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MITROVICË/A REGION

BASELINE ASSESSMENT

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List of Abbreviations

ESI	European Stability Initiative
FAO	Food and Agriculture Organization of the United Nations
FYROM	Former Yugoslav Republic of Macedonia
IADK	Initiative for Agricultural Development of Kosovo
ICT	Information and Communication Technology
IOM	International Organization for Migration
ISO	International Organization for Standardization
KBRA	Kosovo Business Registration Agency
MAFRD	Ministry of Agriculture, Forestry and Rural Development
MN	Mitrovicë/a North
MS	Mitrovicë/a South
NGO	Non-governmental Organization
RDA	Regional Development Agency
SME	Small and Medium Enterprises
TAK	Tax Administration of Kosovo
UNDP	United Nations Development Programme
USAID	United States Agency for International Development
VAT	Value Added Tax

Executive Summary

Mitrovicë/a Region Baseline Assessment aims to assess the environment of the private sector in this region to understand where it fails to generate enough jobs to accommodate the labour force, as well as to identify the main barriers that it faces to expansion and exports. The research involved 600 face-to face interviews with SME owners and 200 face-to-face interviews with farmers in the region. In order to gain a better understanding of the differences in growth hindrances of the private sector, the analysis is disaggregated between Mitrovicë/a North and Mitrovicë/a South (henceforth referred to as MN and MS) sub-regions. Based on indicators of growth/employment potential (calculated from survey data), specific sectors for the two sub-sectors were selected for further in-depth qualitative analysis: textiles and apparel, manufacture of construction materials, meat processing and ICT in MS; and construction, meat processing and production and distilling of rakia[1], wine and spirits in MN. Separate focus groups were held for female farmers and entrepreneurs to investigate the gender-related barriers in the private sector as well as other issues related to women's economic empowerment.

The private sector composition of MS and MN sub-region is very similar in terms of the six largest sectors of activities even though their shares vary. Manufacturing, wholesale and retail trade; repair of motor vehicles and motorcycles (henceforth referred to as wholesale trade)[2] and construction comprise a large share of the private sector in Mitrovicë/a region.

The composition of the agriculture sector on the other hand, varies between the two sub-regions. While in MN the sector is dominated by farmers that grow only crops (63%), in MS, 31% of the farmers grow only crops, 35% reported animal rearing as their only activity, while almost half (45%) reported that they engage in both animal rearing and growing of crops. **Differences are also prevalent in types of crops grown, animals reared and productivity.** In MS, wheat is the most widely grown crop, followed by corn, strawberry, pepper and potato. In MN, pepper is the most widely grown crop, followed by corn, tomato, plum, apple and wheat. Among livestock farmers, the majority in MS rear cows, followed by bees, chicken and sheep. Livestock farming in MN is more diverse; the majority of the farmers rear pigs, followed by bees, cows, chicken/poultry, sheep and goats. Survey results suggest that crop farmers in MS are more productive in growing wheat, corn, apple, white bean and pepper compared to their counterparts in MN. On the other hand, MN farmers have higher yields compared to MS farmers only in potato production.

The **sectors of manufacturing, wholesale trade, construction, human health and social work, other services and professional, scientific and technical services employed almost three quarters (72%)** of the workers in MS in 2014. **In MN, manufacturing, trade and other services employed more than 65% of the workers in 2014.**

1 Fruit brandy.

2 For practical purposes, since the sector is dominated by trade SMEs during the sampling process the retail trade ones have been omitted (due to the relatively low potential for employment and trade); throughout the document it will be referred to as *wholesale trade* only.

Agriculture seems to be more important as a source of income in MS compared to MN. Eighty percent of the farmers in MS compared to 25% in MN stated that agriculture is their primary source of income.

Low demand in the market and high transport costs comprise major impediments in selling produce in both sub-regions, nevertheless, **low market demand** is considered as a major hurdle by more than half of SMEs in MS, compared to a third of the SMEs in MN. In the latter, lack of market information is also considered a major impeding factor for product sale.

The results for barriers to doing business vary across sub-regions. Except for **political instability which is a common barrier to doing business for SMEs in both sub-regions**, the rest of the barriers identified by SMEs differ significantly in both type and importance. In MS, **unfair competition, lack and cost of energy supply, high taxes** and **corruption** are considered to be important or very important barriers to doing business by the majority of SMEs. In MN, **lack of market demand, access to finance, payment delays,** and **cost of production material** are considered to be major barriers by a large number of surveyed SMEs.

While costs (both input and general ones) are the key inhibitors to farmers' activity expansion across the region, in MS **unfair competition with imported crops** and **lack of knowledge on growing new crops** were also identified as significant barriers.

The main problems that farmers in both sub-regions face with selling their produce in the market include: low demand in the market, inability to compete on price with imports and high transport costs. In MS, **cumbersome procedures** (possibly with regards to linking with the rest of the market chain) are also a major barrier to selling agricultural produce, whereas in MN, **lack of market information** seems to also be a major impediment.

Unfair competition in the market is the biggest problem for farmers in MS to engage in farming; in MN, **access to commercial finance with favourable interest rates** tops the list of barriers. While the **high cost of agriculture inputs** is a common barrier for farmers across the region, **high cost of oil/diesel** ranks third in importance in the list of barriers in MS. The survey also shows that farmers in Mitrovicë/a Region face a few other very important challenges with performing and growing their farming activity, including **lack of access to a reliable (public) irrigation infrastructure; lack of technology and/or facilities to protect their crops from harsh weather conditions and unavailability of modern facilities to store their crops.**

Farmers are detached from the rest of the value chain. Family members and neighbours, the village market and traders/middlemen are the main clients of farmers in both sub-regions. Less than 3% of farmers in both MN and MS are connected directly to food manufacturers or the large market chain. An additional 2% of farmers in MS sell their produce to the companies in the sector of catering/hospitality.

Discussions with women who are farmers, business owners, employed in the private sector, in the civil society and unemployed, in both MN and MS showed that they face similar problems. **Female farmers and entrepreneurs are faced with similar problems as the rest of the private sector in carrying out their day-to-day business operations: high costs of inputs that result in competitive disadvantage in the market; lack of financial support from institutions; disconnection with the rest of the chain in their sector of operations; lack of information; corruption and nepotism**. However, **cultural prejudice** and **prevailing traditional roles are additional barriers that women face in doing business** weakening their position in the economy even more**.**

The survey data show that the economic interaction between the two sub-regions is very limited. Less than 10% of SMEs and farmers in both MN and MS claimed to do business with the other sub-region often or very often. Sixty four percent of the SMEs in MS stated that they never do business with the other sub-region compared to 37% of SMEs in MN. The same is the case for farmers in both sub-regions.

Only 7% of SMEs in MS, and 3% of their counterparts in MN, reported to export. **Lack of market information, custom tariffs in importing countries and procedures (custom and legal) to export** from Kosovo[3] are commonly reported barriers for both sub-regions. SMEs in MN listed also **transportation costs** and **delays at the border as export barriers**, whereas their counterparts in MS listed **limited opportunities to create networks with foreign business and limited relations with import countries as major export barriers.**

3 References to Kosovo shall be understood to be in the context of Security Council Resolution 1244 (1999)

1. AN INTRODUCTION TO THE PRIVATE SECTOR OF MITROVICË/A REGION

Mitrovicë/a region is located in northern Kosovo. It is comprised of the regional centre, Mitrovicë/a, and the municipalities of Skënderaj/Srbica, Vushtrri/Vučitrn, Leposaviq/ć, Zubin Potok and Zveçan/Zvečan. The three latter municipalities and Mitrovicë/a North are inhabited by a majority of Kosovo Serbian population, whereas Mitrovicë/a South, Skënderaj/Srbica and Vushtrri/Vučitrn are inhabited by a majority Kosovo Albanian population.

According to the Regional Development Strategy for the Economic Region North, Mitrovicë/a Region is renowned for its metallurgy and mining industry as the main employer before the conflict. Since 1999, only around 780 workers continue working in Trepça/Trepča in the function of maintenance, whereas the remaining 6,200 that it employed previously remained jobless (European Stability Initiative (ESI), 2004, p.3). While there was an emergence of a vast number of small and medium enterprises since the end of the conflict, according to the ESI (2004), residential housing is the only significant investment that took place in Mitrovicë/a (ESI, 2004, p.4).

According to the database of registered employers of the Tax Administration of Kosovo (TAK) (used for this survey), the private sector of MS is dominated by the sectors of trade; construction; manufacturing (especially of food) and agriculture and forestry. The data do show slight differences in private sector composition across municipalities of this sub-region. In Skënderaj/Srbica, construction (24%); manufacturing (15%); trade (14%); and agriculture and forestry (12%) comprise the largest share of the private sector. In Vushtrri/Vučitrn, manufacturing (24%) is the largest sector, followed by trade (21%); construction (14%) and agriculture and forestry (10%). In MS, the sector of agriculture and forestry comprises only 5% of the private sector, whereas manufacturing (19%), trade (18%) and construction (15%).

Since the TAK database did not provide sufficient and reliable data on the private sector in MN, its description is based on desk review of existing research. The present private sector of the northern municipalities of Mitrovicë/a is dominated by wholesale and retail trading companies which mainly sell imported goods. The production sector on the other hand remains largely underdeveloped, mainly due to political and legal constraints, as well as the large share of the informal economy and the unfavourable financing climate (RDA, 2010, p.14-15). RIINVEST (2013) further reiterates that the economic structure of MN comprises almost entirely of Micro-, Small-, and Medium- Enterprises which are family-owned (RIINVEST, 2015 p.14). Research conducted by NGO AKTIV finds different economic structures emerging in each of the municipalities: agriculture in Zubin Potok, service and retail trade in Mitrovicë/a North, production in Zveçan/Zvečan and agriculture and production in Leposaviq/ć (NGO AKTIV, 2013, p.8).

This report is structured as follows. The next section provides a brief overview of the research methodology and its components used to carry out the baseline assessment. The following sections provide comprehensive information on the SMEs and farming in Mitrovicë/a Region, including: composition of the sectors; performance/dynamics of the sectors; inputs, including raw materials, production technology and human resources; markets and competitiveness; barriers to doing business and selling produce; economic interaction between MS and MN; exports; access to finance and future outlook and plans. Both of these sections compare the private and agricultural sectors between MS and MN, whereas additional sectoral disaggregation was also conducted in key research questions of the study (restricted to a few sectors due to data availability). The quantitative findings in both sections were coupled with qualitative research to provide more insight into the main barriers that the sectors face. The last section contains a list of recommendations based on research findings for enhancing the competitiveness of the private sector of Mitrovicë/a Region.

