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Horticulture Promotion in Kosovo (HPK)

Annual Report January – December 2010



inter
cooperation

Natural Resource Management
Rural Economy
Local Governance and Civil Society

Pristina
March 2011

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List of Abbreviations

APF	Administrated Project Funds
CABI	Centre for Agricultural Bioscience International
CC	Collection Centre
CFH	Competitive Fund for Horticulture
CFI	Competitive Fund for Innovations
CNFA	US based NGO; originally the Citizens Network for Foreign Affairs.
ETC	Elkos Trade Centre (major supermarket chain in Kosovo)
FE	Facilitating Entity
FY / HY	Full Year / Half Year
HPK	Horticulture Promotion in Kosovo
IC	Intercooperation
IP	Integrated Production
KCC	Kosovo Chamber of Commerce
KIA	Kosovo Institute for Agriculture
KPEP	Kosovo Private Enterprise Program - a USAID Project
MAFRD	Ministry of Agriculture, Forestry and Rural Development
MAP	Medicinal and Aromatic Plants
MFA DK	Ministry of Foreign Affairs Denmark
MoU	Memorandum of Understanding
SDC	Swiss Development Cooperation
SCO K	Swiss Cooperation Coordination Office Kosovo
n/a	Not available
UoP	University of Prishtina

1. Basic Information

Country: Kosovo	Name of project: Horticulture Promotion in Kosovo – HPK-IC Intercooperation Component
SDC No SAP: 7F – 01204.05.01	
Domain of Cooperation Strategy: Economy and Employment	

Goal	The horticulture agribusiness sector generates sustainable and broad-based employment and income for its actors and contributes to economic growth
Project purpose	Key value chains are competitive and sustainable and are underpinned by an effectively organised sector based on wide representation.

Project phase duration: 01.01.2010 – 31.12.2012	Planning period: 01.01.2010 – 31.12.2010
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Budget phase 2010 -12 (CHF) 5'260'549	Budget 2010 (CHF) 2'409'164 <i>Spent in 2010 (CHF) 1'841'957</i>
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Information on contributions of partners and/or other donors (calculated in CHF):
HPK is co-funded by SDC and the Ministry of Foreign Affairs, Denmark

Implementing organisation: Intercooperation			
Main national partners	Private market actors: Input providers, producers, processors, traders/retailers; ETC, Kelmendi-V, Agro Celina, CC Mamusha, Ettlinger, BioPak, Pro-Credit et al. Producer associations, consultants & advisers MAFRD University of Pristina MEST/Danida, Swiss contact, KPEP, GiZ	Main international partners	CABI Europe, IAMB, Bari (Partner in IP); CNFA, USA (Farmer to Farmer program) NADEL (Impact Study) Consultants (regional/Intl.)

Project coordinator: Mr. Heini Conrad	Number project staff	Expat: 2 National: 12
Expat consultant (days):	54	
Regional consultant (days):	74	
National consultant (days):	90	

2. Executive Summary

In 2010, HPK-Horticulture Promotion Kosovo - made good progress in implementing the planned activities in supporting of the sector and its actors. Most of the set targets were achieved or exceeded.

Main **achievements** of 2010 were:

- Increased recognition from sector actors (producers, traders, Ministry) allowing successful linkage and facilitation
- Nursery and input sector delivering good services and increasingly commercially viable
- Clear signs autonomous replication of introduced production technology and progress in integrated production
- Completion of advisers training (fruit & vegetables) and increased use of advising services
- Targeted support through co-financing with CFH grant funds enhancing larger investments in value addition
- Up-grading trade practices (quality standard, grading, packaging)
- Advances in produce aggregation in vegetables; support to 4 new collection centres
- Extension of the cooperation with leading supermarket chain ETC and other retailers
- First successful exports of fresh vegetables

Important milestones and changes in the project management in the reporting period were:

- Start of new agribusiness adviser Stuart Pettigrew in March
- Handover of project management from Neil Parker to Heini Conrad in May
- Changes were well accepted by team and commitment and motivation was kept high
- In June activities were internally reviewed and refocused for the 2nd half of the year
- Planning for 2011 started in November
- A road map for the period 2011-12 including critical success factors was developed with the support of external consultant
- The Gjakova office was closed by the end of the year and HPK project moved with Logos project to new offices by January 2011

Project steering and set up

- SDC decided on the Facilitating entity; FIBL was selected as back stopper for the 2nd component and Riinvest as local implementer
- SCO-K and HPK IC agreed on a split of budget and provisional division of tasks between the HPK components which will lead to a reduction of staff and budget in 2011 and 2012 for HPK IC

The expenditures in 2010 were below the budget, CHF 1'841'957 were spent, where as the plan was CFH 2'409'164. Multiple reasons influenced the under spending in this first year; to mention some expenditures of phase IV occurred still in the first quarter, the time span from the contracting as to the implementation of activities.

3. Introduction

2010 was the first year of HPK-IC phase V (2010 – 12); it is last phase of HPK-IC project that has started as early as 2001. HPK-IC is now clearly in a phase of maturation based on the solid foundation that has been set in the previous phases; after 10 years successful implementation HPK-IC has entered its final phase of consolidation and phasing out..

The **horticulture sector in Kosovo** has seen very positive developments in 2010. Overall it has become more dynamic and more commercially driven. The interest for locally produced high quality products is increasing; the supply starts slowly responding to the existing market demand with an increased production. New entrepreneurial actors have emerged and brought higher investments into the sector. Further it can be observed that new and larger processing capacities have been established, the interest of local retailers and traders to market local produce has increased. Good advances were made in better organizing the aggregation and quality control of produce with newly established collection points; the storage capacities have increased supported by the project schemes and others. The trade balance is still negative, but the growth of imports has slowed down and some first exports of fresh vegetable took place and show more potential on markets abroad. More and better business services are now available, namely through nurseries that have become commercially very successful, the available supply in machinery and input goods is better and advice from well trained and experienced advisors is now available.

There are many reasons to be optimistic the market system shows signs of working better than compared to the past; it is undoubtedly more dynamic. Nevertheless for more organized and better integrated market system there are still many challenges that remain. The horticulture sector is still not well structured to respond in time and competitively to the market requirements. Kosovo has made good progress, but is still not very competitive on the local market and even less on international markets (region, Western Europe). There is a lack of knowledge and information sharing; the market actors are not well linked on many levels, but mainly in the product aggregation. Kosovo market still accepts low quality, the whole selling and retailing structure is still very fragmented, traditional, informal small-scale marketing dominates the fruit and vegetable market. The initiative and support from the Government side remains weak. The impact on income and employment is still relatively weak.

On the donor side SDC started to implement the 2nd component (Facilitating entity) of HPK program in the 2nd half of this year; after tendering back stopping mandate and local implementation FIBL and Riinvest were selected respectively. First draft of division of tasks between the two components was worked out with HPK-IC and the budget was split. In consequence there will be a reduction of staff and budget for the HPK IC component in the consolidation and phasing out period 2011-12.

The donor interest in agriculture/horticulture remains high; USAID has finished the tendering process for the NOA – New Opportunities in Agriculture project and EU ‘Rural Grant Scheme’ has awarded first grants.

Kosovo Government has been dissolved in November and after controversial elections held in December a new government was formed in February 2011, this has slowed down interactions with public sector and led to stalemate in some issues.

