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Photo: Tibetan bridge in Rugove.

Promoting Private Sector Employment

PPSE - Kosovo

Annual Report 2019

1 January 2019 – 31 December 2019

Prishtinë/Priština

In cooperation with:



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## List of Abbreviations

BMO	Business Membership Organisation
CHF	Swiss Franc
DCED	The Donor Committee for Enterprise Development
ENE	Economy and Employment
EYE	Enhancing Youth Employment
FAMtrip	Familiarisation Trip
FGD	Focus Group Discussion
FTE	Full Time Equivalent
FNI	Food and Natural Ingredients
GAP	Good Agricultural Practices
HO	Head Office
KIESA	Kosovo Investment and Enterprise Support Agency
KMC	Kosovo Manufacturers Club
MAP	Medicinal Aromatic Plants
MESP	Ministry of Environment and Spatial Planning
MFA	Ministry of Foreign Affairs
MRM	Monitoring and Results Measurement
MSD	Market System Development
MTI	Ministry of Trade and Industry
OC	Outcome
OF	Opportunity Fund
PPSE	Promoting Private Sector Employment
RAE	Roma, Ashkali and Egyptian
SC	Steering Committee
SDC	Swiss Agency for Development and Cooperation
SEC	Senior Experts Corps
SIF	Social Inclusion Fund
SME	Small and Medium Enterprise
SRP	Strategic Review Panel
ToR	Terms of References
YPO	Yearly Plan of Operations

### 1. Basic Information

Country: Kosovo	Name of project: Promoting Private Sector Employment (PPSE)
SDC No SAP:	
Domain of Cooperation Strategy: ENE	

Goal	SMEs that operate in well-organized and inclusive economic sectors, provide increased sustainable gainful employment for young women and men in Kosovo.
Outcomes (OC)	Outcome 1: SMEs of the selected sectors increase their productivity and generate additional income and employment. Outcome 2: SMEs improve their offer, efficiency and competitiveness in improved and better organized inclusive market systems

Project phase duration: 16.11.2017-15.11.2021	Reporting period: 01.01.2019-31.12.2019
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Budget in phase (CHF)	7,276,126,50	Budget from 01.01.2019-31.12.2019 – <b>1,938,430</b>
Budget spent in phase (CHF)	4,024,575	

Information on contributions of partners and/or other donors (calculated in CHF) 100% SDC

Implementing organisations:	Swisscontact and Riinvest Institute		
Main national partners:	Ministry of Trade and Industry, Chambers of Commerce, lead firms	Main international partners:	n/a

Project Coordinator	Argjentina Grazhdani	Number project staff	National: 16
International Consultants (planned days):	20	National:	20
National consultants (planned days):	20	International:	20
Riinvest (planned days):	48	Riinvest (executed days):	48
Swisscontact (planned days):	48	Swisscontact (executed days):	48

## 2. Executive Summary

Kosovo's economic growth indicators continued to have a positive trend in 2019. However, despite the positive trends, the growth is not yet sufficient to provide enough formal jobs, particularly for women and youth, or to significantly reduce the high rates of unemployment. According to World Bank country report, the growth model relies heavily on remittances to fuel domestic consumption but has recently shifted to more investment- and export-driven growth.

With the increased sustainable gainful employment for young women and men in Kosovo as the overarching goal of the Promoting Private Sector Employment project of the Swiss Agency for Development and Cooperation in Kosovo, the reporting on year two of the project's Phase II highlights the positive progress achieved towards this goal. The PPSE interventions and activities, either continued or newly initiated in the reporting year, have individually and cumulatively contributed to and leveraged improved productivity, competitiveness, and innovation of beneficiary SMEs, demonstrating the scale and expansion potential in practice. Altogether, they have resulted in additional gainful employment and income increase.

In the reporting year, PPSE intervention results translate into 417 full-time equivalent jobs, of which over 85% from the Food and Natural Ingredients sector, and over 1,550 people benefitting from employment opportunities. Over 170 beneficiary small and medium sized enterprises, of which 74 newly added, generated over CHF 800,000 attributable net income. These results, and others that are further elaborated in the report, establish that the project has achieved success in reaching mid-phase targets. Positive changes have occurred in both target sectors – Food and Natural Ingredients and Tourism – that can be attributed to the project design and interventions implemented.

The FNI sector facilitated support focused on development of new products and improvement of existing ones, strengthening the contract farming system, improving nurseries for vegetable seedlings, providing quality standards and export promotion through matchmaking services. For the first time, positive changes are noted at the SME level.

The Tourism sector has noted considerable focus on the development of new tourism products and promotion of Kosovo offer internationally. The findings of the Tourism Supply Side survey and information obtained from the Kosovo Agency of Statistics corroborate such data. An interesting development worth following up is the increasing number of hotels and restaurants under construction in major destinations within Kosovo, along with the growing number of AirBnB listings.

This year, the Opportunity Fund co-investment agreements prioritized projects focusing on tourism product development, and the collaboration with Municipalities of Prishtinë/Priština and Prizren. Whereas through the Social Inclusion Fund, PPSE has implemented four partnership agreements: three with businesses and one with an NGO targeting Roma, Ashkali and Egyptian women business initiatives.

The results elaborated further in the Annual Report for 2019, corresponding to year two of Phase II, highlight the extent to which real impact has been achieved through the targeted interventions, scaling up and expansion model implemented by the team.

### 3. Results Reporting per Outcome

#### 3.1. Impact

IMPACT: SMEs that operate in well-organized and inclusive economic sectors, provide increased sustainable gainful employment for young women and men in Kosovo	Impact Indicator	Baseline <sup>1</sup> 2017	2019 <sup>2</sup> (T=Target, A=Achieved)	Incremental % reached in 2019	End of Phase 2021	Cumulative % Reached in Phase
	Impact: Net additional employment FTEs	850 FTEs	T= 500 FTEs A= 417 FTEs	83%	2,000 FTEs	45%
	Net additional employment (women) FTEs	270 FTEs	T= 150 FTEs A=152 FTEs	101%	600 FTEs	57%
	Net additional employment (minority) FTEs	75 FTEs	T= 50 FTEs A=19 FTEs	38%	150 FTEs	63%

In 2019, PPSE interventions have generated satisfactory results, achieving phase targets mid-way. This corresponds with the implementation timeline of the project. PPSE interventions have generated around **417 full-time equivalent jobs (over 85% from the FNI sector)**, and over **1,550 people benefiting** from seasonal and full-time employment opportunities. In 2019, over 74 new SMEs have benefited from interventions, reaching a cumulative of over 170 beneficiary SMEs, generating over CHF 800,000 attributable net additional income.

During 2019, PPSE interventions in the FNI sector focused around supporting sector SMEs to develop new products, strengthen the contract farming system, improve nurseries for vegetable seedlings, provide quality standards and export promotion through matchmaking services. These interventions have proved highly successful throughout the year, generating significant employment opportunities and income. Unlike the previous year, when most impact was generated at the farm level, this year the team has assessed positive changes at the SME level. PPSE partner and benefiting SMEs have reported **investments** of around **€3 million**, the development of over **125 final products** (destined for local retail market and HoReCa) and have employed over **148 FTEs** – contributing to over 43% of overall sector results. This shows that FNI sector SMEs are growing. The team has assessed that these SMEs are more active in acquiring support services, especially around marketing, quality standards and food technology. Sector SMEs are also increasing the number of contracted farmers. The team has validated that these SMEs are sustaining their contracted farmers over years as well as adding new ones. Quality domestic products are exposed to increasing export opportunities, where the sub-sectors of NWFP and MAPs are growing by exploiting these opportunities.

The interventions and activities in the tourism sector have generated attributable employment opportunities for **94 people** (with 33% women representation) equivalent with **52 FTEs**. These FTEs were mainly generated at the tour operators' level, accommodations and restaurants. The number of local tour operators has increased, too. From 1 tour operator in 2014, now the team counts above 30 registered local inbound tour operators offering Kosovo as a touristic destination to the international tourists. These tour operators benefit directly by receiving international tourists and in addition they have created direct benefits to local service providers (guides, guesthouses, drivers, restaurants, product owners, local shops etc.). The trends of employment generation remain similar to the previous

<sup>1</sup> Based on the achievements of Phase I.

<sup>2</sup> The column represents the results measured within the reporting report.

year, however the team has observed significant achievements with regards to initiatives for development of tourism products and promotion of Kosovo offers abroad. These changes will lead to higher employment opportunities in the remaining years of the Phase. The above-mentioned changes are happening in a developing sector, which is confirmed by data from Tourism Supply Side survey – findings show that employment has increased for 7.2% annually since PPSE Phase II. Growing sector trends are also confirmed by the Kosovo Agency of Statistics, where the number of incoming international tourists has increased annually by 18.5% reaching to almost 200,000 tourists. The Kosovo Agency of Statistics collects the information from Border Police, where international citizens entering Kosovo are categorized in the fields of: visiting friends and family, business, leisure etc. As per UNWTO definition if a person spends at least one night in a destination and less than one year, is considered to be a tourist, no matter the reason of travel. These positive tourism sector developments are also confirmed by regular team observations – a quite high number of new hotels and restaurants are under construction and opening annually in major destinations (Prishtinë/Priština, Pejë/Peć and Prizren) as well as an increasing number of AirBnB listings.

