in male and female categories. This event will now become a permanent annual race of the international Sky Running League, attracting outdoor tourists to southern Kosovo.

In Q5 EMPOWER worked closely with KIESA in strategizing GoK support for tourism for the 2016 budget year, in particular in selecting international tourism trade shows to attend. EMPOWER agreed to co-finance the participation of Kosovo in the international tourism fair WTM in London on 2-5 November 2015, and co-financing is planned for several shows in Year 2.

Year 1 Progress

In its first year EMPOWER organized several activities to begin to set a foundation for substantially increased adventure tourism arrivals to Kosovo in the years ahead.

Within one month from project start, EMPOWER identified all major inbound tour operators in the market, and on January 15 organized the first coordination roundtable where over 30 tour operators and several other stakeholders (MTI, KEISA, KEPa, municipal representatives, GIZ, SDC PPSE, the French Embassy, and UNDP) discussed issues and opportunities.

In collaboration with USAID/REG and SDC PPSE, EMPOWER organized training sessions for Kosovo tour operators in product development, safety, hosting, marketing, and business management delivered by the US-based Adventure Travel Trade Association (ATTA). The session attracted approximately 35 attendees from Kosovo and neighboring countries, and EMPOWER organized a B2B meeting immediately following the training to strengthen and sustain regional business relationships.

In Year 1 EMPOWER supported a North Kosovo-based NGO, Outdoor In, to develop a “via ferrata” climbing and hiking facility in Zvečan/Zveqan municipality.

In market connections, in Year 1 EMPOWER supported the attendance of Kosovo adventure tour operators at the ITB Fair in Berlin, Europe’s largest annual tourism trade show. The Kosovo representatives co-exhibited at a Western Balkans regional stand supported by USAID/REG. The Project also supported Kosovo exhibition at the Destination Natur show in Paris, which led to an agreement to collaborate with *Petit Fute*, the leading French language travel publisher, on their first guidebooks for Kosovo and Via Dinarica. Both ITB and Destination Natur had both B2B and B2C sessions, helping to expand public awareness of Kosovo as an adventure destination.



Kosovo – “the young Europeans” – stand at Europe’s biggest tourism trade show, ITB Berlin, which EMPOWER supported in collaboration with KIESA, SDC PPSE, and participating private sector tour operators.

For the year as a whole, 7 interventions in the tourism sector were supported, for a total of €91K in SAF funding.

2.3.2. Develop Workforce Skills

EMPOWER creates new jobs in two ways – at the firm level, discussed in much of the above, and at the **individual** level, by training people for job qualifications in demand in the market. In Year 1, EMPOWER intervened in workforce development in both in-company trainings and internships, and in institutional training programs. A total of **15 workforce skills programs** were initiated in Year 1, with **517 individual participants**, substantially exceeding targets in WfD for Year 1. Over the coming three years, the WfD programs initiated in Y1 will involve 988 participants and are expected to create 807 new jobs, of which 430 will be for women.

Table 13: Workforce Development Summary Y1	
Expected	Actual
<ul style="list-style-type: none"> • 8 in-company trainings • 80 trainees / 10 training programs for individuals (outside companies) • 100 trainees / 2 vocational educational institutes add courses to curricula 	<ul style="list-style-type: none"> • 15 training/internship programs in implementation, €341K EMPOWER investment • 120 trainees in institutional programs • 397 in-company trainees and interns

Information and Communications Technology was identified in EMPOWER’s *Sector Assessment & Selection Report* as having substantial job-creation potential, primarily through expanding the workforce trained in a wide range of ICT skills. EMPOWER did provide support for one ICT market

Table 14: Skills Trainings in ICT						
# Cos	Trainees (Y1)			Jobs (3 Years)		
	Total	Women	Youth	Total	Women	Youth
6	371	260	298	590	378	400

connections activity in Year 1 – the STIKK-organized attendance of nine Kosovo ICT services providers to a trade fair in Berlin – but the rest of the Project’s support to this sector was in skills

training. WfD programs supported by EMPOWER in ICT strongly favored women and youth trainees.

EMPOWER also conducted in- company training interventions in the wood, apparel, and energy sectors.

5th Quarter Progress

In Q5 EMPOWER approved support to two institutional training programs in ICT – the new STIKK Training Academy, in collaboration with the Embassy of Norway and GIZ, and Cactus – and one



Interns at work at an EMPOWER-supported in-company training program in ICT skills at Adaptivit, an business management software and mobile applications developer in Pristina .

in-company training program, with the greenfield call center, IQ to Link. These programs will train business process applications developers, mobile applications developers, network managers, call center specialists, and software testers. SAF awards to these three interventions will be €80K, and they are expected to create 485 jobs, of which 235 are for women.

Year 1 Progress

Formal Kosovo workforce development assessments have concluded that the education and training system is not providing adequate basic technical skills, forcing entry level training upon the companies, which is

costly. This problem has been frequently noted by private company managers in EMPOWER site visits. Several of EMPOWER’s initial interventions were in response to requests for support by companies to train at their own premises. These included a program to train 20 sewing machine operators at Menakon, a bridal dress designer in Gjilan, which was so successful that the company decided to sustain the training operation on its own after the 6-month EMPOWER-supported program was over and its graduates certified and hired. EMPOWER also supported in-company training programs at two ICT service providers (50 participants), and later in the year internship programs in the wood sector, through AWPK (40 participants) and Enrad, the pellet stove producer (75 participants over three years).