4. Results Reporting per Outcome

Our reporting is referring to the revised LogFrame as presented in half year report 2010 and shown in Annex 1. It concentrates on the level of the outcome indicators, narrative reporting with reference to the detailed YPO 2010 has been done during the year with our monthly reports, and it is not repeated here.

4.1 Outcome 1 – Quality Goods and Services

Outcome 1	A set of quality goods and services (inputs, machinery, business services, finance, training, advice, information) is in place and affordable to the actors in the sector
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Outcome Indicators (OCI)	Baseline 2009	Target 2010	Achievements 2010	Target End of Phase 2012
OCI 1.1 Improved packages of technologies for <u>key</u> value chains established and use documented ¹ .	5	5	7	5
OCI 1.2 Number of producers adopting IP (Integrated Production) in key value chains	51	100	117	250
OCI 1.3 Service providers ² providing quality advice in 3 sub sectors (production, financial and post harvest)	n/a	25	22 (37 trained)	30
OCI 1.4 Input suppliers providing quality advice	3	7	10	7
OCI 1.5 Producer groups co-financing advice to at least 50% of costs	0	8 (50%)	8 (50%) 4 (25%)	30

Outputs (OP) related to Outcome 1
OP 1.1 Introduction of improved practices OP 1.2 Strengthen nurseries OP 1.3 Facilitate linkages on input level & availability of appropriate credit products
<p>Based on the long experience with introduction of new technologies HPK has successfully introduced improved production technologies for 7 crops in 2010. Crops included in this activity are apples, strawberries, tomatoes, peppers, cucumbers, onions and cabbage. The documentation of these activities has been prepared into 14 technical brochures and distributed to advisors, with the aim of improving uptake of these practices beyond only HPK direct beneficiaries. 2 more brochures are planned for completion in early 2011</p> <p>The impact survey (see also summary in annex 2) indicated that outreach has varied between crops. For example, with top fruits (mainly apples) 68% of direct beneficiaries have implemented one or more of the improved techniques, whilst only 31% of indirect beneficiaries have. For vegetables the uptake of improved techniques by varied by different crops, but averaged 64% for direct beneficiaries and 34% for indirect. Without a baseline survey prior to 2010 though, we cannot determine the extent of this uptake amongst indirect beneficiaries that can be attributed to outreach from HPK, compared with activities of other projects.</p>

¹ Packages of technologies have been implemented in the 7 key value chains of apples, strawberries, greenhouse vegetables (tomatoes, cucumbers), onion, cabbage and peppers. According to the Impact study improved techniques were widely used by beneficiaries and include amongst others Improvements in quality of seedlings, plastic mulching, fertilization, drip irrigation and organic weed control

² Service providers include advisers, nurseries providing embedded advisory services and financial advisers supported by HPK

On-farm record keeping software has been provided to 36 producers in 2010 (target 27), and is supported at the producer level by 3 advisers. Analysis of the system shows that of the 36 producer, 20 completed all data for the year, 10 farmers in an association started late in the season and therefore had incomplete data. The software is to be promoted through all associations in 2011 as a tool for both basic data collection; record keeping but also benchmarking activities between different producers.

Software was also developed for improved management of collection centres and was introduced in 2 collection centres. This allowed for correct invoicing and tracking of produce, and was successful. This will be a requirement for all collection centres supported in 2011 by HPK.

A total of 18 nurseries have been directly supported through HPK, including 6 fruit tree, 6 soft fruits and 6 vegetable seedling nurseries. This work focuses more on advisory services in 2010. This has resulted in improved production capacities and improved quality of planting material. The impact survey interviewed 12 nurseries in October 2010. This showed that production levels are still at relatively low numbers, with 5 top fruit nurseries producing on average 18,000 trees, 5 vegetable nurseries producing on average 84,000 seedlings and 2 ornamental nurseries producing 41,500 plants each. The trainings of advisers were successfully completed, 37 advisers were trained, out of them 22 are active in giving advice to producers and associations, where as the rest is teaching in Agri schools. The quality of training was on a very high level involving many regional experts in the respective topics.

An MOU was signed with ProCredit in September, the largest commercial agribusiness lender in Kosovo. ProCredit immediately supported field days promoted through HPK, including the successful 'Day of Kosovo Vegetable Exports' held in Xerxe in October. The MOU included activities to promote available credit products of ProCredit through HPK activities, as well as support by HPK for ProCredit to develop an 'Agribusiness Handbook'. At the end of 2010 this activity was still not implemented, but continued discussions with ProCredit are planned for early 2011. ProCredit also supported the payment system for Collection Centres with separate bank accounts that suited the producers. These were introduced successfully in the Mamusha Collection Centre.

Outcome 1 of HPK deals mainly with the production aspects of HPK. Improved technologies have been widely demonstrated in both the vegetable and fruit sub-sectors in previous phases of HPK and have continued in 2010. This strong production base is now able to attract post harvest actors to invest in improved marketing activities, evidenced by the results achieved under Outcome 2. The market driven dynamic of the horticulture sector in Kosovo that has become evident in 2010 can in part be attributed to the activities of HPK focussing on production in earlier phases of the project.

Rating of result (outcome) achievement

	Rating	Definition	Comments
	B	Satisfactory. Minor problems may arise and small adjustments in implementation may be necessary	A sound production base has been set by Interventions of HPK in previous phases, now clear cases of autonomous replications can be observed. The point has been reached where fewer interventions are needed to consolidate the production base; the focus can now be switched to link market opportunities back to the supply base. HPK's focus on post harvest activities can benefit from a stronger production base and trigger larger scale impacts. This is an exciting development in the overall project's lifecycle.

Implications of results and process for next year of operations (steering)

As the above comments indicate, the project has moved to a more post harvest/market focussed stage as laid out in the strategy for 2011. The changed dynamic sees project interventions more directed towards the market end of the value chain without diminishing the importance of a sound production base. Improved linkages have been established so the market actors can communicate their require-

ments directly and find suitable agreements. Activities for 2011 will be much focusing on market opportunities and link demand with the supply, and enhance considerable scaling up of production through replication of improved production practices and technologies increasingly linked to service provision paid by users. HPK still has a significant role to play in this.

4.2 Outcome 2: Markets and Post Harvest

Outcome 2	Key Processes for sustainable access to markets related to post harvest, processing, quality standards and marketing are in place and produce positive and large-scale effects on the horticulture sector
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Outcome Indicators (OCI)	Baseline 2009	Target 2010	Achievements 2010	Target End of Phase 2012
OCI 2.1 Number of storage facilities established:				
• On-farm	10 ⁴	6	9 ⁵	15
• Commercial ³	2	0	3	5
OCI 2.2 Number of women organisations marketing home made products	7 ⁶	4	2	10
OCI 2.3 Number of processors linked to producers	0	4	5 ⁷	4
OCI 2.4 Joint marketing activities undertaken through				
• Collection Centres	0	3	6	6
• Processors ⁸	0	2	7	4
• Exporters	0	2	2	5
OCI 2.5 Increase in export turnover of partners ⁹	n/a	No target set for 2010.	4'715 tonnes	30 %

³ Commercial storage is defined as a storage that dedicates more than 50% of its capacity for paid storage. The 3 storages included here are part of Collection Centers which store produce for a large number of small farmers as part of the product aggregation services.

⁴ Previous storages: 6 were supported in 2009, 2 in 2008, 2 in earlier phase of the project. Only 1 of these is dedicated to vegetables.