### 3.2 Outcome 1: Competitiveness of Selected Sectors

Outcome 1: Young people women and minorities benefit from gainful and inclusive employment, created in the dynamic SMEs in the growing sectors	Outcome Indicator	Baseline 2017	2019 (T=Target, A=Achieved)	Incremental % reached in 2019	End of Phase 2021	Cumulative % Reached in Phase
	OC 1.1 Number of women and men gainfully employed	0	T= 1,250 A= 1,557	125%	5,000	66%
	Number of women and men gainfully employed (women)	0	T= 375 A=520	139%	1,500	79%
	Number of women and men gainfully employed (minority)	0	T= 125 A=67	54%	500	46%
	OC 1.2 Income increase of 5,000 benefitting men and women through salary/wage	0	T= CHF 2,400,000 A=CHF 2,710,301	113%	CHF 9,600,000	41%

The impact of PPSE interventions related to Outcome 1 indicators has been very positive. Most of the annual (and mid-Phase) targets have been exceeded.

The team has assessed highly positive results in the FNI interventions. Through the ‘Strengthening Contract Farming System’, PPSE intervention outreached a record of 587 beneficiary farmers, of whom 158 were newly contracted in 2019. In the ‘Product Development’ intervention, only in 2019 the team outreached 26 SMEs, reaching to 40 cumulative SMEs. The support involved machinery co-investment and services in food technology, marketing and other topics. Many of these SMEs have introduced new

products in the market, as a result of acquiring knowledge, exposure and machinery investment. Altogether, PPSE interventions in the FNI sector have generated employment opportunities (including seasonal) for 1,463 individuals, equivalent to 340 FTEs.

The PPSE team has observed that FNI sector SMEs are expanding. Existing SMEs are increasing the range of products in the market as well as improving current ones. This has been directly influenced through utilisation of knowledge services on food technology and product design provided by local and international experts. During 2019 some companies have prolonged investments due to inability to obtain pre-ordered equipment from Serbia. However, trade barriers with Serbia created some opportunities for growth, substituting some of the imported products with domestic products. Moreover, new SMEs are entering the market, which are characterized with innovative products and marketing strategies. This is enabling SMEs to increase sales in the local market, while to meet these demands SMEs are employing more people and increasing primary production sources. SMEs are also increasing export through existing and new channels. As a result, more companies are certifying production to meet export requirements. SMEs growth is reflected also in primary production. In 2019 it was observed a significant expansion of cultivated land due to contract farming, as well as replacement of crops that provide less income for farmers and an increased demand for high quality inputs. Overall, as a result of this growth, more people are benefiting through employment at the farm and SME level.

In 2019, PPSE intensified activities towards introducing new tourism products, where **6 SMEs/NGOs** were supported to develop **22 tourism products**. Overall, interventions have generated **94 additional employment** opportunities, where benefiting employees have earned over **€221,853**. The team has observed that tourism businesses are continuously growing, engaging and increasing the number of guides every year, due to higher income and tourists' turnover that can be attributed to PPSE interventions.

It can be argued that tourism is one of the sectors with highest growth and expansion in Kosovo. This can be attributed to growth of international and diaspora tourism but also the increase of domestic tourism. The growth of demand in hospitality services (of local clients) has also played a key role. Focusing in tourism, PPSE has observed that Kosovo has enjoyed an increase in all kind of visitors. Starting from tourists visiting regional countries and only visiting Kosovo in transit, tourists that spend few days in Kosovo – who are still visiting regional countries, but also tourists that visit only Kosovo – for both adventure and cultural tourism. These signs are very promising and results can be seen through sector performance. Tourism accommodations report very high occupancy rates during the season. According to the Tourism Supply Side Survey, accommodations have reported occupancy rates of over 70% during high season, where the average room prices are higher compared to the region. A considerable number of hotels are under construction (including reputational brands such as Marriott). Furthermore, the number of AirBnB type accommodations is increasing daily, with more than tripled during the last two years. These are indications of a growing sector. There is a growing demand for specific professions in the sector, starting from mountain guides, cultural guides, waitresses, cooks, etc. Even more importantly, these professions are well paid, and perceived as attractive by youth. The increased number of tourists in Prishtina/Priština has triggered the response of the private sector to focus its investments in services (food and drinks, transportation and accommodation) more than in tourism products. Whereas Peja/Peć municipality continues its tourism development pace, with a private sector supported by the local government in the development of tourism products, mainly outdoors (Via Ferrata Marimangat and Tibetan bridge; hiking trails and improved infrastructure in Rugova villages). Additionally, Municipalities (Prishtina/Priština, Prizren, Peja/Peć and Gjilan – PPSE partners, as well as non-partners, such as Gjakova/Djakovica, Podujeva/Podujeco and Vushtrri/Vučitrn) have increased their investments for tourism development, in projects such as tourism products, attractions, promotion, etc. Details of interventions and activities that will lead to results are presented in detail under the respective outputs. In 2019, PPSE observed that in comparison to the private sector the interest of



the Municipalities, namely Tourism/Culture Departments, showed more interest and pro-activeness in investing for the development of tourism products.

### Output 1.1 SMEs have improved the quality and diversification of products and services.

Output 1.1: SMEs have improved the quality and diversification of products and services.	Output Indicator	Baseline 2017	2019 (T=Target, A=Achieved)	Incremental % reached in 2019	End of Phase 2021	Cumulative % Reached in Phase
	OP 1.1. Number of new and improved products and services promoted through the SMEs	0	T= 38 A=130	342%	150	110%
	OP 1.1.2 Additional investment value for new products and services	0	T= CHF 1,250,000 A=CHF 3,253,864	260%	CHF 5,000,000	79%
	OP 1.1.3 Number of SMEs offering new and improved products and services	0	T= 25 A=19	76%	100	35%

Through the FNI sector the PPSE has supported SMEs in fruits and vegetables, MAPs and confectionary sectors to improve existing and introduce new products in the market. This was specifically done through activities within the ‘Product Development’ intervention, such as specialized training programs in food technology, knowledge exchange, marketing services and senior technical expertise. Furthermore, PPSE has identified and supported potential companies to improve or introduce products through upgrading processing machinery.

Throughout activities within the ‘Product Development’ intervention, support was provided to around **40 SMEs**. In total, **15 SMEs** have already introduced new products and/or recipes in the market. The total number of new products (including recipes) these SMEs have introduced is 125<sup>3</sup>. These products were improved and/or introduced as a direct result of the PPSE support to SMEs in improving their processing technology, know-how in food technology (leading to better/new recipes), business development, marketing services (product package design, branding, etc.), and exposure through study visits. All **15 SMEs** that introduced new products have already benefited additional sales. The total amount of additional turnover generated by these newly-introduced products is over **€ 865,060**. The additional net income increase of these SMEs is **€ 299, 514**. In total, **14 SMEs** have invested in their technology/machinery for developing these products/recipes, reporting a total investment value of **€ 2 million**.

<sup>3</sup> These newly-introduced products include final products sold in retail as well as in confectionary outlets. An example of improved/newly-introduced products are: butter products, tea selection, jams, pumpkin oil, soup base, tomato sauce, chocolates, fruit fillings, confectionary products, red raddish, types of cheese, creams from calendula, essential oils, etc.

Three key reasons that influenced SMEs to come up with newly-processed products are: 1) market demand (local and export); 2) opportunities to diversify their products, and 3) availability of raw materials.

- Through the intervention ‘Product Development’, PPSE facilitated capacity building, coaching and knowledge exchange on product development in food processing industry. Two groups of Kosovo food technologists/ SMEs were organized for a specialized food technology in Plovdiv, Bulgaria. The first group, for the dairy sector, took place in June, while the second, for fruits and vegetables, in November. The main objective of the program was to exchange theoretical and practical knowledge in the field of food technology about dairy products (milk, white cheese, yellow cheese, yogurt) and fruits and vegetable processed products. In total, 20 food technologists from 15 Kosovo SMEs participated in the training. Moreover, two exchange study visits in Bulgaria were organised, integrated with food technology training, with the intention of sharing experience & knowledge and transfer the best practices. Companies that were visited were TminoX and Natura. The feedback of participating technologists as well as of SMEs is very positive. PPSE also supported sector SMEs with technical expertise (from the Swisscontact Senior Experts Corps). The objective of this support was to increase and improve the variety of products and recipes. In total, 5 SME benefited from the SEC expertise. In addition to support services, during its field visits the FNI team identified 4 other SMEs: Natyra, Albini, Kod Lipe (minority-owned), and Kastrioti (woman-owned), which were supported through co-financing on packaging machines that enable new/improved products for the local market (tea, apple vinegar, juices, packed vegetables).

In 2019, PPSE has implemented the intervention ‘Development of Tourism Products’ with the aim of improving the tourism offer around destinations and visitor flows through a support mechanism of investment co-finance and technical expertise. The supported tourism products have been selected around destinations of Pejë/Peć, Prizren and Prishtinë/Priština, based on their potential to attract tourists and the existing visitor flows. Compared to a year ago, the team has encountered an increase in private sector initiatives to invest in tourism products. This has been achieved as a result of multi approach initiatives (direct contact with SMEs, open calls, facilitation of technical expertise) and a close cooperation with the Municipalities. The Municipalities of Pejë/Peć, Prizren and Prishtinë/Priština have shown continuous and increased commitment towards the development of the tourism products. The support provided by these Municipalities has been in terms of facilitation (licensing, land permits) as well as financial support. Additionally, PPSE provided technical support to the Municipalities of Prishtinë/Priština, Prizren and Gjilan/Gnjilane to develop feasibility studies for tourism products around natural attractions.

