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MINISTRY OF FOREIGN
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Horticulture Promotion in Kosovo (HPK)
Helvetas Swiss Intercooperation (HSI) Component

Annual Progress Report

January – December 2011

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Table of Contents

1 Basic Information *4*
2 Executive Summary *5*
3 Background *6*
3.1 Context 6
3.2 Project 6
3.3 Employment and Income 7
4 Results Reporting per Outcome *9*
4.1 Outcome 1: Quality Goods and Services 9
4.2 Outcome 2: Markets and Post Harvest 11
4.3 Outcome 3: Associations and Institutions 13
4.4 Outcome 4: Competitive Fund for Horticulture 15
4.5 Crosscutting issues ..... **Error! Bookmark not defined.**
5 Finances *18*
6 Lessons learnt 20
7 What else we would like to say 22
8 Annexes : 23
Annex 1: HPK LogFram 24
Annex 2: Impact Survey summary report 28
Annex 3: 42

List of Abbreviations

ARDP	Agriculture and Rural Development Plan 2009-13, revised Sept. 2010
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
FIBL	Forschungsinstitut fuer biologischen Landbau
GiZ	Deutsche Gesellschaft fuer internationale Zusammenarbeit
GoK	Government of Kosovo
FB	Fire blight
HPK	Horticulture Promotion in Kosovo
HQ	Head Quarters
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	Ministry of Foreign affairs DK
MoU	Memorandum of Understanding
n/a	Not available
NOA	New Opportunities in Agriculture (US-AID project 2012-15)
PIU	Project Implementing Unit
ProDoc	Project Document
UoP	University of Prishtina
RI	Riinvest Institute for Development Research
SCO-K	Swiss Cooperation Office in Kosovo
SFH	Special Fund for Horticulture
YES	Young Entrepreneurs Scheme (activity 3.3.1)

1 Basic Information

Country: **Kosovo**	Name of project: **Horticulture Promotion in Kosovo – HPK** (Helvetas Swiss 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	Reporting period: 01.01.2011 – 31.12. 2011

Budget in phase (CHF)[1]	5,803,497	SDC Budget in 2011 (CHF)	2,372,896
		Spent. 2011 (CHF)[2]	*2,157,784*
		Local (PIU+ staff) budget in €	1,167,909
		Local expenditures 2011 (€)	1,035,329
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 *SDC contribution (2 years) is CHF 2'223'779; MFA's DK 10'531'403 to be converted into CHF at reception*			

Implementing organisations:			
Main national partners	Private actors (producers, traders, collection Centres, nurseries, retailers) ETC, Kelmendi, ProCredit Producer associations, advisers MAFRD, KIA Riinvest Institute, MEST/Danida, Swisscontact KPEP, NOA	Main international partners	NADEL (Impact Study) Consultants (regional/Intl.)

Project manager:	**Mr. Heini Conrad**	Number project staff	Expat: 2 National: 12; 9 since April
Expat consultant (days):	n/a of planned 60		
Regional consultant (days):	24 of planned 72		
National consultant (days):	65 of planned 125 [3]		

[1] Budget amended and agreed 26th September 2011

[2] Estimate based on effective local expenditures, Interim statement 1st half 2011, but 2nd half HO Services missing

[3] Effective numbers need still to be established

2 Executive Summary

Context: The political situation in Kosovo has been troubled this year; after controversial elections a new Government and cabinet was formed by end of February only. In July GoK tried to gain control over North Kosovo, the attempt failed and KFOR had to intervene, the situation is still unsolved with blocked roads and internal disputes how to frame the tense relations with Serbia. In agriculture it was a difficult year climatic wise as well price wise with very low producer prices for some crops.

Project: HPK-HSI had to manage many changes and challenges in 2011; coordination of activities with the new 2nd HPK component implemented by Riinvest, retrenching the number of staff, relation building with new counterparts in SCOK and launching new name HELVETAS Swiss Intercooperation after the merger of Intercooperation with Helvetas. Nonetheless the project progressed very well and can report very good results; YPO was followed and some of the targets were exceeded in shorter time and with fewer resources than proposed in the Project Document. The project is well on track compared to the phase targets. Details are given in chapter 4.

- Highlights of achievements in 2011 are:
  - Number of producers following Integrated Production (IP) practices has been more than tripled from 117 to 400
  - Over 350 days of advice have been delivered to 18 groups, under cost sharing agreements of 50%, and some additional days fully paid by users as commercial service
  - Investments in infrastructure for product aggregation continued to be important, with 10 collection centres supported (3 existing and 8 new centres), with a total investment of approximately €700,000, with support of €300,000 from HPK, bringing the total number of operational Collection Centres to 13
  - NWFP (formerly called MAP) sector: In the past 5 years employment and turnover of the sector have increased by more than 300 % (assessment study)
  - 19 CFH/SFH grants funded with project contribution of €583,000 and total investment of €1.2 Million into the 3 sub sectors (vegetables, fruit and NWFP)
  - 2nd impact study was carried out in Nov/Dec; summary results can be found in Annex 2
  - Performance and motivation of the HPK-HSI team stayed at a very high level supported by project management and 2 teambuilding workshops

- In 2012 HPK project will be closed, the implications for the last year of project are:
  - Consolidation of interventions; most of the planned activities for 2012 shall be completed by mid of the year and, where necessary, handed over
  - Capitalization of results of HPK project; will start in the 1st half of the year and keep the team busy in the 2nd half together with the end of phase report
  - Closing of project: Special attention to be put on spending remaining projects funds as planned and follow up exit plan and administrative closure of project for proper and timely closing of project
  - A significant challenge will be retaining staff until the end of the year, as it is expected that capacities and resources will be reducing including International Advisor who is employed only till mid-year.

3 Background

3.1 Context

General: In spring a new coalition Government was formed in Kosovo. Unrest in Northern Kosovo started when GoK tried to gain control of border posts in July, interventions of KFOR followed and at the end of the year the roads are still blocked; destabilizing the overall political situation. GoK did not renegotiate in time the trade agreements with EU giving Kosovo privileged access to EU markets; as a consequence importers of Kosovar products into EU countries were charged an extra 10% import duty till September. MAFRD: Mr. Blerand Stavelici was reappointed as head of MAFRD. The ministry will have an increased budget in the coming years and presented ambitious plan of priority activities for 2012. Agriculture suffered in 2011 of difficult climatic conditions (drought) and low prices in vegetable sector; harvests for fruits and wild collected produce were low, but prices at a good to high level.

3.2 Project

HPK has pursued its strategies laid down in the YPO. Since the project started using the M4P framework and approach in its interventions incorporating it with its long experience in the horticulture sector of Kosovo a lot of progress has been made. At the turn of commencing the last year of current phase V (2010-12) main achievements and progress were made in following areas of the market system.

- **Core value chain interventions** (outcomes 2 and 4): Using the strategic concept of focusing the project's interventions on the key aggregators' level *(see YPO 2011)* the main interventions were successfully continued to enhance change in the Horticulture market system. HPK worked closely with selected value chain actors who have potential to leverage changes.
  - Strong improvements in **product aggregation** through support in the establishment of collection centres and of joint marketing activities at the processors and exporters level: In addition to the results achieved in 2010; 8 new Collection Centres (CC) were established bringing the total of supported CC to 13. These are now representing a crucial marketing link between small producers and bigger buyers that did not exist 2 years ago. The CC's have the potential to bring about structural change needed for well functioning modern supply chains. In a study carried out by external consultant she confirmed that the usefulness of the approach and the modest support in equipment underpinning the importance of a better management of CC's in order to become long term sustainable business. Currently HPK is working with 27 key actors (collection centres, traders, processors and retailers) and the total quantity of fresh produce marketed through them has increased to more than 10,000 tonnes, of which 5,400 tonnes were exported. This means that the targets for market improvements set for the phase have been exceeded after 2 years only.
  - Increased investments into the sector by **co-financing investments with grants** from CFH/SFH: In 2011 19 projects were implemented for a total investment of €1.198 Million with grant co-funding of €583,000 (leverage 2:1). The grant sum was in this year doubled with the additional Danish funding bringing the available funds to €600,000; out of which 97 % were committed and 84 % (€502'479) was disbursed according to status of implementation. Many improvements in the procedures of assessing and negotiating the projects have increased the quality of the projects financed and the statistics underline the usefulness of the grant instrument which contributes a lot in speeding up investments and improving the infrastructure of the sector bolder and quicker than initially planned by investors. 2011 targets were set

initially set at €300,000, but have been thanks to extra funds made available in April only and efforts of the project team almost doubled.

- **Facilitation of supply and market linkages**: Alongside with these interventions HPK is acting as facilitator in many multi- and bi-lateral events and negotiations over the year. It is basically bringing actors together whose trust has been gained over the long years of project's activities in the sector. Two events, a B2B meeting in January with more than 50 businesses represented, and the 'Vegetable Export Day' in September with more than 150 participants highlight this approach. Study tours, including to Fruit Logistica and BioFach in Germany, as well as regional visits to Macedonia, Albania and Turkey, strengthen the knowledge and collaboration of market actors. At the same time, the facilitation approach allows the project to act as trusted innovator to push the 'softer issues' of basic business understanding and management skills for these SME's and introduce practices of a formal economy in the sector which is still mostly functioning informally.

- **Support activities** (Outcome 1): HPK does combine the core value chain interventions with support activities on the sector's service side working with service providers and making their services easier affordable to producers by subsidizing some of the crucial technical advice and improving information on production related market requirements and making it available to producers.
  - **Advisory services**: Linking advisory services with the product aggregation strategy has been a very successful intervention in this year. A package of technical advice how to improve production was contracted by 18 formal and informal groups which were linked to the CC's and processors. HPK facilitated these agreements and supported the delivery or the advice by 18 advisors that have been trained in phase IV of the project subsidizing a total of 326 days paying 50% of the advisors fee. More advisory days have been contracted by some groups independently showing first signs of the creation of a market for commercial advisory services.
  - **Integrated production – IP:** HPK made it mandatory for the partners benefitting from the project's support to follow IP guidelines in production. In parallel a system for independent internal inspections was built up with the help of external experts and functioned well this year giving first indications on how much IP practice was followed by the producers. The results are promising; 400 producers are producing under IP system, meaning the 2011 target of 250 producers has been exceeded by 60%.

