

# HPK INTERVENTION REPORT

Prepared by:  
Stuart Pettigrew, Edvin Kotherja & Lumta Dida  
December 2012

## COMPETITIVE FUND FOR HORTICULTURE



# HPK Intervention Report

COMPETITIVE FUND FOR HORTICULTURE



## Background

Stimulating investments into the Kosovan horticulture market to create broad based and sustainable employment and income opportunities has been the main goal of HPK since its inception 12 years ago. Whilst the focus of this has generally shifted from the production level to a wider market system approach over the course of the project, the constant strategy has been to see private sectors actors as the prime driver of these investments.

Horticulture in Kosovo has been severely disrupted during the war of the late 1990's, and the basic infrastructure for agriculture was destroyed. Large State-Owned Enterprises that managed trade of fresh fruits and vegetables were replaced by an unstructured free market system. After the war the agriculture sector was dominated by small holders mostly producing for their own subsistence and not seeing horticulture as an option for commercial business.

Between 2001 and 2008, investments had generally been project driven, with most often in-kind support required from producers being land and labour. Whilst the focus during this time shifted from trialling new varieties and growing techniques to improving the quality and quantity of production and group marketing, the upper end of the value chain was not the main focus.

In this context, the private sector was often unwilling to invest in new technologies or better ways of organising the market system. In addition, competition from imported products, in particular processed products, meant that investing into post harvest infrastructure was not seen as a low risk option, limiting the funds available from investors outside of agriculture.

HPK realised that a new strategy was required to stimulate the private sector into more innovative investments to change the horticulture sector.

## Vision & Strategy

HPK's vision for the CFH was to stimulate new investments into the horticulture sector; not only to increase the competitiveness of the sector, but to also build on the improvements brought about by the project's first 8 years.

HPK recognised the sector's need to shift to processing and collection of products, as well as investments into new techniques for expanding commercial production. However, to do this, the sector would need to invest much larger sums of money than

had previously been undertaken. This was seen as a higher risk in a country still only recently declaring its independence and highly reliant on foreign aid and support.

The underlying rationale for providing grants is to 'buy down' the risk on behalf of the private sector. The project's grant fund was established to stimulate partners to 'step up' from the old ways of doing business, and invest into sustainable businesses and new technologies.



Opening Ceremony of the CFI in 2009

## Interventions by HPK

The fund was set up as the 'Competitive Fund for Innovation' (CFI) with the stated aim of finding new ideas or new ways of doing things in horticulture. After the first year, the name was changed to 'Competitive Fund for Horticulture' (CFH), in recognition that identifying what is actually an 'innovation' is not always easy! In this report, the term 'CFH' is used to refer to both the CFI and CFH.

### Funding Model

The grants are intended only as co-financed support. The data in Table 2 shows though how this contribution reduced over the life of the grants. This was an intentional effort by HPK to reduce the dependence on grants from agribusiness, and instead only supply a smaller amount to stimulate investment by buying down risk.

The funding model also required that partners fully invest before the project contributed its cost sharing portion. This reduced the number of non-serious partners approaching for 'free' money.

### Target Beneficiaries

The CFH targeted only private sector actors, preferably only enterprises, but also groups of enterprises, such as associations. Under the CFH, the target was established that 10% of the fund total would be allocated to projects mainly benefitting women, and a further 10% to projects benefitting minorities.



### Proposals Methodology

The CFH was developed to be an open grant scheme, which meant a more complex system for finding suitable projects. With experience, some improvements to the fund's management were introduced but the procedures remained broadly the same during all 4 years.

The CFI and first rounds of CFH saw HPK pay for external service providers to prepare Full Proposals. After the first round in 2010, HPK reduced its support to only providing a list of service providers to applicants, but no financial support. In 2011, HPK prepared a simpler proposal format and did not recommend any service providers.

### SFH

In 2011, the Danish Ministry of Foreign Affairs contributed an additional €500,000 to the Competitive Fund for Horticulture, based on the good results achieved. This new money was allocated as €300,000 in 2011 and 2012.

HPK expressed some concern over these increased funds using the same model as the CFH, as new projects were becoming increasingly hard to identify. Instead, HPK proposed the Special Fund for Horticulture (SFH) provide larger contributions, of between €50,000 and €300,000 per beneficiary. The SFH had no separate targets for women and minorities.

## Results

The CFH aimed to stimulate co-investments, and this has been measured by total investments and leveraged impact. Data is presented on the number of projects benefitting women and minorities. Employment and income were also key targets of the fund, and data has been collected on this. A further section is included that outlines 3 case studies of CFH investments that stimulated significant change for not

only their business but also related businesses in the value chain.