To date, **5 SMEs/NGOs** have **launched 7 products**. The private sector investment for the development of these products has reached **an investment value of €72,319** by the PPSE partners, **attracting around 5,000 tourists**.

- Through the intervention ‘Development of Tourism Products’, PPSE has partnered with six tourism actors to develop **22 tourism products**. The following products were supported in 2019:
  - Escape Room in Prishtinë/Priština by RAZ;
  - Natural trail in Prishtinë/Priština, which includes 6 attractions mainly for families with children, by VIER Pfofen in the Bear Sanctuary – supported through OF;
  - Via Ferrata Panorama in Prizren by Sh.B. Sharri;
  - Via Ferrata and the Tibetan Bridge Rugova by Marimangat;
  - Medieval Park in Gračanica/Graçanicë, including 6 products/activities inside the park, by Orto Draconis – supported through SIF; and
  - Camping area with 6 products/activities in Rugova by Camping – woman owned business supported through OF.

From the above-mentioned partners, 4 are start-up businesses. PPSE partners have launched 7 tourism products in 2019 (paragliding, kayaking, biking, Escape Room, two Via Ferratas, and Tibetan Bridge). To support tourism product development, PPSE has supported the Municipalities of Prishtinë/Priština, Prizren and Gjiilan/Gnjilane with international and local technical expertise (e.g. feasibility studies, land surveys) for the development of tourism products (activities and attractions). Currently, support is being provided for the development of **three museums** (Filigree Museum and Saint Mother Teresa in Prizren, and School-House of Hertica family in Prishtinë/Priština) and **six tourism products** (IN-Nature Adventure Park in Gërmia, cable lift to the Prizren Fortress; and a recreational park with at least four entertaining activities around the Livoq Lake park area in Gjiilan/Gnjilane). PPSE is supporting (engaging and closely monitoring the staff and the process) the Municipality of Prizren with local technical expertise in establishing the Filigree Museum and the Mother Theresa museum; whereas for the development of the cable car PPSE is supporting the Municipality by engaging international expertise in developing the feasibility and geodetical measures, whereas the Municipality is responsible in co-financing the excerpts and fully finance the infrastructure development of the cable car. Additionally, the team has witnessed a growing interest from other Municipalities to start planning on tourism products. The Municipality of Gjakovë/Djakovica has invested in a Cave in Kusar, a viewpoint and a potential zip-line to be developed in Shkugeza park (all presented by PPSE financed MDP product development report).

- In order to increase the outreach of local and Diaspora visitors for the tourism products that were developed through the PPSE support, PPSE partnered with Gjirafa e-commerce to promote 10 tourism products from 10 SMEs, in the form of **vouchers**. Through the online sales of its products, Gjirafa offers a voucher for a tourism product as a gift to its clients. The clients have the chance to buy one of the products with a discounted price received as a voucher from Gjirafa. This activity was introduced in September and its impact will only be measured next year by the end of 2020.

### Output 1.2 SMEs have increased production

Output Indicator	Baseline 2017	2019 (T=Target, A=Achieved)	Incremental % reached in 2019	End of Phase 2021	Cumulative % Reached in Phase
OP 1.2.1 Number of farms and SMEs involved in contract farming	350 SME	T= 250 SME A= 252 SME	100%	1,000 SME	59%
OP 1.2.2 Increase of contracted production	200 ha	T= 125 ha A= 601 ha	480%	500 ha	200%

The intervention ‘Strengthening Contract Farming System’ continues to be one of the main interventions of PPSE. The main focus in 2019 was in supporting partners to increase their capacities, the number of contracted farmers in existing and in new regions, and improve contractors’ services such as advisory services, technologies, inputs and introduction of specialized seedling producers to their farmers. This differs from previous years, where support was directed more to farmers to establish and prove the success of contract farming as a model. This year instead, the support was scaled towards higher level actors such as collection centres and processors. This relates also to the other in-

tervention 'Introduction of Specialized Seedling producers', where in 2019 PPSE supported two nurseries with technology investments in facilities and know-how aiming to improve the quality of vegetable seedlings in the market.

Based on the recent impact assessment (conducted with around 300 beneficiary farmers from all FNI interventions), PPSE found that contracted (beneficiary) farmers are **highly satisfied** with the contract farming model. A dominant share (90%) of farmers continued with the contract farming from previous years. Furthermore, existing contracted farmers have **expanded** their contracted production area (**with over 143 hectares**), while over **158 farmers** (only PPSE beneficiary) have been **additionally contracted** in 2019. The attributed area of increase of contracted production in 2019 is around **600 hectares, reaching a total of around 1,000 additional attributable hectares contracted cultivation due to PPSE work over the last two years**. The overall growth is even higher, reaching to around 900 new hectares cultivated under contract farming only in 2019 (results stem from PPSE impact assessments in contract farming, in fruits and vegetables and the MAPs sector). The growth difference of 300 hectares is considered to be a result of a natural growth and is not counted in PPSE attributable results. It is important to note that the impact at farm level stems from all FNI interventions. Benefiting contracted farmers have produced 2,670.15 tons and generating around € 1.1 million in sales.

- In 2019, through 'Strengthening Contract Farming System' intervention, PPSE collaborated with 4 partners (ADE group, Agrocelina, Nektar and Agropeti). In three cases support consisted of co-investments in machinery (dryer, calibrator, etc.) and equipment (harvesters) with the main aim to further increase processing and aggregation capacities, increase efficiency and ensure the quality of the demanded products. These companies were selected mainly based on their potential to expand their activity and farmers' base. In one case (Agrocelina), PPSE is supporting integration of vegetable seedlings produced in a nursery to the contract farming system. In addition, through Contract Farming Intervention, PPSE has continued to promote the usage of the specialized produced seedlings to farmers through contractors as a channel of communication. In this regard, only through PPSE support, 152,555 vegetable seedlings were distributed to 28 farmers contracted by collection center Agrocelina. It is important to mention, that the team has made efforts in avoiding investment overlap with other donor agencies when partnering with SMEs. Support around contract farming, particularly in the MAPs sector, continues to be very productive and with high growth potential.
- Through 'Introduction of Specialized Seedling Producers' intervention the aim is to improve the access and quality of seedlings for vegetable and MAPs farmers. This intervention is expected to impact directly the quality and yield in the primary production. Therefore, it is very closely linked with the contract farming intervention. In 2019, PPSE supported the establishment/improvement of nurseries for vegetable production where two modern nurseries are established/improved for production of qualitative and affordable vegetable seedlings (Agrobora- through OF and Fidanishtja e Godancit). Since there were delays in establishing the modern nurseries (Agrobora), the partnering nurseries could only introduce some improvements, made possible through using newly established technologies. 151 farmers (23 women farmers) were supplied with these seedlings. Farmers, who have used these seedlings, have reported to be satisfied with the quality, where the quality of seedlings remain a fundamental quality aspect for other farmers that produce seedlings themselves. Based on the advisory system developed, nurseries offered advice to the clients. According to observations from the team, this intervention has high potential for copying, there are already signs from the government and the private sector to replicate the model.

### 3.3. Outcome 2: SMEs improve their offer, efficiency and competitiveness in improved and better organized inclusive market systems

Outcome 2: SMEs improve their offer, efficiency and competitiveness in improved and better organized inclusive market systems	Outcome Indicator	Baseline 2017	2019 (T=Target, A=Achieved)	Incremental % reached in 2019	End of Phase 2021	Cumulative % Reached in Phase
	OC 2.1 Number of SMEs benefit from using new or improved support services	0	T= 38 SMEs A= 16 SMEs	42%	150 SMEs	21%
	OC 2.2 Net additional income increase of 150 SMEs	0	T= CHF 950,000 A=CHF 808,300	85%	CHF 3,800,000	42%
	OC 2.3 Institutions are more responsive to private sector growth	0	<i>Qualitative assessment based on FGD of key institution personnel</i>			

There are few signs that some SMEs and farms are utilizing business support services in the market. With regards to SMEs, this predominantly is valid for larger ones – for which business support services are more feasible. Nevertheless, even large companies lag behind with specific services and knowledge, particularly with regards to specific skills such as food technology and machinery operations. Tailored services for smaller SMEs and farms can be very successful, but, the success depends largely on the model and practicality. For example, the facilitation of organic certification through Organika BMO has proven very successful, where farms and SMEs can access organic certification within a BMO that can also facilitate selling channels, where certified SMEs can utilize the benefit fast. SMEs demand for specific marketing services has increased in 2019. In several cases such services have managed to completely change the image of companies and products, leading to high increases in sales. However, cost of such services is still perceived as high by micro and small enterprises. As a response to such constraint, influenced by PPSE, affordable marketing services are introduced in the market by the end of 2019. Tailored promotion for bigger exporters has also shown positive results in 2019, matching the needs of both EU buyers and Kosovo producers. EU buyers that visited Kosovo companies indicated to be highly satisfied with the quality of Kosovo products and are following up these established connections, as well as looking for new ones.