2. METHODOLOGY

The main component of the research included face-to-face interviews with owners and/or managers of 600 hundred (600) SMEs and 200 farmers in Mitrovicë/a Region; equally distributed between MS and MN. All the interviewed SMEs and farmers were located in the seven constituent municipalities of this region: Leposaviq/ć, Mitrovicë/a North, Skënderaj/Srbica, Mitrovicë/a South, Vushtrri/Vučitrn, Zubin Potok and Zveçan/Zvečan.

We utilized the 2014 TAK database for the selection of the companies in the targeted municipalities in Mitrovicë/a South, whereas for Mitrovicë/a North we also utilized a number of other (most recent) databases, including those of the Business Centre Zveçan/Zvečan, Kosovo Business Registration Agency (KBRA), Business Advisory Centre Mitrovicë/a, Regional Development Agency (RDA) – North and SPARK. The SMEs were selected randomly from the databases to ensure equal representation of each industry in the sub-sector of Mitrovicë/a Region.

Since the number of farmers from the TAK database was insufficient to secure an adequate sample of farmers, we also used the most recent lists of registered farmers from the municipal Departments of Economy and Development in MS and RDA North for the municipalities in this sub-region, whereas for MN we used the databases of the organizations listed above.

Considering the importance of economic empowerment of women to tackle issues of social exclusion and domestic violence as well as the very low percentage of women owning a business, women entrepreneurs and farmers were oversampled.

Table 1 Distribution of SME survey respondents across municipalities

MS			MN		
Municipality	Number of SMEs	Percent of SMEs	Municipality	Number of SMEs	Percent of SMEs
Mitrovicë/a South	150	50.9%	Mitrovicë/a North	95	31.4%
Skënderaj/Srbica	52	17.6%	Leposaviq/ć	94	31.0%
Vushtrri/Vučitrn	93	31.5%	Zubin Potok	52	17.2%
			Zveçan/Zvečan	62	20.5%
Total	295	100.0%	Total	300	100.0%

*Five SMEs from MS were omitted from the analysis due to insufficient data provided for the survey.

During the implementation of the survey, we found out that a very large number of the business in Leposaviq/ć that were in the TAK database were either inexistent or closed. Therefore the number of SMEs interviewed in Mitrovicë/a North and Leposaviq/ć varies from their proportions in the database, 22% and 40%, respectively, based on additional data sources from the abovementioned institutions that we used for their sampling. In order to ensure population representation of the SMEs, we used weights of SME population distribution across municipalities during data analysis for this research.

Table 2 displays the distribution of the farmers across municipalities in the sample, selected randomly based on the farmer registers from the TAK database and other regional and municipal institutions and associations.

Table 2 Distribution of farmer survey respondents across municipalities

MS			MN		
Municipality	Number of farmers	Percent of farmers	Municipality	Number of farmers	Percent of farmers
Mitrovicë/a South	33	34.4%	Mitrovicë/a North	9	8.8%
Skënderaj/Srbica	28	29.2%	Leposaviq/ć	25	24.5%
Vushtrri/Vučitrn	35	34.5%	Zubin Potok	23	22.6%
			Zveçan/Zvečan	45	44.1%
Total	96	100.0%	Total	102	100.0%

*Four farmers from MS were omitted from the analysis due to insufficient data provided for the survey.

The second component of the research included qualitative research with ten focus groups (five in each sub-region) to gain in-depth information on the most pressing issues identified through the survey. Eight of the focus groups were held with different stakeholders of selected sectors. The sectors were selected based on the following criteria, obtained from the survey data: sector concentration (share of the sector in the private sector of the region), tradability[4], average number of employees in the sector, average turnover of the sector, growth dynamics (changes in turnover during the last year), expectations for future turnover (percent of SMEs that expect to perform better in 2016) and expectations for future employment (percent of SMEs in the sector that plan to hire new employees in 2016). Each of these criteria had scores 1 (lowest) to 5 (highest), and the sectors were ranked based on score sums. In MS, focus groups were held with the sectors of: production of construction materials; meat processing; IT and Communication, and textiles. In MN, focus groups were held with the following sectors: meat processing; distilling and production of rakia, wine and spirits; construction; and IT and Communication.[5]

Two focus groups (one each in MS and MN) were held with female farmers, entrepreneurs and representatives of civil society to gather qualitative information on issues that impede women's access to market, expansion of production and employability as well as issues related to women's economic empowerment.

The following boxes contain brief overviews of the sectors and sub-sectors selected for qualitative research.

4 Tradability refers to the property of goods or services that can be sold in another location (exported), away from where they are produced. The higher the transportation costs and the shorter the shelf life, the lower the tradability score of the sector (see Wikipedia definition of tradability: https://en.wikipedia.org/wiki/Tradability). The scores 1 to 5 for this indicator were assigned by the technical part of the research team, based on the property of goods and services of each of the sectors.

5 Even though it is large in both sub-regions and has high potential for growth, the wood processing sector has been omitted out from in-depth analysis as a detailed, value chain analysis of the sector has already been conducted by the Aid for Trade project earlier this year: http://www.ks.undp.org/content/dam/kosovo/docs/AFT/Value%20chain%20analysis_Wood%20Processing.pdf

Mitrovicë/a South

I. Textiles and wearing apparel

The sector of manufacturing of textiles and wearing apparel in MS is comprised of a few large manufacturers and tens of micro enterprises that offer tailor-made clothing products. It is worthwhile noting that three large textile manufacturers with the latest technology and equipment with large production capacities are located in the South Mitrovicë/a region, one in each of the constituent municipalities.

The SMEs in this sector comprise 5.2% of the whole private sector in MS and employ a total of 201 registered employees (at an average of two employees per enterprise). In addition to the high score for tradability of their products and the potential for employing students from VET schools, this sector was selected for qualitative research also for its positive future outlook: 36% of the SMEs in the sector claimed that they plan to hire new employees and 73% expect to perform better in 2016.

II. Information and Communication Technology

The Information and Communication Technology in MS consists of Internet Service Providers and distributors, computer consultancy companies, a few software development companies and a number of web design and advertising agencies. Considering the high internet penetration in the region, the major barriers listed in the report apply to SMEs offering software development, web design and maintenance and online advertising services.

The SMEs in this sector comprise 4.5% of the whole private sector in MS and employ a total of 138 employees (at an average of three employees per enterprise). In addition to the high score for tradability of their services and the potential for employing especially youth, this sector was selected for qualitative research also for its positive future outlook: 36% of the SMEs in this sector claimed that they plan to hire new employees and 57% expect to perform better in 2016.

III. Meat processing

The value chain of the meat processing sector in MS consists of a range of stakeholders, including farmers engaged in livestock farming/rearing of animals, slaughterhouses, meat processors and food caterers.

The sub-sector was selected for qualitative research because of the high concentration of meat processors in the sector of food processing (8%) as well as the size of livestock farmers in the sector of agriculture and forestry (raising of dairy cattle (33%), raising of other animals (8%), raising of poultry (7%) and raising of sheep and goats (5%). The SMEs and farmers in the sector employ an average of three employees. In addition to the high score for tradability of its produce, this sector was selected for qualitative research because of the potential for employment (especially for the vulnerable groups), positive trends in turnover (50% of the SMEs in the sector reported that their turnover increased during the last year) and the positive future outlook: 67% of SMEs in food processing plan to hire new employees and 67% expect to perform better in 2016.

IV. Production of construction materials

This sector is comprised of manufacturers of concrete, cement and plaster as well as plastic producers, amounting to 4.4% of the whole private sector in MS. The SMEs in these sub-sectors employ a total of 410 employees (at an average of two employees per enterprise). They were selected for qualitative research because of the size of the construction sector in MS (12% of the private sector), the positive trends in turnover over the last three years and positive future outlook for employment and performance. The sub-sector of manufacturing of rubber and plastic products also received a high score for tradability of its products.

Mitrovicë/a North

I. Construction

The construction sector in MN is comprised of tens of SMEs and is considered one of the more "mature" sectors in the sub-region in terms of expertise and capacities. The SMEs in the sector employ an average of eight employees. The sector was selected for qualitative research because of its share in the private sector of MN and the positive future outlook: 47% of the construction SMEs believe that they will perform better and 35% plan to hire new employees in 2016.

II. Information and Communication Technology

The Information and Communication Technology sector in MN is comprised of Internet Service Providers and companies providing computer repair and web design and online marketing services. With regard to internet provision, considering its high penetration in the region, especially with the widespread usage of smart phones, the market is small and has been saturated, therefore the identified barriers relate to web design and online marketing services as sub-activities of the sector.

The sector was selected for qualitative research due to the infancy of the sector in MN, potential to generate employment in the future and high tradability score of services.

III. Meat processing

The value chain of the meat processing sector in MN consists of a range of stakeholders, including farmers engaged in livestock/rearing of animals, meat processors and food caterers.

The sector was selected for qualitative research because of the large share of the food processors in the private sector of MN (23% of the total); the size of agriculture and forestry (6% of the private sector in MN) and the high percentage of farmers engaged in animal rearing (more than 30% of all engaged in agriculture and forestry). The sector also scored high on tradability of its produce, the average number of employees that its SMEs and farmers hire (an average of four employees)); the positive trend in revenues over the last three years and the positive future outlook. Sixty-four percent of SMEs in the food manufacturing sector in MN expect to perform better and 43% plan to hire new employees in 2016.

IV. Production of rakia

The sector of distilling and production of rakia is still at the infancy stage. The sector is dominated by family-run businesses who have a long tradition in production of rakia, but whose main clients are narrow circles of families, relatives and friends. Due to the limited production and income from the current size of activities, most of the rakia producers rely on it as a secondary source of income.

The sector was selected for qualitative research because of the large number of farmers and SMEs in MN who are engaged in agriculture and forestry (6% of the private sector) and the large share of families/producers engaged in distilling, rectifying and blending of spirits (9% of food processors) and manufacturing of cider and fruit wines (8% of food processors). In addition to the high score on tradability, the positive change in turnover during the last year and positive future outlook, the sub-sector is considered to have high potential due to authenticity, quality, the existing market niche and long tradition of the sub-region in rakia production.