In institutional programs, in addition to those with the STIKK Training Academy and Cactus mentioned above, EMPOWER co-financed with SDC EYE the American University of Kosovo’s “Females in IT” (FIT) initiative, a year-long course to train 70 young women in specific IT skills. For all ICT interventions initiated in Year 1, **590 jobs are expected over the next three years, 305 of which are for women.**

AWPK Internship Program

EMPOWER is supporting a program to place at young people, both men and women, in internships at some 15 wood processing companies. To recruit participants, AWPK will collaborate with the Faculty of Applied Sciences in Ferizaj, the Economics Faculty of the University of Pristina, VETs/VTCs, and Regional Employment Offices of the GoK. Companies will be engaged through AWPK and EMPOWER networks. At least 40 individuals will be placed for 3-month internships – 25 in production operations management, 8 in sales and marketing, and 7 in business administration.

In Year 1 EMPOWER started to prepare for its principal *systemic* intervention in workforce development in Kosovo – the establishment of private sector-driven “VET Councils” at the local municipal level. The piloting of these sustainable public-private dialog mechanisms in at least two municipalities will be a key strategic focus in Y2, to address the frequently-noted communications gap between business and education in Kosovo. The VET Councils are expected to stimulate

curriculum improvements at local training institutions, and originate special programs such as internships / apprenticeships and periodic focused skills trainings.

2.3.3. Facilitate Access to Business Finance

While cutting across all EMPOWER activities, this task was placed under Component 2 for organizational purposes. EMPOWER's support for SME access to institutional finance during Year 1 consisted of:

- *Leveraging bank lending* for production expansion investments. In several cases, EMPOWER's willingness to provide a grant, by helping to provide a capital cushion and reduce risk, stimulated the provision of senior bank finance to fund expansion. EMPOWER visited banks (TEB, ProCredit, Banka Ekonomike) both to familiarize them with the Project in general, and to solicit financial support in specific cases. These discussions also included collaboration with banks in disseminating loans through DCA credit lines. **€1.9 million in additional bank credit** to beneficiary companies was attributable to EMPOWER interventions in Year 1.
- *Stimulating new financing mechanisms*. During Q5 EMPOWER initiated planning with commercial banks and energy sector companies to address the critical need for household and business finance for the adoption of energy-saving and renewable energy technologies. The Project also started discussions for a Quality Certification Fund that would be financed by GoK agencies and donors to help companies obtain formal standards and certifications required for international trade. Both of these initiatives are expected to be realized in Year 2.

EMPOWER also consulted regularly with the USAID Empower Credit Support project in the design of the forthcoming guarantee fund, which is expected to have a significant impact on SME access to bank finance. It is notable that only about one-tenth of the total assets of the Kosovo banking system are in the form of loans to the productive sector (manufacturing, agriculture, construction, energy, and mining), and over the years since the 2008 financial crisis, credit to this sector has expanded by only about 2% per year. Taking into account that this lending includes that to the larger production companies, and given the absence of nonbank sources outside development credit / grant programs, it is clear that SME access to finance in Kosovo is far from adequate.

2.4. Component 3 - Strengthening the Capacity of Local Partners

Local capacity building was an original objective of the EMPOWER program, but was intended to be realized mainly through strengthening a "local solutions" partner that was to be engaged by USAID under separate contract by the end of project Year 1. However, due to funding issues, this plan was not realized. Nevertheless, local capacity building remains a fundamental objective of the EMPOWER project, pursued through partnerships with local business associations and service providers, including the building of new institutions.

- *Strengthening AWPK*. The Association of Wood Processors of Kosovo was largely inactive in for several years prior to EMPOWER. This business association must become an active agency, constantly dedicated to improving the competitiveness of the sector and advocating for it as to policy and regulatory issues. EMPOWER started the process of strengthening the capacities of the association in Year 1 through frequent collaboration and engagement of an expert STTA who was previously Executive Director of the Wood Processors Association of Bosnia & Herzegovina.
- *Strengthening KAMA*. EMPOWER catalyzed the formation of a new business association in Year 1, the Kosovo Apparel Marketing Association (KAMA). The existing textile association was inactive and insufficiently private sector-driven. KAMA's main purpose is promoting the

exports of Kosovo apparel producers, in the process facilitating competitiveness improvements and an improved policy and regulatory environment for the sector. EMPOWER engaged the former Executive Director of the Bulgaria Textile Association as STTA to advise and build KAMA.

- *Building local capacities through other implementing partners.* EMPOWER has one pre-approved local subcontractor, the woman-owned RTC Consulting, and in the process of implementing activities through it is training its personnel in USAID-compliant procurement and financial management procedures. In addition, in Year 1 EMPOWER issued a request for proposals for standby support in implementing interventions across project task areas. Of over 50 responses, 22 were selected for a “short list” of qualified service providers. As they are issued specific task orders, EMPOWER will work to build their capacities to manage and deliver development assistance services.

EMPOWER also initiated planning with tourism sector beneficiaries to establish another new association, the Adventure Tourism Association of Kosovo (ATAK), which will parallel similar associations in BiH, Albania, and other regional countries in order to encourage collaboration in bringing adventure tourists to the Western Balkans and improving the adventure tourism product and ground services in Kosovo.

2.5. Cross Cutting Issues

EMPOWER seeks to help address the imbalance of women’s participation in the Kosovo business world by integrating **gender** considerations in all program activities in line with USAID’s Gender Equality and Female Empowerment Policy. Project activities also target **youth**, and **marginalized populations and ethnic minorities**. Inclusion of **North Kosovo** in all EMPOWER job-creating strategies is also a major project priority. Furthermore, in keeping with general USAID economic growth priorities, inclusion and development of **microenterprises** is an EMPOWER strategic focus. Finally, **donor coordination** is a guiding principle of EMPOWER’s work.

EMPOWER implemented these cross-cutting priorities in all of its job-creating and workforce development activities. Grant applications that had an affirmative focus on one or more of them were

favored, even when they fell somewhat short of EMPOWER’s desired SAF investment-per-job target (\$1000).