- **Business Environment & Rules** (Outcome 3):

Good progress was made in the collaborations MAFRD. At the beginning of the year the MoU with the Ministry was revised; activities and responsibilities have been set on a clear base. This allowed HPK to successfully work with KIA and actively engage with the various departments of the Ministry (Plant protection on IP, support FADN with the statistical unit) and most important to participate in strategic discussions with MAFRD's advisors on collection centres and other issues that HPK has been following up since years. Many of them are now reflected in MAFRD priority activities for 2012.

All details on achievements per outcomes and the agreed Logframe indicators are reported in the following chapter 4.

3.3 Employment and Income

Project's ultimate goal is to generate employment and income. This is not captured by the Outcome indicators reported in chapter 4 and for this reason HPK has started in 2010 with the impact study; this year the 2nd impact study was carried out in last quarter of 2011.

In the following we are referring to impact study results and NWFP data collected done by project.

- **Vegetable & fruit sector**

Based on the first data analyses of the 2011 Impact survey interesting facts can be presented.

  - Compared to 2010 more persons are employed in nurseries, where the number of permanent employees has more than doubled
  - In production an average of 5 to 6 persons (mostly family members) are occupied with the farming activities. 185 direct and indirect beneficiaries were interviewed, giving employment for over 1'000 persons
  - The number of permanently employed persons by post harvest actors has increased by 17.5% since last year and offering 390 jobs. Youth are well represented in this sector, with 20% of the permanent and 30% of non-permanent workers in the 17 to 25 years age group.
  - Employment of youth and women is strong in the sector's production activities; over 30 % are youth, and 30 % are women.
  - Income analysis for post harvest actors increased significantly from 2010 to 2011, more than €10 million for the 35 actors surveyed. Farmer income also rose during the period, although more modestly. Nurseries saw an increase in average turnover of almost 300% between 2010 and 2011.

- **NWFP sector**: HPK Team and an external consultant have in the 2nd half of the year gathered basic data from the key stakeholders. The data collected show an impressive development of the sector in the past 5 years; the assessment revealed:

  - The main operators in the sector provide 260 permanent jobs (up from 80 by 3.3 times) and they employ another 526 persons seasonally (up from 112 = 470%).
  - The number of collectors supplying raw material to the six companies increased from 3,100 to 11,400, which is an increase by of 3.7 times. It is estimated that the collectors' family income was €2.6 Million in 2011. The turnover in value of the 4 leading companies increased from €1.2 to €4.1 Million, an increase of nearly 3.4 times.
  - HPK supported the sector in the past 3 years with grants or €327,960 in co-financing which unleashed total investments of €1.04 Mio

More details on impact are presented in Annex 2 summary of impact survey.

4 Results Reporting per Outcome

Our reporting is referring to the revised Log Frame as presented and shown in Annex 1. The progress made in 2011 is given on the level of each Outcome Indicators which can be compared with the target set for the full year and end of phase (2012). Results are presented as either the 2011 result only, as both a cumulative total for the phase as well as the 2011 achievements, depending on how the target has been defined. The method of reporting is made clear under each Outcome Indictor.

In the narrative part of each outcome, more details are given, and also refer to the additional targets often on the output level. In the logic of the causal model they are referring to the outcomes set in the Log Frame.

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

Outcome Indicators (OCI)	Baseline 2009	Achievement 2010	Target 2011	Achievement 2011	Target End of Phase 2012
OCI 1.1 Improved packages of technologies for key value chains established and use documented[4].	5	7	5	7	5
OCI 1.2 Number of producers adopting IP (Integrated Production) in key value chains	51	117	200	400[5]	250
OC 1.3 Service providers[6] providing quality advice in 3 sub sectors (production, financial and post harvest)	n/a	22	25	18	30
OC 1.4 Input suppliers providing quality advice	3	10	7	6	7
OCI 1.5 Producer groups co-financing advice to at least 50% of costs	0	8 (50%) 4 (25%)	20	18 (50%)	30

Outputs (OP) related to Outcome 1
OP 1.1 Improving the quality, quantity and continuity of supply of local fruit and vegetables **OP 1.2 More actors participating in the formal economy and have access to financial services** **OP 1.3 Integrated production is accepted standard for all HPK supported production activities**

[4] Packages of technologies have been implemented in the 7 key value chains of apples, strawberries, greenhouse vegetables (tomatoes, cucumbers), onion, cabbage and peppers. This activity began in earlier phases of the project and has continued with advice into 2011 where we see further adoption by producers.

[5] Majority of producers (400) co-finance IP advice from service providers, with a total of 326 days of advice co-financed in 2011

[6] Service providers include advisers, nurseries providing embedded advisory services and financial advisers supported by HPK

HPK has successfully introduced improved production technologies for 7 crops back in 2010 in continuation from activities in previous phases. Crops included in this activity are apples, strawberries, tomatoes, peppers, cucumbers, onions and cabbage. Information brochures completed in 2010 and early 2011 have been distributed to farmers and advisors. It can be observed that an increasing number of producers adopt improved technologies by joining groups of producers benefitting from co-financed advice or in autonomous replication.

HPK is working towards encouraging producers and product aggregators to operate more within the formal economy. A number of tools are being used to achieve this, including requiring all co-financed product aggregators to use correct invoicing, be registered as formal business and to transact payments via bank account instead of cash. Uptake is variable as resistance by producers and small traders to VAT, banking and taxes is high. This is more of a problem with newer collection centres, which we hope will increase as they build trust between producers and buyers.

The On-Farm Accounting System (OFAS) that was developed over 2009 and 2010 has been introduced to 7 associations with 65 producers installing the software. HPK has supported the software, and training to these producers.

The rapid increase in producer groups (both informal and formal) that have been willing to adopt and co-finance IP advisory services in 2011 has been very pleasing, with numbers of farmers co-financing advice increasing more than 3 fold from 2010 to 2011. The end of phase target of 250 farmers adopting IP has already been exceeded.

There are less advisors engaged in 2011 than 2010 (18 instead of 20) but this is to be expected in a developing market as some advisors move onto other activities, and the better advisors are used by more farmers. It is also clear that the 2012 target of 30 advisors (OCI 1.3) will not be achieved. This is a result of less advisors being active, but working with more farmers each. From a sustainability perspective, this is still a positive outcome for the sector.

There are 6 input suppliers providing specific production advice as well. In 2011, nurseries are also providing embedded services with the sale of seedlings and trees. There are 12 nurseries supported by HPK, and most are providing some level of technical advice.

HPK-HSI has changed focus on support to producers from direct intervention to working through product aggregators and production advisors to target larger numbers of farmers This approach has accelerated and become increasingly successful in 2011, with a rapid increase in the number of farmers using and paying for formal advisory services. A commercial market for paid advisory service is emerging, and some producers do contract directly advisers for their services. Equally it can be observed that an increasing number of producers adopt advanced production techniques by joining groups of producers benefitting from co-financed advice or in autonomous replication.

HPK is seeking in more projects to include as many beneficiaries as possible under co-financing agreements. In previous project phases, a lot of work was done on a ‘demonstration’ level – providing one or a few producers with new inputs or technologies to demonstrate their benefit to a wider audience. Our focus is now on projects that will impact on multiple small holder farmers or employees, such as collection centres and processing facilities.

HPK-HSI is also placing more emphasis on encouraging all actors of the horticulture market system to engage in formal business practices. This cannot change quickly, as the entrenched system of cash payments and informal agreements are widespread.

Rating of result (outcome) achievement for Outcome 1

	Rating	Definition	Comments
	A	**Very satisfactory**. No needs to adjust plans	A strong production base is a prerequisite for successful marketing of horticultural products. The concept of paying for advisory services and investing in modern growing techniques are being adopted by more farmers than expected. As anticipated in the 2010 Annual Report,

			fewer interventions are needed from the project to consolidate the production base.

Implications of results and process for next year of operations (steering)
HPK-HSI has continued its focus on facilitating improved market access for producers (refer to results under Outcome 2) and reducing direct support to advisors for production. The changed focus of support to producers has been on co-financing advisory services, and the results in 2011 have exceeded targets and expectations set in 2009 and 2010.Further strengthening of the producers will be achieved in 2012 with focussed activities on Integrated production, quality standards and closer linkages with market actors.

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

Outcome Indicators (OCI)	Baseline 2009	Achievements 2010	Target 2011 (additional)	Achievements 2011	Target End of Phase 2012
OCI 2.1 Number of storage facilities established: • On-farm • Commercial	 10 2	 19 3	 0 2	 0 5 (total 8)	 15 5
OCI 2.2 Number of women organisations marketing home made products	7	2	2	2 (total 4)	10
OCI 2.3 Number of processors linked to producers	0	5	0	6 (total) [7]	4
OCI 2.4 Joint marketing activities undertaken through • Collection Centres • Processors • Exporters	 0 0 0	 6 7 2	 5 2 2	 8 (total 13) 6 (total 7) 9 (total 11)[8]	 6 4 5
OCI 2.5 Increase in export turnover of partners[9]	n/a	4,715 tonnes	15%	5,463 tonnes	30 %

Outputs (OP) related to Outcome 2
Outcome 2 has six main outputs **OP 2.1 Market linkages between actors are strengthened by focussing on product aggregation** **OP 2.2 Quality standards for key crops are available and disseminated to actors**

[7] The activities of linking processors and producers has been undertaken mostly via collection centres, but direct contracts with farmers and processors also occurred. In most cases this now includes working with Integrated Production and the formal economy.