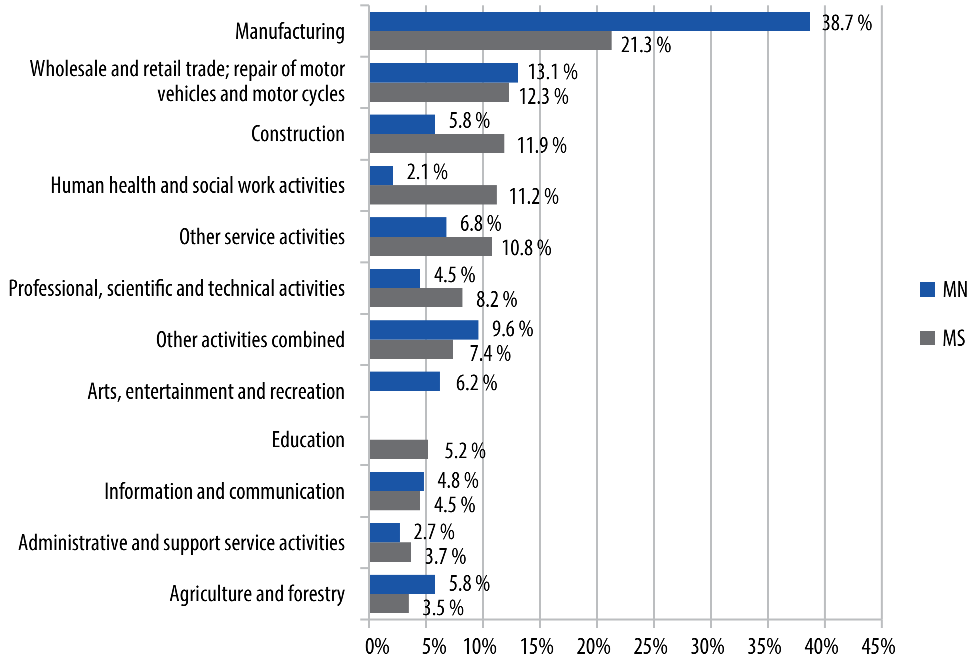
3. PRIVATE SECTOR IN MITROVICË/A REGION

3.1. Private sector composition

As shown in Figure 1, the private sector composition of MS and MN sub-regions is very similar in terms of the six largest sectors of activities even though their shares vary. In MS, SMEs in the manufacturing sector, wholesale trade[6], construction, human health and social work[7] activities and other service activities[8] comprise the largest share. In MN, manufacturing comprises a larger share of the private sector (compared to MS), followed by wholesale trade, arts, entertainment and recreation, construction and agriculture, forestry and fishing. Manufacturing of food products, textiles and apparel, wood and furniture and fabricated metal products, except machinery and equipment are each significant activities in terms of concentration in the private sector of MS and MN. It must also be noted that the figures of the wholesale trade sector in both MS and MN are not representative of the size of the sector of wholesale and retail trade; repair of motor vehicles and motorcycles in Mitrovicë/a Region. In order to identify sectors with higher production, employment and export potential, a large number of trade SMEs (especially retailers) were removed from the population before we selected the survey sample.

The majority of SMEs in both sub-regions (90% in MS and 80% in MN) are individual businesses and around 5% are partnerships. The majority of partnerships are run jointly by family members (see Table 1 in Annex 1).

Figure 1 Private sector in MS and MN, by sectors



Source: Mitrovicë/a Baseline Assessment SME Survey

6 Since the sector is dominated by trade SMEs during the sampling process the retail trade ones have been omitted (due to the relatively low potential for employment and trade); throughout the document it will be referred to as *wholesale trade* only.

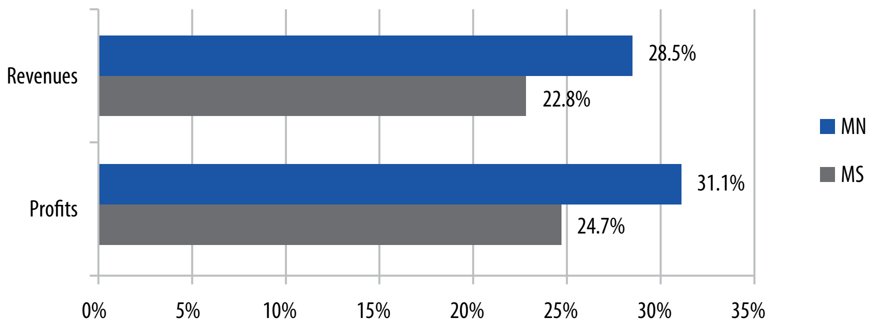
7 The sector of human health and social work activities consists of the following activities: hospital activities; medical practice activities; dental practice activities; other human health activities; veterinary activities and social work activities with and without accommodation.

8 Other service activities (a shortened version of the NACE code: *Other community, social and personal service activities)*, consists of the following sub-sectors: sewage and refuse disposal, sanitation and personal service activities; activities of membership organizations; recreational, cultural and sporting activities and other service activities)

3.2. Performance of the private sector

Although SMEs in MS were more likely to report that they performed better compared their counterparts in MN, questions focused on objective performance indicators such as revenues and profits suggest that the latter performed relatively better in 2014 compared to 2013.

Figure 2 Percent of SMEs that reported increase in revenues and profits between 2013 and 2014



Source: Mitrovicë/a Baseline Assessment SME Survey

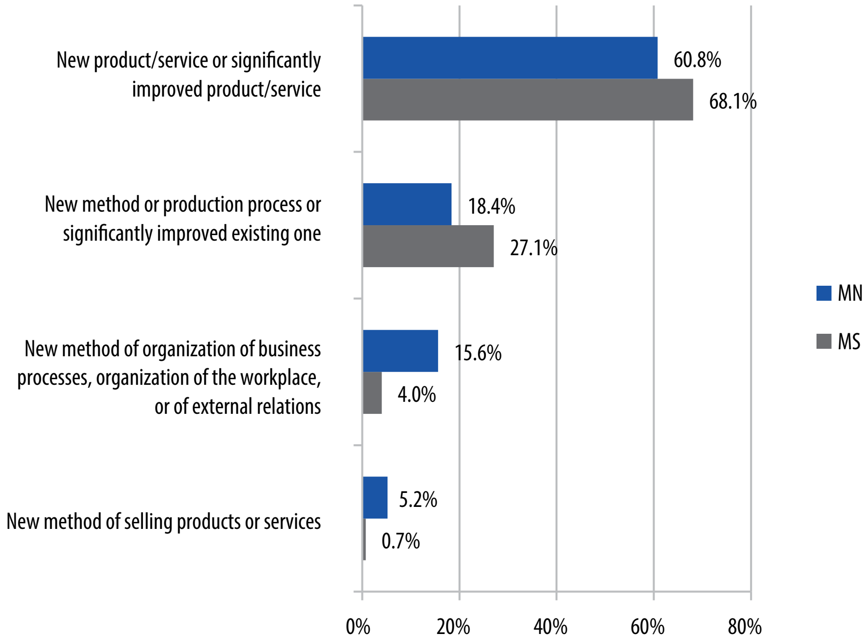
Most of the SMEs in MS and MN attribute the increase in profits during the last three years to the increase in sales, new products, technological improvements and increased productivity. Enhanced employee skills and improvements in management are also considered as very important in this regard among the SMEs in MS, possibly due to the larger share of labour-intensive sectors in the private sector in this sub-region, i.e. human health and social work and other services sector (see Table 2 in Annex 1).

MS: Most of the sectors attribute increase in profits to the increase in sales; a comparably larger share of SMEs in the manufacturing sector (27%) attributes it to new products. A large share of SMEs in the sectors of human health and social work and other services believe that their profits have increased because of technological improvements, whereas a higher percentage of SMEs in construction and professional, scientific and technical services sector attribute it to enhanced employee skills.

MN: In the manufacturing sector, 41% of SMEs attribute the increase in profits to increase in sales, 14% to new products and 18% to increased productivity. In the sector of wholesale trade, 48% of SMEs attribute increase in profits to increase in sales and 20% to new products.

More than 60% of SMEs in both sub-regions have innovated by introducing new products/ services or significantly improving existing products/services over the past three years, which shows that regardless of the numerous barriers, the private sector in Mitrovicë/a Region is rather dynamic. Twenty-seven percent of SMEs in MS and 18% in MN have innovated by introducing new methods or production processes. It must be emphasized nevertheless that the SMEs in MS seem to be more likely to innovate through new methods/ production processes or significantly improving the existing ones, whereas the ones in MN by introducing new methods of organization of business processes, the workplace or external relations.

Figure 3 Innovation initiatives of SMEs in Mitrovicë/a Region during the past three years



Source: Mitrovicë/a Baseline Assessment SME Survey

MS: Disaggregation of data by sector shows that new products/services or significantly improved products/services topped the list of innovative practices across all the sectors.

MN: Sixty-nine percent of SMEs in wholesale trade and 56% in manufacturing have innovated by introducing new products/services or significantly improving the existing ones, whereas 22% of SMEs in manufacturing have also introduced new methods of production or improved the existing ones.

3.3. Sources of supplies

Most of the SMEs in Mitrovicë/a Region obtain their supplies and raw materials from a combination of sources. Nevertheless, as the table below shows, many of them rely on imports, either by importing them directly or purchasing them from retail and wholesale traders in Kosovo. SMEs in MN seem to be more actively linked to the foreign markets in this regard as 28% of them (compared to 16% in MS) import their supplies directly, without intermediaries. It must also be noted that 12% of these SMEs produce their own raw materials, compared to only 3% in MS.

MS: Nineteen percent of SMEs in the manufacturing sector import supplies directly, whereas 61% in construction and 58% in the sector of human health and social work obtain them from wholesalers or retailers elsewhere in Kosovo.

MN: Forty-three percent of SMEs in wholesale trade, 24% in manufacturing and 31% in other services sector import their supplies directly. An additional 21% of manufacturers and 23% of SMEs in the other services sector obtain them from domestic producers elsewhere in Kosovo.