⁵ 6 fruit cool stores and 3 vegetable stores were supported in 2010. 3 of these were supported through the CFH.

⁶ At the start of 2010, HPK had supported 6 women processors through 'Ola Sylva'. Additional support to these groups was not provided in 2010. 2 Additional women processors were supported in 2010.

⁷ The activities of linking processors and producers has been undertaken mostly via collection centres. However, some small linkages started with farmer groups, and will increase in 2011

⁸ 7 commercial processors participated in four main joint marketing activities undertaken in 2010: 1. Fruit Logistica (February) 2. B2B Meeting (March) 3. Day of Kosovo Vegetable Exports (September) and 4. Pristina Agribusiness Fair (October). Additionally the participation of four small women's groups to the fair was sponsored

⁹ No data is available for exports from partners in 2009. The information supplied here comes from the Impact Survey completed in October 2010, and includes most, but not all of the key partners of HPK in post harvest. Details for the 4'715 tons in 2010 are fruit: 80 tons; vegetables: 3,980 tons; blueberries: 325 tons and Medicinal and aromatic plants 330 tons

Outputs (OP) related to Outcome 2

Outcome 2 has four main outputs

OP 2.1 Support access to post harvest knowledge

OP 2.2 Promote on farm and commercial storage

OP 2.3 Increase linkage between processors and producers

OP 2.4 Enhance marketing partnerships by establishing collection centres (grouping, grading and packing) and joint marketing activities

HPK organised two 'Business to Business' (B2B) roundtables in the first half of 2010. These focussed on creating linkages between producer groups and post harvest actors. Successful linkages were made between several actors, and were realised in the second half of the year. A second roundtable looked at the issue of VAT and encouraging all actors (producers in particular) to integrate into the formal economy. A small delegation from this meeting also met with the Kosovo government to look at amendments to the VAT rate of fresh fruit and vegetables. Although this activity resulted from the B2B meeting, it was outside of HPK activities. Other challenges identified by the B2B were quality standards, packaging and import competition. HPK has worked in the second half of the year on the first 2 of these.

On-Farm Storage activities in 2010 increased significantly from previous years. A total of 9 new stores were built on farm (including 3 under the CFH) and 3 additional commercial stores as part of Collection Centres were funded (2 under the CFH). A UK-based consultant visited the project in October/November and reviewed activities at storages as well as collection centres. His report highlighted the need to focus more on the 'people' side of managing these physical assets, rather than looking only to technology solutions. He recommended a focus on developing management capacity of the actors, and a strong emphasis on quality standards and post harvest handling of products, rather than simply investing in improved machinery and infrastructure only. This message has been translated into a changed focus on activities in the 2011 YPO.

Quality guides for 3 crops were completed in collaboration with sector actors in 2010, including promotion through these post harvest actors. Guides for tomatoes, peppers (somborka) and apples were prepared and distributed as brochures and posters to collection centres, processors, associations and farmers. These have been well accepted, and plans are in place to improve these and prepare guides for other crops in 2011.

Linkages between processors and producers were strengthened with the establishment of the Agrocelina collection centre in Xerxe. Three processors used their services to increase access to products: Etlinger (600 tonnes of various products), Ask Foods (170 tonnes) and Biopak (90 tonnes). In addition, Agrocelina collected almost 1,100 tonnes of produce that was exported to Kelmendi GMBH in Germany. Two new collection centres established in 2010 operated in conjunction with Agrocelina to improve the efficiency of collection across the entire Anadrini region.

Strong collaboration with the supermarket chain ETC has been realised in 2010, building on work started in 2009. This includes linkages to a collection centre in Mamusha for tomato supply, and activities in Kovraga for apples. The Kovraga group supplied around 600 tonnes of apples to ETC, although there were some ongoing issues regarding quality and supply continuity. However, the Mamusha centre supplied over 1,150 tonnes of vegetables (mainly tomatoes) to ETC, and both parties are reporting very good results. The Mamusha centre also exported 150 tonnes of tomatoes to regional markets. Annex 4 is a Case Study of this centre and provides more detail of the results.

A field trip was conducted to Macedonia to investigate the operation of Collection Centres for vegetables. This led to the further development of these 5 collection centres, 2 financed under the CFH and 3 directly financed from the project budget. Maximum contribution to all collection centres was 50%, and project criteria were the same for each.

A collection centre in Rahovec supported under the CFI in 2009 only began operating in 2010. Despite this slow start, and some ongoing issues in relation to power supply at the site, the owner reported collecting more than 1,500 tonnes of mixed vegetables (mainly potatoes) and exporting the majority of this to Albania.

Exports of fruit, vegetables and MAP products from the key partners of HPK in 2010 were 4,700 tonnes. It needs to be mentioned that this does not include all processed products exported, which is difficult to quantify in terms of separating the amount of packaging (glass jars) and liquid (pickling) that is also included. One large processor of mushrooms and blueberries is not included in the survey, and we are aware that he exported more than 600 tonnes of these products in 2010. Particularly

promising is the increase of MAP exports; APS, an MAP exporter from Istog, has exported to Germany 165 tonnes of different products at value of €610,000, which was an increase of 85 % comparing to previous year. Another MAP exporter, "EuroFruti" from Prishtina region, exported in region and Western European markets at value of €850,000, which represents 30% increase comparing to 2009. In addition, APS has signed long term contracts with three big Western European companies for export including cultivated products – after eight years of investment with very low return.

Outcome 2 involves a wide range of activities related to marketing and post harvest with a clear seasonality linked to the crop cycle. The activities in the second semester of 2010 accelerated considerably and lead to most targets for 2010 being exceeded. The results reflect a willingness of the sector's actors to invest in infrastructure to improve product aggregation and handling.

Some further activities on women processors were started towards the end of 2010, but results were not completed. The export turnover data is promising, but without an adequate baseline survey, the increase will need to be measured in 2011 and 2012.

Rating of result (outcome) achievement

Rating	Definition	Comments
a	Very satisfactory. No needs to adjust plans	Activities on this outcome have been very good over the year, with a considerable acceleration in the 2 nd semester. Almost all of the targets for Outcome 2 have been exceeded in the second semester of 2010.

Implications of results and process for next year of operations (steering)

The challenge for HPK in 2011 is to maintain the positive momentum created in 2010 in the marketing and post harvest sector. Quality standards, packaging, import competition and regulatory challenges still remain high, but the project is confident of further improvements in the current investments, and the replication of these with new actors.

