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EMPOWER PRIVATE SECTOR ACTIVITY

QUARTERLY REPORT #1: JUL-SEP 2014

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EMPOWER PRIVATE SECTOR

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Cardno Emerging Markets USA, Ltd.

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Acronyms

CFO	Chief Financial Officer
CO	Contracting Officer
COP	Chief of Party
COR	Contracting Officer's Representative
EOI	Expression of interest
GoK	Government of Kosovo
HR	Human Resources
IFC	International Finance Corporation
IP	Implementing Partner
IT	Information Technology
NOA	New Opportunities for Agriculture project
ORGCAT	Organizational Capacity Assessment Tool
PAD	Project Activities Database
PBMS	Performance Based Management System
RFP	Request for Proposal
SAF	Strategic Activities Fund
SME	Small Medium Enterprises
USAID	United States Agency for International Development
VET	Vocational Education and Training
WFD	Work Force Development

1. PROJECT OVERVIEW

The USAID Kosovo EMPOWER Private Sector activity is designed to stimulate large-scale job creation by elevating the competitiveness of Kosovo firms. This means helping them identify and connect to market opportunities, improve product design and quality, increase productivity, upgrade management and workforce skills, and expand access to finance. Kosovo continues to struggle with high levels of poverty and unemployment, over-dependence on imports, and an underdeveloped export sector. EMPOWER Private Sector will materially address these critical development problems. To achieve this, the EMPOWER activity will concentrate on three objectives with corresponding components:

- **Component 1: Increasingly competitive and market-oriented Small- and Medium-Sized Enterprises (SMEs);**
- **Component 2: Job-creation;**
- **Component 3: Strengthen capacity of local partners.**

EMPOWER Private Sector will select certain growth-ready sectors for intensive support, but will also seek out and take advantage of opportunities for expansive job creation in any value chain, through workforce skills development and attraction of foreign and domestic investment. The activity will have an affirmative focus on assisting underemployed and disadvantaged populations. It will include North Kosovo in all of its activities. It will expand earning opportunities for women, and will encourage the elevation of women into senior business management roles.

An important element of EMPOWER Private Sector is building the institutional and professional capacities of local economic development service providers. It will work with and through a network of local implementing partners to enable wide outreach to businesses throughout Kosovo. In order to maximize impact, the project will also collaborate closely with all private sector development programs with similar goals sponsored by international financial institutions, other bilateral donors, and national and local Kosovo government agencies.

2. HIGHLIGHTS DURING THE REPORTING PERIOD

Upon arriving in country, the EMPOWER team initiated activities in a number of priority areas to expedite the launch and the implementation of EMPOWER activities. First and foremost, we initiated an exhaustive search for experts to work on the project. To date, we received more than 300 CVs and selected a number of very qualified professional to join the EMPOWER team. Working closely with the mission and our COR, we are in the process of identifying and hiring the final members of the team in the coming weeks. While working to select the EMPOWER team we submitted all of our contractual deliverables (Operational Manual, PBMS Year 1 Work plan, and Staff Compensation Manual) for USAID's consideration.

Currently, we are working on finalizing the sector assessment which will help establish the priority sectors in which we will eventually work. On the operational side, we successfully identified and later moved into an office in early September. The EMPOWER team is now settled into the office and we are in the process of procuring furniture and IT equipment to make the office fully operational. As part of this process, we successfully established policies and procedures on HR and financial and technical reporting between the field and the home office. Finally, we conducted significant outreach to the development community to introduce the EMPOWER activity and determine synergies between program interventions in competitiveness and workforce development.

3. STATUS OF EACH OF ACTIVITIES AND TASKS AS DEFINED IN THE WORK PLAN

General & Operational Program Initiation

1. Administrative

1.1 Identify and hire all technical and operational staff

The following technical and operational staff members have been contracted in Quarter 1:

Name	Position
Skender Rama	Deputy Chief of Party
Vesna Golubovic	Senior Advisor for Northern Kosovo
Rexhep Ilazi	Competitiveness Team Leader (Comp. 1)
Blerim Cerkini	Monitoring & Evaluation Expert
Merita Kolgeci	Operations Manager
Sebiha Mehmeti-Jaka	SAF Manager
Nusret Vitija	Workforce Development Specialist
Edita Buçinca	Administrative Assistant

Additionally, the following candidate was submitted for USAID approval in Quarter 1.