### Total Investments

The following table summarises the fund disbursement over the 4 years of implementation:

	Concept Notes	Proposals	Implemented Projects	Total (€)	CFH (€)	Leverage (€)	% CFH
2009	318	35	30	812,849	7,600	434,358	46%
2010	225	28	22	493,836	1,737,000	325	42%
2011	106	29	19	1,049,801	507,113	542,688	48%
2012	179	17	12	1,008,509	387,975	620,534	38%
<b>Total</b>	<b>828</b>	<b>109</b>	<b>83</b>	<b>3,364,995</b>	<b>1,479,237</b>	<b>1,885,758</b>	<b>44%</b>

Table 1: Information on CFI/CFH/SFH 2009 to 2012

### Women and Minorities

The following table shows the value of grants provided to women and minorities over the 4 years of the CFH.

	2009			2010			2011			2012		
	Projects	Value	%	Projects	Value	%	Projects	Value	%	Projects	Value	%
Women	3	19,196	5%	3	11,683	6%	3	32,550	6%	0	0	0%
Minorities	5	49,696	13%	1	3,500	2%	3	42,220	8%	3	53,869	14%

**Table 2:** Projects supporting women and minorities

Whilst this indicates that the target for women and minorities was not achieved in each year, several projects that were not directly targeting these groups also provided significant support to them. Examples include support to non timber forest product (NTFP) processors, where many of the collectors come from minority groups and are rural families.

In 2009 and 2010, the target was interpreted as 10% of projects, not 10% of value. In this scenario, the target for projects with women was achieved in both years. For minorities in 2010, 2 projects were unable to be completed even though grants were approved.

In 2012, additional effort was made to find projects with women groups, and 1 contract was signed for

a processing project. However, at the request of the grantee, the contract was cancelled.

The nature of the grants, made it difficult to meet the targets for women in particular; in particular groups of women or minority investors, often with low resources at hand, were unable to meet the co-financing by reimbursement criteria.

This issue was discussed several times with donors, but it was agreed to maintain the strong criteria of the CFH, rather than weaken the conditions. It should be noted that HPK awarded with good success other grants through different budget lines for small scale processing with women groups and supported also inclusion of minorities through other marketing activities.



Mushroom sorting at factory in North Kosovo

### Direct Employment – All Rounds

Full time Male	Full Time Female	Seasonal Male	Seasonal Female
105	75	194	217

**Table 3:** Direct employment resulting from investments

## Employment and Income

HPK took the market system approach to working with project partners. This meant with most grantees, other activities were undertaken, such as linkages with suppliers and markets, and quality and food safety initiatives. Furthermore, in a situation such as exists in Kosovo, support is also not done in isolation to other donor initiatives. What this means is that attributing impact to the CFH only is difficult!

The CFH also aimed to stimulate further investment by the partner business, and this was often a considerable amount of extra investment. This overall investment therefore results in major changes for some enterprises, with the CFH grant being the stimulus but not the sole contribution to change.



Ideali Nursery – successful project supporting

The increase in income resulting from the investments is calculated as the amount of additional turnover for the partners in the year after the investment. This does not take into account that investments will have a compound effect in later years, or that re-investment of this additional income will have a multiplier effect as well. For the 4 rounds of the CFH, the increased turnover resulting from all investments is estimated by partners at approximately €4 million.

Even though this estimated value needs to be used with caution, as it is also not always based on sound record keeping but rather 'recall' information, what it shows is that compared with a total leveraged investment of €3.36 million over the 4 years, investments were mostly covered within one year through increased turnover.

## Qualitative Results

In 2012, an assessment was undertaken by HPK, and along with data on employment and income, qualitative questions were posed to grantees. The results showed the following:

- 86% of grant beneficiaries report that investment improved their processes of work
- 75% of grant beneficiaries report that investment improved their products' quality
- 50% of grant beneficiaries report that investment improved their market position
- 47% of grant beneficiaries report that investment increased number of market channels

## Case studies

### EUROTAC (NEHAT TAC), MAMUSHA

■ In 2010 Nehat Tac established Eurotac, a private collection centre for vegetables in Mamusha. HPK supported this with a grant of €12,500 (not CFH) and in 2011 awarded a CFH grant of €19,475 Euros (50% of the total investment) for cool storage and other equipment. 30 farmers delivered vegetables to the collection



centre in 2011, increasing to 50 in 2012. In 2012, 755 tonnes of vegetables were collected, valued at €221,000. The centre employed 4 new employees, and also acts as the coordinator for on-farm advisory services to farmers, as well as supporting 15 farmers with inputs under a contract farming model in 2012.