The number of actors engaged in the post harvest and marketing category already exceeds the targets by the end of this phase. The focus over the coming 2 years of the project will be to continue working with these actors to increase quantity and quality of produce marketed and related impact. At the same time, new partners will be identified and included in project activities. Targets have internally been increased, it can be expected that they will be higher than the targets set in the logframe

4.3 Outcome 3: Associations and Institutions

Outcome 3	The sector's associations and institutions are professionally sound and they contribute to the effective organisation of the horticulture sector
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Indicator	Baseline 2009	Target 2010	Achievements 2010	Target End of Phase 2012
OCI 3.1 Strengthen sector representation				
• Number of associations working in the sector on behalf of members	20	20	20 (plus 6 informal groups)	20
• National representative body operating	0	0	1 (Apple Union)	1

<ul style="list-style-type: none"> Private organizations active in sector (KCC, Tregu, others) 	Agreements of cooperation	Handing over of trade balance (KCC),	Agribusiness Fair organized by KCC Tregu participation in CEIWMF ¹⁰ regional meeting	Handing over of sector wide activities
OCI 3.2 Support to Government in establishing legal framework on <ul style="list-style-type: none"> Combating virulent diseases 	Draft Administrative Instruction for Fire blight (FB) (unsigned)	Collaboration on FB and Plum Pox Virus (PPV)	Yearly program and inspection protocol on fire blight management Assessment of PPV by international consultant	Mechanisms to combat virulent diseases in place
<ul style="list-style-type: none"> Lists for safe use of pesticides 	2 (apples, tomatoes)	5 (2009 + strawberries, cucumber, plum)	5 (tomato, cucumber, plum, apple, strawberry)	6 (2010 + lettuce)
OCI 3.3 Number of graduates starting business ¹¹	0	0	0	20

Outputs (OP) related to Outcome 3

The outputs under Outcome 3 are:

OP 3.1 Strengthening sector representation

OP 3.2 Support to Government

OP 3.3 Support to private initiatives

A total of 20 producer associations have been formed (17 in fruit and 3 in vegetables), along with an additional 6 'informal' groups in the vegetable sector. The capacity, activities and services of these associations varies widely. The Impact Survey in October 2010 interviewed 16 of these associations. This indicated that each association has an average of 23 members, and 14 of the 16 collect membership fees and 13 of them have a documented business plan. Other results from the survey showed that 15 associations undertook group training, 2 operated collective storage facilities, 12 organised collective input purchasing (average value of €7,743 per association) and 8 undertook joint marketing (average value of €15,000 per association). These results indicate associations are active with their members, but that the total value of purchasing and marketing is still low – considering an average of 23 members per association. The 2011 Survey will indicate if these activities are increasing as the associations become more established.

Apple Union with 11 member associations has been formed and is driven by a committed board. First contacts with MAFRD to represent the sector have been undertaken. Support to government and to private initiatives has been limited throughout 2010. In private initiatives, the majority of activities have focussed on the involvement of KCC and Tregu in the B2B meetings organised between market actors, the Agribusiness Fair in Pristina with KCC and Tregu participation at the CEIWMF meeting in October.

The Annex for 2010 to the MoU between MAFRD and HPK was signed very late in July; almost none

¹⁰ CEIWMF (the Central European Initiative Wholesale Market Foundation) is a regional organisation supporting wholesale markets in central and eastern Europe. Kosovo is a member, but to date has not actively been involved in the organisation. Tregu participated in their regional meeting in Bosnia & Herzegovina in October 2010

¹¹ Business Idea competition is planned in conjunction with Danish project – VET and Swisscontact-VES – vocational Agri schools. First graduates will accomplish their studies by June 2011.

of the activities planned in IP and plant protection have been implemented. HPK participates in the 'Technical Working Group' on lists of safe pesticides with MAFRD, specifically related to Integrated Production (IP). Whilst MAFRD has agreed to the 5 pesticide lists developed up until June 2010, the enforcement of these is still not implemented. HPK is also involved in developing training activities with MAFRD on safe pesticide use. The administrative instruction for further adoption of fire blight plans and inspection protocol is still not signed by MAFRD.

HPK also supported MAFRD in the development of new software for the Farm Accounting Development Network (FADN). A software consultant was engaged in November after discussions with MAFRD on design. However, this activity was delayed as an advisor engaged by the EU and supporting MAFRD found some changes were needed to the structure of the questionnaire. This activity will be completed in 2011.

Earlier efforts to strengthen associations and sector representation were not very successful. With the changed approach of creating service provision embedded in the associations, some first signs of adoption start to be seen. Producers are increasingly valuing the advice and ready to pay partly for the services. However, the involvement of the project is still considerable; the challenge remains to create a professional and affordable service provision which will sustain. Leadership within the associations is still relatively weak, with the exception of several top fruit association and the Union that have built a good foundation.

Rating of result (outcome) achievement

	Rating	Definition	Comments
	C	Less satisfactory. Adjustments to plans and/or strategies are necessary	This Outcome has not seen the level of activity required to meet the targets for 2010. A number of difficulties have been faced under Outcome 3. This Outcome relies on a good alignment with partners including Government (MAFRD) and 'private sector' bodies such as KCC and Tregu; Representation of the sector remains weak

Implications of results and process for next year of operations (steering)

Cooperation with MAFRD has in 2010 not progressed as wished and planned; in part this related to the political stalemate with the elections held in December. There are good signs that with the new government and the re-appointed Minister and the good contacts established on the level of the permanent secretary things start moving better in 2011. Also the activities on the level of statistical dept. and KIA Peja are moving satisfactorily.

The capacities and priorities of KCC and Tregu do not always match HPK's and market's requirements. The cooperation with these partners needs to be reviewed.

The support of producer associations and advisor services will in 2011 focus on market linked activities, there will be no support for trainings which are not linked to the economic activities of their members

4.4 Outcome 4: Competitive Fund for Horticulture

Outcome 4	Key investments by the private sector are leveraged through grants provided by the Competitive Fund for Horticulture (CFH).
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Indicator	CFI (2009)	Target 2010	Achievements 2010	Target End of Phase 2012 ¹²
OCI 4.1 Number of successful projects	30	20	22 ¹³	60
OCI 4.2 Investment leveraged through CFH grants				
• <i>Total investment</i>	€951,065	€480,000	€533,015	€1,508,000
• CFH grants	€394,700	€240,000	€205,658	€754,000
• Leveraged ratio	2.4 : 1	2 : 1	2.6 : 1	2 : 1
OCI 4.3 Percentage of grantees are:				
• women	2 of 30	10%	3 of 22(13.5%)	10%
• minorities	4 of 30	10%	2 of 22 (9%)	10%

Outputs (OP) related to outcome 4
<p>The CFH had two (2) outputs relevant to the first semester of 2010.</p> <p>OP4.1 Design, establishment and implementation of CFH</p> <p>OP4.2 Follow up advice and linkages to grantees</p> <p>Relating to OP4.1, the First round of CFH was completed within the first semester. A total of 16 grants were awarded with a total of €127,710. 10 grants in round 2 grants were finalised, totalling €113,975 and contracts were signed in May. Two grants were subsequently cancelled due to non-performance and two further contracts are still to be completed. This means that total grants awarded was €205,658 and leveraged investments by the grantees was €533,015.</p> <p>Of the grantees in the 2 rounds of the CFH, 3 were women and 2 were minorities. This is slightly below the 10% threshold required of the CFH, but reflected the situation in relation to the quality and number of grants received from these groups.</p> <p>OP4.2 activities included ongoing linkages between CFI/CFH grantees and other actors. One of the strongest linkages was through CFH recipient Agrocelina, who was linked with other CFI/CFH grantees which produced strong results. Almost 2,000 tonnes of vegetable collected at the centre on behalf of four other grantees (Kelmendi, Etlinger, Biopak and Ask Foods).</p> <p>Monitoring of all grantees in mid-2010 showed strong employment growth as a result of the grants, with almost 200 full time equivalent jobs created. This needs to be verified in 2011 after completion of all CFH Round 2 grants.</p> <p>A review of the suitability of the CFH to meet women and minority target groups needs to be undertaken.</p>

Rating of result (outcome) achievement

Rating	Definition	Comments
b	Satisfactory. Minor problems may arise and small adjustments in implementation may be necessary	Outcome is satisfactory, with minor adjustments to procedures and criteria under discussion for 2011.