PPSE has reached over 51 FNI sector SMEs (reaching 72 SMEs since Phase II) throughout all interventions in 2019, out of which at least 15 SMEs have already benefited with net additional income. PPSE has supported these SMEs with services such as organic certification, matchmaking for export promotion, marketing and business development services. Benefiting SMEs have reported over €500,000 attributable net additional income. Where possible, PPSE has made efforts in facilitating these support services through sector BMOs – organic certification was offered as a service through Organika. PPSE has also supported sector initiatives, identified through consultations with SMEs and BMOs, where a study on agriculture subsidy schemes was conducted.

In 2019, PPSE has reached out to **48 tourism sector SMEs** that have benefited from the Output 2 interventions developed through PPSE support. Whereas the number of people benefiting from employment from all tourism interventions under Output 2 is **67**, or **41 FTEs** that have reported an attributable net additional income from wages and salaries of around **€171,253**. The tourism private sector was supported to improve their planning, offer, efficiency and competitiveness through the activities of specialised tourism occupations, promotion of Kosovo in international markets, and improvement of sector organization.

The trends for international tourists visiting the region, show significant growth in the recent years. Kosovo has also been affected by this trend, however with less impact. According to national statistics, in 2018 the number of overnight international tourists increased for 49% compare to 2017, or 288,767 in total. PPSE aimed to cooperate with several public and private tourism actors with the intention to promote Kosovo internationally and increase the number of the international tourists from segmented markets, in Kosovo and their length of stay. As a result of the increased number of tourists, the team observed a higher response of the public sector in municipal level towards the needs and growth of private sector, by supporting the private sector businesses in various forms: improvement of the local offer, fair participation in international markets, improving coordination with the private sector. Prizren municipality supported its local businesses to participate in Tirana International Fair 2019, Stuttgart Fair 2019, Rome tourism fair 2019 and planed the participation in EMITT 2020. On the other hand, the private tour operators have shown signs of sustainability with regards to international promotion, by taking own initiatives to visit different international fairs and organizing familiarization trips, with little or no support from other institutions (e.g. Kosova Holidays and Breathe in Travel). Another trend observed with regards to private sector, was their improvement of online services, by not only promoting but also selling tours and other services to tourists (e.g. Fturi.me, Balkan Destination, Kosovo Destination etc.). With the increased number of tourists, the private sector faces the need for more guides to cater for the needs of the tourists. Since there is a lack of tourism associations/training providers, PPSE supports the private sector with non-formal training for tourism occupations. The need for guides has triggered the interest of a group of PPSE trained guides to establish the guiding association GUIDEKS.

PPSE has supported Municipalities in Kosovo to develop tourism products and attractions with a private sector inclusion approach. As a result of this support to the Municipalities of Prizren and Prishtinë/Priština, the two Municipalities have increased commitment in terms of budgeting and planning for tourism development (promotion, products, information etc.). Interest has also been observed by other Municipalities such as Gjilan/Gnjilane, Deçan/Dečan, Gjakovë/Djakovica and Podujevë/o, for replicating the initiatives of Pejë/Peć, Prizren and Prishtinë/Priština Municipalities towards the development of tourism products, activities and drafting tourism strategies.

According to a recent focus group discussion with tourism actors in Prizren, the perception of actors remains largely unsatisfactory towards the municipal and central government work, despite noticing some recent improvements. Tourism actors have noticed improvements with regards to infrastructure, development of tourism strategy and including during the process, Municipality actions around infrastructure in the centre, administrative process, issuing of licenses and permits and transparency. Among the main negative issues identified by tourism actors are the municipal tax, lack of parking spaces for tourists, loud noise, lack of events, activities and information, lack of investment in tourism infrastructure, management of cultural sites, licenses of tour guides. It can be concluded that there have been many positive initiatives from the Municipality of Prizren, where the first signs can already be seen, however more time is required so that the private sector sees the benefit.

### Output 2.1: Service Providers offer improved business support services.

Output 2.1: SPs offer improved business support	Output Indicator	Baseline 2017	2019 (T=Target, A=Achieved)	Incremental % reached in 2019	End of Phase 2021	Cumulative % Reached in Phase

	OP 2.1.1 Number of SMEs using new and improved services offered by service providers	0	T= 75 SMEs A= 33 SMEs	44%	300	34%
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Within the **FNI sector**, the support of PPSE to SMEs was focused on certification programs, trade facilitation, marketing and product and business development services. In 2019, PPSE facilitated Organic and Bio Swiss certification services for 35 SMEs through the sector BMO Organika. By supporting Organika to provide certification programs, PPSE also contributed to increasing the number of member SMEs to more than 40 members in 2019. PPSE continued to support SMEs that intend to introduce/improve their products with co-financing marketing services. Moreover, the team piloted the intervention 'Facilitation of Marketing Services', with an intention to support SMEs with tailored, more affordable and accessible marketing services around promotion of new products. Overall, 6 SME benefited from these services. Details of interventions and activities are provided below.

- Through the intervention 'Facilitation of Certification Programs', PPSE facilitated Organic Certification for 35 potential SMEs, where 31 SMEs applied, out of which 30 (6 for the first time) were certified with organic certification and 1 SMEs with Bio Swiss certification. Support was provided for cost-subsidizing certification based on a declining support scheme, where SMEs certified for the first time are co-financed with 50% of certification costs, second timers with 25%, and third timers with 15%. Services for Organic certification are offered through Organika (Association of NWFP and MAPs companies) by Albinspekt, the inspection and certification body from Albania. PPSE also cost-subsidised services within associations to prepare applicant SMEs for certification, where 13 SMEs received these services. The total area of cultivated organic land with MAPs has increased from 506 hectares in 2018 to 826 hectares in 2019, while for wild collection around 36% of Kosovo's territory is certified with organic where SMEs do collection of wild NWFP. Considering that the certification was implemented throughout 2019, the impact and benefits will be measured through an impact assessment in February 2020. The FNI team will interview benefiting SMEs to validate if they have benefitted from organic certification and will attribute the increase in product value that has been achieved as a result of certification.
- Through 'Facilitation of Marketing Services' intervention, PPSE co-finances marketing services for selected SME (small scale) that introduce new/improved processed products. These services are considered to have a direct impact on the business performance of SMEs and expected to contribute to an overall business growth. In 2019, PPSE supported 5 SMEs with co-financing marketing services for improving their products (branding and package design). Furthermore, towards the end of 2019, PPSE identified a service provider that can offer tailored and affordable marketing services to smaller SMEs. This has been a long-time problem in the sector, because smaller SMEs are unable to pay for the services of existing marketing agencies. To address this constraint, PPSE partnered with a service provider - United Pixels (training centre for new designers) to introduce and offer 4 tailored services: branding, package design, web design and social media design to smaller SMEs. These services will have very low costs, since trainees will be engaged to offer these services as part of their training, and therefore the services will also be affordable for smaller SMEs. First results are expected in the first semester of 2020.

Within this output, in 2019, PPSE supported tourism SMEs with **short-term non-formal trainings for guides**. Two trainings, one for French-speaking guides and another for mountain guides were supported as a result of demand by PPSE partners. In both cases, the demand for training came from the private sector. Specifically, Breathe in Travel tour operator needed French-speaking guides to cater to their French-speaking tourists visiting Kosovo. Similarly, Balkan Natural Adventure needed mountain

guide to cater to the increased number of tourists hiking the Peaks of the Balkans. Altogether, 17 individuals were trained and certified, with 14 of them being immediately engaged as guides, earning €18,000 income. The PPSE team has observed that there is an increased demand for guiding services, mainly in specific fields, such as backcountry skiing guides, language specific guides (German, French, Turkish), etc.

As a response to market trends and the increased demand for guiding services, the PPSE trained guides from 2018 established the Guides Association of Kosovo – GuideKS, which now has become a vital actor in the tourism sector and counts more than 30 members. As the association is newly established on a voluntary basis, it is currently financed by small donor support and municipalities. The members do not pay membership fees for the time being. GuideKS is responsible for planning and organizing the guiding services in Kosovo, such as regulating the market price for guiding services, supporting more training; and are part of working-group for the National Tourism Strategy under MTI (Ministry of Trade and Industry). Moreover, through PPSE support, the Association has become a member of the European Federation of Tourist Guides Association since 2019.

## Output 2.2: SMEs have improved access to sales channels

Output 2.2: SMEs have improved access to sales channels	Output Indicator	Baseline 2017	2019 (T=Target, A=Achieved)	Incremental % reached in 2019	End of Phase 2021	Cumulative % Reached in Phase
	OP 2.2.1 Number of SMEs using new and improved sales channel	0	T=75 SMEs A= 21 SMEs	28%	300	20%
	OP 2.1.2 Number of joint promotional activities for market segments	0	T= 12 A= 7	58%	50	36%

In 2019, PPSE facilitated matchmaking services targeting the Swiss market. This was implemented through a Swiss co-facilitator (Triple E), which proved successful in attracting major Swiss buyers for Kosovo products. At least three SMEs managed to sign export contracts with Swiss companies as a result of these matchmaking activities. Also as a direct result of activities under this intervention in 2019, Kosovo companies have exported to the Swiss market products worth of €210,000. Further, the team continued to monitor the impact of Biofach fair, which PPSE supported in 2018 and has been now taken up by KIESA in 2019. The companies that exhibited in Biofach fair in 2018 reported more contracts and more export (over €800,000) as a result of their participation in 2018.