Table 3 Sources of supplies and raw materials in Mitrovicë/a Region

Sources of supplies	MS	MN
We produce our own supplies	3.0%	11.6%
Domestic producers, in Mitrovicë/a	9.8%	13.8%
Domestic producers, elsewhere in Kosovo	20.4%	17.2%
Imports, from a retailer/wholesaler in Mitrovicë/a	6.7%	12.8%
Imports, from a retailer/wholesaler elsewhere in Kosovo	44.2%	15.0%
We import them ourselves, directly	15.5%	28.1%
Other	0.3%	1.5%
Total percent of responses	100%	100%

Source: Mitrovicë/a Baseline Assessment SME Survey

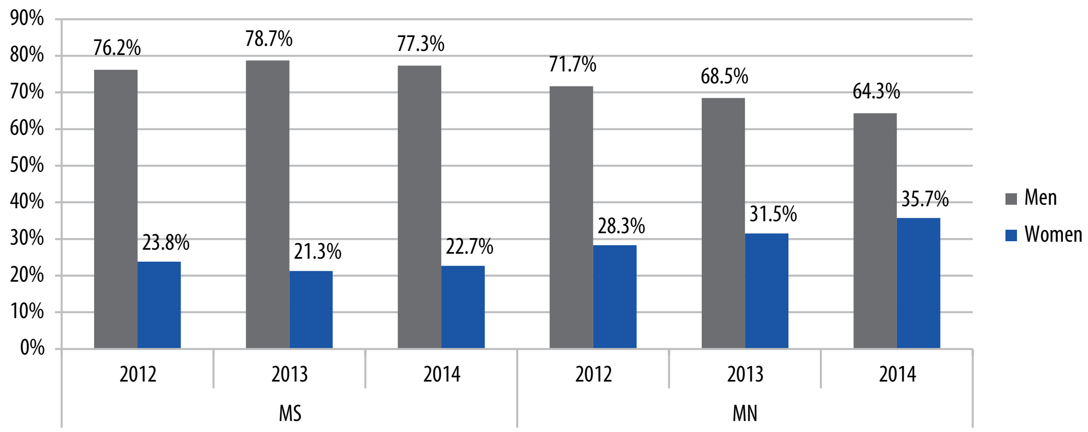
Four percent of SMEs in both MS and MN claimed that they obtain their raw materials from informal suppliers. Geographical proximity, fastest service and lowest price were listed as main reasons for choosing informal suppliers. A higher number of SMEs in MS also mentioned best quality as a reason for obtaining raw materials from informal suppliers (see Table 3 in Annex 1).

The majority of SMEs in both MS (73% of SMEs) and MN (61% of SMEs) reported to obtain their production technology from wholesalers or retailers in Kosovo. While Serbia is the second largest source of production technology for SMEs in MN (39%), sources cited by SMEs in MS are more diverse: 21% stated that they obtain it from countries in Europe (namely the United Kingdom, Germany, Austria, Finland, France, Italy, Greece, the Netherlands, Sweden, Switzerland and Slovenia) and Turkey.

3.4. Human resources

Survey data show that gender disparities in employment are more prevalent in the private sector in MS than MN. Less than a quarter of the employees in MS is women, compared to 36% in MN. More importantly, analysis of the employment trends shows that while there has been growth in both sectors, in MN the percentage of employed women has increased since 2012, while in MS it has remained the same.

Figure 4 Gender composition of workers in Mitrovicë/a Region, 2012-2014



Source: Mitrovicë/a Baseline Assessment SME Survey

The sectors of manufacturing, wholesale trade[9], construction, human health and social work, other services and professional, scientific and technical services employed almost three quarters (72%) of the workers in the private sector in MS in 2014. Similar sectors in MN, manufacturing, wholesale trade and other services employed 65% of the workers of the surveyed SMEs.

MS: Two sectors worth highlighting in terms of gender differences are wholesale trade and human health and social work, both of which employ a significantly higher percentage of women compared to men. The latter especially emphasizes professional gender stereotypes and women's overrepresentation in "care-giving" sectors all around Kosovo (see Figure 1 in Annex 1).

MN: Women's employment is more concentrated. The manufacturing sector accounts for 57% of women's employment, and 40% of men's. The sector of wholesale trade employs and equal percentage of men and women (16%) (see Figure 2 in Annex 1).

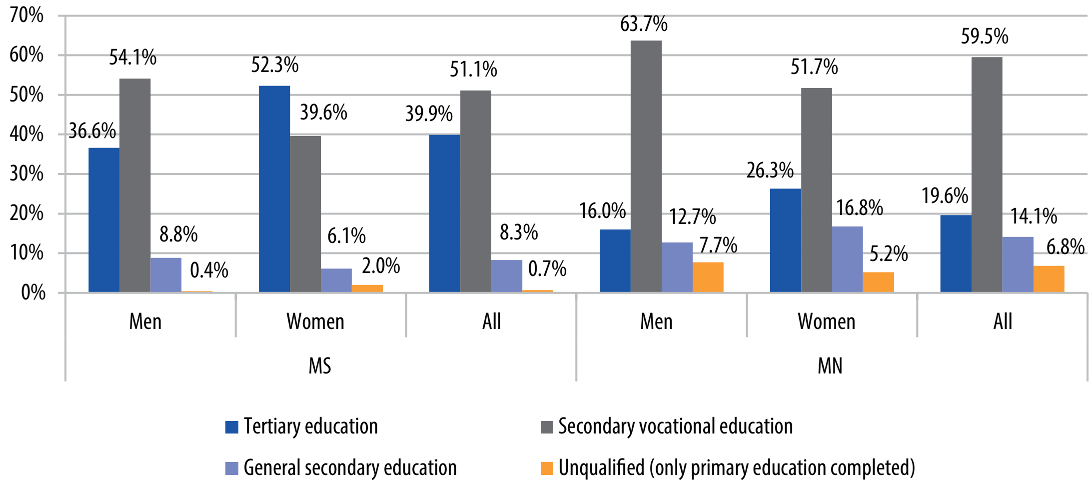
Based on the SME survey results, the educational attainment of employees is higher, on average in MS compared to MN. A significantly higher percentage of MS employees have completed higher education compared to their counterparts in MN. A significantly higher percentage of employees in the private sector in MN have completed only primary education. Disaggregation of data by gender shows similarities between MS and MN: a higher percentage of female employees compared to men have completed university education, whereas larger shares of men (compared to employed women) have completed vocational secondary education.

Even though there are similarities in gender disaggregation, comparisons of education attainment levels of SME owners between MS and MN show a different picture. A significantly larger share of SME owners in MS have completed tertiary education (44%

9 This figure should be read with caution as the sector of wholesale and retail trade; repair of motor vehicles and motorcycles excludes SMEs engaged in retail trade or repair of motor vehicles and motorcycles. These SMEs were removed during the sampling methodology as it was assessed that they do not pose great potential for growth in both employment and economic activity.

compared to 28%). Lower percentages of female SME owners compared to their male counterparts have completed tertiary education in both MS and MN, implying that women in the region face multiple barriers with promotion to managerial positions and also with starting new businesses, which were emphasized during the focus group discussions in both sub-regions (see Table 4 in Annex 1).

Figure 5 Education attainment of employees in Mitrovicë/a Region, by gender



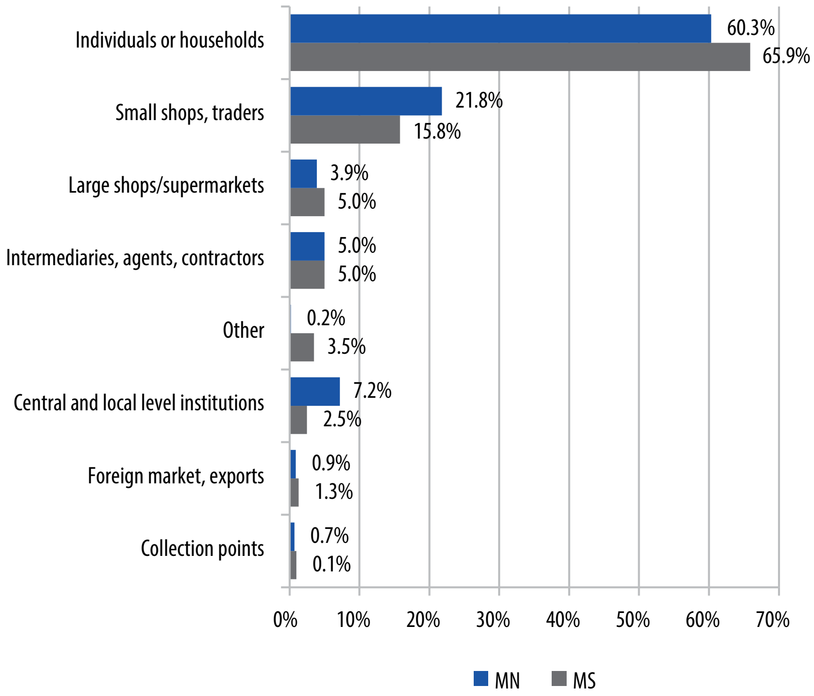
Source: Mitrovicë/a Baseline Assessment SME Survey

Very few of SMEs in both MS (13%) and MN (8%) reported to provide trainings for their staff. It must be underlined that all the reported trainings of employers are directly linked to employees' performance of their technical functions; only one of the interviewed SMEs in MS reported to have offered training for soft skills, even though the latter are considered as very poor by the employers Kosovo-wide.

3.5. Markets and Competition

Individuals/households and small shops/traders comprise more than 80% of clients of the SMEs in both MS and MN. A higher percentage of SMEs in MN (7%) sell their products/ services to public institutions compared to 3% of SMEs in MS, implying, perhaps, the greater role of the public sector in this sub-region. The data presented in Figure 6 also imply that a larger number of SMEs in MS are connected directly with their customers, while a larger share of SMEs in MN (22%) use intermediary actors in the value chain (small shops and/or traders) to sell their produce in the market.

Figure 6 Main clients of the private sector in Mitrovicë/a Region



Source: Mitrovicë/a Baseline Assessment SME Survey

While only 10 to 11% of the SMEs in both sub-regions consider that imports are their primary competition, a higher percentage of SMEs in MN believes that domestic products (40% compared to 26% in MS) and domestic products and imports combined (40% compare to 26% of SMEs in MS) are their primary competitors. It must be emphasized that 37% of the SMEs in MS did not know who their primary competitors are.

Product/service quality, reliability, price, brand, image, location and presence in sales channels are all considered by SMEs in MS and MN to provide them with competitive advantage in the market. Nevertheless, when asked about their marketing strategies, most of the businesses in both sub-regions (73% of SMEs in MS and 66% of SMEs in MN) reported to rely on word-of-mouth to find new clients.