### APC (AVNI SHABANI), PODUJEVĚ

■ In 2009 Agroproduct Commerce in Podujeva, a processor of NTFP, was unable to utilize their production hall and freezing facilities during the whole year. HPK supported APC with a grant of €18,125 (total investment €36,250) for a packaging line for frozen vegetables and berries. In 2010 the turnover of APC was

€250,000, an increase of 25% from 2009, and further increased to €303,000 in 2011. An additional 4 full time employees were employed. In 2012, APC is now an important supplier of frozen vegetables and berries to the local Kosovo market, replacing imports that have previously dominated this market segment.



### EUROFRUTI (BEJTUSH GASHI), MRAMOR

■ In 2009 Eurofruti was collecting wild fruits and medicinal plants, but the lack of refrigerated storage constituted a considerable bottleneck for the company. Wild fruits are very perishable products but available in big quantities during a very short time. CFI supported Eurofruti in 2009 with €15,000 (total investment of €25,450) to establish a refrigerated chamber. The turnover of the company almost tripled in 2010 and



reached €800,000. Observing the impressive growth and importance of this operator, CFH again support Eurofruti in 2011 with a

grant of €46,500 (total investment of €101,046) to establish new refrigerated capacities, shock freezing, grading, cleaning and processing equipment for wild fruits. The turnover of the company in 2011 reached €1.5 million. Eurofruti employed an additional 80 seasonal employees in 2011. The investments also contributed to higher income for collectors of the wild fruits in very remote rural areas of Kosovo, many of them from minority regions.

## Conclusions & Lessons Learnt

### Finding Opportunities and Partners

**T**he CFH proved to be an excellent tool for finding and developing new partners and opportunities for horticulture in Kosovo. In development projects, finding private sector actors able to develop the market system can often be a challenge, but a grant program can be a very useful tool to attract new partners to the project.

The challenge is also to find partners able to implement grants, not to create new businesses that compete with existing actors. By implementing grants as a reimbursement rather than upfront payment, the number of applicants was reduced to only those with the existing capacity to implement projects. In addition, after the initial round of CFI, only businesses that were established and showing a record of activity were chosen.

### Right-Sizing Grants

A challenge for all grant funds is to disburse the amount required to achieve the desired impact, without overinvesting in unused capacity. This is even more difficult in projects that require large infrastructure investments, as adding capacity in future years can be complicated if original planning was inadequate.

HPK learnt several lessons that assisted in this. The first is to have a broad understanding of the entire sector. The projects experience was a useful addition to the support provided to grantees, by being able to assess each proposal in the context of the entire sector. Spending sufficient time to get to know the partners business is also critical.



### Right Leverage

Targeting projects that were higher up the value chain was shown to have the greatest sector wide impact. An example is shown with Eurotac above, where investments in a collection centre stimulate farmers to invest in new production technologies.

The time spent on each grant is similar, irrespective of the size of the grant. Supporting a small processor takes the same project resources as supporting a large project, with a much smaller impact at the sector level. In later rounds of the CFH (and especially with the introduction of the SFH) a smaller number of large projects were targeted.

### Embedding grants in other Activities

From 2011, HPK began to implement the grants in a way that promoted the other targets of the project. Stimulating partners to increase formal relationships with producers and buyers was included. For grants awarded to small processors, HPK insisted on food safety audits to be carried out prior to investments.

In market system approaches, some of the identified problems in the market may not be what the partners want to address. An example is pushing actors into the formal economy, where better outcomes are normally achieved. All grantees were required to be registered businesses, and where appropriate, to commit to buying raw materials through formal payment systems from producers.

By using an approach of providing grants based on creating a wider impact, the indirect results on employment and income have been far greater than the reported direct results.

### Other donor activities

An ongoing challenge for the Kosovo agriculture sector will be achieving the correct level of financial support to private sector actors. The success of the CFH and other grant programs, combined with the desire from donors to support economic development, has the potential to over-invest with some projects. The risk is that even well targeted grants can distort market development, as they may create uneven competition and possibly exclude new competitors.





# COMPETITIVE FUND FOR HORTICULTURE



Implemented by:



**HELVETAS**  
Swiss Intercooperation

KOSOVO

**HPK**  
HORTICULTURAL PROMOTION  
IN KOSOVO

Founded by:



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

Ministry of Foreign  
Affairs of Denmark



Nazim Gafurri str. 33, Po Box no.2, 10000 Pristina-Kosovo  
Tel: +381(0) 38 51 77 15 • Tel: +381(0) 38 51 66 44 • Fax: +381(0) 38 51 88 33  
Email: kosovo.info@helvetas.org • www.helvetas-ks.org