[8] This total includes 5 non-wood forest product operators in 2011

[9] Includes actors from the fruit, vegetable and non-wood forest product sectors

OP 2.3 Processors improve quality and market access through QA or food safety standards

OP 2.4 Production, marketing and consumption of locally produced, high quality fruit & vegetables is promoted

OP 2.5 Market opportunities are identified and information disseminated to actors

OP 2.6 Post harvest skills and technologies are improved and fully utilised

HPK organised three B2B roundtables in the first half of 2011, and 2 in the second half. These focussed on creating linkages between producer groups and post harvest actors. Successful linkages were made between several actors, and will be realised in the second half of the year. In addition to these, a meeting was held in conjunction with Kosovo Chamber of Commerce (KCC) on the issue of VAT in agriculture. HPK-HSI is working on brochure for producers to help tackle this and other issues related to improving farmers' business practices, to be published in early 2012. Joint marketing activities conducted in 2011 include: 1. Fruit Logistica (February with 10 participants), 2. 5 B2B Meetings with between 15 and 50 participants at each, 3. Kosovo Vegetable Export Day with more than 150 participants and 4. Study tours to regional countries and Turkey.

Product aggregation through Collection Centres (CC) remains a central activity for HPK, and a more detailed report of the 13 functioning centres in 2011 will be included in the Annexes to this report.

Based on the experience of past year a strategy for further development of CC was developed. 8 potential partners for establishment of new CC's have been identified, and supported in Representatives of these new centres visited Macedonia to explore improved management practices and observe the operation of similar centres. In addition, a study trip to Turkey was completed with 2 collection centres supported in 2010 to observe more advanced collection and marketing activities.

HPK completed a major assessment of all actors in the NWFP sector, with the report included in the Annexes. This showed exports in excess of €4 million in 2011, and the inclusion of more than 11 thousand collectors working across Kosovo. This is clearly a major sector for Kosovo in relation to export income, economic opportunities in rural areas and employment prospects for women, minorities and youth.

A booklet, aimed at collectors in the field, for identifying correct species was planned to be finalised, and a series of training organised via main operators (who also co-financed the publication costs). This is an important tool to increase the quality of collected materials, in particular the leaf/herb varieties.

Quality guides for 2 new crops – strawberries and cucumbers – were completed in 3 languages (Albanian, Serbian and English) and distributed to partners. In addition, an updated guide for tomatoes was completed in all 3 languages, plus Turkish. Guides for peppers and apples were updated and translated in Albanian and Serbian. These were also distributed in Albania via the international back stoppers to the HPK second component (Fibl).

Exports via collection centres, processors and exporters rose to 5,460 tonnes in 2011, an increase of 700 tonnes from 2010, another indicator of the continued success of HPK partners in this demanding market.

Food safety audits were carried out on 4 partners' facilities, financed by HPK. The aim was to develop a product that can be replicated to other facilities in Kosovo. HACCP certification is being supported by other projects/donors, but HPK saw a need to provide support below this certification level to bring some of the sub-standard facilities handling food products to a higher level of safety. This has proven reasonably successful with 3 other businesses paying for such assessments, and all 3 of them changing their development plans according to the results of the assessment.

Despite efforts to organise local promotion of fruits and vegetables in collaboration with Riinvest, no specific activities occurred in 2011. Activity has been postponed to next year as this year it was too late into the crop season to promote local products.

All results under Outcome 2 in 2011 have exceeded not only this year's targets, but also those of the entire project phase. The exception has been the number of women's groups supported, as this was reduced by the closure of an organisation that represented several smaller groups. With significant changes to the processing market in Kosovo, namely the emergence of several large processors capturing more of the local and export market, identifying suitable women's groups that can achieve sustainable sales has proven difficult.

Rating of result (outcome) achievement for Outcome 2

	Rating	Definition	Comments
	A	**Very satisfactory**. No needs to adjust plans	The results under Outcome 2 indicate that HPK has achieved most of the targets for 2011 and in most cases the end of phase targets for 2012. This is an outstanding achievement by the project team.

Implications of results and process for next year of operations (steering)
HPK-HSI has proven that building a sustainable production base, then moving to a market development approach can be very successful. The entire project team is now focussed on driving sustainable market development, and this has resulted in project targets been exceeded, in some case by more than 100%. The project's focus is now shifting to strengthening this system by targeting activities that embed these achievements in the formal economy, incorporate advanced production techniques and increasingly meet international standards for quality management. These advanced achievements will not be reflected in the narrow targets set, but will be seen in the continued growth and success of the sector's actors beyond the project's completion.

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

Outcome Indicators (OCI)	Baseline 2009	Achievements 2010	Target 2011	Achievements 2011	Target End of Phase 2012
OCI 3.1 Strengthen sector representation • Number of associations working in the sector on behalf of members	20	20 (plus 6 informal groups)	20	15 formal groups with activity plans 6 informal marketing groups	20
• National representative body operating	0	1 (Apple Union)	0	1 (Apple Union)	1
• Private organizations active in sector (KCC, Tregu, others)	Agreements of cooperation	Agribusiness Fair organized by KCC Tregu participation in CEIWMF[10] regional meeting	Handing over of trade balance (KCC)	Agribusiness fair supported with KCC	Handing over of sector wide activities

[10] CEIWMF (the Central European Initiative Wholeslae Market Foundtion) is a regional organisation supproting wholesale markets in cenral adn eastern Europe.

OCI 3.2 Support to Government in establishing legal framework on : • Combating virulent diseases	Draft Administrative Instruction for Fire blight (FB) (unsigned)	Yearly program against FB Inspection protocol on FB management Assessment of PPV by international consultant	Collaboration on FB and Plum Pox (PP)	1 consultancy on FB. Support on inspection and training of MAFRD and KIA staff.	Administrative Instruction and activities on virulent diseases.
• Lists for safe use of pesticides	2 (apples, tomatoes)	5 (tomato, cucumber, plum, apple, strawberry)	5 (2010 crops + lettuce)	7 (2010 crops + lettuce & peppers)	6 (2010 crops + lettuce)
OCI 3.3 Number of graduates starting business[11]	0	0	5	15	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 sector initiatives and education** Associations were requested to prepare annual plans for their activities. 15 of these have been accepted by HPK, and in addition, a number of informal groups are working on joint marketing and advisory services, mainly through activities of collection centres. In total, 10 agreements were signed for supply of fruits and vegetables, resulting in sales of approximately 3,000 tonnes of fresh products. The Apple Union continued to organise activities without direct project support, and has produced a simple brochure detailing the member associations and products grown. With a processor it was agreed to market all third grade apples from the associations under a joint agreement, and although some difficulties were encountered in fulfilling this agreement, talks have commenced on improving this in 2012. The Union has also become representative of the sub-sector's producers in MAFRD working group. HPK continues to support activities with MAFRD, including through Kosovo Institute of Agriculture (KIA) with 5 visits by regional consultants for training. Activities on fire blight were less in 2011 than 2010 based on requests for support from MAFRD, but 2 workshops were held in relation to Integrated Production. HPK also supported the development of software for the Farm Accounting Data Network (FADN), an activity started in late 2010 and completed in 2011. Activities with private sector organisations have been limited, but included a VAT workshop with KCC and support for the Pristina Agribusiness Fair (also KCC). The business ideas grants in association with Danida project succeeded in awarding 5 grants to students from agriculture schools. This was a difficult process, requiring a lot of time input from HPK. Ideas are being sought in early 2012 to increase the efficiency of awarding these grants.

[11] This activity is coordinated with MEST/Danish project – VET and Swisscontact VES – vocational schools

Activities under Outcome 3 have proceeded well in 2011. Relations continue to improve with MAFRD, with numerous meetings held with different staff and advisors within the Ministry. The more realistic targets for cooperation with government and private sector agencies set in 2011 also meant that more targets were achieved. The collaboration with KCC has been good with their active participation in CFH Board and Steering committee. Work with associations has been much focused in encouraging them to increase the cooperation between members and manage their own activities without direct support, this approach yields better results seeing the better organized and more active ones advancing. 7 of them started using the On-Farm Accounting Software (OFAS) developed by the project. The informal groups associated with collection centres are also proving successful.

A particular success was the awarding of 5 grants for the Business Idea Competition, together with (MEST/Danida, Swisscontact, 5 Agri Schools and service provider). Although this was a time consuming activity, 5 projects were implemented late in 2011.

Rating of result (outcome) achievement for Outcome 3

	Rating	Definition	Comments
	B	**Satisfactory**. Minor problems may arise and small adjustments in implementation may be necessary	Only minor problems encountered with some activities, for example support to sector initiatives. On the positive side has been the implementation of grants to agriculture school students through the BIC.

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

It is proposed to continue to follow with association, Union and private Business Member Organizations to follow an 'on demand' approach coming from their concrete activities rather than push further for the sake of Sector organization alone.

Contacts with MAFRD should be kept on the current good level and additionally focus more on the strategic level and donor coordination. Results from meeting in late in 2011 with senior advisors should be seen in 2012 through improved collaboration on more activities.

Preparations for a better concept for the BIC activity are under way; even with an improved approach we will not be able to disburse the budgeted €105,000 (for 3 years), budget needs to be revised for 2012.

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).

Outcome Indicators (OCI)	CFI (2009)	Achievements 2010	Target 2011	Achievements 2011	Target End of Phase 2012
OCI 4.1 Number of successful projects	30	22	20	18 CFH & 3 SFH contracts	40

OCI 4.2 Investment leveraged through CFH grants • *Total investment* • CFH grants • Leveraged ratio	 €951,065 €394,700	 *€533,015* €205,658 2.6 : 1	 *€600,000* €300,000 2 : 1	 *€1,198.916* €583,255 *2.1 : 1*	 2 : 1
OCI 4.3 Percentage of CFH funds are allocated to[12]: • women • minorities	 2 of 30 4 of 30	 3 of 22 2 of 22	 10% 10%	 9% 14%	 10% 10%

Outputs (OP) related to outcome 4
The CFH had two (2) outputs: **OP4.1 CFH grants increase employment and income to a wide range of beneficiaries** **OP4.2 Previous grants are monitored and supported to maximise benefits** A total of 21 CFH contracts have been signed in 2011 for a total of €583,255. Whilst this is below the combined budget for the CFH and SFH of €600,000, the funds for the Special Fund for Horticulture were not completely taken up, but additional CFH grants were awarded. Of this total, 18 projects had been fully implemented by December 31st, with 3 outstanding payments totalling €110,333. These are expected to be completed by February 2012. The Special Fund for Horticulture: Additional funding has been provided for grants under HPK-HSI by the Danish Government. This was agreed to be used for a fund targeting larger investments with established partners. 3 grants were awarded, totalling €230,170. A considerably higher level of activity was undertaken by HPK to identify suitable projects implemented by women and minorities in the second round of the CFH. This resulted in a larger number of concept notes being submitted, but very few of these were suitable for funding under the guidelines of the CFH, in particular those projects submitted by NGO's supporting women groups. The 10% target for funds under the CFH going to these grantees was achieved though.