Table 4 Means of findings new clients/buyers

Means of finding new clients/buyers	MS	MN
Through participation in trade fairs/exhibitions	5.8%	8.4%
Through recommendations from clients	73.0%	66.3%
Through our company website or other internet channels	7.9%	4.3%
Marketing campaigns	4.8%	12.9%
Village/city market	1.9%	7.4%
Other	6.6%	0.7%
Total	100.0%	100%

Source: Mitrovicë/a Baseline Assessment SME Survey

Easy access to financing and low interest rates and affordable prices in purchasing new technology or improving the existing one are ranked as top factors by the majority of

SMEs in both MS and MN that would enable them to gain competitive advantage in the market. In MS, improved infrastructure and increased supply of skilled personnel are also considered as very important. On the other hand, for the SMEs in MN access to market information (potential buyers) and less bureaucracy in central and local level institutions are seen as factors that can boost competitiveness, possibly due to the limited economic interaction of these SMEs with the rest of Kosovo and abroad as well as the size of the public sector in their client base (see Figure 6 in the previous section).

The SMEs in MS seem to be more aware of the importance of international certifications of quality in boosting their competitiveness in the market (79% compared to 34% in MN believe that it is an important factor), nevertheless only 7% of them (and 3% in MN) reported to possess such certification. Additionally, when asked about the names of international certifications that their business possesses, very few of the SMEs were able to report the name of a world renowned international certification.

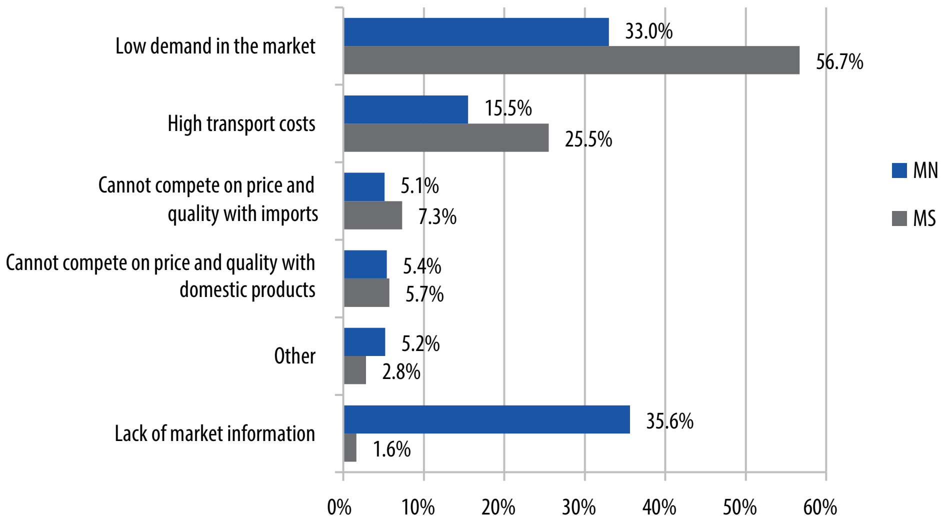
MS: More than 90% of SMEs in wholesale trade and manufacturing consider that easy access to and affordable financing would provide them with competitive advantage; more than 90% of the SMEs in construction and other services sector consider affordable prices in purchasing new technology or improving the existing one as important or very important in increasing their competitive advantage.

MN: In the wholesale trade sector, a higher percentage of SMEs compared to other sectors believe that less bureaucracy in central and local level institutions, better coordination among key actors in the sector, better infrastructure, and access to business consultancy and other services for increasing human capacities within company would provide them with competitive advantage.

3.6. Barriers in doing business

The majority of the SMEs in both sub-regions perceive the external factors rather than their ability to compete as major impediments to selling their produce. Low demand in the market and high transport costs comprise major barriers in selling produce in both sub-regions, nevertheless, low market demand is considered as a major hurdle by more than half of SMEs in MS, 57%, compared to 33% of the SMEs in MN. In the latter, lack of market information (36%) is also considered a major impeding factor to product/service sale.

Figure 7 Main problems faced in selling products in Mitrovicë/a Region



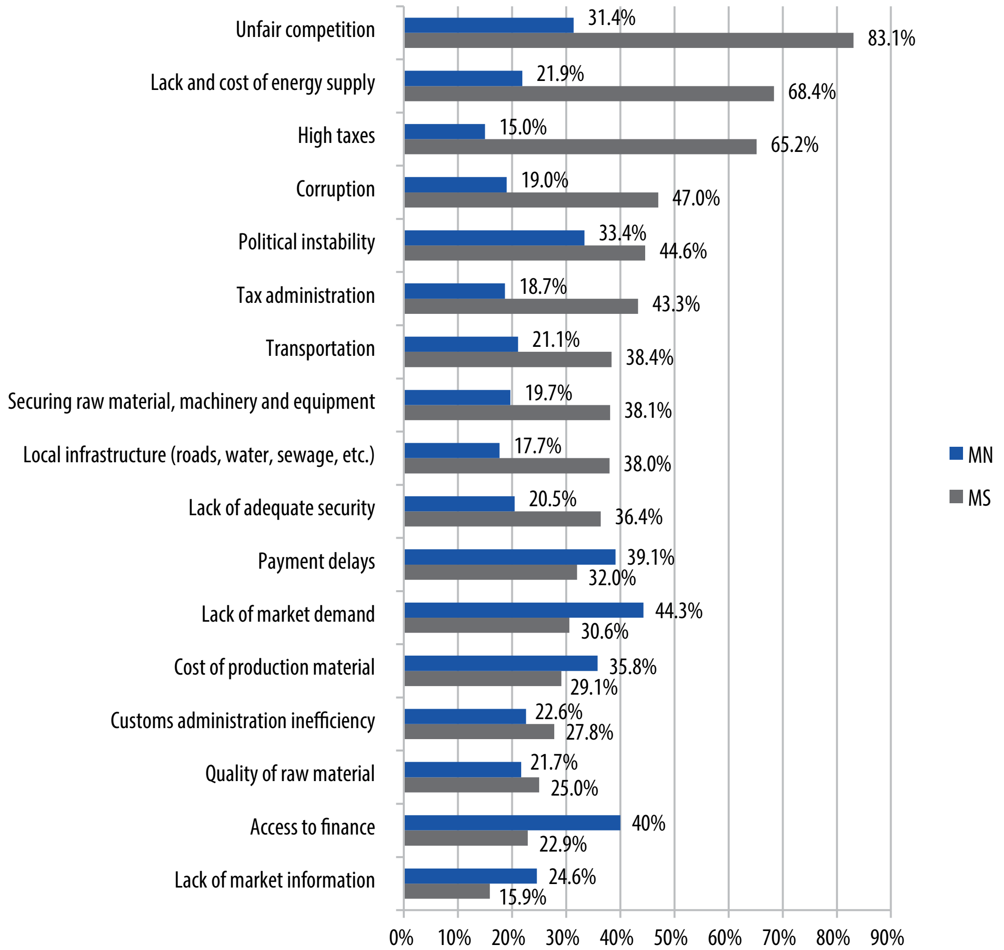
Source: Mitrovicë/a Baseline Assessment SME Survey

The results are rather variable for barriers to doing business. Except for political instability which is a common barrier for doing business for SMEs in both sub-regions, the rest of the barriers identified by SMEs differ significantly in both type and importance. In MS, unfair competition (especially with imports due to high custom and other taxes for raw materials), lack and cost of energy supply, high taxes and corruption are ranked as top barriers by the majority of surveyed SMEs. In MN, lack of market demand, access to finance, payment delays and cost of production material comprise the largest barriers. It must however be noted that the cost of energy supply in MN is not listed as a problem due to collective exception of the population in this sub-region from electricity payments (see Table 5A and Table 5B in Annex 1 for lists of all barriers in MS and MN).

MS: A comparably higher percentage of SMEs in the other services sector considers unfair competition a major barrier in doing business. For the manufacturing sector, cost and lack of energy supply and corruption are ranked as major barriers, whereas for more than half of SMEs in the sector of professional, scientific and technical services, political instability is a major barrier in doing business.

MN: Compared to other sectors, for wholesale trade, low market demand and political instability are considered a major barrier by a larger share of SMEs. A higher percentage of SMEs in the manufacturing sector considers access to finance and cost of production material as major barriers to doing business. Political instability is considered more of a problem by the wholesale trade compared to manufacturing and the other services sector.

Figure 8 Main barriers to doing business in Mitrovicë/a Region



Source: Mitrovicë/a Baseline Assessment SME Survey

Qualitative research with the selected sectors with high potential for employment and trade in both sub-regions indicates that the barriers that they face are very similar. Manufacturing of textiles and apparel, construction materials and ICT in MS and construction and ICT in MN all face problems with low market demand.

- In MS, the low market demand for the textiles and apparel industry (especially for the large manufacturers) stems from competition from imported goods which are able to provide products at drastically lower prices.
- According to the focus groups participants, the market of MN region is very small for all the companies operating in the construction sector and the number of construction projects is limited. The only options for the SMEs in this sector remain the public projects (particularly elsewhere in Kosovo) or donor-funded infrastructure and construction projects. Nevertheless, the SMEs in MN region face problems in such tenders due to: i) requirements for experience in large construction projects (more than €1 million), which the SMEs do not possess as a result of their operation only in the small regional market and ii) requirements of insurance guarantees which they cannot provide due to lack of operational cash and broader problems with access to finance. Participation in projects outside MN, however, is less desired due to perceived issues with personal safety of workers of these SMEs outside MN. Access to information seems to also be an

inhibitor to business growth for this sector as they rarely find out on time about new project opportunities elsewhere in Kosovo since the latter are mainly centralized in Prishtinë/a.

- For the ICT sector in MN, the low market demand stems from lack of awareness both among internet users and the potential business clients on the opportunities and advantages of using the internet. With regard to individual/household internet users, the SMEs had the perception that despite the high internet penetration, the latter has been used only for communication. Social media tools such as Facebook and online news portals are the most commonly used applications and very few online business transactions take place. With regard to business clients, the SMEs raised the concern that the private sector is not informed about the opportunities and advantages of advertising and selling online, as well as the general internet impact in business growth.

High customs and other taxes on raw material and intermediate products in both sub-regions increase the production costs and place the SMEs (especially of manufacturing sector) in an unfavourable position in the market, especially in competition with imports.