- Through the intervention “Facilitation of Trade Linkages” PPSE continued to support SMEs to penetrate into specific targeted international markets. In 2019, the focus was mostly on trade linkages for the domestic producers with high-end products (mainly organic) targeting the Swiss market. This was done through facilitation of trade linkages via Triple E. The activities within this intervention were the identification of potential products in Kosovo and buyers in Switzerland. Through Triple E, PPSE worked with Frutomania, Ask Foods, AgroPeti, Ananas Impex, from the Kosovo SMEs, and Erboristi Lendi, MDistribute and BioPartner (Swiss companies). SMEs that have signed export contracts were Frutomania with MDistribute as well as Peppermint International with Erboristi Lendi and EuroFruti with BioPartner (following activities of 2018).



- In terms of domestic market, in 2019, PPSE supported activities related to promotion through the media and local festivals. These included promotion through a local national TV ('Toka Jonë' show in Klan Kosova) and sponsoring of Prishtina Gastronomy Festival. The show "Toka Jonë" is a weekly TV program broadcasted in Klan Kosova, with the aim of promoting domestic producers and products. The cooperation with its production company will continue throughout 2020. Besides promotion of the domestic products, the aim through this TV show is to educate the audience regarding products, their quality and improve perception of the products and thus increase sales of domestic producers.

Within the **tourism** sector, **17 SMEs** have used new and improved sales channels through support provided to **6 joint promotional activities**. Activities that were supported under the 'International Promotion' and 'Turkish Market Promotion' interventions included match-making services through source market agents for the German speaking and Turkish market, support to fair participation (EMITT Istanbul and Tirana Tourism Fair), organization of familiarization and press trips for German/Swiss and Turkish tour operators, and direct promotion to French and Scandinavian markets. These markets were selected due to the existing number of visitor flows and potential for growth. Kosovo is becoming an attractive destination, as the number of incoming tourists is increasing. Due to PPSE supported match-making activities, 6 international tour (2 Swiss, 1 German and 3 Turkish) operators have introduced Kosovo in their offers. Furthermore, as a direct result of supported promotional activities (fair participation, direct promotion) local TOs and accommodations are establishing new partnerships with international TOs. Turkish TOs have shown high interest in increasing the cooperation with Kosovo SMEs and the turnover of Turkish tourists, particularly interesting was the initiative of TURSAB (Turkey travel agencies association) for promoting Kosovo adventure offer within their members.

As a direct result of PPSE activities under this outcome, benefiting tour operators have reported over **3,084 additional incoming tourists** and these additional incoming tourists have generated **turnover** of around **€222,600** for around **55 Kosovo benefiting SMEs**.

- Under the 'International Promotion' intervention, the team has facilitated activities for promoting Kosovo tourism offer for German speaking, Albanian, French and Scandinavian tourists. PPSE engaged a consultant – the Triple E company - to facilitate **matchmaking** and B2B linkages to promote Kosovo tourism offer to German speaking countries, mainly focusing in Switzerland for 2019. As a result of this activity, PPSE partnered with two tour operators targeting the Swiss and the German markets (Meersicht and Wonder Trips in collaboration with RIW Touristik). In addition, a Swiss TO (Imbach) has already started to sell Kosovo tours for 2020. These TOs did not offer Kosovo before. The team continued to support exhibition of Kosovo tourism actors in Tirana Tourism **fair**, also exploring other fairs with potential, which KIESA does not support. An important response was the initiative of Prizren Municipality to support local SMEs to participate in different international fairs (Tirana Tourism Fair, The Holiday Exhibition in Stuttgart, EMITT Istanbul 2020 and Rome Travel Show). The team has also supported **direct promotion** activities, which intended to promote Kosovo tourism offer in specific markets. For this, PPSE partnered with Breathe In Travel to promote Kosovo in the French-speaking market through Trecom and Togezer online platforms. A planned fam-trip with Scandinavian tour operators through local TO - Butterfly Outdoor Kosovo was postponed for a later date, while the TO went to Oslo, Stockholm and Copenhagen to present Kosovo tourism offer. The trip was partially supported by the Turkish Airlines company. BOA reported to have presented its offer to 7 Scandinavian tour operators and a follow up meeting is planned for February 2020. PPSE has also supported 3 initiatives by international journalists and bloggers to promote Kosovo tourism offer in their networks.
- The intervention 'Turkish Market Promotion' was implemented through activities such as fair participation, matchmaking and fam-trip. Exhibition in the EMITT Istanbul **Fair** was supported for 4

SMEs, and proved successful in establishing business partnerships between Kosovo and international TOs. Already, as a result of these partnerships, over 400 new tourists have visited Kosovo. An interesting success was the partnership of Kosovo TOs with counterparts from Jordan. A recent feedback from the benefiting TOs was that due to these partnerships, and a high demand from Jordan tourists, a new direct flight between Prishtina and Amann will be launched in 2020. For the Turkish market, PPSE has engaged a consultant in the source market, to facilitate **business linkages** between local and Turkish TOs/SMEs. As a result, PPSE partnered with 2 Turkish TOs (Tatilbudur and Baska Rota), who introduced Kosovo offer in their regional packages and/or as an individual destination. Another achievement was the interest of TURSAB to promote Kosovo adventure tourism among their members. PPSE supported TURSAB (with facilitation and contacts) for organizing a **familiarization trip** in Kosovo. Participating TOs (Geos Turizm, Vargit Turizm, Kampatesi Turizm, Bukla Tur) showed high interest to introduce new Kosovo packages for their tourists around adventure tours. New tours are already being sold by some of these TOs (Bukla Tur). A follow-up event was initiated by TURSAB, who organized a B2B event in Istanbul, for Kosovo adventure TOs and Turkish TOs. Another positive change was the commitment of Turkish Airlines to support familiarization trips of international tour operators to visit and explore Kosovo as a new touristic destination (Turkish and Scandinavian markets).

### Output 2.3: Stakeholders have improved sector organization and networking

Output 2.3: Stakeholders have improved sector organization and networking	Outcome Indicator	Baseline 2017	2019 (T=Target, A=Achieved)	Incremental % reached in 2019	End of Phase 2021	Cumulative % Reached in Phase
	OP 2.3 Number of joint initiatives for improving networking and sector organization around selected topics: waste management, market segments, promotion, coordination and sharing of knowledge	0	T=3 A= 1	33%	10	50%

In 2019, the PPSE has conducted a study related to agriculture subsidy schemes. As a part of it, PPSE facilitated sector discussions around this topic with Riinvest institute, private sector companies and the officials of MAFRD. This topic has emerged through consultations with sector associations and is regarded as highly important considering the difference and effectiveness of a subsidy model applied in Kosovo vs. regional countries. The team will also explore opportunities to get engaged in other advocacy initiatives in 2020. The activities/recommendations emerging from this study will be supported through facilitation in cooperation with Riinvest Institute.

PPSE in collaboration with the Ministry of Trade and Industry (MTI) facilitated 3 roundtables, in November/December 2018, with the private sector actors for drafting the Tourism Law. Throughout 2019, after drafting of the Tourism Law, MTI organized 5 public hearings, where the draft law was presented to a wider audience. The main topics discussed included: the licensing of tour operators, tour agencies, classification of the hotels, recognition of the tour guide profession, establishment of a national tourism agency etc. The Tourism Law has been drafted, but it has not been approved yet, due to political changes at the government level.

The team has supported the Municipalities of Prizren and Prishtinë/Priština on topics such as tourism strategies, product development, promotion etc. The two tourism strategies have been developed

through consultative approach with the private sector and approved by respective Municipal Assemblies. Both municipalities have shown early signs of commitment in investing in human resources and implementing tourism development projects as planned within the strategies (i.e. tourism products development, tourism information centers etc.). In 2019, the Municipality of Prishtinë/Priština allocated a tourism budget of €1 million, whereas the Municipality of Prizren allocated a tourism budget of over half a million EUR. Some of the immediate activities undertaken by the Municipalities as outcomes of the tourism strategies include the following.

**The Municipality of Prishtinë/Priština has:**

- budgeted for the functioning of the tourism info point;
- initiated a digital tourism promotion platform, by creating a website and I-Prishtina brand; and
- allocated budget for the development of tourism products and museums, such as the Nature Adventure Park in Germia and Schoolhouse “Shtëpia e Horticëve”.

**The Municipality of Prizren has:**

- drafted and approved (at the Municipal Assembly) the Statue of Prizren Museum and the Regulation on Own Source Revenues, for improving operation and reutilization of local museums;
- engaged a team of experts for the establishment of the Filigree and Saint Mother Teresa museums. Both museums are expected to be finalized in 2021; and
- allocated funds as well as facilitated development of tourism products.

The team has observed crowding-in and copying-in effects of this intervention, with commitments for tourism development from other Municipalities. The Municipality of Vushtrri/Vučitrn has already invested in the establishment of a Tourism Info Point and its operation and management, which for this intervention could be characterized as expand/respond; whereas the Municipality of Podujevë/o has drafted its tourism strategy by applying a consultative approach with various tourism stakeholders (both public and private).

Furthermore, the project conducted follow-up activities regarding the potential ban of plastic bags in Kosovo. A roundtable has been organized by Ministry of Environment and Spatial Planning (MESP) with the private sector actors in order to discuss about the issue of plastic bag. A public decision is expected with political changes at the government level.