Table 15: Job Creation – Women, Youth, Minorities – Y1 Interventions

Sector	Year 1				3 Years			
	Total	Wmn	Yth	Min	Total	Wmn	Yth	Min
Wood	77	3	23	0	490	147	382	0
Apparel	117	78	65	3	274	212	173	29
ICT	247	173	190	5	590	305	290	0
Energy	9	1	7	0	120	22	31	2
Tourism	0	0	0	0	23	1	5	0
Metal	0	0	0	0	63	2	21	10
Other	15	0	4	1	154	108	89	3
Total	465	255	289	9	1714	797	991	44

2.5.1. Priority Populations

Women

EMPOWER’s support in Year 1 for gender mainstreaming consisted of (i) prioritizing their participation in job creation and skills training programs, and (ii) encouraging institution-building and collaboration to advance the engagement and advancement of women in the economy.

- **Job-creating interventions.** EMPOWER selected one of its principal focus sectors, apparel, in part because of its majority female labor force, and its ability to employ many thousands of women if the Kosovo apparel sector can start to approach the success in export CMT contracting that has been achieved in Albania and Macedonia. While more challenging in some other industries, EMPOWER encouraged grantees to include women in the job creation in sales and production expansion attributable to the Project’s grants. As seen in [Table 15](#), these interventions produced a total of 255 jobs for women in Year 1 – over half of all jobs created – and are expected to generate **797 jobs for women** over the 3-year projection horizon.
- **Workforce skills training.** As noted above, most of EMPOWER’s interventions in workforce training through Year 1 were in the ICT sector, whose labor force has traditionally been male-dominated (in all countries). EMPOWER’s support has favored women in this sector. As reported in [Table 14](#) above, of 371 total trainees in ICT programs, 250 (70%) were women. **Two-thirds of the 517 participants** in EMPOWER-supported skills training programs were female.
- **Institution-building and coordination.** EMPOWER catalyzed the establishment of two mechanisms for advancing the participation and role of women in the economy in Year 1:
 - In order to move beyond policy / strategy discussion and identify concrete, effective job-creating activities for women that can be coordinated, replicated, or scaled up through co-funding, EMPOWER organized the **Women in Economic Growth Coordination Group** and facilitated two meetings at EMPOWER premises in Y1. In addition to EMPOWER, members are the USAID Property Rights Program, USAID Advancing Kosovo Together, USAID EMPOWER Credit Support; the GoK Agency for Gender Equality, Kosovo Women’s Chamber of Commerce/G7, Women for Women International, Women in Business (WIB), Kosovo Women’s Network, Advocacy Training and Resource Center E4E, SDC PPSE, GIZ, and SOS Children’s Village.
 - EMPOWER launched **Lean In Kosovo**, following the model derived from the well-known book by Facebook CEO Sheryl Sandberg. Kosovo’s Lean In group has joined many other countries on the global Lean In platform. The organization’s overall goal is to encourage women’s advancement into senior management and ownership roles in business. It works through networking and mutual support by women managers. EMPOWER organized the participation of Lean In Kosovo members in the TedxPrishtinaWomen event in May, part of a

worldwide TED activity. The event celebrated and shared success stories from women innovators and managers. Also as a Lean in Kosovo activity, EMPOWER participated in a 3-day workshop that kicked off the Women In Business II program, implemented by RTC Consulting and funded by the World Bank Group and the Swiss State Secretariat of Economic Affairs (SECO), to train and mentor women in business.



EMPOWER hosts the second meeting of the Women in Economic Growth Coordination Group which the Project catalyzed, with 11 attending organizations.

- EMPOWER also organized and facilitated eight focus groups

with women business owners and women's associations in Mitrovicë/a South and North; Gjiilan/Gnjilane, Gjakovë/Djakovica, Prizren, Pejë/Peć, Pristina and Ferizaj/Uroševac, to obtain information on their opportunities and develop action plans to address their challenges.

- EMPOWER also actively participated in a number of other events and working groups focused on women. These included the Gender & Property Coordination Group led by the USAID Property Rights Program, the Women Entrepreneurship conference organized by WIB in cooperation with the South Eastern European Center for Entrepreneurial Learning (SEECCEL), the Passion for Business Conference and book launching organized by the Kosovo Women's Chamber of Commerce/G7, meetings of the National Council for the Survivors of Sexual Violence During the War, the Open Day on Women, Peace and Security in Kosovo, organized by UHNMIK with the support of UNWOMEN and UNDCO, the Challenges and Achievements of Albanian Woman in the Post-War Conference organized on the International Day of Women by the Municipality of Gjakovë/Djakovica with the support of UN Women, the Gender Analysis in the Value Chain Training organized by the Swiss-funded Promoting Private Sector Employment project, the launch of the EBRD Women in Business Finance Program supported by the Swedish and Luxembourg Embassies and the EBRD Stakeholder Special Fund, the Regional Dialogue Between Women MPs from Serbia and Kosovo organized in by the Regional Women's Lobby with support of UN Women Project to encourage women's leadership in promoting the implementation of the 2013 Pristina-Belgrade agreement, and the Equipping Young Kosovar Women to Succeed in the Jobs Market graduation organized by Women for Women International.

Youth

To help address the high unemployment rate of Kosovo's young, EMPOWER prioritizes job-creation interventions that favor them. As reported in [Table 15](#) above, **289 of all new jobs** attributable to EMPOWER interventions in Y1 – 62% – were for people in the 18-24 age group. **72% of all participants in EMPOWER-supported training programs were youth.**

To design youth-oriented training and employment programs, EMPOWER is collaborating with the Ministry of Labor and Social Welfare, the Ministry of Education Science and Technology, and the Division for Development of Youth Policies at the Ministry of Culture Youth and Sports, which leads the Working Group for Youth Strategy and Action Plan 2016-19. At the Division's request, EMPOWER's Workforce Development Advisor joined this Working Group during Q5 as a consulting member.