- In the sector of textiles and wearing apparel manufacturing in MS, the producers complained that customs duties and VAT hurts their competitiveness in report with imported products.
- Similarly, farmers and SMEs in the meat processing sector expressed their dissatisfaction with the high input costs that they incur due to VAT (for selling and rearing cattle) and custom duties.
- Farmers and SMEs in the meat processing sector in MN emphasized that they incur high costs in purchasing their supplies – particularly animal feed – which is not produced in Kosovo and has to be imported. High custom duties increase especially the costs of rearing cattle, impact negatively their competitiveness in the market, especially in relation to imported products from the region and outside of it.

For both sub-regions, unfavourable financing options – as a result of high interest rates, high collateral requirements and short repayment and grace periods – are very problematic. In MN, this problem is exacerbated by a chain of legal problems with regard to property registration. As a result, all the selected sectors face problems with expansion of activities as they cannot invest in production technology.

- For the construction sector in MS, unfavourable financing options are exacerbated by payment delays from both public and private contractors, creating problems not only for activity expansion but even with carrying out daily operations. The survey finds that more than 90% of SMEs in both sub-regions consider loan conditions as unfavourable or very unfavourable.
- The SMEs in the construction sector in MN report a number of problems with regard to obtaining financing, emphasizing the unachievable requests for collateral, especially due to legal issues with (both immovable and movable) property registration and enforcement of property rights.
- Farmers and meat manufacturers in MN who have a high demand for products cannot expand their production because of unfavourable conditions for obtaining finance for investing in machinery and equipment, storage and transportation of meat products.

Lack of finance is also considered a major inhibitor to obtaining internationally recognized certifications which are crucial for exporting products of this sector.

- The producers of rakia in MN underlined the same issues; problems with access to finance and unfavourable financing options inhibit these producers from expanding their activities as they need to invest in infrastructure for crop protection as well as marketing their produce (bottling, packaging and branding).

In terms of infrastructure, lack of energy supply was identified as a barrier for doing business by the manufacturers of textiles and apparel and construction materials in MS, whereas in the municipality of Zubin Potok poor internet infrastructure hinders the growth of the ICT sector.

- In MS, the SMEs in the manufacturing sector incur two types of costs due to lack of continuous and reliable power supply: productivity losses when the electricity is cut off and large costs in purchasing and running power generators intended to secure continuation of business operations on daily basis. During the focus group discussions, some of the SMEs in the manufacturing of textiles and apparel industry reported that electricity power cuts have damaged severely their production technology and machinery, resulting in both productivity and financial expenditures as there are no specialized machinery engineers to fix the above-mentioned in Kosovo's labour market. Instead, they rely on regional or European machinery engineers any time they have problems with machinery, which for the reasons listed above hinders their existing business activities and expansion.

Discussions with women who are farmers, business owners, employed in the private sector, in the civil society and unemployed, in both MS and MN, showed that women in both sub-regions face similar problems. Female farmers and entrepreneurs are faced with similar problems as the rest of the private sector in carrying out their day-to-day business operations: high costs of inputs that result in competitive disadvantage in the market; lack of financial support from institutions; disconnection with the rest of the chain in their sector of operations; lack of information; corruption and nepotism. However, cultural prejudice and the prevailing traditional roles double all the barriers that women face in doing business.

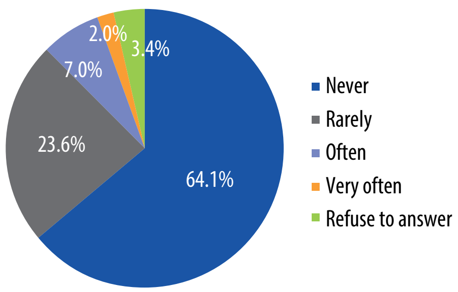
The focus group participants argued that economic empowerment is insufficient for full independence of women in a society that holds strongly on to traditional norms and values. Two quotes of the focus groups participants are worth noting to illustrate their arguments here: *"A successful businesswoman has not reached her full independence if she needs to go to the bank with her husband to apply for a loan"* or *"A woman may be successful in running her business, but her husband and sons will sell the products"* (suggesting that the men will still be in charge of making decisions for business deals). Even though they did agree that the position of women in both society and within the family has experienced drastic changes, the majority of focus group participants agreed that a lot of work remains to be done in this regard. According to participants, regardless of running a business or being employed, women are still expected to assume the role of the primary caregiver at home. Additionally, very few women hold decision-making positions in important institutions such as the municipality, financial institutions, civil society organizations, assembly, and the like, to serve as role models for the rest of women in the community and break the stereotypes.

Finally, support for women's economic empowerment by institutions should include concrete actions that yield tangible results; divagating from initiatives such as study visits and trade fairs. Instead, the participants argued, institutions should prioritize investments to sectors that have potential for expansion and employ a comparatively larger number of women.

3.7 Economic interaction between MS and MN

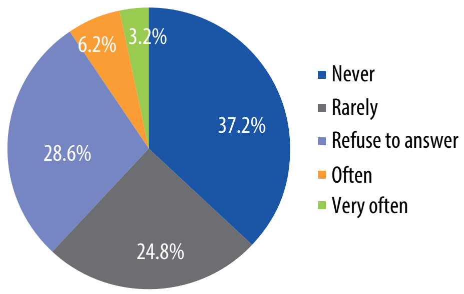
The survey data show that the economic interaction between the two sub-regions is very limited. Only 8-9% of SMEs in both MN and MS claimed to do business with the other sub-region often or very often. Sixty four percent of the SMEs in MS stated that they never do business with the North compared to 37% of SMEs in MN. It must also be noted that 29% of the SMEs in the latter sub-region refused to answer whether they do business with the South. Lack of safety was selected as a key barrier to doing business with the other sub-region in both MS and MN. The respondents of MN listed also the political situation and lack of a legal infrastructure as the main barriers for doing business with the South, while their counterparts named also resistance from the North and distrust.

Figure 9A Frequency of doing business with the North



Source: Mitrovicë/a Baseline Assessment SME Survey

Figure 9B Frequency of doing business with the South



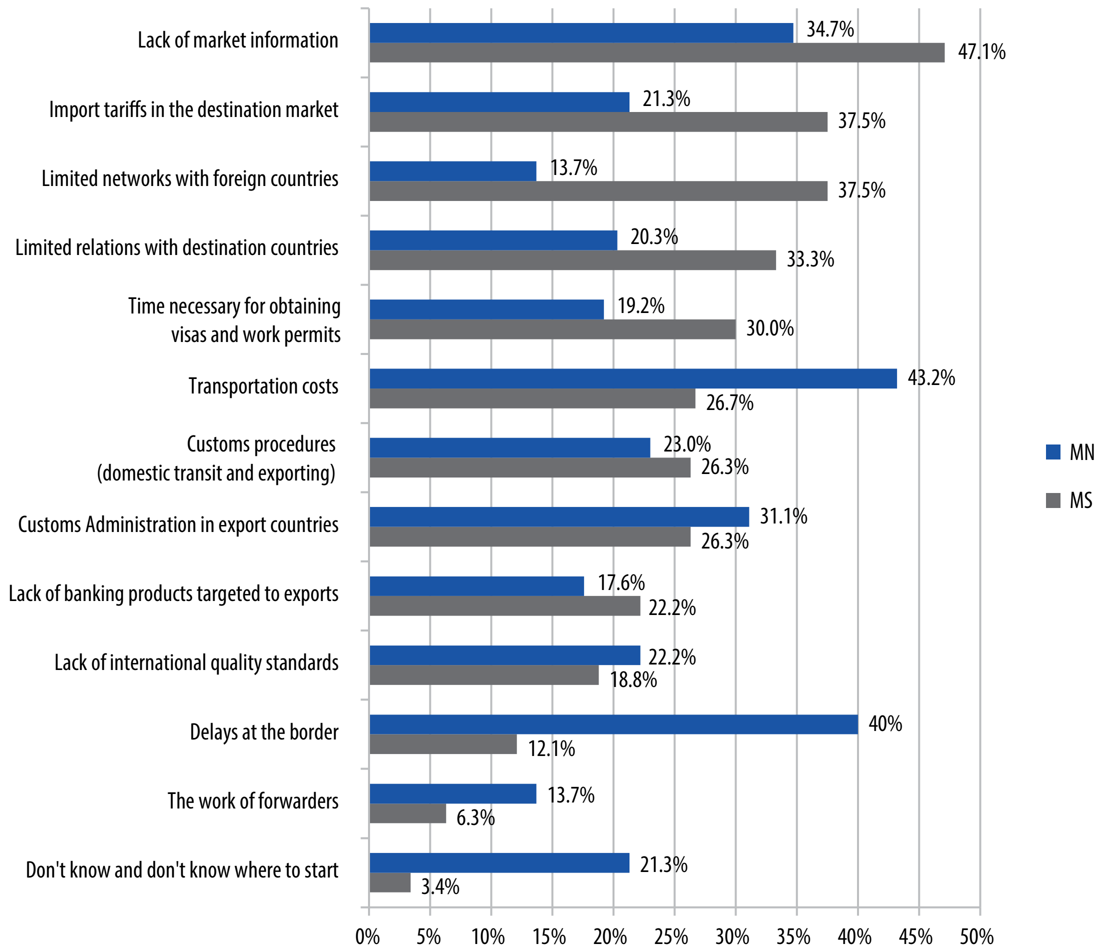
Source: Mitrovicë/a Baseline Assessment SME Survey

3.8. Exports

Less than 10% of SMEs in both sub-regions reported to export; however, the percentage is higher for MS (7%) compared to MN (3%). The exporting SMEs in MS listed the following countries as destinations of their produce: Germany, Albania, Austria, Sweden, Switzerland, Former Yugoslav Republic of Macedonia (FYROM), Montenegro, Bosnia and Herzegovina, Denmark, Finland, France, the Netherlands, Italy, Croatia, Norway and Turkey. In MN, France, Italy, Switzerland, Russia, Czech Republic and Serbia were listed as main export destinations by exporting SMEs.

Lack of market information, custom tariffs in importing countries and procedures (custom and legal) to export from Kosovo are common reported barriers for both sub-regions. SMEs in MN listed also transportation costs and delays at the border as export barriers, whereas their counterparts in MS listed limited opportunities to create networks with foreign businesses and limited relations with import countries as major export barriers.