Amount spent was slightly above budget for the CFH, and slightly below for the SFH. In 2012, the funds will be considered as one pool for funds and projects selected on their suitability for funding rather than on the actual size of the proposed grants.

Rating of result (outcome) achievement for Outcome 4

	Rating	Definition	Comments
	A	**Very satisfactory**. No needs to adjust plans	The CFH 2011, including 3 projects financed under the SFH, has been successfully implemented in 2011. Outstanding payments for January 2012 are in line with contract agreements. HPK-HSI has managed the implementation of these grants in an efficient manner.

[12] The percentage of grants going to women and minorities was clarified by SDC after the 2010 Annual Report as referring to the 'value' of the grants, whereas reporting in 2009 and 2010 was on the 'number' of grants. This information relates only to the CFH and not the SFH.

Implications of results and process for next year of operations (steering)
The CFH continues to be an effective tool for not only leveraging investments in the horticulture sector, but also highlighting new and potential partners for HPK. Although this has been successful, the number of suitable grant proposals in each round of the CFH is quite small. For example, despite wide advertising and promotion, of the 51 Concept Notes received for Round 2 of the CFH only 18 were short listed for visits by the Technical Committee, from which 9 Applications were requested and only 8 projects financed. Of these, 4 of the grantees have previously received financial support from HPK. This indicates that the number of good proposals from reliable partners and hence the absorption capacity of the sector is limited, and large amounts of additional grant funding may not lead to improved outcomes. 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.

4.5 Crosscutting issues

Gender: HPK made additional efforts inviting women's organization to bring forward their proposals for co-financing under the CFH. The results are mixed, more proposals were received, but many concepts were still based on well-intentioned approaches rather than viable business plans. HPK supported 3 projects managed by women in processing and NWFP collection for a total of € 32'550. Two were supported with higher contribution of 70 %; the quota achieved was 9.2 % of the CFH funding.
Besides using the CFH support instrument a successful market linkage can be reported: one women's group succeeded in positioning their home made preserves in biggest supermarket chain ETC. The increased capacities in commercial processing of vegetables and exports of MAP have direct positive employment effect; the first results of impact study confirm this; more than 30% of the employed persons are women, mostly in seasonal jobs. Employment of women into more skilled positions is an area that may provide other options for HPK to support women in agriculture. Many partners do employ unskilled women in rural areas for seasonal work; but some have hired women for skilled permanent jobs, such as food technologist and production managers in processing businesses. These are encouraging developments in mainstreaming gender based on HPK's market approach. HPK has introduced disaggregation monitoring data.

Governance with a focus on social inclusion:
As for gender HPK follows a market driven approach and can report progress on the social inclusion of minorities. In the CFH funding three projects were co-financed with in Turkish community (2) and one in Serb enclave for a total of € 36,500. Special efforts in promoting HPK's possible support were done in collaboration with SCOK to increase inclusion of actors from North Kosovo; we are expecting more proposals for the 2012 CFH round.
Partner collection centres for vegetables follow non-discriminatory approaches linking many producers belonging to ethnic minorities; this relates to Kllokot and Mamusha municipality for example. The NWFP sector offers through the collection of wild produce (berries, mushrooms, medicinal plants) offers income opportunities to many families of minority groups in Dragash, Shtërpce and North Kosovo (*in chapter 3 employment and income impact is reported).*

5 Finances

Note: Figures below are based on the provisional Interim statement, minor changes may be necessary after final check.

HPK HELVETAS Swiss Intercooperation Expenditures 2011				
In CFH	**Budget 2011**	**Expenditures 2011**		
Description		**Total expenditure**	**Balance 2011**	**% budget**
Part 1 Services Headquarters	**105,155**	**93,128**	**12,027**	**89%**
3a - Long-term experts Professionals-National	826,780	827,388	(608)	100%
3b - National/regional short - term experts	151,085	104,647	46,438	69%
3c - Local support Total	185,397	150,671	34,726	81%
Total Part 3 Project Implementation Unit (PIU)	**1,163,262**	**1,082,706**	**80,556**	**93%**
Part 4 - Administrated Project Funds (APF)				
OC 1 Quality goods and services	45,240	37,274	7,966	82%
OC 2 Marketing and Post harvest	182,000	170,627	11,373	94%
OC 3 Sector organisation	74,100	69,554	4,546	94%
OC 4 Competitive/Special Fund for Horticult..	792,090	629,894	162,197	80%
OC 5 Project Management	11,050	30,628	(19,578)	277%
Total Part 4 - Administrated project funds	**1,104,480**	**937,977**	**166,503**	**85%**
GRAND TOTAL	**2,372,897**	**2,113,811**	**259,086**	**89%**

Comment to Finances:

Competitive Fund: The Danish Foreign Ministry has offered in April additional funds for the competitive fund (+500'000 Euro/2 years); Project has accepted this additional challenge. Euro 300'000 were budgeted for 2011; in the short period of 8 months in 2011 230'170 (=77%) were contracted out of which 147'070 were spent in 2011.

Short term experts: Project was using more local and regional consultants this year. Two of the international consultancies were contracted in the 4th quarter and included assignments in the 1st quarter of 2012.

Remaining funds for 2012 are 2,006 Mio CHF as shown in table below

HPK HELVETAS Swiss Intercooperation 2010 - 12 Phase Budget				
		Expenditures		Balance
	Phase Budget	2010	2011	2012
GRAND TOTAL	**5,870,412**	**1,843,218**	**2,020,683**	**1,913,383**

5.2 Efficiency

HPK has achieved better results than targeted and spent fewer funds than budgeted for this. From an efficiency point of view this is very positive; on the other side under spending does sometimes create for the donor some problems. The project found in this year a good balance by spending 89% of the budget.

Project has this year undertaken special efforts to follow up closely the expenditures against budget. In the financial management commitments were added to the monthly interim statements, so that the progress in implementing projects could be better monitored.

Budget was based on an exchange rate of 1.30 to the Euro; effective exchange rate was at 1.25; difference on local spending calculated was CHF 52'195. At the end of the year only 3 CFH/SFH projects were not fully implemented; the pending commitments are Euro 90'700 (= CHF 112'875). Considering these facts which are mostly outside of project's control a difference lower than 10 % to budget was achieved (= 96%)

6 Lessons Learnt

- Good planning and review: HPK has introduced new planning tools for 2011 year and done a thorough planning with the whole team in November 2010. As a result this year the underlying strategies were well understood and it was easier to follow this year's activities of YPO. Activities were reviewed every quarter and adapted.

- Skills requirements for implementation: Market development facilitation is dynamic process. The context may change rapidly, new partners are identified and not all selected partners perform as required; initial hypothesis of interventions might be inaccurate and need to be changed. This requires from the project team high learning capacities and flexibility in implementation in order to achieve the expected results. The experienced and committed local team that shown most of these skills and further improved its performance as shown in the outcomes.

- Focusing on systemic change: HPK's focus has switched to a more systemic approach aiming at changes in the market system. The efforts for better linkages in the value chain through product aggregation with collection centres started in 2010 have been continued and start showing encouraging results. There is a remarkable change with the now existing network of private sector SME's which is capable to respond to market demands improving considerably the market access for producers. The project used several activities under the different outcomes in a better and combined way; e.g collection centres were supported in technical advice, management of the company, co-financing investments and facilitating linkages between them and the buyers.

- Market changes take time: HPK has been working for several years in the introduction of Integrated Production and training advisor for private advisory services. The efforts start to pay off now; the number of farmers applying IP has more than doubled, and more farmer groups are using the services of private advisors. Slowly a market, although still decreasingly subsidized by the project, is emerging.

- Changes in market practice: HPK sees good progress on the technical side and the crucial investments into the sector. Biggest remaining challenge are the soft issues; better planning, clear and long term vision, good management of the companies. There still a lot remains to do in order to increase competitiveness management wise.

- Donor coordination: The positive message is to see the increased interest of donors to support the agriculture sector with new projects and more money invested. The downsides are some negative crowding effects when all implementers are working with the same few successful partners risking to 'overfeed' them. HPK shares information on given support and grant co-financing with other implementers and is also participating in NOA's interventions on IPM. More coordination is still required on the donors level as much as on the implementers.

- Team development: HPK-IC management and team had to steer through a challenging period in this year. An experienced external consultant coached the project manager and supported the team to get aligned and to build on their own strengths and

knowledge. This team building process has contributed a lot to focus on what matters and opened individual perspectives beyond the project's lifetime.

- Over the long period of working into the sector HPK has accumulated a lot of experiences and assets. Major fields of experiences are:
  - HPK has gained good experience in how to apply M4P approach and using other market development tools
  - In the last phase a innovative approach to product aggregation has been applied
  - the grant approach and allocation process,
  - IP practice and advice linked to private advisory services and initial modular training for the formation of qualified advisors.
  - Quality production and post harvest management

  Much of it is laid down in the respective documents and guides and can be easily shared. A lot still needs to be capitalized and documented.

- Impact survey: This year the 2nd impact survey was undertaken. In comparison with one year only (2011 to 2010) some interesting insight are coming up (for more details see Annex 3) and late, but not too late, HPK disposes of data showing the impact the project has. The HPK impact survey is unique and innovative within SDC projects worldwide; a first presentation given by the consultant to the development community in last December found a lot of interest. HPK sees in it a key element in the capitalization of impact as we are heading towards the end of project.