Implications of results and process for next year of operations (steering)

¹² CFH totals will be based in the split of activities between HPK Consolidation Component and the Facilitating Entity. This will be finalized by early 2011.

¹³ 26 grants were approved in 2010, but 2 were cancelled due to non-performance and a further 2 have yet to be completed by December 2010.

The CFI/CFH has proven in both 2009 and 2010 to be an effective tool for not only leveraging investments in the sector, but also highlighting new and potential partners for HPK. This should be refined to target sub-sectors of horticulture (namely post harvest, trade and marketing) for future operations.

The consequent follow up and monitoring has given important feedbacks for improvement of procedures as well more insight in the long term employment and income effects of supported projects. This will be continued in 2011.

Donors are offering more funds to be channelled through the competitive fund. Options how to keep the achieved level and not dissolving the positive effects with 'too much' money are under consideration. There is still a potential in the sector for absorbing more funds, but it needs to be well balanced out with a careful evaluation of partners and assessment of inherent risks. Decisions should be taken in early 1st semester in order not to miss the seasonal cycle of this year.

The use of CFH as a tool to target women groups and minorities needs to be reviewed. This is due both to the limited ability of these groups to co-finance to a suitable level such investments, as well as some indication that these groups are also less likely to participate in a grant scheme such as CFH, due either to difficulties with preparation of proposals, or the perceived complex nature of the grant application process. For 2011 the agreed part of funds for women and minority projects (20%) will be set apart and adjusted guidelines and procedures will be applied taking into account the mentioned difficulties.

It is planned to hand over the CFH to Riinvest component by 2012; knowledge transfer will start with their involvement in the CFH board.

4.5 Transversal themes

Gender: Based on earlier assessments of the project it was decided that in this phase the project should focus on women's associations that do process products and enhancing their access to markets. Benchmark was set that 10 % of the grantees of CFH will be women. As to these two targets the progress was made slow; in 2010, 2 women's groups were supported from the budget line of marketing and in the CFH out of 22 grants 3 were awarded to women at value of € 12.000. It was further noted that not many feasible proposals were received from women's group. The project will have to be more pro-active and specific as to attract proposal from women groups. It is planned to create a sub-fund ceded with CFH funds which will follow more appropriate procedures than the ones normally followed by the CFH.

Governance with a focus on social inclusion: The project continued to follow its non-discriminative approach. In different areas it counts amongst its partners some that belong to minorities, to mention berry and fruit production, collection centres and traders (Berry producers in North Kosovo, Shtërpce, Gjilan = Serb and Dragash = Gorani; Mamusha producers association = Turkish; UVB Apple association = Bosniak).

The ProDoc stipulates the 10% of the grantees of the CFH are minorities. In the reporting period 2 out of 26 beneficiaries were minorities. As with the gender theme the project will have to pay higher attention to include minorities with a more pro-active approach in the future.

5. Finances

5.1 Budget – Expenditures (CHF) ¹⁴

Lines of activities	TOTAL		Outcome 1		Outcome 2		Outcome 3		Outcome 4	
	Budget	Expend.	Budget	Expend.	Budget	Expend.	Budget	Expend.	Budget	Expend.
Part 4 - APF	974,380	594,356	221,932	143,384	231,382	127,267	161,066	58,343	360,000	265,363
Part 3a - Long Term Experts	907,727	864,695	241,008	230,250	224,117	213,358	229,747	218,989	212,855	202,097
Part 3b - Short Term Experts	223,537	116,796	60,355	61,000	55,884	21,028	58,120	17,620	49,178	17,148
Sub-total	2,105,644	1,575,847	523,295	434,634	511,383	361,653	448,933	294,952	622,034	484,608
Office (administration, head office)										
Part 3c - Local Support	203,990	195,076								
Part 1 - Services HQs	99,530	71,035								
Sub-total	303,520	266,111								
TOTAL (CHF)	2,409,165	1,841,958								
TOTAL (Euro)	1,661,493	1,270,316								

Contribution by Donor (CHF)	Budget of the Year 2010	Expenditure of the Year 2010	Remaining 2010
SDC and Danish	2.409. 164	1.841.958	567.206

Comments:

The cash expenditures of HPK IC have been below budget; although compared to 1st semester more funds could be allocated. Only 77 % have the budget have been spent in the reporting period. While the parts long term experts (local staff) and local support; CFH funds were well in tune with the budget; less funds have been used for the consultancies (part 3b) and for the Administrated Project Funds; where Outcome 2 and 3 were mainly concerned. SDC was informed in October on the expected under spending; HPK proposed to use available funds for an additional round of CFH; however SCO-K decided to 'reserve' funds for the new FE component. Under spending or over budgeting is one of the big dilemmas in market development. The absorption of funds depends much on the market opportunities and the actor's capacities to plan and implement agreed activities.

5.2 Efficiency

HPK has achieved and even exceeded targets using less money than planned. This is certainly a positive outcome. For the next year budgeting was done carefully bearing in mind that the flow off of planned money is also an important benchmark in project's work. The cash flow management has been improved and the open commitments will be followed more closely.

The project will inform the donor in time on the financial status.

6. Lessons Learnt

- Facilitating new linkages. In market development there is sometimes not more needed but the third party that brings partners together to get into new agreements, e.g. MOEA wants to launch grape juice and is looking for supplier, not knowing Biopak's experience in this field. HPK IC will strengthen its facilitation capacities further in the next years and organize a workshop with an experienced trainer.
- Finding the right partner is important. We have seen taking some ventures of in this year where for a time we have been looking for a partner to take risks and organize the aggregation of produce; good examples are the collection centres Mamusha (see case study in annex), Agrocélina.

¹⁴ All figures are in in Swiss Francs (CHF); local expenditures in € are converted with the effective exchange rates of money transfer to the project

- Working at the right leverage point in the value chain and supporting respective key actors increases the project's outreach; to be mentioned here are the collaboration with ETC and Kelmendi GmbH Germany
- Building up trust and long term relations amongst market actors is a key ingredient for successful market development. Trust is not build over night, it requires honest brokering by the project and patience as it needs time. The project's long time partner Agroprodukt Syne - APS has over the year's built up a network of sub contractors for the wild collection of Medicinal and Aromatic Plants (MAP) and bought all quantity offered and paid in time;
- Introducing innovations in a market system that is traditionally informal and used to short term deals takes time to produce results. As an illustration to this; the cultivation of MAP was initiated by the project in 2002 and taken up by one partner, but it took till 2010 when he could sign a long term contract for export of cultivated species with a well known company (Weleda). It is expected that in 2011 the export value for this contract alone will be over € 70,000 and involve a number of out-growers;
- The competitive fund has proved to be a good tool for employment generation and to find new project partners, but the number of actors having a high growth potential is limited in the small market. The instrument will need some adoptions to the context; e.g. special arrangements to be able to channel bigger grant sums.

7. What else we would like to say

- *Implementation of 2nd component and coordination within the programme:*

The phase V was planned in Oct. 2009 considering the status of sector and of project then. That was when the decision was taken to establish a „facilitating entity“; it took more than a year to implement the decision. While some of the good reasons why broaden the approach of HPK are still valid, others have changed. HPK-IC has moved towards more market led approaches and the sector has become more dynamic offering new opportunities. The project believes that these facts could have been considered more with when SDC took the steps and procedures to select the approach, the back stopping and implementing organization for the 2nd component.