Finally, PPSE has organized a workshop with 7 big hotels representatives (Swiss Diamond Hotel in Prishtina, Hotel Gračanica, Hotel Nartel in Prishtina, City Hotel in Prizren, Carshia e Jupave in Gjakova, Alvida Hotel in Prizren; as well as one representative of Y.E.S - a private company who wants to introduce food waste recovery with renewable energy for hospitality companies in Kosovo on the topic of **Sustainability in the Hotel Industry**. Diving deeper in hotel sustainability, the idea of sustainability certifications for hotels was introduced, and several exemplary certification schemes were presented. Additionally, some best and worst practices in sustainability certification were given and discussed.

### 3.4.1. Opportunity Fund

As all the co-investment agreements for 2018 were in the FNI sector, in 2019, especially in the first half, the priority has been given to OF interventions for the Tourism sector, with a focus on tourism product development. The team has put great efforts into promoting development of tourism products through approaching businesses and the Municipalities of Prishtinë/Priština and Prizren. A Call for Proposal for developing tourism products in Prishtinë/Priština and its surroundings was launched in the beginning of 2019. Out of a total of six applications, four of them have been invited to present their concept ideas. However, only one of the applicants has been considered with more potential to develop a sustainable business model.

Up to this reporting period, 6 applicants had the opportunity to develop the Concept Note and four co-investment agreements were signed as per the planned budget for 2019. The table below shows the details for the 2019 OF co-investment agreement. Since OF interventions are integrated with sectors, all results related to OF are reported under sectors and respective project outputs.

#	Business	Place	Project title	PPSE investment	Company investments	Total investment
1	VIER Pforten Kosovo	Mramor, Prishtine	Nature Trail area and an Entertainment Park	€ 35,000	€ 35,000	€ 70,000
2	Camping LLC	Shtupeq, Rugove	Campsite and recreational products	€ 28,500	€ 29,000	€ 57,500
3	Kodra e Diellit	Gjilan	Introduction of fruits rolls and bars	€48,000	€ 50,600	€ 98,600
4	Eurofruti	Mramor, Prishtine	Introduction of packed frozen fruits (berries) in small weights	€50,000	€54,000	€104,000
<b>Total investment</b>				<b>€161,500</b>	<b>€ 168,600</b>	<b>€ 330,100</b>
<b>Percentage</b>				<b>49%</b>	<b>51%</b>	<b>100%</b>

**VIER PFOTEN** - The aim of this co-investment agreement is to establish a Nature Trail area (with a maximum length of 400 meters and width of 4 meters) and an Entertainment Park at the Bear Sanctuary in Prishtinë/Priština, for multi season public recreation opportunities. This will enhance the current tourism offer by developing new products (first of its kind in the country) offering amusement and recreation products and activities, which will contribute to an increased number of visitors/tourists, which in turn will create new jobs and additional income.

**Camping L.L.C.** – The aim of this co-investment agreement is to establish a campsite and six recreational products and activities in one of the most frequented tourist destinations in Kosovo - the mountain region of Rugova. Products such as open-air cinema, live music events, built-in barbecue tables, modern playgrounds, small river beach and outdoor bar are some of the most innovative activities that Camping L.L.C. will establish in Rugova mountain region, which are also being introduced for the first time in the area.

**Kodra e Diellit** – The aim of this co-investment agreement is to complete the production line and introduce new products in the market, by purchasing machinery for new products that are rolls and bars produced from the remaining of dried fruits (i.e. apples, berries and plums). As such products are not available from the local Kosovar producers, the company will be able to offer an innovative product to both Kosovo market and beyond. The proposed project will positively affect all actors in the value chain in this sector, from farmer to the consumer.

**Eurofruti** - The aim of this co-investment is to introduce in a new packaging line of the frozen berry fruits which would increase the opportunities to diversify the products which can be translated into 100% increase of the product price. Through this investment, the company will introduce 8 new products of different weights (namely raspberries, blueberries, blackberries, wild blackberries, strawberries, wild strawberry, cranberries and plums). The weights will vary from 100gr, 250gr, 350gr, 500gr and 1kg. The new packaging line can be used also for packing other frozen fruits and vegetables. The end-market for these newly developed products will be the domestic market, mainly during the first three years.

It should be noted that the launching of all of the above-mentioned products will be during the first half of 2020. There are two other full applications in the pipeline: In-Nature Adventure Park in Germia,

Prishtina by Sports Marketing and in collaboration with the Municipality of Prishtinë/Priština; and a Zipline/Adrenaline Park by Proton Cable in Prizren. Finally, the team has closely followed-up and monitored on the co-investments agreements signed in 2018: Produktet Natyrale të Kosovës (PNK), Agrobora and Peppermint International.

### 3.4.2. Social Inclusion Fund

The total Social Inclusion Fund budget for the second year of implementation was CHF 60,000, out of which CHF 73,734 was committed and spent. Through SIF, PPSE implemented four partnership agreements including three businesses and one NGO targeting Roma, Ashkali and Egyptian women business initiatives.

PPSE partner with NGO NRAEWOK (Network of Roma, Ashkali and Egyptian Women’s Organization of Kosovo) to assess business dynamics of women in four regions and to provide two-day business training to selected 32 women in total. Based on the report on training impact, recommendations and case studies for the potential PPSE support, project selected three most promising ideas and supported them with small grants up to 3,000 EUR per business. Supported initiatives were in tailoring, dairy production and farming.

T&P Komerc is a company in Dobrotin which produces honey cookies, and which had limited production capacity. By the end of 2019, SIF supported this business with new production line that will lead to new products in the market (chocolate and glazed cookies) and creation of 6 additional jobs mainly for women. Total cost of this investments was €23,500 whereas PPSE support was 55% or €13,000. This partnership is mainstreamed under the FNI intervention ‘Product Development’. The impact of this intervention will be measured and reported during the year 2020.

Another partnership under the intervention ‘Development of Tourism Products’ was signed with the minority owned company, Ordo Draconis, toward the end of 2019. SIF co-financed newly established business in Gračanica/Graçanicë municipality with €25,000, or 27% of total investment of €93,000 to develop new tourism product, the medieval park, that will compliment to existing offer and will lead to creation of 8 additional jobs for the minorities. This intervention and its results will also be monitored and reported in 2020 under tourism sector.

Additionally, SIF partnered with a womanowned business in Prishtinë/Priština, Huumë, which produces 100% natural soaps and, in its production, uses medicinal and aromatic plants and essential oils mainly imported. The project supported with €11,450, or 53% of total investment of €21,450, to purchase soap cutter machine and other equipment while the business invested in developing new product line (for man and babies). Furthermore, the project will facilitate business linkages between business and local suppliers of raw material such as Peppermint, 99 Lulle, Agroproduct, etc. With this intervention, project aims to create 4 additional jobs for women and to increase efficiency of business production.

Partnership agreements signed in 2018 are closely monitored throughout the year: G-Plus Company, Qendra LEAP, TOKA Social Enterprise, Tourism Organization Gracanica, Lazareks Company in Novo Brdo/Novobërdë.

## 4. Transversal Themes

### 4.1. Social Inclusion

The following parts represent minority mainstreaming in the FNI and Tourism sectors interventions for this reporting period.

**Minority Inclusion in FNI interventions:**

- FNI successful examples of mainstreaming interventions in 2019 were contract farming. Among attributable contracted farmers, the number of women and men gainfully employed from minority communities was 67 which amounts to 19 FTEs. Team also validated that the number of contracted Serb farmers in the northern region continued to work in 2019. Additionally, a minority SME (Peppermint) has directly benefited from trade linkages with new export contract with Switzerland (Erboristi Lendi). By the end of the year, team also signed partnership agreement with Kod Lipe to increase production and introduce new products in the market. This partnership agreement will be monitored and reported in 2020. Within the Facilitation of certification programs intervention, 2 minority businesses benefited (Scardus, Peppermint).

**Minority inclusion in Tourism interventions:**

- Within the tourism sector, as mentioned above, the project is supporting Ordo Draconis to establish new tourism product in Gračanica/Graçanicë, and is planning to include in the assessment of winter products and possible support minority businesses in Štrpce/Shtërpçë region.

**4.2. Gender**

- The FNI interventions in 2019 had generated **135 out of 365 FTEs or 37%**, while from **1,463** people **gainfully employed, 491 or 34%** are women. As for the benefiting women's farms, **18 out of 587 or 3%** are women owned. PPSE interventions (contract farming, product development, certification programs, etc.) have reached 2 women owned SMEs (99 Lule and Biofruti) in the FNI sector. In 2019, PPSE has dedicated special attention in assessing the role of women in contracted farming by adding qualitative questions to the impact assessment questionnaire, which was utilized for interviewing around 300 farmers. Findings show that over half of family farms are managed solely by men, while in the remaining (47%) cases women also participate in decision making. Assessment findings also show in 62% of cases women have never participated in trainings. Findings will be utilized to design mainstream activities in 2020.
- In tourism sector, around 36% of jobs created were women from PPSE supported activities. Throughout the implementation of activities, PPSE team ensured the participation and engagement of women-owned tourism businesses. For the training of tourism guides, PPSE made it compulsory to partners that training participants should be at least 50% women. From the six partners in 'Development of Tourism Products' intervention, five of them are men and one is a woman-owned business – Camping L.L.C.

**5. Consultancies**

A total of 40 days of planned short-term consultancy days were executed in the reporting period (20 national and 20 international consultancy days).

An international consultant was engaged to support with expertise in seedling production and national consultants were engaged to co-facilitate visitor flow strategies in the tourism sector.