Name	Position
Pranvera Firza	Finance Manager

1.2 Establish EMPOWER office

During the first two weeks of program start-up we immediately identified office space. Four potential office locations were visited and evaluated. One was chosen on the first floor of a new building in Pejton – and a provisional agreement with the landlord reached that provided the premises somewhat below budget. Preparation of the premises and procurement of furniture and equipment commenced immediately. The floor plan was laid out – partitioning, desk arrangement, electrical and other utilities services etc. We presented the landlord a lease agreement which was reviewed by local legal counsel and layout with electrical / utilities schema finalized by a qualified architect. In early September we signed a lease for the space. As agreed earlier, the landlord covered all space preparation costs, including partitioning, carpeting, electrical outlets etc. We initiated competitive procurement for all of the office furniture and office equipment, including computers and IT hardware for the staff. Currently, we are settled in the office and are in the process of making it fully operational which we anticipate will take a few more weeks.

1.3 Institute all EMPOWER operational and financial policies and procedures

Prior to arriving in Kosovo and immediately thereafter we began on working and adapting Cardno's operational and financial procedures to the EMPOWER activity. During this quarter we successfully established all policies governing HR, Procurements, Reporting and Financial Management. We actively engaged the mission in the design of these policies to make sure that they are compliant with the client's expectations. Some of the major accomplishments include the following:

- Human Resources:** We assembled all long term and short term employee labor contracts. Working with a local legal counsel we adapted these templates so that they are compliant with local labor laws. Prior to arriving in Kosovo, we started working on the Employee Manual and with the assistance of the same legal counsel in Kosovo were able to complete it in early September. This employee manual contains all of the rights afforded to staff under Kosovar law, and also includes Cardno corporate policies governing staff on our programs in the field. We are actively using all of these contractual templates to onboard long term and short term technical staff working on EMPOWER.

- **Procurement and Grants Manual:** We successfully completed and submitted the procurement manual for the mission's consideration on September 15th. We took into consideration the feedback of the mission and resubmitted the manual for final approval. We are currently in the process of finalizing the grants manual for the mission's consideration.
- **Reporting:** We met with the mission and the COR on a number of occasions to determine the proper reporting structure with USAID. The main concern has been with the process governing the approval of long and short term staff. All other written reporting requirements, including weekly reports, quarterly reporting and routine meetings with the COR are established.
- **Staff Compensation Plan:** Thirty days after the contract was signed we submitted our Staff Compensation Plan, which provides general pay scales for staff in management, technical and operational roles. After a conversation with the CO, we resubmitted a revised Staff Compensation Plan that also includes the LCP scale.
- **Financial Management:** We established all of the financial reporting policies and procedures to the staff. We are currently awaiting the approval for the Financial Manager who will be trained in October on how to utilize the Quick Books accounting software. Our Cardno CFO will be arriving in late October to provide accounting and fraud training to the Financial Manager and the rest of the EMPOWER staff. To date we submitted one invoice and are in the process of preparing the second invoice.

2. Implementing Partner (IP) Network

Activities pertaining to establishments of the IP are planned for Quarter 2. Please see Section 9 (Activities Planned for Next Quarter) for further details.

3. Establish VET Councils

Activities pertaining to establishments of the VET Councils are planned for Quarters 2-4. Please see Section 9 (Activities Planned for Next Quarter) for further details.

4. Monitoring & Evaluation

1.1 Complete PBMS

Performance-Based Management System Plan (PBMS) was submitted for USAID review and approval on September 15, 2014. Comments on the PBMS from USAID were received; these will be addressed and PBMS will be resubmitted upon completion of the Sector Assessment & Selection Report.

5. SAF Management

5.1 Prepare operations manual on procurements and sub contracts

Procurement Operations Manual was submitted to USAID on September 15th 2014. COR comments were received and the Procurement Operations Manual was resubmitted by the end of the week, September 19th 2014.

In consultation with COR, it was decided that a Sub Contracts Manual will be submitted separately at a later date (prior to any grants being issued). The project anticipates that the Manual will be completed and submitted for USAID review in October 2014.