- Effective Facilitation and Networking: One of the major achievements of this longstanding project is the recognition and trust gained over the years with partners and stakeholders equally. This may be the most important asset as to work efficiently as a market facilitator. A facilitation project relays very much on the market actors (partners and providers) acceptance in order to enhance lasting and sustainable systemic change.

7 What else we would like to say

- 2011 was marked with a lot of changes internally and externally. HPK-IC team was downsized in staff and 3 experienced project officers have left the team to join the NOA project. The 2nd component, facilitating entity, implemented by RI/FIBL started in February following the PMCA methodology. This was not always understood by the partners and required extra efforts in aligning the two programme entities. New counterparts started in SCO K; good relations have quickly been established. HPK management is happy that it was able to manage all this well and in particular that HPK-IC team's motivation and commitment was kept on a high level allowing HPK-IC to deliver good results.
- In July 2011 Intercooperation and Helvetas have merged to become the biggest Swiss NGO. During a visit of the new management to Kosovo the new name and logo were presented to the stakeholders and meanwhile HELVETAS Swiss Intercooperation (HSI) Kosovo has been registered as local branch of International NGO.
- In SDC the process of decentralizing responsibilities and decisions has not yet fully taken place. The approval of the revised budget for 2011 took a very long time; the final budget was only approved by end of September. Decision on strategic issues in project steering should in our opinion be taken by the coordination office within the given phase frame work. This is not always the case and can produce delays and incertitude.
- A good strategic reflection with SCO–K was started in the 4th quarter with the intention to assess how to build on the experiences made beyond 2012. HPK was invited to bring forward suggestions to this which was done and welcomed by SCO-K. This process came to an abrupt halt after the meeting with head of Eastern Europe Unit. HPK was instructed to strictly follow the agreed project document and YPO which was never contested from HSI side and it was decided not to continue the international advisor's position. In the project this was perceived as a major setback to a very positive and dynamic process. It took a little while to find the good motivation to concentrate on the mandate solely.
- Reporting has improved a lot with the use of new reporting formats of SDC. One problem persists, the reporting timelines for narrative and financials parts need to be harmonized. A decision to this issue has still not been taken.

8 Annexes

- Annex 1: HPK LogFrame
- Annex 2: Impact Survey Summary report
- Annex 3: Summary report on CFH

9 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**

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	- 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	- 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	- 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	- 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	- Half yearly and yearly reports - Survey, statistics and meetings with farmers - Publications	- 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	- 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	- Half yearly and yearly reports - Survey, statistics and meetings with farmers and input dealers	- 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	- 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	- Half Yearly and Yearly reports - Assessment of degree of investment leveraged - Statistics and meeting with grantees	- 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	- 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	- Feasibility study for KABC - Round tables and meetings with different stakeholders farmers - Yearly reports of KABC	- 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

HELVETAS Swiss Intercooperation

Schweizerische Eidgenossenschaft
Confédération suisse
Confederazione Svizzera
Confederaziun svizra
Swiss Cooperation Office Kosovo

MINISTRY OF FOREIGN AFFAIRS DENMARK

Impact Assessment of Horticulture Promotion Kosovo (HPK) in the Fruit and Vegetable Value Chains of Kosovo

Draft Report: Results of 2010 and 2011

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Table of Contents

Executive Summary ..... *iii*
1 INTRODUCTION ..... *iv*
1.1 Background iv
1.2 Objectives of the study iv
2 RESEARCH DESIGN ..... *iv*
2.1 Survey Design iv
2.2 Sample categories v
2.3 Sample size v
2.4 Data collection and analysis v
3 FINDINGS ..... *vi*
3.1 Horticultural Production vi
3.2 Employment in the Horticulture Sector viii
3.3 Assets & Income in the Horticulture Sector x
3.4 Marketing & Trading of Horticultural Production xi
3.5 Associations and Advisory Services xiv

Executive Summary

The following short report summarises the key data collected from the Impact Surveys conducted in 2010 and 2011. This overall impact Study is a three year project, and a final report with detailed analysis of the data will be concluded in late 2012.

Most of the same actors were surveyed in 2011 as in 2010, although in particular with producers, it was not always possible to include the same people. Additional surveys were conducted with post-harvest actors as well as nurseries in 2011 to gather more detailed data of the overall system.

Some interesting results have been found in this two year assessment though, and are summarised in the following section.

9.1.1.1 Horticultural Production

- As anticipated in 2010, there has been a **significant increase in the productivity of apple orchards** supported by the project. Data in 2010 showed indirect beneficiaries had higher production, but this was due to the younger age of the trees for direct beneficiaries. 2011 productivity was similar for both groups, for direct beneficiaries this represents a **60% increase.**
- Data on vegetable production shows mixed results between direct and indirect beneficiaries. This is partly due to the sometime unclear split of 'direct versus indirect' with some farmers receiving support via third parties, such as collection centres, actually being classed as 'indirect'. Further work on this division of beneficiaries is required.
- Income for all producers remained relatively similar between 2010 and 2011 despite difficult market conditions for most crops in 2011 (lower prices, adverse weather)

9.1.1.2 Post-Harvest & Trading Activities

Income and trading activities for post-harvest actors increased significantly from 2010 to 2011, reflecting both a maturing of several businesses, but also continued growth of more organised trading in the key value chains supported by HPK. This is achieving one of the central goals of HPK – namely increase market system integration.[13]

9.1.1.3 Nurseries[14]

Nurseries also significantly increased their income due to increasing demand by producers for quality inputs and planting material.

9.1.1.4 Employment

Employment data shows an **increase in labour** for both post-harvest actors and nurseries, including a **17.5% increase in permanent employment with post-harvest actors.**

Additional data was collected in 2011 on employment of minorities, youth and females within all sectors of the horticulture system. The data shows that in particular females and youth are well represented in the increasing employment being generated, ranging from 30% up to 50% of total employment.

[13] Refer to the separate report on Product Aggregation prepared by HPK

[14] Refer to Intervention Reports prepared by HPK for vegetable and fruit nurseries

9.1.1.5 Marketing and Trading

Analysis was completed on 2 crops (apples and peppers) to demonstrate the flow of products through the market system. Such graphic representations will be developed for all main crops supported by HPK and included in the final report of the Impact Study.

10 INTRODUCTION

10.1 Background

Whilst HPK has been active in the horticulture sector since 2001, during the first 4 phases of the project there had been no coordinated approach to data collection for the purpose of monitoring project impacts. With the anticipated closure of the project by the end of 2012, it was decided to conduct a study to understand the impacts of the 5th and final phase.

The Impact Study will comprise 3 separate surveys. This report summarizes the results of the first two surveys, carried out in October 2010 and October/November 2011. A final survey will be conducted in late 2012.

This report is a draft report for the first two years, with a full analysis and final report to be prepared at the conclusion of the third and final survey.

10.2 Objectives of the study

The purpose of 3 year study is to assess:

- the impacts of HPK on the economic situation of households and small and medium-scale enterprises in terms of ***employment and income;***
- to what extent HPK's activities contribute to ***greater integration*** between horticulture producers and other stakeholders; and
- to what extent HPK's change from a direct intervention approach to systemic interventions on key actors during 2010 – 2012 contributes to **functioning, competitiveness, and growth** of selected horticulture value chains.

The study will identify project outcomes/impacts and will provide an in-depth understanding of the various causal relationships and the mechanisms through which they operate.

11 RESEARCH DESIGN

11.1 Survey Design

Attribution of project impacts requires comparing observed outcomes to a control group. The control is an estimate of what might have happened if the project had not been undertaken.

Such a control group for HPK is not possible to identify due to: (i) the limited geographical size of Kosovo, (ii) high expected spill over effects from direct beneficiaries to their neighbouring horticulture producers (especially considering the project has been operating for 11 years) and (iii) influences by other project interventions in the field of agricultural production. Another difficulty facing this study is the missing baseline data for outcome and impact indicators.

Instead, a methodology was developed to identify two groups of beneficiaries and comparing outcomes from these.

i) The **direct beneficiaries** (= treatment group)

   Direct beneficiaries receive project support, including training by project staff or advisors, financial support, subsidized inputs or support provided via collection centres, processors and traders.

ii) The **indirect beneficiaries** (= "spill-over" group).

Indirect beneficiaries benefit from spill over effects originating from direct project beneficiaries. Such spill-over effects happen through knowledge sharing between direct beneficiaries and their relatives, friends or neighbours living in the same or in surrounding villages who then start to replicate autonomously the improved techniques . While such a spill -over effect is desirable from the project's perspective, these effects are more difficult to handle in an impact sturdy as it might seem that the project has less impact than it actually exerts.

To create a 'base line control group by compiling of complete lists of farmers not touched by project's interventions (direct or indirect) of the selected villages is too time consuming; we used pair wise sampling by asking interviewed direct beneficiaries to identify 1 or 2 'indirect beneficiaries' producing under comparable conditions.

There is some further clarification work required on beneficiaries that received support in only one year of the project, and whether they are considered direct beneficiaries throughout the 3 year study. This will be clarified in the final study report in 2012.

11.2 Sample categories

Following beneficiary categories will be included in the study.

Horticulture producers	This group constitutes the main beneficiary group. The producers are involved in several value chains in vegetable and fruit production
Producers associations	HPK is providing support and advice to some producer associations. The project is interested to assess outcomes in relation to the sector organization
Advisors	HPK has trained a group of production advisors who are now engaged via associations and other actors to support farmers
Nurseries	The project is strengthening the technical, business and marketing capacities of selected nurseries (fruit, vegetables, ornamental)
Post-harvest actors	These actors include collectors, processors, MAP operators, wholesale traders and retailers (collectively referred to as 'Product Aggregators')

11.3 Sample size

Table 1 Survey sample size per type of interviewed actors

	Direct beneficiaries		Indirect beneficiaries	
	2010	2011	2010	2011
Individual horticulture producers	99	87	92	98
Advisors	22	23	7	4
Producer associations	16	15	-	-
Nurseries	12	17	-	6
Post-harvest actors	28	27	-	8
TOTAL	**177**	**169**	**99**	**115**

11.4 Data collection and analysis

For each of the thematic areas, specific questionnaires were elaborated to capture outcomes in terms of employment and income, to qualify attribution and to get a better understanding of the causal relationships between project services and outcomes through project intervention.