- *Harmonizing reporting requirements with contract agreements*

SCOK has asked the project to use the new templates created in 2010 for reporting. They are much welcome and helpful and do, in our view, considerably improve the reporting. One problem that has not been resolved yet are the different time schedules and new responsibilities. While SCOK requires the reports for the project's steering committee meeting in first week of March including all financial figures; SDC HQ and IC HQ have agreed on consolidated accounts and reports by end of March. Splitting the expenditures and staff costs per outcomes requires quite some time and, in our view, does not give very useful information, it should be abandoned.

Annexes

- Annex 1: HPK LogFrame
- Annex 2: Impact Survey Summary report
- Annex 3: Summary report on CFH
- Annex 4: Case study Collection Centre Mamusha
- Annex 5: HPK Publications

Annex 1: Log Frame

Overall Project Goal	The horticulture agribusiness sector generates sustainable and broad-based employment and income for its actors and contributes to economic growth
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Hierarchy of Objectives	Key indicators	Source of Verification	Assumptions
Purpose	Key value chains are competitive and sustainable and are underpinned by an effectively organised sector based on wide representation		

Outcome 1			
A set of quality goods and services (inputs, machinery, business services, finance, training, advice, information) is in place and affordable to the actors in the sector	<ul style="list-style-type: none"> - At least 5 competitive packages of technology for key value chains are established and effectively used (2012) - At least 250 producers of 5 crops adopted IP - Cadres of trained Service Providers (30) for 3 sub-sectors provide quality advice on both technologies and post-harvest - At least 7 input dealers provide quality advice - 30 groups are co-financing advice at an increasing rate 	<ul style="list-style-type: none"> - Half yearly and yearly reports - Yearly market trends report - Statistics and meetings with farmers, traders and other actors - Surveys on the demand of producers for advice 	<ul style="list-style-type: none"> - Demand for locally-produced planting material exists - Advisors interested to upgrade knowledge for modern production techniques and business tools
Outputs			
Output 1.1: Introducing improved practices			
Output 1.2: Nurseries			
Output 1.3: Inputs & credit			

Outcome 2			
Key processes for sustainable access to markets related to post-harvest, processing, quality standards and marketing are in place and produce positive large-scale effects on the horticulture sector	<ul style="list-style-type: none"> - At least 15 on-farm and 5 commercial stores established - At least 10 women groups sell high-quality home made products through retail channels - At least 4 processors collaborate with farmers' groups - Marketing of quality and safe produce is being undertaken by traders, supermarkets and an IP farmers' association - Producers groups promote joint marketing through at least 6 collection centres where quality standards are implemented - Export of F&V incr by 30% through at least 5 exporters 	<ul style="list-style-type: none"> - Half yearly and yearly reports - Survey, statistics and meetings with farmers - Publications 	<ul style="list-style-type: none"> - Demand for home processed products increasing - Supermarkets are interested on promotion of the fresh fruit and vegetables to differentiate from the competitors
Outputs			
Output 2.1: Access to post-harvest knowledge			
Output 2.2: Storage			
Output 2.3: Processing			
Output 2.4: Marketing			

Outcome 3			
The sector's associations and institutions are professionally sound and they contribute to the effective organisation of the horticulture sector	<ul style="list-style-type: none"> - The mechanism for combating virulent diseases at national scale is operational - A national association/union representing horticultural associations throughout Kosovo is operating successfully - At least 20 producers' associations are established - Private organizations targeted are increasingly active in the sector - The legal frame and enforcement of the safe use of pesticides is operational - At least 5 legal pesticide lists for key value chains are in place - At least 20 graduates successfully started a business 	<ul style="list-style-type: none"> - Half yearly and yearly reports - Survey, statistics and meetings with farmers and input dealers 	<ul style="list-style-type: none"> - Consumers demand quality and safe products
Outputs			
Output 3.1: Strengthening sector representation			
Output 3.2: Support to Government			
Output 3.3: Support to private initiatives			

Outcome 4			
Key investments by the private sector are leveraged through grants provided by the Competitive Fund for Horticulture	<ul style="list-style-type: none"> - At least 20 grants per year successfully implemented and followed up - CFH grants leveraged at least 200% of other funding - 10 % of grantees are women - 10 % of grantees are minorities 	<ul style="list-style-type: none"> - Half Yearly and Yearly reports - Assessment of degree of investment leveraged - Statistics and meeting with grantees 	<ul style="list-style-type: none"> - Actors of the sector interested and willing to invest in horticulture
Outputs			
Output 4.1: Operation of Fund Output 4.2: Fund disbursement			
Outcome 5			
A local entity is established to facilitate the development of the horticulture sector focusing on major value chains	<ul style="list-style-type: none"> - KABC is operational and attracts at least € 1 mio./year as funding from a variety of local and international sources - KABC is becoming attractive for local actors 	<ul style="list-style-type: none"> - Feasibility study for KABC - Round tables and meetings with different stakeholders farmers - Yearly reports of KABC 	<ul style="list-style-type: none"> - Demand for local entities to facilitate the development of the sectors exists - Agreement to establish KABC allows for selection of staff on merit
Activities			

Annex 2 HPK Impact Survey 2010 Summary Report

Key Findings

- Average farm sizes for all producers was around 3.5 hectares
- Direct beneficiaries (€15,007 annual income) have an income €4,200 per month higher than indirect beneficiaries (€10,816). Due to wide standard deviations, this is not considered statistically significant.
- Overall, 65% of producers who are direct beneficiaries of the project are implementing improved practices. This compares with 35% of indirect beneficiaries. Considering there is no financial support to indirect beneficiaries, this does show a moderate level of outreach is occurring.
- Hired labour is low for all producers, but is higher by indirect beneficiaries than direct even though their production levels are lower. This is most likely due to increased efficiency of direct beneficiaries.
- Post harvest actors employ significant amounts of labour (total 17,500 days in 2010)
- Amongst the traders interviewed in this survey, exports were in excess of 4,700 tonnes
- More than 80% of the traded peppers were exported, compared with less than 5% of traded apples.

Background

HPK has been operating in the horticulture sector in Kosovo since 2001. The project activities have impacted on all levels of the value chain, and numerous reports have been prepared assessing and measuring the activities of the project. Despite the extensive nature of the projects activities for almost a decade, the project has failed to undertake a structured survey of its impact for the first 9 years. Most importantly, no baseline of the sector was ever established.

It was against this background that HPK decided in 2010 to undertake the first structured survey of the project's activities. Designing a suitable structure for the survey was a major challenge, and the project contracted the services of Ruedi Felber of NADEL in Switzerland to assist with the design.

Conducting the Survey

A local consultant and 4 local enumerators were employed on short term contracts to undertake the survey. This was conducted in close collaboration with project staff. The survey was conducted from late October to mid November 2010. A total of 276 surveys were completed, with 191 producers (99 direct beneficiaries, 92 indirect), 29 advisors (22 direct, 7 indirect), 12 nurseries, 28 post harvest actor and 16 associations.

Results

A detailed report is available from HPK, but the following summary of the results is provided here.