EMPOWER is also collaborating with the GIZ Youth Employment Program, UNDP's Active Labour Market Program 2 (ALMP2) and the EU's Youth Employment through Apprenticeship program. EMPOWER's VET Councils initiative is expected to originate programs at the local level that focus on youth employment and entrepreneurship.

Marginalized Communities

Marginalized populations in Kosovo include ethnic minorities, rural communities, victimized groups, and persons with disabilities. EMPOWER pursued interventions that would benefit these groups in Year 1, beginning with a program with an apparel manufacturer to train and employ women war victims (see box). At the recommendation of UNDP and in collaboration with the NGO

Apparel Skills Training for Marginalized Women

In collaboration with Kosovatex, the Office of the President of Kosovo, and the Kosovo Rehabilitation Center for Torture Victims (KRCT), EMPOWER supported the placement of 20 women war victims in a 6-month practical training program program at this large jeans manufacturer. Successful trainees are being hired by the company.

Generation Y, EMPOWER also identified a social enterprise operating in Fushë Kosova / Kosovo Polje for support in expanding its home and office cleaning / maintenance business, which would provide jobs to the long-term unemployed from the Roma, Ashkali and Egyptian (RAE) communities.

Other opportunities for job-creation for marginalized populations were identified and being planned. The NGO Gruaja Hyjnore is training a group of marginalized women (Turkish, Serbian, Roma and Albanian, some of them from the Center of Women Victims of Domestic Violence) in sewing and handicraft skills needed for dressmaking. SOS Children's Village's Family Strengthening Program, which targets RAE communities in Pristina, Gračanica/Gračanica and Fushë Kosova/Kosovo Polje, is training 400 women and children from 120 families in soft skills for employment. Women for Women International sought EMPOWER's support for training programs in basic computer and Internet skills and in advanced childcare. EMPOWER established relationships with at least eight other NGOs focused on improving the economic conditions of RAE communities and rural women.

2.5.2. Microenterprises

EMPOWER was not designed to focus its support on microenterprises, and does not have specific contractual objectives related to them. However, the Project does have the explicit objective to help create more medium-sized companies – to help firms grow from small to medium size – and in general, any firm that has market opportunity for growth that can fulfill EMPOWER's grant conditions is a candidate for EMPOWER support, including microenterprises. As of the end of Year 1, EMPOWER had approved **23 grants and procurements benefitting 64 microenterprises** (firms with less than 10 employees) for **€399K in SAF funding**, 30% of total approved grants in value and 45% in number. **14 of these companies are expected to "graduate" from micro to small size** (10 or more employees) as a result of EMPOWER's support.

In addition, the EMPOWER tracks supplier beneficiaries – domestic producers that are in the input supply chains of larger companies receiving EMPOWER support. As of the end of Year 1, the Project estimates that there are approximately 150 microenterprise producers in Kosovo whose sales have grown as a result of support that EMPOWER is providing to their larger customer firms. Using an analytical model, it is expected that this sales growth will create at least **180 jobs in supplier firms**, many of which are microenterprises.

2.5.3. North Kosovo

EMPOWER seeks to mainstream North Kosovo beneficiaries in its competitiveness and workforce development support. In North Kosovo, EMPOWER is open to supporting any type of firm (including farms) with market potential, regardless of sector. The Project's Senior Advisor for North Kosovo, working from a project office in North Mitrovica and usually accompanied by staff from the head office in Pristina, conducted site visits over 40 companies in the four NK municipalities in Y1.

In response to its APS and well-attended launch events in NK, EMPOWER received 128 Concept Notes from companies there, requesting nearly €5 million. While some of these remained to be filtered at the end of Y1, **8 were approved for €205K in funding, expected to create 122 new jobs**. Of these, 7 were signed in Y1. The approved grants spanned opportunities in a range of sectors – wood (Zvečan/Zvečan, Zubin Potok), energy (Leposavić/q), metal/construction (Leposavić/q), tourism (Zubin Potok), and agriculture (Leposavić/q).

One grant was provided to the Center for Women’s Development, an NGO in North Mitrovica, that proposed to train 40 women in professional childcare skills and then serve as an agency to place them in jobs at family homes with young children. This initiative helps to alleviate one of the key reasons for the low share (about one-third) of women in the active labor force in Kosovo – the need to care for young children at home.

In Q5 EMPOWER initiated planning for a large program to be implemented by the Kosovo Center for Business Support (KCBS) to further its work to create jobs by expanding greenhouse farming in North Kosovo. EMPOWER’s grant, which will be disbursed in Y2, will focus on sustainably commercializing particularly vegetable production by NK connecting farmers to aggregators (in North and South Kosovo) and promoting producer collaboration to deliver the volumes of consistent quality/grade that larger buyers demand.

2.5.4. Donor and GoK Collaboration

From the beginning, EMPOWER has conscientiously sought to know about and collaborate with all donor projects and GoK agencies that are engaged in private sector development in Kosovo, especially in competitiveness and workforce skills, but also in economic development policy and

the doing business environment.

These efforts enabled EMPOWER to leverage its available grant

Status	# Actvities	EMPOWER	Donors/GoK	Beneficiaries	TOTAL
Approved	52	1,324	866	5,044	€7,234

funds with those of other donors, GoK agencies, and private sector beneficiaries, to achieve aggregate funding of interventions at **5.5x EMPOWER’s investments**, substantially exceeding the 3.0x PMI target. Leveraging of EMPOWER funds is essential for the Project to achieve its job creation objectives given its grant funding.

Furthermore, collaboration avoids and helps scale up interventions that target objectives shared by other donors. Examples in Year 1 include the Females in IT training co-funded with SDC EYE, which enabled the program to expand to 70 participants, the Adventure Tourism Training co-financed with SDC PPSE and USAID REG that enabled the participation of regional operators, the apparel skills internship program for marginalized women at Kosovatex co-financed with the Office of the President of Kosovo, and the exhibition of Kosovo apparel producers at the Tirana Fashion Fair, co-financed by KIESA and the Municipality of Gjilan.