6. Donor coordination

6.1 Research donor programs working in the competitiveness/ WFD and the North

This is an ongoing activity that started in Quarter 1 and will continue through Quarter 2. An initial assessment of donor programs working in the competitiveness/ WFD and the North was conducted. Several meetings were scheduled with collaborating implementers and good working relationships have been developed between the programs. For example, we met with the NOA COP Mark Wood who facilitated a meeting with a major processor of mushrooms to discuss an opportunity that would create

up to 2,000 jobs in the northern region of the country, including North Kosovo. We believe that this is potentially an opportunity for a “quick win” that fits well into the mandate of Component 2. Therefore, we will seek to engage a (local) qualified finance consultant (fast-tracking our planned program) to work with the processor and prepare a business plan and financial projections with which we can help facilitate the required investment (approximately €250,000) from development and private investors.

7. Public Communications

The EMPOWER team makes a concerted effort to be visible in the donor community by attending program events and engaging with other projects to introduce the EMPOWER activity and determine how to coordinate resources with other programs. For example, in the first couple of week of the activity we requested and held meetings with the COPs and staff of the Empower Credit Support and Partnerships for Development projects, to inform each other as to program objectives and progress, and to determine areas of synergy. In both cases it was clear that close collaboration will be highly productive, and we expect to schedule frequent regular meetings going forward. Among other things, in the case of the ECS project, we concluded that an access to finance assessment, from the point of view of the company sector (the demand side of the market for finance) is needed, in order to help ECS (which supports development of the supply side) craft credit products in collaboration with financial institutions that properly address priority needs. In addition, every week since the beginning of the activity we meet with a number of other USAID, World Bank, IFC and other donor programs to understand how we can best coordinate EMPOWER activities and build off of each other’s interventions and successes.

Below is the list of Organizations/Projects which were contacted or visited by EMPOWER staff during this quarter.

Name of the organization/project/activity contacted/visited
Empower Credit Support (ECS)
Partnerships for Development (Pfd)
USAID Regional Economic Growth (REG) Program
Adventure Travel Trade Association (ATTA)
Advancing Kosovo Together (AKT)
USAID New Opportunities in Agriculture (NOA)
IFC Foreign Investment Advisory Services (FIAS)
USAID Contract Law Enforcement (CLE)
Business Consultants Council (BCC)
Swedish International Development Corporation Agency (SIDA)
Name of the organization/project/activity contacted/visited
Kosovo Bankers Association (KBA)
SDC Promoting Private Sector Employment (PPSE)

GIZ
UNDP
Kosovo Chamber of Commerce (KCC)
Riinvest Institute
UNDP
IOM SME project
USAID Macedonia Small Business Expansion Project (BEP)

Objective 1: Increasingly Competitive and Market Oriented SMES

1. Sector Assessment

The project started the assessment of the opportunities and obstacles to growth in six sectors in Kosovo in September 2014. The findings of the assessment and the used methodologies will be presented in the Sector Assessment Report, which will be submitted for USAID review and approval in October 2014.

2. Value Chain Competitiveness Action Plans

This activity will be completed in Quarter 2.

3. Product & Productivity

This activity will be completed in Quarters 2-4.

4. Connection to Markets

This activity will be completed in Quarters 2-5.

Objective 2: Job-creating Opportunities

Initial meetings and interviews identified some specific job-creation opportunities requiring either financing or workforce skills development. Activities pertaining to Objective 2 will commence in Quarter 2.

Objective 3: Strengthening Capacity of Local Partners

Activities pertaining to Objective 3 will commence in Quarter 2.

4. STATUS OF OVERALL ACTIVITY PROGRESS

To date it is too early to determine the impact of program start up activities on the overall objectives of the EMPOWER activity.

5. LIST OF REPORTS/DELIVERABLES COMPLETED IN THE REPORTING PERIOD

On 15 August 2014, the Project has submitted the following deliverables:

- **Staff Compensation Plan.**

On 15 September 2014, the Project has submitted the following deliverables:

- **Procurement Operations Manual**

- **Performance-Based Management System Plan**
- **Year One Workplan**
- **Staff Compensation Plan** (resubmission with minor changes)

COR comments were received and the Procurement Operations Manual and Staff Compensation Plan resubmitted by the end of the week. Comments on the PBMS and Year 1 Workplan also received; these will be resubmitted upon completion of the Sector Assessment & Selection Report.

Additionally, the Contractor submitted **Weekly Progress Reports and Meetings** by e-mail to COR on a weekly basis.