It is likely that project participants might pass useful information and practices on to their friends, relatives, and neighbours. From the perspective of a market facilitation project such as HPK, such spontaneous replication is desired. However, such 'spill-over' or replication effects can mask some of the project's impact by improving all members of the sector. The use of qualitative methods will help to understand spill–over impacts and to assess their effects on project outcomes.

A limitation of this study is the attitude of producers to sharing information,. We don't know to what extent we can trust the information. Another difficulty is that it is sometimes difficult to get reliable data as the producers and other interviewed horticulture actors don't really keep track on labour, inputs and marketing data. Such 'recall' data is open to greater variation than written record keeping. We need to accept the answers, but recognise these limitations.

12 FINDINGS

Full data from the 2010 and 2011 surveys are not included in this report, but are available on request. The final report in 2012 will include extensive annexed data from all 3 surveys and related data collection.

12.1 Horticultural Production

The following table summarises the producers interviewed in 2010 and 2011.

*Table 2 Survey sample size for the individual horticulture producers **2010***

Type of crop system	Direct beneficiaries (N = 99)		Indirect beneficiaries (N = 92)	
	Number	With production in 2010	Number	With production in 2010
Top fruit producers (apple, plum)	42	37	27	22
Soft fruit producers (strawberry)	14	14	6	6
Vegetable producers (13 different vegetables)	55	51	65	65
Total producers	**111**		**99**	

*Table 3 Survey sample size for the individual horticulture producers **2011***

Type of crop system	Direct beneficiaries (N = 87)		Indirect beneficiaries (N = 97)	
	n total	n with production in 2011	n total	n with production in 2011
Top fruit producers (apple, plum)	41	37	32	26
Soft fruit producers (strawberry)	20	19	8	7
Vegetable producers (13 different vegetables)	47	47	73	73
Total producers	**108**		**113**	

12.1.1 Total Production

In 2011, both direct and indirect beneficiaries cultivated similar amounts of land for fruits and vegetables – 1.3 and 1.4 hectares respectively. Indirect beneficiaries owned slightly more land though, with 4.5 hectares and only 3.6 for direct beneficiaries.

Rented land for cultivation was significantly higher for direct beneficiaries though, with land for cultivation of fruits and vegetables more than double for direct beneficiaries – 3.3

hectares compared to 1.6 for indirect beneficiaries. 45% of all producers rented land in 2011 .

The following table provides data from 2010 and 2011on each of the main fruit and vegetable crops supported by HPK. Data is provided on the total area, total production, average production per producer and average production per hectare, comparing direct and indirect beneficiaries.

It is interesting to note that 2011 was considered a difficult year for production due to adverse weather in spring, coupled with extremely dry conditions during summer. However, the data in the following table shows that for most crops (with some clear exceptions) the production levels were maintained or increased in 2011. This resilience of farmers in difficult circumstances is one of the main outcomes of improved production pracices being promoted by HPK.

*Table 4 Production data for **2010 & 2011** for all direct and indirect producer beneficiaries*

	Direct Beneficiaries				Indirect Beneficiaries			
	Total Area (ha)	Total Prod. (t)	Av. / farmer (t)	Av. Yield (kg/ha)	Total Area (ha)	Total Prod (t)	Av. / farmer (t)	Av. Yield (kg/ha)
Fruits								
Apples 2010	42.4	457.1	13.1	10,776	25.9	412	20.6	15,975
Apples 2011	40.7	653.3	21.1	16,071	31.5	507.1	21.1	16,078
Strawberry 2010	11.1	130	9.3	11,743	4.0	23.3	3.9	5,832
Strawberry 2011	13.5	76.4	4.0	5,667[15]	2.0	25.8	3.7	12,622
Vegetables								
Pepper 2010	35.6	1,155	38.5	32,460	63.8	1,634	30.8	25,615
Pepper 2011	30.8	865	28.8	30,693	40.1	1,093	22.7	33,827
Cucumber 2010	10.8	902	25.8	83,600	5.0	233	9.7	46,640
Cucumber 2011	5.5	332	20.7	95,993	4.7	312	14.9	103,317
Tomato 2010	10.2	927	27.3	90,882	3.5	285	13.6	81,600
Tomato 2011	6.9	701	35.0	105,419	9.8	828	23.0	87,054
Cabbage 2010	10.1	738	56.8	73,069	12.0	596	33.1	49,667
Cabbage 2011	13.7	547	45.6	38,048	21.3	1,055	30.2	51,072
Watermelon 2010	35.6	1,784	118.9	50,126	7.4	241	24.1	32,635
Watermelon 2011	31.9	2,855	259.5	57,257	12.5	414	41.3	35,192

[15] Strawberry production in 2011 was impacted by 2 farmers reporting high damage due to adverse weather.

	Direct Beneficiaries				Indirect Beneficiaries			
	Total Area (ha)	Total Prod. (t)	Av. / farmer (t)	Av. Yield (kg/ha)	Total Area (ha)	Total Prod (t)	Av. / farmer (t)	Av. Yield (kg/ha)
Onion 2010	11.2	236	21.4	21,053	5.6	89.5	11.2	15,982
Onion 2011	16.85	450	37.5	28,763	4.0	78.0	9.75	19,773

12.1.2 Improved Production Techniques

Data is presented here on the changes in production techniques for the main crops surveyed in 2010 and 2011[16]. For apples produced by direct beneficiaries, there has been a significant increase in the area of Integrated Production (IP), rising from 50% of the total area to 75% in the last 2 years. A similar increase for improved practices has been seen with indirect beneficiaries, with a rise from 20% to 75% of the planted area using at least one improved technique. There was also a small rise in the area of IP for indirect beneficiaries from 0 to 10%.

For all vegetables, there was an overall increase from 16% to 36% of farmers implementing IP on at least some of their crops. This resulted in an increase in the area under IP for vegetables from 4.6 hectares in 2010 to 13.0 hectares in 2011, an increase of almost 3 times. Most pleasing in this result was that several producers classed as indirect beneficiaries implemented IP for the first time in 2010.

In addition to this amount, 5 watermelon growers indicated they also implemented IP on a total area of 27.3 hectares, but this is still to be verified.

12.2 Employment in the Horticulture Sector

Further work was carried out in 2011 to better define the level of employment in all categories of the sector, but with a focus on improving data from producers.

12.2.1 Employment by Post-Harvest Actors

Post-harvest actors include product aggregators, traders and processors. 28 actors were interviewed in 2010 and 35 in 2011. The additional 7 actors were new businesses supported by HPK during 2011. As they were businesses established with the help of HPK in 2011, the increase in employment can be strongly attributed to the project's interventions, and is therefore considered as an increase in overall employment in the sector.

Data in the following table shows that not all post-harvest actors employed additional staff, or did not provide information on this. The number of actors listed under each section indicates the number that provided information in relation to employment

	2010 Employment		2011 Employment		Change
	Number of Actors	Total	Number of Actors	Total	
Permanent (number)	26	332	30	390	+ 17.5%

[16] Full data on all crops is included in Annexes

Non-Permanent (days)	20	17,250[17]	18	4,700	See foot note

Of these totals for 2011, days attributed to youth, females and minorities are:

	Minority		Female		Youth	
	Number of Actors	Total	Number of Actors	Total	Number of Actors	Total
Permanent (number)	8	17	17	173	15	79
Non-Permanent (days)	5	660	11	2,315	7	1,430

The data in the table above shows that for 2011 20% of the permanent workers are youth, 44% are female and 4% are minorities. Of the day labour, 30% are youth, 50% are females and 14% are minorities.

12.2.2 Employment through Horticultural Production

Employment data for production is less reliable, as informal employment and family labour are much more prevalent with producers, and record keeping is normally poor.

Extra efforts were made in 2011 to instruct producers to provide data including family and own labour. This means that comparisons between data from 2010 and 2011 are difficult, but will be further evaluated in the final Impact Survey in 2012. For this reason, data in this report is currently limited to 2011 only. Data includes information from top fruit, strawberry and vegetable producers.

	Direct Beneficiaries (87 surveys)		Indirect Beneficiaries (98 surveys)	
	Total	**Avg. per Producer**	**Total**	**Avg. per Producer**
Total Days (household and hired labour)[18]	107,350	1,263	92,170	960

Of these totals for 2011, days attributed to youth, females and minorities are:

	Number of Days	**Percentage**	**Number of Days**	**Percentage**
Youth	36,203	33.7%	23,555	25.6%
Females	34,888	32.5%	34,655	37.6%
Minorities	3,103	2.8%	1,689	1.8%

[17] Large numbers of non-permanent workers were included in 2010 who were not working in horticulture, and data will be reviewed prior to finalizing the report.

[18] Full time positions were calculated at 200 days per year for the purpose of total labour

12.2.3 Employment in Fruit and Vegetable Nurseries

Employment by nurseries is high, as it is a labour intensive operation. The data below shows a significant increase in labour from 2010 and 2011 which still needs to be verified for the final report.

	2010 Employment		2011 Employment		Change
	Nurseries	Total	Nurseries	Total	
Permanent (number)	11	36	14	80	122%
Non-Permanent (days)	7	275	16	3,917	-

Of these totals for 2011, days attributed to youth, females and minorities are:

	Minority		Female		Youth	
	Nurseries	Total	Nurseries	Total	Nurseries	Total
Permanent (number)	1	1	6	20	8	23
Non-Permanent (days)	7	817	4	662	9	2,292

12.3 Assets & Income in the Horticulture Sector

12.3.1 Income from Post-Harvest Activities

Post-harvest actors include product aggregators, traders (wholesale and retail) and processors. Some of these actors work in products outside of horticulture as well, but the data attempts to separate the horticulture income from that of the general businesses.