The following table details the 18 activities that were co-financed by 17 different donors or GoK agencies during Year 1. The total cost of these activities was €2.5MM, of which EMPOWER contributed €398K, donor/GoK collaborators €866K, and beneficiaries €1.3MM.

Activity	Date	Description	Donor	Amount	Beneficiaries	EMPOWER	Total Cost
AUK – TDI (Pristina)	Mar-15	Training, internship, and employment of 70 young women in IT skills	SDC EYE	46,250	35,200	15,000	98,450
			IPKO Foundation	2,000			
Adaptivit (Pristina)	Mar-15	In-company training of 50 programmers –	SDC EYE	36,525	45,200	26,820	108,545

Table 17: Donor-GoK-Beneficiary Co-Finance by Activity

Activity	Date	Description	Donor	Amount	Beneficiaries	EMPOWER	Total Cost
		all youth, 25% female					
ITB Berlin	May-15	Participation of 5 tour operators at Europe's largest annual tourism trade fair	PPSE KIESA	3,500 20,272	4,300	7,178	35,250
Destination Natur Paris	Mar-15	Participation of 4 adventure tour operators at French tourism trade fair	French Embassy KIESA KEPA	2,440 1,500 4,850	60	3,300	12,150
Godzi (Zvecan)	Aug-15	Finance for new wood processing equipment	EUOK	65,000	27,000	40,000	132,000
KosovaTex (Pristina)	Jun-15	In-company training of 20 marginalized women	President's Office	3,000	10,000	15,600	28,600
Te Naseri (Suhareka)	Oct-15	Construction and equipment for new furniture factory and showroom	KFOR	156,000	615,000	58,000	829,000
Tirana Textile Facon & Fashion Fair	Jun-15	Participation of 8 companies at this regional apparel trade show	KIESA Municipality of Gjilan	3,000 2,000	35,840	11,590	52,430
Outdoor In (Zubin Potok)	Jun-15	Development of tourism attraction – via ferrata-style hiking and climbing trail	PPSE Embassy of Finland Municipality of Zubin Potok	15,000 59,950 5,000	7,000	6,000	92,950
ATTA Edu 1	May-15	Business training for Kosovo adventure travel tour operators and tourism officials	PPSE USAID / REG	2,500 14,580	3,800	19,865	40,745
Binni (Vushtrri)	Oct-15	Finance for machinery to increase efficiency and quality of kitchens production line	EUOK	195,000	195,000	31,100	421,100

Table 17: Donor-GoK-Beneficiary Co-Finance by Activity

Activity	Date	Description	Donor	Amount	Beneficiaries	EMPOWER	Total Cost
Rolleo (Ferizaj)	Oct-15	Finance for confectionary production machines	EYE PPSE	16,000 99,860	224,070	40,000	379,930
Beli Vuk (Strpce)	Jul-15	Cross-Border "Sky Run" activity (tourism)	USAID / SBEP	4,150	7,350	3,500	15,000
STIKK (Pristina)	Aug-15	Launch of STIKK Education Academy; first ICT skills training course for 90 participants	Norwegian Embassy GIZ	40,000 49,670	0	35,150	124,820
MOW Interiors Fair	Aug-15	Exhibition of 2 furniture producers at this annual furniture show in Bad Salzuflen, Germany	KIESA	5,000	27,000	19,230	51,230
Via Dinarica Kosovo	Aug-15	Development of Kosovo section of this Slovenia-to-Macedonia hiking trail	PPSE	5,250	0	34,100	39,350
ATTA Edu 2	Sep-15	Adventure travel operators business management and services improvement training	USAID / REG	5,440	0	21,800	27,240
Adventure Travel World Summit	Oct-15	Kosovo tour operators participation at this leading annual adventure tourism B2B	USAID / REG USAID / SBEP	1,000 1,000	0	10,200	12,200
TOTAL				€ 865,737	€ 1,236,820	€ 398,433	€ 2,500,990

EMPOWER is possibly the most well-networked donor project in Kosovo, as demonstrated by Table 18, which lists substantially all of the meetings that took place between the Project and other donors and GoK agencies, from the beginning of Year 1 through Q5, in order of the date of the earliest meeting. At least **58 separate donor projects and government agencies and municipalities were visited in more than 160 meetings** – an average of almost 3 per week. A number of these have become active collaborators with EMPOWER.

Table 18: Donor and Government Collaboration Meetings

Institution	Subject Matter	Meeting(s)
USAID Empower Credit Support	Progress and design of Credit Guarantee Facility	Monthly from Aug-14
USAID NOA / AGRO Projects	Opportunities in food processing; North Kosovo collaboration	Bimonthly from Aug-14
Central Bank of Kosovo	SME access to finance; GoK development finance	Aug-14, Oct-14
IFC Kosovo	Investment environment; clusters; SME credit facilities; energy sector awareness and support	Sep-14, Oct-14, Jul-15
Sida / Swedish Embassy	Competitiveness support and growth finance needs	Sep-14, Oct-14
USAID AKT	Enterprise support in North Kosovo and other minority municipalities	Bimonthly from Sep-14
SDC, SDC PPSE, SDC EYE	Potential for shared interventions in tourism; women in economic growth; youth-oriented workforce development initiatives	Monthly from Sep-14
USAID/REG	Adventure tourism development; ICT workforce skills	Once per quarter from Sep-14
KIESA	SME development and export promotion strategies for GoK priority economic sectors: wood, apparel, tourism	At least monthly from Sep-14
UNDP, UNDP Aid for Trade, UNDP DEED, UNDP Active Labor Market Program II	Marginalized ethnicities economic inclusion, apparel and tourism sector support, diaspora finance; youth and marginalized groups employment activities	At least bimonthly with one or more from Oct-14
MEST	Vocational education / training; local VET councils	Oct-14, Nov-15, Dec-15
USAID Pfd	Legal, regulatory, and customs issues affecting EMPOWER beneficiaries; Brezovica investment	At least bimonthly from Oct-14
Ministry of Diaspora	Diaspora investment / finance and business partnership	Oct-14
GIZ	Collaboration in support for tourism; workforce development; youth employment; women in economic growth	Monthly from Oct-14
Austrian Development Assistance	SME finance	Nov-14
Japan International Cooperation Agency (JICA)	Tourism development cooperation	Nov-14, Sep-15
Kosovo Chamber of Commerce	Enterprise competitiveness strategy; business associations	Nov-14, May-15
Municipality of Gračanica	Local economic development strategy and support	Nov-14, Aug-15
EBRD	Grants program; SME financing sources; KOSEP; energy sector finance	Dec-14, Jan-15, Feb-15
Office of President of Kosovo	Women war victims skills training program	Dec-14, May-15