1. Producers:

- ⇒ Average farm size across all producers was approximately 3.5 hectares. More than half of the producers also rented land of a similar area.
- ⇒ 60% of direct beneficiaries drew their main income from agriculture (75% of indirect), with other income sources including paid work, pension and overseas remittances
- ⇒ Direct beneficiaries report better financial security than indirect beneficiaries
- ⇒ More than 90% of all producers reported weather as either the most or second most important factor in agriculture. The only other response with more than 5% of producers rating it as important was 'training and study trips'.
- ⇒ In fruit production, 69% of direct beneficiaries adopted at least one improved practices, whilst only 32% of indirect beneficiaries did. Corresponding data for vegetables was 65% and 35%.
- ⇒ Productivity per hectare was lower for direct beneficiaries in fruits, due to younger orchards. For vegetables, productivity for direct beneficiaries was higher across all crops

compared with indirect beneficiaries. For strawberries, the 14 direct beneficiaries had productivity of 13,279 kilograms per hectare compared with 5,830 kg/Ha for the 6 indirect beneficiaries.

- ⇒ In top fruit production, hired labour is very low – with only 26 of the 59 producers employing labour from outside the household. For vegetables this rate is even lower, with only 34 of the 120 producers employing hired labour.
- ⇒ The average income for direct beneficiaries in 2010 is €15,007 compared with €10,816 for indirect beneficiaries.

2. Nurseries

- ⇒ Average income for nurseries was €13,254. Most nurseries also had income from other sources.
- ⇒ Employment generated per nursery was almost 300 days on average per year (seasonal)

3. Advisors

- ⇒ Advisory income is still very low (€1,025 per annum) and is heavily supported by HPK, and other projects. Of 29 advisors interviewed, only 7 received part of their income from producers.

4. Post Harvest Actors & Traders

- ⇒ Post harvest actors consisted of collection centres, wholesale and retail traders and processors
- ⇒ 75% of respondents indicated that 2010 was 'better' or 'much better' than former years for post harvest activities
- ⇒ Income ranged from €500 to €4,000,000 from processing and trading activities
- ⇒ Of the 16 processors interviewed, 6 targeted export markets. Annual income ranged from €1,415 to €810,200.
- ⇒ Wide range of incomes reflects the diverse (and changing) nature of these actors and markets
- ⇒ Of the major products traded, apples had the highest imports (85%) and lowest exports (less than 5%). Peppers were the other extreme, with less than 5% imported and 80% exported. Cabbages had a similar result to peppers (low imports and high exports). The majority of traded tomatoes were sourced locally (85%). IP products are not a significant part of this trade.
- ⇒ Caution should be exercised in extrapolating this data beyond the project. Many traders outside of the project's partners do not trade local produce, but are mainly importers. Data here supports the choice of partners by HPK.
- ⇒ Employment for post harvest activities resulted in around 17,500 days of employment, including 5,200 days for minorities.

5. Associations

- ⇒ Of the 16 associations interviewed, 13 have established business plans, 14 collected fees from members and 14 have functional accounting systems. The average number of members is 23.
- ⇒ 12 Associations report collective purchase of inputs and 8 undertake collective marketing. These activities are promising, but not yet at a high level.

Future Surveys

It is proposed to repeat a similar survey in both 2011 and 2012.

A number of lessons have been learnt from the survey in 2010 which will be implemented in future surveys. In addition, the constraints of such a survey need to be recognised and results accepted bearing these in mind. For example, there was some resistance from producers to provide all information. In general, producers do not keep accurate records and information is therefore open to some 'recall' error.

By sharing data from the 2010 survey with the sector, it is hoped some of this resistance can be overcome. Increased training of enumerators to overcome some of these difficulties is also planned for the 2011 survey.

Annex 3: Summary report on CFH 2010

Introduction

The Competitive Fund for Horticulture (CFH) aims at improving the competitiveness of the horticultural sector in Kosovo by co-financing individuals and companies who wish to invest in proven technologies. The Fund is implemented by Horticultural Promotion in Kosovo (HPK) - a project financed by the Swiss and Danish governments.

The CFH is managed through two boards; the CFH Management Board makes the final decision for the allocation resource – grants; it is composed by five members, representing four organizations: MAFRD, University of Pristina, Kosovo Chamber of Commerce and Kosovo Bankers' Association and the fifth member is the Project Manager of the HPK. The CFH Management Board decisions are made based on recommendations the CFH technical committee. The CFH technical committee is composed by the HPK's technical POs and a representative of the Management Board; it makes recommendations to the Management Boards based three stage screening process of the concept notes and assessment of full application forms and field visits of the applicants.

The CFH is a successor of the former Competitive Fund for Innovation (CFI) that was implemented successfully in 2009 - co/financing 54 grants, with total amount of € 618,900; total investment of € 1,623,295 has been leveraged.

2010

Promotion

For promotion of the CFH brochures and posters were distributed to all municipalities of Kosovo. In addition, CFH was advertised through two daily newspapers, "Koha Ditore" and "Kosova Sot", twice per week for three weeks. To target Serb minorities, it was advertised in a local radio in Serbian language. Furthermore, all relevant information for CFH has been posted at the Intercooperation's webpage.

The first round

In 2010, CFH had two rounds. In the first round 146 applications (in the form of 2-page concept notes) were received. Out of these applications, 17 were from minorities and 11 from women or women's groups. After three screening stages, 18 of these proposals were short-listed by the CFH technical committee and asked to prepare the full application form (a 15 page document). The CFH technical committee assessed the full application forms and recommendations were prepared for the Management Board. The Management Board approved 16 and rejected 2 applications. The total amount approved was € 127,710, and a total of co-financing was € 279,390 or 50%.

The second round

In the second round, 79 applications (in the form of 2-page concept notes) were received. Out of these applications, 17 were from minorities and 9 from women or women's groups. 10 of these proposals were short listed by the CFH technical committee after three screening stages to prepare the full application form (a 15 page document). The technical committee recommended to the Management Board to approve nine of them and to reject one. The Management Board has approved all ten applications at total amount € 114,475, leveraging co-financing of € 318,750.

Key statistics of CFH 2010

CFH has approved 26 projects, at total value of € 241,685. The estimated co-finance investment by grantees was € 593,740. However, two projects under spent (Eurograf and Egzoni) and two approved projects failed to complete the projects ("Hortikultura Lasku" and Kemajl Kadriu).

Key statistics	No.	CFH Grants* (€)	Investment of partners (€)	CFH contri- bution (%)
Grants approved	26	241,685	593,740	41
Grants cancelled	2	17,000		
Grants completed	22	224,685		
Grants not fully completed	2	11,000		
Amount under spent		8,027		
Total amount disbursed		205,658	557,075	37

* figures adjusted to the contracts entered in 2010, but not all expenditures done in 2010

Monitoring and evaluation

During 2010 has been done monitoring and evaluation of project approved and implemented during 2009 and 2010. As monitoring indicators have been taken - full time employment, part time employment, revenues, expenses and net profit, however, the main indicator was jobs creation. For more see the table below:

	Full time employed	Revenues	Expenses	Net Profit
CFI 2009 – all grantees	166	4,973,852	4,183,667	790,185
CFH 2010 – 10 grantees only	31	1,472,414	1,186,349	285,969

Lesson learned for the implementation process

- Some grantees propose very ambitious timetable for the implementation of projects, subsequently cannot implement projects on time. It is suggested that before signing the contract, to develop more realistic timetables and during the implementation process, the CFH manager and PO responsible for sub-sector, should be in regular contact with grantees through phone calls and/or site visits as a push to them for respecting timeline of the contract;
- To make sure that grantees buy the machines that they applied for, the applicants should have three offers attached to the full application form;
- Some applicants present a very ambitious/high investment with aim to increase the chances to win a CFH grant. Grantees should implement projects as they are presented in the original project proposal, otherwise the project will be withdrawn.
- Based in some delays occurred with grantees that were partly paid on advance, payment should be done after completion of the project implementation.