6. PERFORMANCE PROBLEMS DURING THE REPORTING PERIOD

The main challenge during this reporting period has been the delay in identifying and then hiring staff that have the requisite skills to contribute to the technical implementation of EMPOWER. Moreover, some of the proposed staff's salaries are above what was proposed in the budget which has delayed approvals from the mission. In addition, the sector assessment has been delayed because of the need to identify alternate sector specialists to conduct the assessment. Nonetheless, we have worked closely with the mission and to date have hired an excellent team and are quickly identifying personnel for all outstanding positions. We anticipate that we will have a full team in the coming weeks.

7. ENVIRONMENTAL REGULATION COMPLIANCE

No actions related to environmental regulation compliance were taken in Quarter 1.

8. ACTIVITIES PLANNED FOR NEXT QUARTER

General & Operational Program Initiation

Implementing Partner (IP) Network

- **Recruit IP network:** This activity is planned for October-November 2014. 8-10 local organizations are expected to be identified and recruited into the IP network.
- **Assess IP capacities:** This activity is planned for November-December 2014. IP capacities will be evaluated using Cardno's IP Cardno's ORGCAT methodology
- **Hold kick off meeting and proceed to implementing Competitiveness Action Plans:** This activity is planned for November-December 2014. A kick off meeting is scheduled to take place on November 12th, 2014. Following the meeting competitiveness action plans will be prepared for the selected sectors.

Establish VET Councils

- **Select focus municipalities:** This activity is planned for November-June (Quarters 2-4). As a result of this activity participating municipalities will be selected for VET councils.
- **Launch VET councils:** This activity is planned for November-June (Quarters 2-4). As a result of this activity the initial group of 3 VET councils will be launched.

Monitoring & Evaluation (M&E)

- **Develop survey instruments/ processes to collect baseline and company data:** This activity will be completed in Quarter 2. As a result of this activity surveys and data collection methodologies will be developed by the project.

- **IPs conduct baseline surveys:** This activity will be completed in Quarters 2-3. As result of this activity baselines will be established.
- **Complete PAD requirements and software program:** This activity will be completed in Quarters 2-3 and will result in utilizing the PAD tool for program management and reporting purposes.

SAF Management

- **Publicize SAF:** This activity will be completed in Quarter 2. SAF will be promoted through project website, and events that will be organized in different regions where EMPOWER will be presented.
- **Publish Annual Program Statement APS, RFP and review applications/proposals:** This activity will be completed in Quarter 2. After publicizing SAF, the project will prepare and publish APS, Request for Proposals RFPs, solicit Expressions of Interests EOI from eligible parties and review their proposals.

Donor coordination

- **Coordinate and align implementation strategies:** This is an ongoing activity that will continue through Quarters 3-4.

Public Communications

- **Begin EMPOWER outreach and communications platform:** Communications covering EMPOWER activities, objectives and achievements will start being issued in Quarter 2 through internet, print publications and social media. EMPOWER has identified a suitable candidate for the Communications and Social Inclusion Specialist position and intends to contract the candidate for this position in October 2014. The overall Public Communications strategy will be a direct responsibility of the Communications and Social Inclusion Specialist starting in Quarter 2.
- **Establish communications platforms for selected value chains and the North through internet and the media:** In Quarter 2 the Social Inclusion Specialist starting will work closely with the Senior Advisor for Northern Kosovo to identify and start implementing communication outreach platforms in the Northern Kosovo aimed at promoting EMPOWER activities in the North.

Objective 1: Increasingly Competitive and Market Oriented SMES

Sector Assessment

- **Sectors selected and baselines established:** Based on the findings of the assessment sectors will be selected and quantitative baseline surveys of relevant companies will be completed.

Value Chain Competitiveness Action Plans

- **Mobilize stakeholders:** Stakeholder such as the GoK, donors, private businesses and training institutions will be mobilized and efforts made to coordinate resources dedicated to improving the competitiveness of select sectors.
- **Competitiveness Obstacles Prioritized:** Will apply a competitiveness framework to identify constraints and challenges and develop action plans to address those challenges for each sector

Objective 2: Job-creating Opportunities

Wfd/ HCD Gap Analysis

- **Assessments conducted:** A demand side and supply side education and training assessment will be conducted.
- Based on the assessment above a GAP analysis will be completed in order to identify priority areas for sector skills development and job placement opportunities.

Objective 3: Strengthening Capacity of Local Partners

Implementing Partner Network

- **Initiate in process strengthening:** In Quarter 2 once the IP network has been identified training to help build the capacity of partners will be initiated. Activities will include training on administrative management, operating procedures and tools, and technical support. Professional development seminars and distance learning courses will also be initiated.