Table 18: Donor and Government Collaboration Meetings

Institution	Subject Matter	Meeting(s)
French Embassy Pristina	Collaboration for participation in Paris tourism fair; mountain guide training; French guidebooks	Monthly from Dec-14
Kosovo Environmental Protection Agency	Development of mountain trails in National Parks; tourism trade fair collaboration	Jan-15, Feb-15, Jun-15
Ministry of Trade and Industry	EMPOWER program and workplan; tourism strategy, law, and regulation	Jan-15, Jun-15, Aug-15
Municipality of Gjakovo	Grants for small businesses	Jan-15, Mar-15
Kosovo Forestry Agency	Forest law, management, certification; wood biomass assessment report	Jan-15, Jun-15
North Mitrovica Administrative Office	EMPOWER program; grants for small businesses; business registration in NK	Jan-15
USAID/SBEP, Macedonia	Adventure tourism development	Bi-monthly from Jan-15
World Bank	EMPOWER program; small business finance; workforce development	Jan-15, May-15 (2)
Municipality of Zvečan	Support for SME growth and development; inactive large apparel factory	Feb-15
Municipality of Drenas	Women war victims business center; industrial zone expansion	Feb-15, Sep 15
Municipality of Gjilan	Tirana Textile Fair exhibition by Gjilan designers; VET programs	Mar-15, May-15, Jun-15
UN Women	Women in economic growth; advancing leadership for women	Mar-15, May-15
VET Schools, VTCs – Gjilan, Prizren	Vocational education / training; local VET councils	Mar-15 (2), Apr-15
Regional Employment Offices – Gjilan, Prizren	Vocational education / training programs; local VET councils	Mar-15, Apr-15
USAID TLP	Vocational education and training / internship programs	Mar-15
Municipality of Prizren	Development of Via Dinarica; tourism sector development	May-15, Jun-15, Sep-15
Norwegian Embassy	ICT skills training – STIKK Academy	May-15
Municipality of Peja	Development of Via Dinarica; small grants for tourism businesses	May-15, Jun-15
Municipality of Štrpce	Regional tourism sector development	May-15
IOM	EU/MTI enterprise grants funds; shared beneficiaries	May-15
Municipality of North Mitrovica	Bonevet initiative	May-15
CEED Kosovo	Women in Business Regional Conferences, B2Bs	May-15
MLSW	In-company training and internship programs	May-15, Sep-15
USAID Property Rights Program	Gender equality activities; women in economic growth	Monthly from May-15

Table 18: Donor and Government Collaboration Meetings

Institution	Subject Matter	Meeting(s)
EU	Tourism development	May-15
USAID Repower	Energy sector status; cluster approach; wood biomass assessment, Green Festival	Jun-15
Kosovo Agency for Energy Efficiency	Energy sector status, wood biomass assessment, Green Festival	Jun-15
Liberal Egyptian Party of Kosovo	Job creation for Roma, Ashkali, Egyptian communities	Jul-15
Agency for Gender Equality	Women in economic growth	Sep-15
Municipality of Pristina	Fashion designers center	Sep-15
OECD	Foreign investment conditions and opportunities	Sep-15
German Chamber of Commerce	A+A Dusseldorf Workwear Fair attendance by Kosovo uniform manufacturers	Sep-15

EMPOWER also organized a number of cluster meetings bringing together groups of companies within its focus sectors, to consider market opportunities and challenges, and to share information. The following table shows some **13 separate meetings that the Project facilitated with 9 separate cluster groups**. These meetings have helped create cluster identity, promote business-to-business networking within Kosovo, and develop shared competitiveness strategies.

Table 19: Group and Cluster Meetings

Group / Cluster	Subject Matter / Purpose	Meeting Date(s)
Apparel / Textile Producers	Launch of KAMA	Jul-15
Women in Economic Growth Coordination Group	Job-creating activities for women	May-15
Solid Wood Furniture Producers	Preparation for European trade fairs	Mar-15, Sep-15
MDF Products Group	Preparation for trade fairs in Europe and region	Sep-15
Wood Biomass Fuel Value Chain	Promote networking among stakeholders in the renewable energy sector; share assessments, develop product quality and marketing strategy	Mar-15, Jul-15
Apparel Subsector Producers	2 working groups – designers and shoe manufacturers – to develop shared competitiveness action plans	Aug-15, Oct-15
Outdoor / Adventure Tourism Operators	Cluster establishment / networking; external trade shows collaboration / attendance	Jan-15, May-15
Via Dinarica Stakeholders	Cluster establishment / networking; VD trail development planning	Apr-15
Mountain Guides	Professional standards development; strengthening of existing association	Nov-15

3. RESULTS VS. PERFORMANCE MANAGEMENT INDICATORS AND OTHER ACHIEVEMENTS

Overall, EMPOWER Private Sector made a strong beginning in Year 1, and by its end had a positive reputation as the leading enterprise development project in Kosovo. It was well-established in its operating procedures, and had largely committed its initial grant and procurement fund by the end of the period. Through its intensive field work, it achieved a depth of ground-level knowledge of the Kosovo private sector that, at least for its focus sectors, was probably unmatched by any other donor development support project in the country, and even by at least some GoK government agencies.