Annex 4: Case study Collection Centre Mamusha

Key Outcomes

- Co-investment of €12,500 by HPK resulted in sales of €466,600 (including €90,000 in export sales)
- Total volume collected in 2010 was 1,390 tonnes (150 tonnes exported) which increased from 380 tonnes collected in 2009 (with no exports)
- Most important investment by HPK was in 'soft support' – responding to management issues such as VAT, invoicing and quality standards, as well as supporting the owner in decision making
- Key success factor was open discussions between suppliers, collection centre and buyers
- Producers are now investing to increase production for 2011 based on improved market access

Background

Collection Centres play a vital role in organizing horticultural markets, by aggregating production from small producers and facilitating access to larger markets, both local retailers and export.

Collection Centres are supported in response to structural changes in the horticulture sector where traders, supermarkets and processors are driving changes in the market system.

This is an updated report from that provided in September 2010 to cover the full year of activity.

Mamusha – 2009

Mamusha is the largest area for production of tomatoes in Kosovo, and has approximately 200 producers. Other vegetables are grown in the district, including cabbages and cucumbers. A 'joint marketing initiative' was undertaken in 2009 to supply tomatoes to the supermarket chain, Elkos Trade Centre (ETC). This was based on informal agreements between a local trader/producer, and collected 380 tonnes of tomatoes from 21 farmers. Although this was a good program, problems with quality, packaging and continuous supply were highlighted.

Market Demand – 2010

In 2010, ETC expressed interest in dealing with a Collection Centre in Mamusha to source graded tomatoes from local producers. The market potential was in excess of 1000 tonnes, contingent on proper grading and sourced from a single collection point. ETC approached HPK to provide support in establishing the centre, and to work with all partners to identify and address issues with implementation. Nehat Tac, who cooperated in these activities in 2009, indicated his interest in developing a Collection Centre and coordinating this market initiative in 2010.

Issues & Resolutions

Managing a Collection Centre

The concept of joint marketing and a single trading point was not well understood. HPK organised a visit to Macedonia where such centres are successfully operating.

Co-Investments

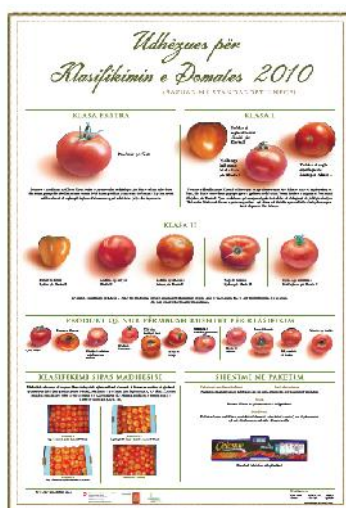
After investigating the needs of the Collection Centre and the business proposal, investment in infrastructure by HPK was €12,500 (out of a total investment of €26,000). In supporting such initiatives, HPK invests to a maximum of 50%.

Packaging

The Kosovo market still accepts wooden packaging for tomatoes, due to customers' preference of purchasing a full box. The purchase of individual tomatoes by customers is still not widespread. This trend is changing with the emergence of supermarkets, and HPK has invested in improved packaging with a view to the changing demands as well as export markets.

Quality Standards & Grading

It is widely acknowledged that producers and traders alike understand quality standards, but producers tend to pack all grades together and traders do not send the right price signals to encourage grading. In collaboration with local actors, HPK produced a guide on basic product standards to act as the 'rule book' for producers and traders. The guide was developed as both a brochure and poster.



VAT, Invoicing & Payments

ETC required farmers to register for VAT and provide correct invoices. HPK employed a consultant and software designer to provide a solution suitable to a small Collection Centre. Payments were made through a joint account with a sub-account for each grower, developed through an agreement with ProCredit Bank. ETC and the Collection Centre have both stated that the system has worked well.

Results

Volume: The Mamusha Collection Centre sold 1,390 tonnes of mixed vegetables for total revenue of €466,400. This was mainly tomatoes (1,030 tonnes), cabbages (155 tonnes) and cucumbers (120 tonnes). Smaller volumes of melons, potatoes, spinach and onions were also collected. All of this was sold to ETC, with the exception of 150 tonnes of tomatoes that were exported to Bosnia, Bulgaria and Serbia. The collection centre employed 4 staff during the collection period.

For tomatoes, the local market price was €0.33 per 5.5 kilogram box, but for export was €0.60 per box. This reflected regional shortages of tomatoes, and was identified as a window of opportunity by the collection centre.

Market Organisation: One supplier reported making almost 100 trips to the Pristina wholesale market in 2009 to sell his tomatoes (often more than once per day) – in 2010 he made no trips. Delivering to the Collection Centre saved him time and money, improving his returns.

Collecting 20% of all the tomatoes in Mamusha through a single centre reduced the pressure on other market channels for all growers.

Formal Economy: As a direct result of this work, the 35 growers involved in the Collection Centre are now working within the ‘formal’ economy, with bank accounts and correct invoicing. This is a new situation for small farmers in Kosovo.

Unlocking Investment Potential: The increased market security has allowed producers to confidently invest in their businesses. In late 2010, HPK supported new greenhouses with 5 farmers co-investing €3,500 each. Additionally, a group of 17 farmers have organised themselves to invest in early production in 2011, including co-financing an advisor for 20 days of production advice. They have indicated they will also pay for any additional advice over these 20 days in full.

Key Lessons

Investments by HPK of €12,500 (plus visits and time) unlocked sales of €466,600 including €90,000 in export income.

Collection Centres need to be driven by a lead person who is trusted locally. This person must also be open to new ideas and be motivated to succeed. It cannot be driven by donors, but instead by market demand. Without ETC driving issues such as quality and VAT, the Mamusha centre would not have succeeded in 2010.

The scale and investments need to match the market and capabilities of the actors. Instead of looking to Western Europe for the business model, HPK visited Macedonia, a similar market, to look at developments there in recent years.

ETC figures indicate that Kosovo still supplies less than 20% of local demand for tomatoes, so collection centres will be a tool for driving production improvements. With improved market access, producers are confident to invest.

By encouraging improved quality and formalised markets, the Collection Centre was able to capitalise on market opportunities, as evidenced by the export of 150 tonnes. This ‘market ready’ approach must be used by all market actors.

Such industry initiatives should allow “crowding in” of similar businesses, not restricting competition by large investments that disrupt sustainable ventures. A risk from the Mamusha success is the over-funding of similar or larger initiatives by donors or other projects.

Annex 5: HPK publications

1. Watermelon production, Dr.Astrit Balliu
2. Technical guideline on plant protection – translated
3. Apple nutrition, Dr Skender Belalla
4. Apple orchard establishment, Dr. Fatmir Voci
5. Basic concepts of plant nutrition for greenhouse solanacea, Dr. Astrit Balliu
6. Basic concepts of plant nutrition for greenhouse cucurbitaceae, Dr. Astrit Balliu
7. Carrot production, Dr. Skender Kaciu
8. Cabbage production, Dr. Skender Kaciu
9. Catalogue for top fruit nurseries