A total list of consultancies with information related to the engagement objectives can be found in Annex III.

## 6. Finances

### 6.1. Budget

The total planned budget for the second year of Phase II amounts to **CHF 1,938,430**. In the second year of the respective period, 98%, the amount of **CHF 1,898,229** has been executed.

Details of the budget implementation per budget lines in the implementation phase are provided under Annex VI. The following section explains cases with under- and overspending of more than 10% per budget line.

#### Part 1- Services Headquarters

The total budget for this budget line is **CHF 28,980**. **CHF 28,980** has been implemented to date, meaning 100%.

##### 1.1 Fees Headquarters Staff of Contractor

Out of the total planned budget of **CHF 27,920**, **CHF 27,920** are spent during the reporting period, representing 100%. Under this line item, Head Office (HO) technical advice have been used in the following: (1) for tourism sector the advice has focused on introducing the concept of sustainable tourism certifications for hotels in Kosovo; (2) HO has supported the PPSE team in organizing a workshop to discuss women leadership in FNI and tourism sector; (3) MRM support in preparation for the DCED audit.

##### 1.2 Reimbursable Costs HQ Staff

While the budget was **CHF 1,060**, **CHF 1,060** has been spent, resulting in 100% execution of this budget sub-line.

#### Part 2 – Local Office of Contractor

The total budget for this budget line is **CHF 84,490**. In the reporting period 92% of the budget, or **CHF 77,437** has been implemented.

##### 2.1 Fees Local Office Staff of Contractor

Of the budget of **CHF 76,800**, **CHF 76,800** was spent, 100% of total budget. Under this line item, the project has used support of Riinvest and Regional Office. Riinvest institute has supported the team with the key policy issues in regard to our work with the central government, and research activities, such as facilitation of focus groups around sector issues.

##### 2.2 Reimbursable costs

Out of the total Budget of **CHF 7,690**, **CHF 637** is spent, or 8%. Because the Regional Director is based in Tirana, travel expenses are reduced.

#### Part 3a – Long-Term Experts

##### 3.1 Fees for Professionals (Expat and National)

The total budget for this part was **CHF 677,250**, also expenditures were **CHF 677,250**, meaning 100% of the planned budget.

##### 3.2 Travel Expenses of Resident Expatriates and Dependents

Not applicable

### 3.3 Other Cost of Resident Expatriates and Dependents

Not applicable

### Part 3b - Short-Term Experts (Consultants)

The total budget for this part was **CHF 42,750**, while expenditures were **CHF 41,791** meaning 98% of the planned budget.

### 3.4 Fees International and National Short-Term Experts

The total budgeted was **CHF 40,000**, also **CHF 40,000** has been implemented, which is 100% of amount budgeted. 40 days of consultancies were used for both FNI and tourism sector.

### 3.5 Reimbursable Costs

The total budgeted was **CHF 2,750**, while there are only 65% or **CHF 1,791** for the reporting period. This is because most of the short-term consultants are local and do not need payment of accommodation and per diems, while the international consultancy involved very little in-country consultancy days.

### Part 3c – Local Support

The budget for local support is **CHF 168,275**, of which **CHF 167,494** has been implemented, resulting in 100% of the planned budget.

### 3.6 Remuneration of National Support Staff

The national support staff was budgeted for **CHF 76,200**, also expenditures were **CHF 76,326** or 100% of the planned budget.

### 3.7 Reimbursable Costs

Budgeted were **CHF 15,375**, while expenditures are **CHF 16,142**, which means 105% of this budget line. This line item was used to cover the cost of staff training relevant for the successful implementation of the project.

### 3.8 Total Purchase of Equipment for PIU

The planned budget was **CHF 5,200** while the **CHF 5,314** are spent during the reporting period or 102%.

### 3.9 Total Operating Cost PIU

Total planned budget is **CHF 71,500**, while **CHF 69,712** or **97%** are spent

### Part 4 –Administrated Project Funds

The total Part 4 planned budget is **CHF 936,685**, of which **CHF 905,276** are spent, representing 97% of the planned budget.

### Outcome 1: More, dynamic SMEs have grown in the selected sectors

The total planned budget of Outcome 1 is **CHF 275,000**. A total amount of **CHF 353,336** has been spent during the reporting period representing 128% of the planned amount, and 77% of the phase budget. Detailed explanation of the reason for this overspending is provided under the output narratives below.



Output 1.1: SMEs have improved the quality and diversification of products and services

Budgeted were **CHF 165,000**, while expenditures are **CHF 184,347**, or 112% of this budget line. Under this output, the teams in both sectors have increased their efforts to intervene with SMEs that had potential of launching new products (both in food processing and in tourism).

Output 1.2: SMEs have increased production

Budgeted were **CHF 110,000** while expenditures are **CHF 168,989**, 154% of this budget line, and 90% of the phase budget. As the sector SMEs have shown potential for absorption of growth and had demand for expansion, the team has worked intensively to accelerate contract farming expansion and increase number of new jobs created, resulting with overspending under this output.

### **Outcome 2: SMEs benefit from improved and better organized inclusive.**

The total planned budget of Outcome 2 is **CHF 240,000**. 92% of the budget, **CHF 220,722**, has been implemented during the reporting period. Detailed explanation of the reason for this overspending is provided under the output narratives below.

Output 2.1: SPs offer improved business support service

Budgeted were **CHF 100,000**, while expenditures are **CHF 57,818**, which means 58% of this budget line. This year, we focused our efforts in the Output 1.2, and the decision was opportunity driven. Although this output has been underspent during 2019, we have launched a new intervention with high potential for matching services with the needs of the SMEs.

Output 2.2: SMEs have improved access to sales channels

Budgeted were **CHF 110,000** while expenditures are **CHF 136,159** which means 124% of this budget line. Both sectors have deployed source market agents to assist the tourism and FNI actors of the private sector increase their sales and find new sales channels. It was important to intensify activities in creating international linkages in this period of the phase, as these linkages usually take more time to develop and show results.

Output 2.3: Stakeholders have improved sector organization and networking

Budgeted were **CHF 30,000** while expenditures are **CHF 26,745**, or 89% of this budget line.

### **Cross-Cutting Topics**

For the Cross-cutting topics **CHF 153,505** has been spent, amounting to 137 % of the total planned budget of **CHF 111,685**. Detailed explanation of the reason for this overspending is provided under the output narratives below.

#### *Capacity Building*

For capacity building **CHF 12,625** have been planned, while **CHF 12,532** has been implemented, which represents 99% of the total budget.

#### *International exchange on innovation for partners*

Under international exchange on innovation for partners, **CHF 15,000** was planned, while **CHF 25,331** has been implemented, 169% of the total budget, and 63% of the phase budget. Under this line item, we decided to overspend in 2019, provided that in 2018 we had underspending of 10,000 CHF. The budget was used for capacitating the intervention managers on their technical skills needed for the implementation of the project.

*Communication*

For Communication and promotion **CHF 15,631** has been spent, or 104% of the total budget of **CHF 15,000**.

*MRM, including DCED peer review audit, sub sector/destination assessments/baselines and impact ass.*

For the MRM related activities, **CHF 98,011** is spent, amounting to 146% of the total planned budget of **CHF 67,060**. The overspending under this line item was based on the needs of the project to prepare for the DCED audit.

*Strategic Review, Steering Committee and Team Building*

For the strategic review, **CHF 2,000** has been spent, or 100% of the total planned budget of **CHF 2,000**.

**Opportunity Fund**

For the Opportunity Fund, a budget of **CHF 250,000** was planned. **CHF 123,247** of the budget has been implemented during the reporting period, or 49% of the total budget. Some of the OF interventions that were planned to be implemented in 2019 are to be implemented in 2020, aiming to utilise the amount underspent in 2019.

**Social Inclusion Fund**

For Social Inclusion Fund **CHF 54,466** has been spent, or 91% of the total planned budget of **CHF 60,000**. This is because of the Tax issue during month of November, and the payments could not be executed.

**7. Project Organization, Management and Steering****7.1. Capacity Building and Exchanges**

All capacity building and exchanges were implemented as planned.

During 2019 internal coaching of staff was done continuously by the management and MRM Specialist. Backstopping support on MRM has been provided also by the Swisscontact Regional MRM Advisor Tanjima Ali. Capacity building and professional development trainings for staff were undertaken as per the specific needs of the team members and relevant to skills required for an improved contribution in PPSE.

The Swisscontact regional backstopping expert, Martin Dietschi, has supported PPSE on overall strategic and administration planning. Riinvest Institute supported the team in activities involving strategic planning, organization of stakeholders, advocacy and research backstopping support.

In May and September 2019, regular exchange workshops took place with the regional Swisscontact projects, between the project managers, MRM team and the sector teams, where coordination and synergy is being promoted. Regular monthly exchange meetings were held also with the EYE project team of Helvetas. Coordination meetings took place between management, apart from the mutual participation in each other's Steering Committees and exchanges between the teams of MRM, OF, Social Inclusion and Communications. Other activities with joint interest are being explored continuously.

The PPSE Management participated in the SDC ENE domain projects meetings, where the respective projects exchanged on the ongoing and future activities.

## 7.2. Project Organization and Management

The project is functioning at the same premises. Security measures have been undertaken to comply with the SC Kosovo Local Security Plan, that was formulated to comply with SC worldwide standards.