The Project was overoptimistic in its Year 1 workplan as to how quickly its supporting activities could get off the ground. It took more time than expected to prepare the *Sector Assessment & Selection Report*, which needed to be completed and approved before the Annual Program Statement / request for applications could be prepared and finally published at the end of the second project quarter, in January 2015. Grant Concept Notes received then needed to be evaluated, and the first grants were signed in March. Thereafter things moved more rapidly, but 35 of the 41 grants and procurements approved and signed in Y1 began to be disbursed only in Q4-5 (Apr-Sep 2015). Still, as noted above, **by the end of the year essentially all of the original SAF was at least provisionally committed.**

EMPOWER's intensive focus on gathering ground-level information about its sectors (the nearly 600 site visits, evaluating grant Concept Notes (nearly 800 received), preparing grant and procurement approvals (40 in Y1) and the many documents they require for approval (including environmental review checklists), organizing group/cluster meetings (approximately 10), as well as introducing EMPOWER and establishing collaborative relationships with other donor projects and government agencies (50+, most with multiple meetings).

EMPOWER's detailed Year 1 Workplan is provided in Annex 1, including for each line item what was originally expected and actually achieved (or delayed), organized by major project segments: General & Administrative, Component 1, Component 2, Capacity Building, and Cross-Cutting.

Results vs. PMIs

Table 21 below lists all of EMPOWER's Project Management Indicators from its original approved Performance-Based Management System (PBMS). The following are its highlights:

1. **Enterprise beneficiaries:** The targeted number of beneficiaries for Y1 was **150**. The PBMS defined these as "companies that the Project has directly assisted in any way". In terms of companies that received material assistance directly from EMPOWER, the number of these "Primary Beneficiaries"(PBs) was **91** – short of the target. There is no question, however, that companies that domestically produce and supply production inputs to companies that receive production expansion grants from EMPOWER also benefit, expanding their sales and, if enough, their employment. EMPOWER has an analytical model to conservatively estimate the number of these "Supplier Beneficiaries"(SBs), and the impact on their sales and employment. Adding an estimated 181 SBs brings the total number of enterprise beneficiaries (PBs + SBs) to **276**.

- Of which Microenterprises: The target for microenterprise beneficiaries (companies with less than 10 employees) was 100. In Y1 **64** of the 91 PBs were microenterprises, and 151 of the SBs, for a total of **215** microenterprise beneficiaries.
- 2. Aggregate sales of beneficiaries: This was projected at **€5.9MM**. Only **\$951K** was realized in Y1, but total additional sales projected over three years as result of EMPOWER Y1 interventions is **€67.5MM**, which if achieved will represent almost half of the total sales increase target for the entire 5-year project.
- 3. Aggregate exports of beneficiaries: Similarly, this was projected at **€2.8MM**, with **€659K** realized in Y1, but **€40.3MM** is expected over three years attributable to Y1 interventions.
- 4. Business size growth: The PBMS defines this indicator as “enterprise beneficiaries that have grown from less than to more than 50 employees”, and on that basis the target was **5**, while **4** actually achieved this transition. The Project believes it appropriate to broaden this indicator to add companies that grow from “micro” (less than 10 employees) to “small”, also representing an important transition. Counting these, the number of companies that grew from smaller to larger categories is **6**.
- 5. New markets: This indicator counts firm-level entry into both new *product* markets and *geographic* (country) markets as a result of EMPOWER assistance. The target for Y1 was **20**, and **42** new market entries (products plus countries) were actually achieved. New geographic markets for a number of companies included regional neighbors (Albania, Montenegro, Macedonia, Serbia) and Western Europe, mainly countries with large Kosovar diaspora populations (Switzerland, Germany, Sweden). New products were highly varied, from children’s shoes to air filter types.
- 6. Total new jobs: EMPOWER’s most important indicator. Jobs are considered attributable to when they are generated by EMPOWER support for production facilities and consequent sales expansion, for trade show attendance producing sales contracts, or for skills training / internships leading to employment. The target for total attributable new jobs in Y1 was **250**, which with an actual total of **465** was well-exceeded. **1,714** new jobs are expected over the next 3 years as a result of Y1 interventions.

Job creation in the PBMS is stipulated as new employment at enterprise beneficiaries as defined in PMI #1 – Primary Beneficiaries. If Supplier Beneficiaries are included, as EMPOWER considers appropriate, then job creation would correspondingly rise by an expected 183 new jobs, raising the **total impact of Y1 EMPOWER interventions to 1,897 new jobs**.

- 7. Jobs for women: The Y1 target was **125**, and **255** were actually created (**797** for 3 years). The majority of new jobs for women were in the ICT sector, followed by apparel.
- 8. Jobs for youth: Y1 target **50**; **289** achieved (**991** for 3 years). The majority of new hiring was of youth.
- 9. Jobs for minorities: The target was **13**, and **9** were created (**44** for 3 years). EMPOWER is looking for substantially increased results in this category in Y2.
- 10. Jobs in North Kosovo: EMPOWER’s interventions in business competitiveness and training in this priority region created **21** new jobs, versus a target of **75** for Y1. However, most of the interventions in NK took place late in Y1, and they are expected to create a total of **123** new jobs over the next 3 years.

11. Aggregate business finance: This indicator is defined as the growth in total balance sheet loans of enterprise beneficiaries. This information can be collected by survey only at the end of the calendar year. However, **€1.9MM** in bank finance is known to have been leveraged by EMPOWER interventions in Y1 toward the **€3.1MM** target.
12. Capacity-building: This indicator was defined as the score on an organizational capacity assessment tool for the expected EMPOWER “local solutions” partner. Since that partner was not engaged, the PMI is not applicable.
13. Investment leverage: The indicator is defined as the total cash cost of EMPOWER-supported activity divided by EMPOWER cash investment from the Strategic Activities Fund, aggregated across all funded activities. The Y1 target was **3.0x**, and **5.46x** was actually achieved.