Figure 10 Export barriers in Mitrovicë/a Region (% of businesses that ranked the barrier in top three in the list)



Source: Mitrovicë/a Baseline Assessment SME Survey

3.9. Access to finance

Survey data show that the SMEs in MN face major obstacles with access to finance, whereas in MS the SMEs have problems with financing mainly because of unfavourable conditions offered. Slightly more than 34% of the SMEs in MS claim to have applied for a loan during the last three years and virtually all those that applied for a loan got it. On the other hand, in MN only 11% of the SMEs applied for loans and 68% received them.

The majority of SMEs in MS consider the loan conditions as unfavourable. High interest rates, high demands for collateral, short grace and loan repayment period all prevent the SMEs from accessing commercial financing. These percentages are lower for the SMEs in MN as they face a multiplicity of other barriers with access to finance due to problems with property registration and property rights enforcement. As Table 5 shows, 22% of SMEs in MN stated that they did not apply for a loan because the procedures were very complicated. Access to finance was also listed as the second most severe barrier to doing business by the private sector in MN by 40% of the surveyed SMEs (see section on *Barriers to Doing Business).*

Table 5 Reasons for not applying for a loan in Mitrovicë/a Region

Reasons for not applying for a loan	MS	MN
The interest rate was too high	24.4%	19.5%
Request for collateral were too demanding	20.3%	6.3%
The grace period was too short	16.5%	1.8%
The loan repayment period was too short	15.6%	8.1%
We did not need one – the enterprise had sufficient capital	11.0%	34.9%
The procedure was very complicated	9.9%	21.7%
Other	2.0%	1.1%[10]
We did not think we would get the loan	0.3%	3.7%
We did not know how to apply for a loan	0.0%	2.9%
Total	100.0%	100%

Source: Mitrovicë/a Baseline Assessment SME Survey

Only 4% of SMEs in MS and 13% of SMEs in MN reported that they received grants during the past three years, mainly from large donors such as the EU Commission, followed by Kosovo central and local level institutions. A few SMEs in MN received grants also from the government of Serbia (see Table 6A and Table 6B in Annex 1).

The majority of these SMEs in both sub-regions used the loans and grants to expand their business activity by purchasing raw materials and machinery and/or equipment.

3.10. Future outlook and plans

The private sector in both sub-regions is rather optimistic about the future; almost half of SMEs believe that they will perform better in 2016. Seventy-seven percent of SMEs in MS plan to invest in the next three years, whereas 50% plan to hire new employees next year. A comparably lower percentage of SMEs in MN plans to invest in the next three years (61%) and hire in 2016 (37% of SMEs).

MS: Eighty-six percent of SMEs in manufacturing, 85% of SMEs in wholesale trade, 83% of SMEs in the other services sector, 77% in construction and 73% in the sector of human health and social work plan to invest in the next three years.

Fifty-five percent of SMEs in manufacturing and wholesale trade and 59% in the sector of professional, scientific and technical activities sector plan to hire new employees in 2016.

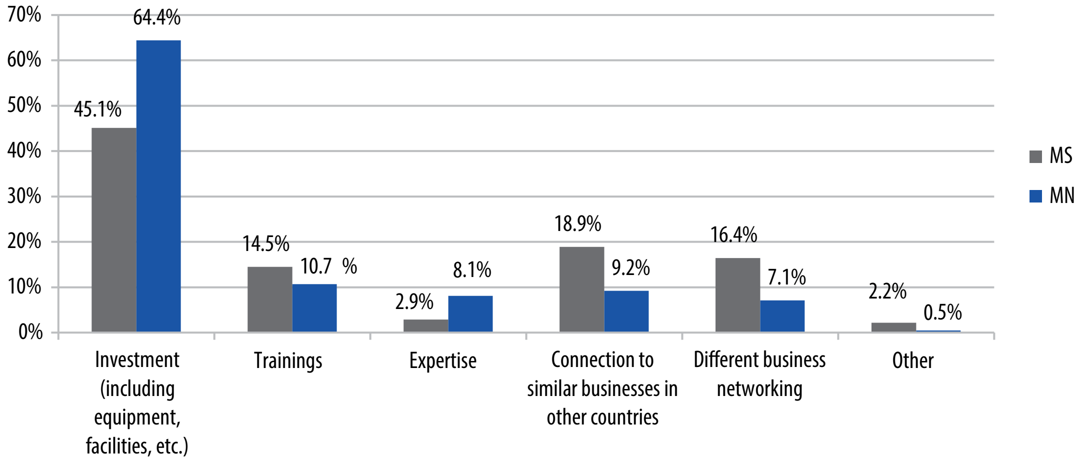
MN: Seventy-nine percent of SMEs in wholesale trade, 48% of SMEs in manufacturing and 56% of SMEs in the construction sector plan to invest in the next three years.

Fifty-four percent of the SMEs in wholesale trade plan to hire new employees in 2016, compared to 39% in manufacturing and 15% in the other services sector.

10 Banks do not give loans in the North of Kosovo.

When asked about areas where they need external support, the largest share of SMEs in both MS and MN selected investments enabling them to expand their business activities (in equipment, facilities, etc.), training and connection to similar businesses in other countries. Different business networking is deemed more necessary in MS compared to MN, whereas in the latter, expertise seems to be very important.

Figure 11 Key areas of external assistance, Mitrovicë/a Region



Source: Mitrovicë/a Baseline Assessment SME Survey

4. FARMERS IN MITROVICË/A REGION

4.1. Main activity

The survey data of the Mitrovicë/a Baseline Assessment shows that there are significant differences between MS and MN with regard to composition of the agriculture sector by farmers' primary activity. While in MN the sector is dominated by farmers that grow only crops (63%), in MS, 31% of the farmers grow only crops, 35% reported animal rearing as their only activity, while almost half (45%) reported that they engage in both animal rearing and cultivation of crops. Only 10% of the farmers in MN are engaged exclusively in livestock farming.

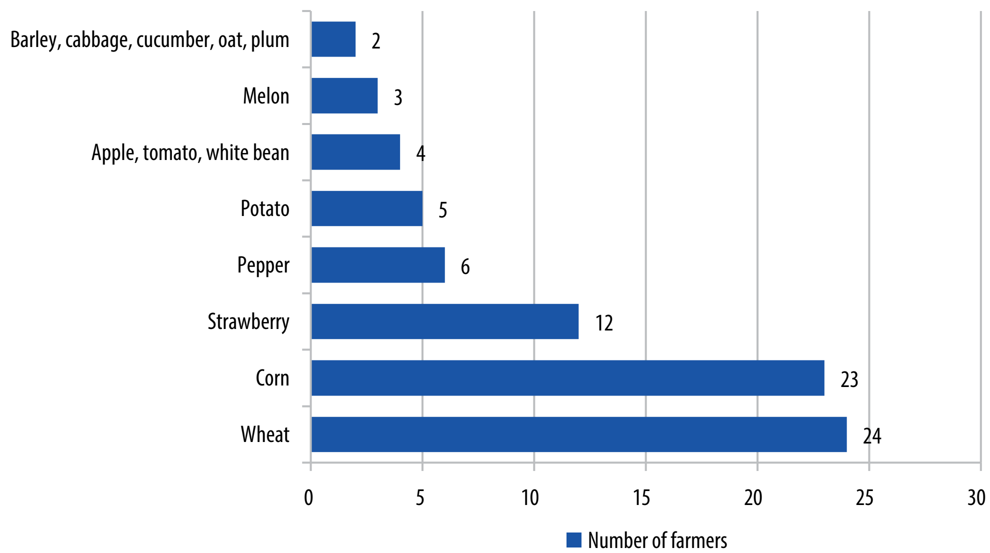
Table 6 Main farming activity, by gender

Main farming activity	MS			MN		
	Men	Women	All	Men	Women	All
Crop farming	25.2%	43.0%	30.8%	64.1%	57.6%	63.0%
Livestock	23.8%	26.2%	24.5%	9.7%	9.1%	9.6%
Both	51.0%	30.8%	44.7%	26.2%	33.3%	27.4%
Total	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%

Source: Mitrovicë/a Baseline Assessment Farmer Survey

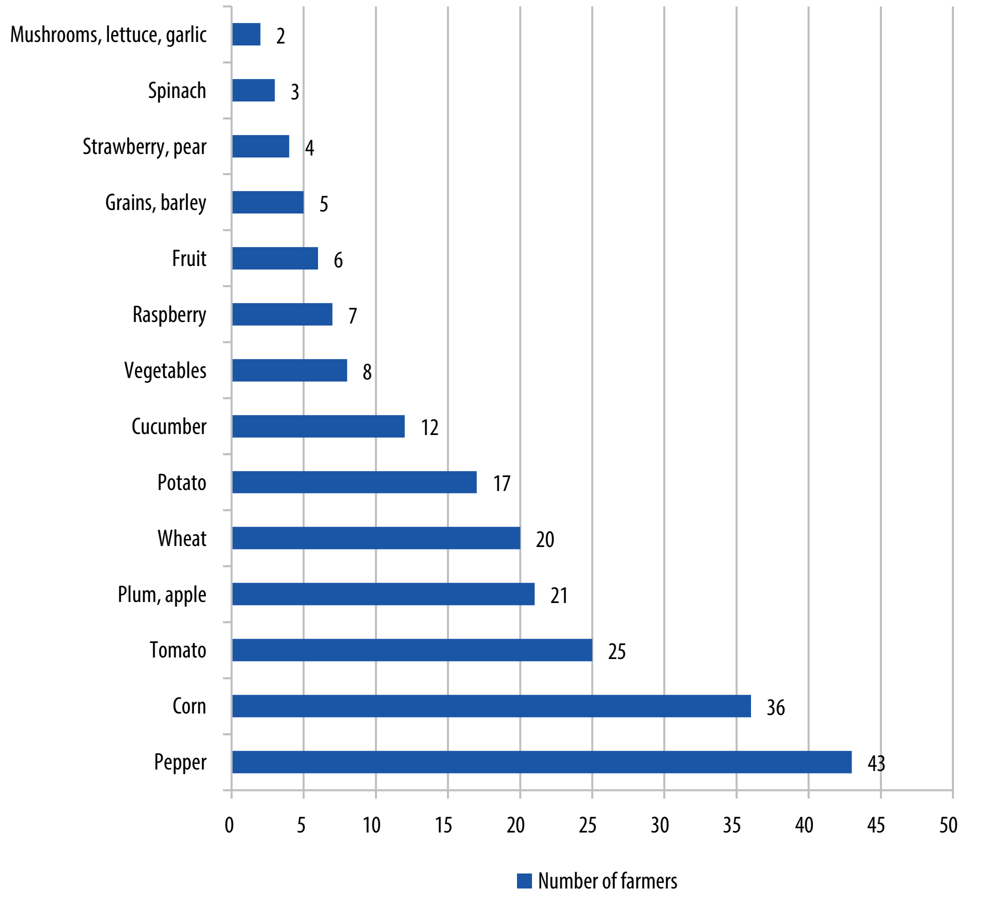
Survey findings also show significant differences between the two sub-regions in terms of types of crops grown and animals reared. In MS, wheat is the most widely grown crop, followed by corn, strawberry, pepper and potato. In MN, pepper is the most widely grown crop, followed by corn, tomato, plum, apple and wheat. Among livestock farmers, the majority in MS rear cows, bees, chicken or sheep. Livestock farming in MN is more diverse; the majority of the farmers rear pigs, followed by bees, cows, chicken/poultry, sheep or goats.