In terms of staff, there was one change during the reporting period. Dren Zatriqi, tourism facilitator, resigned in February, due to his career advancement and opportunities for professional development in the private sector. His position was replaced by Donika Gashi, who has private sector background and has managed to very quickly catch up with the tourism interventions, MSD methodology and has become a very important member of the team. Ibrahim Bejtullahu, the Opportunity Fund manager has also resigned as of December 31, 2019. His position is assigned to the tourism facilitator Malva Govori. The recruitment process for a new tourism facilitator has been conducted and concluded in January 2020. The International MRM Regional Advisor, Tanjima Ali, has continued to provide support from the regional office in Tirana.

On 13-14 June PPSE held a two-day internal workshop to review the first-year activities and the progress to date. A similar workshop for the end year review and planning of activities for 2020 has been conducted on 27-27 December 2019.

PPSE team, led by the MRM specialist, Fisnik Bajrami, and supported by the SC regional office and HO staff, was intensively engaged and working on the preparations for the DCED audit of the project, to be concluded in March 2020.

### 7.2.1. Project Steering

The main body for project steering is the Steering Committee, alternately headed by the SDC and to date by the Ministry of Trade and Industry (MTI). The third PPSE Steering Committee met in March 2019 to review the project's Yearly Plan of Operations 2019 and the Annual Report. Both reports were approved. The fourth Steering Committee meeting was held in October 2019, to review and approve the semester report. Only a number of SC members participated in the fourth SC meeting, namely, representatives of the SDC, the Kosovo Women Chamber of Commerce, and the Rugove Company, whereas SC members that were absent include representatives of the MTI/KIESA, the Kosovo Employment Agency, the Kosovo Chamber of Commerce, and the social inclusion expert. Additional external stakeholders participated as special invites, including the CEO of Swiss Experience and the EYE project manager. The SC members present in the meeting approved the report, while the approval from the absent SC members was requested and concluded via email. Absence of the SC members makes the SC meetings less dynamic. PPSE will coordinate closely with SDC and the SC members to influence active engagement, participation and contribution of all SC members in the next SC meetings.

The advisory body, the Strategic Review Panel (SRP) with the Riinvest Institute and SC, have reviewed and supported PPSE with the Annual Report and the YPO. Other regular exchanges between the two consortium partners have taken place as well.

There was a continuous coordination and strategic guidance by the Swisscontact regional director and Riinvest director. Swisscontact Deputy CEO, Florian Meister, visited PPSE in May. An exchange meeting with the SDC director took place during the respective visit.

PPSE was in close contact with SDC throughout the year and there was a close coordination and meetings related to the planning and implementation of the activities in the second year of PPSE Phase II.

### 7.2.2. Monitoring and Results Measurement

PPSE has worked intensively for monitoring and results measurement system in the year 2019, especially after the decision for planning for a full DCED audit. The team has consolidated intervention

documents for 9 interventions (5 in FNI and 4 in tourism), including: concept notes, baseline and projections, results chains, intervention and measurement plans, systemic change analysis and impact assessment reports and other information and monitoring related documents. Furthermore, the team has updated sector related documents for the audit, including sector strategies, sector results chains, sector systemic change analysis, sector reviews and other related documents.

Related to measuring the impact of the interventions, over 400 interviews were conducted with beneficiary SMEs and farms for the FNI and tourism sectors. This included a thorough impact assessment for PPSE beneficiary contracted farmers, with a sample of almost 300 farmers (including 50 farmers for understanding counterfactual). This enabled the team to assess the impact of PPSE FNI interventions at the farm level, as well as to formulate an attribution strategy focused on the ‘difference in difference’ growth. Full impact assessments for 8 interventions (4 in FNI and 4 in tourism) were finalized towards by the end of 2019. Two planned activities were scheduled for 2020, mainly due to time constraint issues, one related to the impact assessment for the intervention ‘Facilitation of and another for study regarding the impact of specialized seedlings usage in agriculture product yield and quality.

### 7.3 Communication

The core message of all PPSE communications emphasized the Swiss Government contribution to the private sector development and job creation in Kosovo. The main tool used was transformational storytelling to present results achieved through the stories of “characters with agency”.

**TV Shows:** PPSE partnered with two local TV production companies. Through “Toka Jonë” weekly show broadcast on Klan Kosova we promoted the products and processes of SMEs in the FNI sector. Through “TAG Kosova” show on KTV we promoted new tourism products and destination, targeting primarily the local, regional and Diaspora visitors. Key PPSE events received good TV coverage, e.g. inauguration of Agrobora seedling greenhouse, launch of Via Ferrata in Prizren, and the event that brought together women entrepreneurs.

**Events:** PPSE organized the launch of opening of Agrobora seedling producer; the launch of paragliding product, the opening of Via Ferrata in Prizren, and provided support to events by other partners, such as the launch of kayaking product, or the gastronomy exhibition. All these events received a very good media coverage, especially through dedicated TV programs further promoted via various online channels. In November, PPSE organized two separate one-day events focusing on women entrepreneurs. The first day was in the format of a workshop that brought together over 20 women from the FNI, tourism, ICT and marketing sectors to discuss topics such as thinking creatively, networking and bringing innovative approaches. The second day was in the format of two panel presentations with successful women business founders from Kosovo and Albania to talk how women from the private sector and other sectors can come together in a powerful network of their economic empowerment

**Social Media and Online:** In 2019 PPSE opened an Instagram account to use as an additional channel for reaching out to a different audience. The project website and the PPSE page on the Swisscontact worldwide website were updated on regular basis.

PPSE Facebook continues to be the primary channel of online project communication. The total organic reach (number of unique users, fans or non-fans, who saw the page posts) in 2019 was 375,008. Our page posts were shared by the official Facebook pages of the Embassy of Switzerland; Swisscontact Worldwide; SDC Implementing Partners group, as well as partner or individual pages.

PPSE posts on regular basis on the project Twitter account, the medium.com account, and LinkedIn accounts of team members and Swisscontact worldwide to further disseminate project news.

**Publications and Videos:** PPSE has published the following: two brochures promoting local tour guides trained through PPSE, two semi-annual newsletters. PPSE produced four videos, one for the [tourism](#) sector, one for [SEC](#) service and two for FNI sector: [FNI1](#) [FNI2](#).

**Media Reporting:** In the reporting period, PPSE and our beneficiary activities have featured prominently in local and international media outlets: online news agencies; radio, TV. See Annex VII for a list of media mentions and appearances of PPSE, Swisscontact and SDC.

**Compliance and Visibility:** All PPSE communications materials follow the SDC branding and communication guidelines. Everything is published in English, Albanian and Serbian.

## 8. Lessons Learnt

- In 2019, PPSE assessed that SMEs, particularly in the FNI sector, have recorded high growth levels. The growth of SMEs was driven by several factors, including those influenced highly by PPSE interventions. SMEs have enjoyed higher export demand as well as more sales in the domestic market through introduction of new products and more intensive marketing. This has been a different trend compared to previous year, when the growth was mainly assessed and attributed at the farm level. The growth of sector SMEs provides promising early signs that the sector is expected to further expand.
- Findings from assessments with farms and SMEs in Kosovo show that recent trends of Kosovo labour migration have started to impact all sectors in Kosovo, including the FNI sector. SMEs and farms have reported that among the main problems now are difficulties in attracting workers at current wage levels. Furthermore, PPSE has recorded few cases of previously contracted farmers that have migrated abroad. In response to this phenomenon, SMEs and farms are moving more towards mechanization. SMEs and farms are requesting more support related to machinery that enables mechanization as well as relying more on crops that are less labour intensive. This trend might also have implications for PPSE, specifically for the employment creation objective and targets, which are primarily generated in the FNI sector – among SEMs and farms that engage in labour intensive crops.
- PPSE has assessed that Municipalities, particularly Prizren, Pejë/Peć and Prishtinë/Priština, have increased their commitment and role for tourism development. This has been noted both in their financial and activity related efforts in facilitating development of tourism products. An interesting development is noted in the efforts of Municipalities in tourism promotion. The Municipality of Prizren has intensified support for promoting SMEs and the destination around Prizren in international fairs, while the Municipality of Prishtinë/Priština has started to develop the Prishtina tourism brand. These initiatives are important for the growth of tourism sector, as well as for PPSE interventions. PPSE is now seeking partnerships with Municipalities in supporting destinations at fair participations, particularly for markets with proximity and potential such as Albania and Turkey. Until recently, KIESA has been the main public sector institution supporting Kosovo tourism promotion internationally.
- In 2019, PPSE has worked with specialized consultants to facilitate interventions such as International Promotion, Turkish Market Promotion, and Facilitation of Trade Linkages. This has proven to be rather successful, where these consultants have been in providing market information from targeted market segments and opportunities to reach out to strategic potential partners for promoting Kosovo.

- In 2019, it became become obvious that strategic communications and promotion efforts should be integrated from the start in the intervention design. The team has learned that using communication just for project purposes, i.e. to promote only activities or the visibility of the donor and implementing partners is neither sufficient, nor the proper way of communicating for broader and lasting impact. Therefore, streamlining communications approaches in tourism and FNI has proven more effective, and a source of good practices to be replicated and modified for future use.
- The team has designed and intends to pilot soon an intervention for integrating farmers form communities of Roma, Ashkali and Egyptian into contract farming. This initiative has been undertaken after the team has learned that there is considerable potential to integrate farmers from these communities in subsector that are not traditional to the livelihood of these communities.