EMPOWER also tracks but does not target certain other indicators, as follows:

14. Quality certifications: Obtained by **1** firm in Y1.
15. Improved management practices: **35** firms.
16. New technologies: **26** firms.
17. Person-hours of workforce skills training: **115K** hours.
18. Skills certifications: **35** individuals.

Reports Completed in the Reporting Period

EMPOWER finalized the following reports during the reporting period, in Y1 and Q5 as noted in the table:

Title	Author	Date
Sector Assessment & Selection Report	EMPOWER staff and outside consultants	Oct-14
Performance-Based Management System	EMPOWER field and home office staff	Nov-14
Operations Manual	EMPOWER field and home office staff	Nov-14
Grants Manual	EMPOWER field and home office staff	Dec-14
The Kosovo Apparel Sector: Product Capacities and Market Potential	Robert Alexandriysky, Apparel Export Marketing Expert	May-15
Kosovo Wood Sector Assessment	Luksa Soljan, Wood Sector Expert	Aug-15
Biomass Fuel Value Chain Assessment	Jakob Modeer – Access to Finance Expert	Apr-15
EMPOWER Quarterly Progress Reports	EMPOWER staff	Oct-14, Jan-15, Apr-15, Jul-15
EMPOWER Weekly Updates	EMPOWER staff	Weekly, 67 reports
Industrial Zones Issues in Kosovo	EMPOWER staff	Nov-15

Environmental Compliance

EMPOWER conducts environmental compliance reviews, as required, for all grant-funded interventions. In Y1 EMPOWER's outside Environmental Specialist was engaged for 29 different funded activities, which were categorized as "negative determination with conditions", for which the Environmental Mitigation and Monitoring Plans (EMMPs) were prepared. All were submitted to USAID and after comments in many cases, resubmitted and approved by USAID's Bureau Environmental Office (BEO).

On June 25 2015 USAID issued a modification to EMPOWER's contract, providing for the EMMP to be replaced by an Environmental Review Checklist (ERC) for each grant. Since then, 5 ERCs were prepared and submitted for approval.

Each EMMP/ERC stipulated specific environmental mitigation measures required of the grantee. EMPOWER has begun close monitoring to ensure that these mitigation measures are implemented. This monitoring activity will become considerably more intensive over the course of Project Year 2.

During Y1 13 training activities were classified as "categorical exclusion", having no environmental impact requiring neither EMMP nor ERC.

Activities Planned for the Next Reporting Period

Many of the actions planned for Project Quarter 6 and Year 2 were indicated in the body of this report above. Substantially greater detail is provided in EMPOWER's **Year 2 Workplan**, submitted separately.

This concludes the main body of EMPOWER's Year 1 Annual and Quarter 5 Report. Further detail is provided in the annexes listed in the Table of Contents at the beginning of this Report.

Table 21: PMIs Summary with Year 1 Actuals

Component/ AO	PMI #	Source / AIR ¹	Performance Indicator	Unit	Target (Cumulative)					Reporting Frequency	Data Source			
					2015			2016	2017			2018	2019	Total Increase
					Target	PB ⁵	PB+SB ⁶							
Beneficiaries	1	Custom	Number of enterprise beneficiaries <i>of which MSEs</i>	#	150	91	276	260	350	400	400	400	Quarterly	Activities
					100	64	215	180	250	300	300			
1. Competitiveness	2	F / all	Aggregate sales of beneficiaries	€ 000	5,900	951		55,200	98,500	124,100	145,200	145,200	Annual	Surveys
	3	F / all	Aggregate exports of beneficiaries	€ 000	2,770	659		14,960	27,990	37,770	48,330	48,330	Annual	Activities, Surveys
	4	Custom / all	Business size – number of beneficiary firms growing to more than 50 employees	#	5	4		10	15	20	25	25	Annual	Surveys
	5	CDCS / all	Number of new markets entered by beneficiaries	#	20	42		40	60	80	100	100	Quarterly, Annual	Activities, Surveys
2. Job-Creation	6	F / 2.1, 2.2	Total new jobs	#	250	465		2,800	4,950	6,270	7,070	7,070	Quarterly, Annual	Activities, Surveys
	7		Jobs for Women		125	255		1,400	2,475	3,135	3,535	3,535		
	8	F,	Jobs for Youth	#	50	289		560	990	1,254	1,414	1,414	Quarterly, Annual	Activities, Surveys
	9	Custom / 2.2 ²	Jobs for Minorities		13	18		140	248	314	354	354		
	10		Jobs in North Kosovo		75	21		840	1,485	1,881	2,121	2,121		
	11	F / 2.3	Aggregate business finance of beneficiaries (loans and investments)	€ 000	3,065	<i>tdc</i>		17,717	32,911	43,972	55,585	55,585	Quarterly, Annual	Activities, Surveys
3. Capacity-Building	12	Custom / all	Capacity to manage USAID awards – Parallel Local Partner	Index 100	--	--		60	70	80	90	40	Annual	Evaluation
Leverage	13	Custom	Investment leverage	ratio	3.0x ⁴	5.46		3.0x	3.0x	3.0x	3.0x	3.0x	Quarterly, Annual	Activities

1 AIR = Activity Intermediate Result (see PBMS causal model)

2 Jobs in subcategories are not additive - they overlap

3 Primary Beneficiaries only

4 Total activity funding from all sources divided by EMPOWER SAF investment (cash)

5 PB=Primary Beneficiary

6 SB=Supplier Beneficiary - estimate may include duplicates and will be revised