28 actors were interviewed in 2010 and 35 in 2011. The additional 7 actors were new businesses supported by HPK during 2011, and will also be included in the final Impact Survey in 2012. As they were businesses established with the help of HPK in 2011, the increase in income can be strongly attributed to the project's interventions. Data includes fruit and vegetable products as well non-wood forest products. Not all partners of HPK are included in this survey, but the data represents at least 75% of the companies working directly with the project.

	2010 Income	2011 Income
Average Income for Fresh Products	€201,163	€415,400
Average Income for Processed Products	€93,362	€176,700

As can be seen in this data, 2011 was a significantly improved year for the trading of horticultural products, with income more than doubling, although it should be noted that some of this increase is the result of increased imports.

12.3.2 Producer Assets & Income

Income data for production is less reliable than that of post-harvest actors, as informal payments are much more prevalent with producers, and record keeping is normally poor.

Producers report that approximately 60% of their total income comes from horticulture activities, with other agriculture the second main income source, with remittances and some private and public sector employment contributing to the household income.

Data includes information from top fruit and vegetable producers only. Data for strawberry producers is still being verified and is removed.

	Direct Beneficiaries		Indirect Beneficiaries	
	2010	**2011**	**2010**	**2011**
Average Income per Producer	€15,242	€16,295	€11,418	€10,217

A large part of the increase in income for direct beneficiaries is a result or the top fruit producers, who in many cases have young orchards that are now entering a higher level of production.

12.3.3 Income for Nurseries

Income data for nurseries shows a significant increase between 2010 and 2011 as producers increasingly use quality seedlings for production. This is an especially pleasing result for the project, as it has promoted the use of improved planting material strongly for several years.

	Direct Beneficiaries		Indirect Beneficiaries	
	2010	**2011**	**2010**	**2011**
Average Income per Nursery	€13,254	€33,471	n.a.	€13,083

12.3.4 Credit taken by horticulture actors

Amongst horticultural producers, a similar number took credit in 2010 and 2011, with 25% of direct and indirect beneficiaries reporting loans. What did vary was the size of these loans, with direct beneficiaries averaging €7,354 (2010) and €9,600 (2011) compared with indirect beneficiaries having loans averaging €3,725 in 2010 and €3,829 in 2011.

5 nurseries took credits in 2010, averaging €6,700 but this reduced to only 2 in 2011 with loans of €10,000 and €47,000 respectively.

Post-harvest actors took the highest amount of loans, with 9 of the 28 surveyed in 2010 having average loans of €78,000, increasing to 19 of the 35 surveyed in 2011 with average loans of €99,000. This is to be expected with a higher level of investment required in post-harvest equipment and product purchasing, but is also a positive sign that confidence in the sector is high and increasing.

12.4 Marketing & Trading of Horticultural Production

The marketing of fresh fruits and vegetables is a complex system, with producers marketing their products directly to the public, to retailers, to traders and also via collection centres and processors. Traders also often act as importers and exporters, as well as aggregating products from local farmers to sell onto processors and retailers.

With all crops, the majority of both direct and indirect beneficiaries undertake their own, direct marketing to traders and the retail market. Traders not only buy from local farmers, but also import products both during the off season as well as in competition to local production.

The following schematic aims to visualise the main channels for trading of horticultural products in Kosovo, using apples and peppers as example crops. Further analysis will be made of several more crops for the final reporting in 2012.

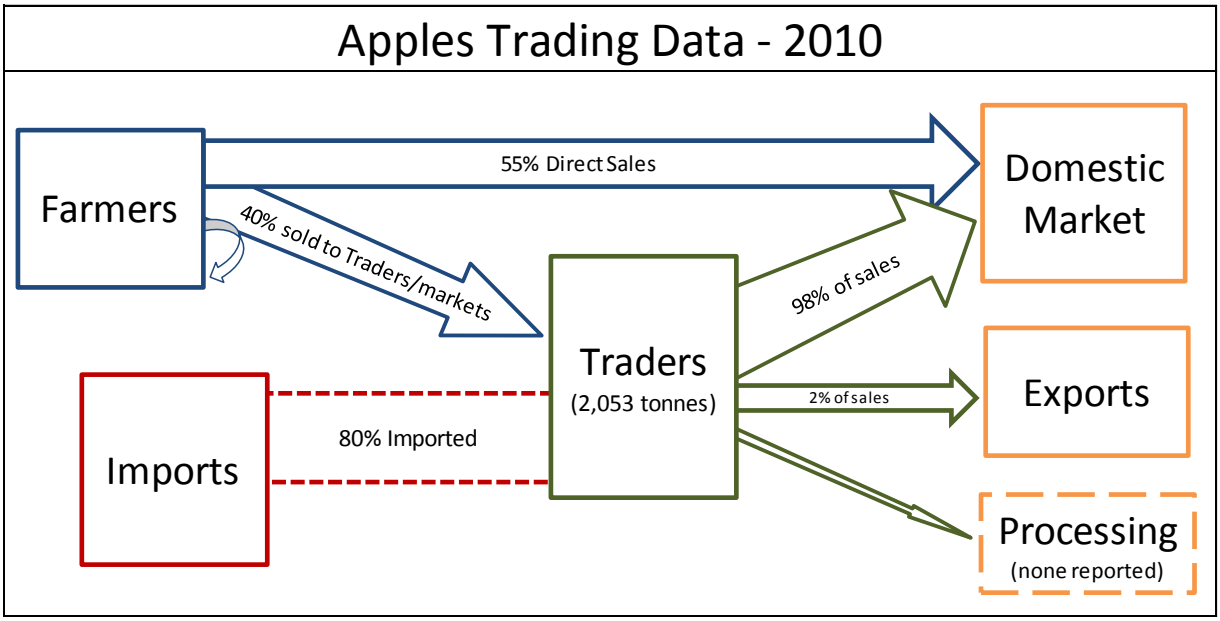
The information in these charts is not a complete for Kosovo, but is the data gathered from the survey responses only. Producers sell to many more traders than are included in the survey, and equally, the traders also buy from many other farmers. However, the market

schematics give an indication of the relative importance of each of the trade channels existing in Kosovo[19].

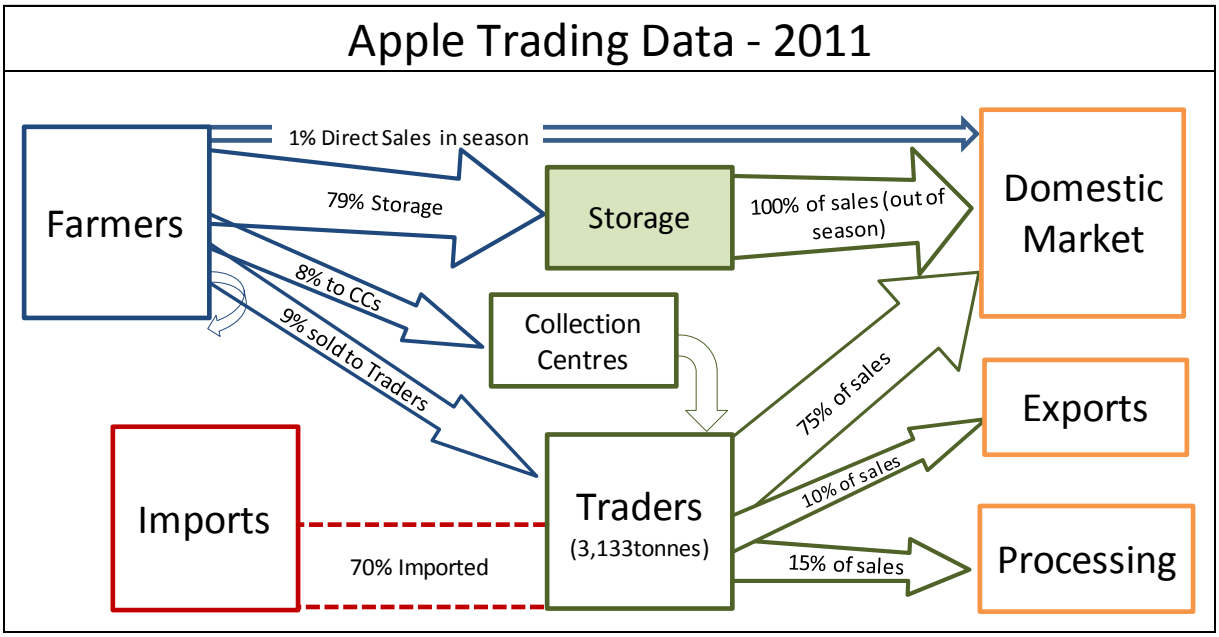
12.4.1 Apple Market System

For apples, most producers also store products after harvest with the aim of capturing higher priced markets after the season, although this varies from short term storage (measured in weeks) up to longer term storage for out of season sales. This data was not collected in 2010, but in 2011 79% of products were in storage during the period of the survey (November). The domestic market, both through fresh and processed products accounts for 90% or more of sales.

The information in the following schematics show that imports still dominate the local trade, although amongst the surveyed traders, their reliance on imports reduced from 80% in 2010 to 70% in 2011. A second interesting trend in this data is the increase in product going to processing. This is predominantly to 2 processing companies producing 100% fresh apple juice, both of whom have been supported by HPK.



[19] It is proposed in 2012 to select up to 3 value chains and do a more detailed assessment of marketing. A small consultancy may be undertaken in July to November to gather more specific data on this.

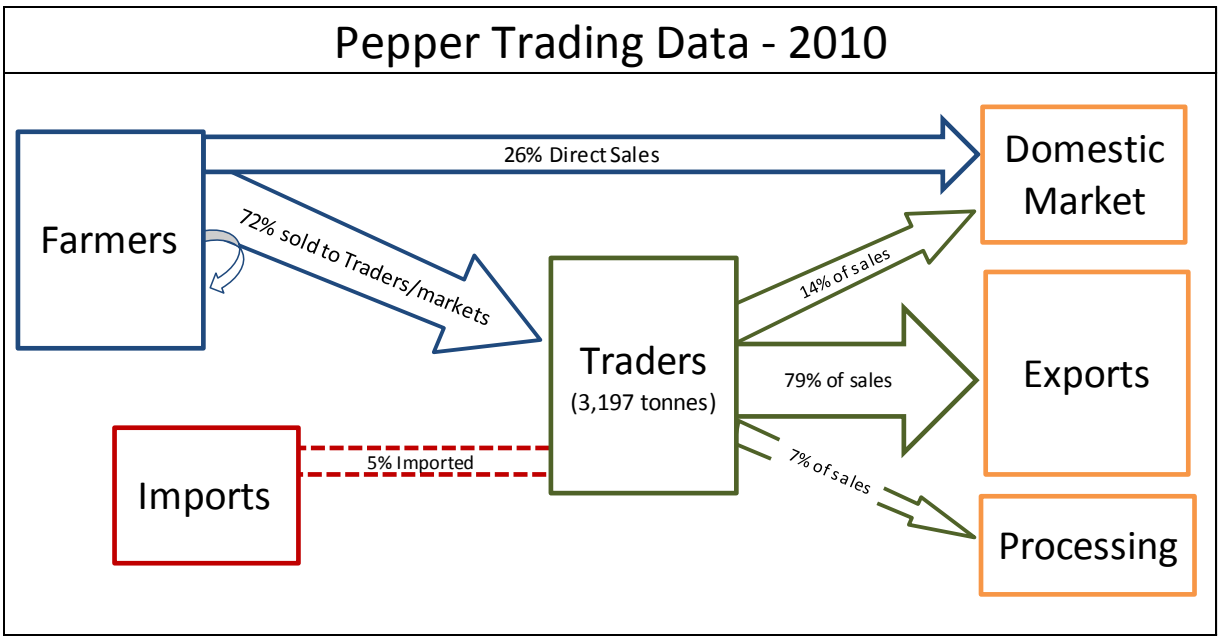


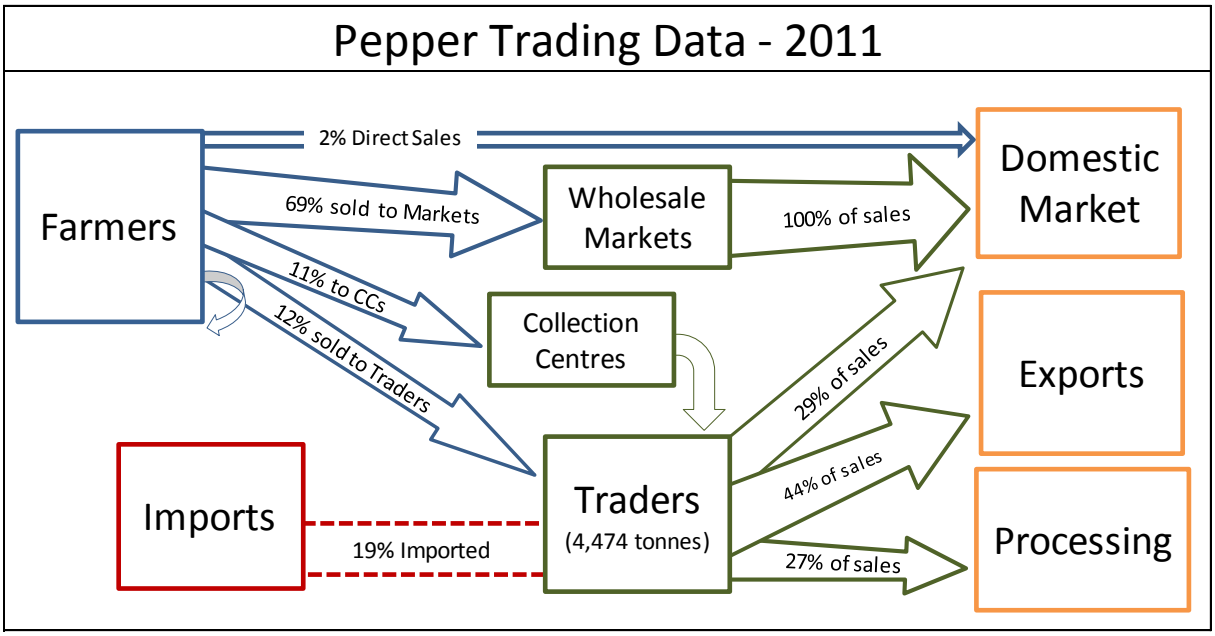
12.4.2 Pepper Market System

Unlike apples, a high percentage of peppers are exported, with 85% in 2010 and 60% in 2011 (including processed products exported) destined for the export.

An improvement in the data collection in 2011 to further categorise sales to traders showed the increasing impact of collection centres on the trade of peppers. With several new collection centres opened in late 2011, it is expected that more production will transfer via these centres.

There was a big increase in the import of peppers in 2011, from 5% to 19% of traded product. This was reported by at least 2 processors as being a result of lack of local supply. Some of this imported product was then exported as processed products to regional and EU markets.





12.4.3 Processed Products

In 2010, 16 processors were surveyed, with total sales of €1.86 million, of which 70% was exported. Main products were frozen berries and mushrooms, as well as processed vegetables.

In 2011, 20 processors were surveyed, with total sales of €4.05 million, with 67% of this exported. Again, berries and mushrooms were the most dominant products with approximately half of the total quantity. A wide range of fruit and vegetable products made up the remainder of the processed sector, with peppers both for 'ajvar' and pickled products the most common.

One significant change in the processed products offered to the market in 2011 was the increase in fresh juices. In 2010, none was reported, but this increase to 7% of total sales in 2011. An increase in other processed fruits, such as jams and preserves was also noted, but this was at quite low levels. HPK supported several fruit processors in 2010 and 2011, and it is a pleasing result to see the lower grade fruits now being used for local production of products traditionally imported.

12.5 Associations and Advisory Services

A higher number of direct beneficiaries are members of associations, with around 66% of direct and only 35% of indirect (results are similar for 2010 and 2011). This is to be expected, as HPK has promoted associations, both formal and informal, as part of the project activities for many years.

Most of these members pay annual fees, ranging from €5 to €150 per year. Services provided by the associations are most commonly accessing advisory services and some collective buying of inputs. Collective marketing reduced in 2011 from 8 to 4 associations, but this is unclear as to why this occurred and requires further investigation.

Most associations engaged advisors in both 2010 and 2011, with an overall increase in the number of days partly paid by associations in 2011. No advisor relied only on this income though, with input supply (including nursery plants) and other horticulture activities remain important sources of income. The value of advisory services, along with the daily rates reported by producers does not correspond with each other, or with the totals paid by HPK and other projects. Therefore, the data needs to be revised prior to finalising the report.

Annex 3: Summary report on CFH 2011

A. 2009 - 2011

a. The Competitive Fund for Horticulture (CFH) has proven to be an effective tool, with € 1, 21 million in grants investments leveraging total investments of more than € 3, 10 million across 71 projects in 2009, 2010 and 2011.
For more information see table below

Table A1

		Proposals received		Decisions / approvals	
Years	Rounds	Concept Notes	Full application	Board approvals	Contracts
2009	2	318	35	32	32
2010	2	225	28	26	26
2011	3	106	29	21	21
2009-11	Total	**649**	**92**	**79**	**79**

Table A2

	Project implementation		
Years	Implemented	CFH Contribution	Total Investment
2009	32	378,490	1,363,076
2010	22	213,685	537,015
2011	17	625,155	1,206,712
2009 - 11	**71**	**1,217,330**	**3,106,803**

b. Monitoring of impact of 2009 CFI projects

During 2010 has been done monitoring and evaluation of project approved and implemented during CFI 2009. As monitoring indicators have been taken - full time employment, Seasonal work, Incomes link with the investments, Total Turnover. For more see the table below:

	Employment		Income	Total Turnover
	Full time	Seasonal		
CFI 2009 – all grantees	77	160	1,126,950	5,835,750

B. CFH 2011

Promotion

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 HELVETAS Intercooperation’s webpage. In addition we had a separate meeting in North Mitrovica with interested parties.

Board activities

In 2010 the Board procedures have been discussed and clarified. The Board composition has changed due to some new appointments of delegates by KCC and MAFRD, Riinvest, implementer of 2nd component, joined the CFH Board. The Board is currently composed of: *names/ functions:*

Ms. Diturie Hoxha - Representative of Kosovo Bankers Association/President of the CFH MB
Mrs. Ardiana Gashi - Representative of Kosovo Chamber of Commerce (KCC)/Vice president of the CFH MB
Mr. Luan Statovci - Representative of the Ministry of Agriculture, Forestry, and Rural Development (MAFRD)/member of CFH MB
Ms. Edona Kurtolli - Representative of Riinvest University/member CFH MB
Mr. Heini Conrad - Representative of HPK project/member CFH MB

New technical delegate to Board, Skender Ramadani, was appointed. The Board met three times. this year

Key statistics of CFH 2011

CFH/SFH 2011 Assessment and contracting process

Rounds	Concept Notes	Full application and recommendations	Approved by Board	Contracts	Cancelled
1	36	13	8	8	1
2	51	10	9	9	
3	19	5	4	4	1
Total	106	28	21	21	2

CFHSFH 2011 has approved 21 projects, at total value of €625,155. The estimated co-finance investment by grantees was €1,206,712. However, two approved projects failed to complete the projects ("Agroproduct Commerce - APC" and Scardus).

CFH investments 2011	**No.**	**Grants[20] €**	**TI €**	**% CFH ISC**
Total grants approved – CFH R1&R2&R3	21	625,155	1,206,712	50
Number of grants projects completed	17			
Number of grants projects partially completed	2	63,800		

[20] Figures adjusted to the contracts entered in 2011, but not all expenditures done in 2011