Figure 12A Main crops grown in MS



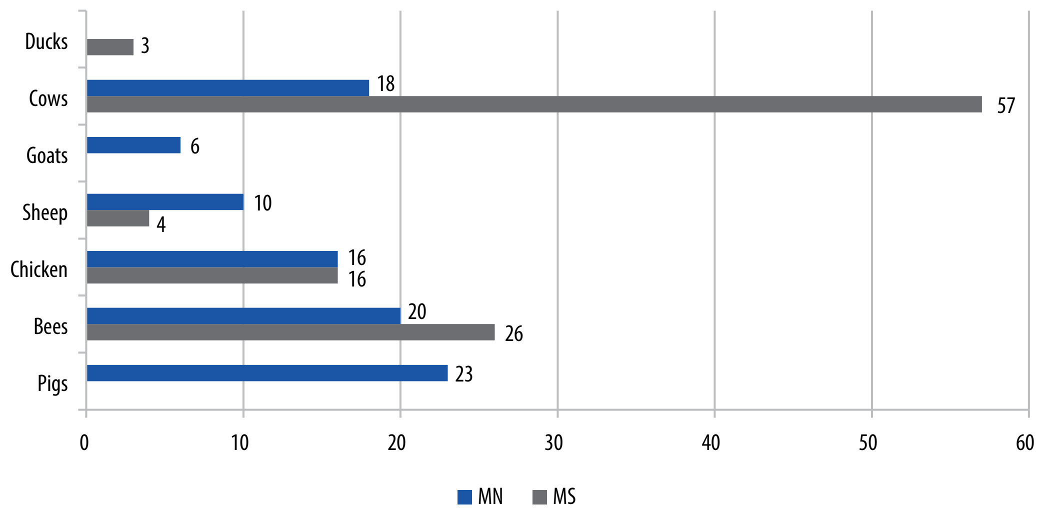
Source: Mitrovicë/a Baseline Assessment Farmer Survey

Figure 12B Main crops grown in MN



Source: Mitrovicë/a Baseline Assessment Farmer Survey

Figure 12C Animals reared in Mitrovicë/a Region



Source: Mitrovicë/a Baseline Assessment Farmer Survey

4.2. Agriculture as a source of income

Agriculture seems to be more important as a source of income in MS compared to MN. Eighty percent of the farmers in MS compared to 25% in MN stated that agriculture is their primary source of income. Therefore, it is not surprising that more than half of the farmers in MS engage in agriculture because it is the only opportunity for them to generate income. In MN, 34% of the farmers claimed to engage in farming because it is the only opportunity to generate income, whereas 24% because it is the best opportunity. An analysis of the demographic characteristics of farmers in Mitrovicë/a Region shows that farming is a more common mean for generating income among the less educated (half of those engaged in farming have completed vocational secondary education) (see Table 7 in Annex 1) and vulnerable groups, such as female headed households (see Table 8 in Annex 1).

Table 7 Reasons for engaging in farming, by gender

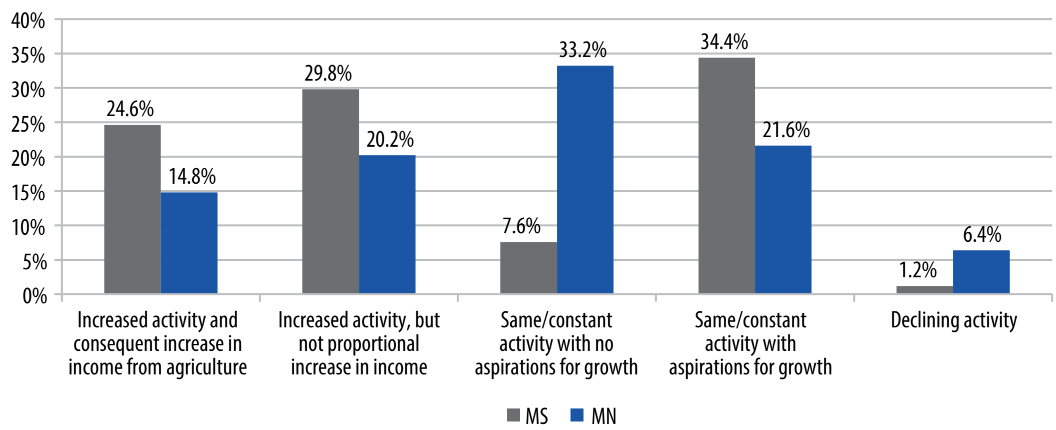
Reasons for farming	MS	MN
It is my only opportunity to generate income	54.8%	33.7%
It is the best opportunity to generate income	36.4%	24.4%
I don't have other skills or a profession	6.4%	12.3%
Donor and institutional support to the sector	1.2%	2.7%
Other, specify	1.2%	26.9%
Total	100.0%	100.0%

Source: Mitrovicë/a Baseline Assessment Farmer Survey

4.3. Performance over the past five years

Slightly more than a quarter of farmers in both sub-regions engaged in new activities in the past five years. While for 26% of the farmers in MS this has resulted in income increase, in MN this was the case only for 15% of the farmers. While costs (both input and general ones) were the key inhibitors to farmers' activity expansion, in MS unfair competition with imported crops (20%) and lack of knowledge on growing new crops (reported by 14% of farmers) were also significant as barriers.

Figure 13 Performance of the farmers in Mitrovicë/a Region over the last five years



Source: Mitrovicë/a Baseline Assessment Farmer Survey

4.4. Inputs

4.4.1. Land ownership

The majority of the farmers in both sub-regions own the land that they use for farming; leasing and rent-free land is less common. While survey data show no notable differences between male and female farmers in MN with regard to surface of the land that they own, in MS women farmers own smaller plots of land compared to men. Using rent-free land or leasing is unpopular among women farmers in MN; only a few of them claimed that the land that they use for farming is rent-free, while none reported to lease land for farming (see Table 9A and Table 9B in Annex 1).

4.4.2. Seeds and fertilizers

Less than half of the farmers in both sub-regions – 44% in MS and 42% in MN – use traditional/local seeds for farming, emphasizing the low cost as the main important reason. A notably larger share of farmers in MN compared to MS use hybrid seeds or seeds from the countries in the region. On the other hand, a significantly higher percentage (15%) of farmers in MS compared to 1% in MN use hybrid seeds from the European Union. The main reasons by farmers in both MS and MN for usage of hybrid skills include: higher yields, higher quality crops and quick production.

The majority of the farmers in MS (87%) use both organic and chemical/artificial fertilizers in their farming activities, compared to 65% of their counterparts in MN. Almost 20% of farmers in MN use only chemical pesticides (compared to 2% in MS) because of higher yields, quick cultivation and adaptability with the soil.

4.4.3. Sources of inputs

Domestic producers and imports from retailers/wholesalers are the two main sources of all inputs – seeds, fertilizers, pesticides and farming equipment – for farmers in MS engaged in crop farming. For their counterparts in MN, imports from retailers/wholesalers in Mitrovicë/a are major sources of supply. It must be noted however that a significantly larger share of farmers in MN produce their seeds (38%) and fertilizers (42%) compared to farmers in MS. The survey data also show that while the farmers in MS are more restricted in their geographical activity – as they have no direct interaction with other countries – the farmers in MN are connected to the market outside Kosovo as they import their pesticides (21%) and farming equipment (26%) directly (most commonly from Serbia), without intermediaries.

Table 8A Sources of inputs, crop farming in MS

Inputs	Own production	Domestic producers in Mitrovicë/a	Domestic producers, elsewhere in Kosovo	Imports, from a retailer/wholesaler elsewhere in Kosovo	Total
Seeds	8.4%	10.4%	43.5%	37.7%	100.0%
Fertilizers	13.6%	0.0%	49.3%	37.1%	100.0%
Pesticides	0.0%	17.0%	45.9%	37.1%	100.0%
Farming equipment	0.0%	7.6%	51.1%	41.3%	100.0%

Source: Mitrovicë/a Baseline Assessment Farmer Survey

Table 8B Sources of inputs, crop farming in MN

Inputs	Own production	Domestic producers in Mitrovicë/a	Domestic producer elsewhere in Kosovo	Imports, from a retailer/ wholesaler in Mitrovicë/a	Imports, from a retailer/ wholesaler elsewhere in Kosovo	We import them	Total
Seeds	37.9%	15.5%	7.8%	22.8%	2.7%	13.3%	100.0%
Fertilizers	42.0%	19.5%	6.0%	27.2%	2.3%	3.0%	100.0%
Pesticides	1.3%	19.8%	11.7%	44.1%	2.5%	20.6%	100.0%
Farming equipment	0.0%	11.6%	5.2%	53.7%	3.5%	26.0%	100.0%

Source: Mitrovicë/a Baseline Assessment Farmer Survey

Sources of supply are not very different for livestock farmers; more than half of these farmers from MS obtain the animal feeds/concentrate, mechanization services and farming equipment from the domestic producers. For the farmers in MN, imports from retailers and wholesalers located in Mitrovicë/a are a major source of all the supplies. Nevertheless, it must be noted that 36% of them produce their own chicks/breeding stock and 49% animal feed/concentrates; and almost half of them import farming equipment directly from Serbia.

Table 9A Sources of inputs, livestock farming in MS

Inputs	Own production	Domestic producers in Mitrovicë/a	Domestic producers elsewhere in Kosovo	Imports, from a retailer/ wholesaler in Mitrovicë/a	Imports, from a retailer/ wholesaler elsewhere in Kosovo	We import them	Total
Chicks/ breeding stock	69.3%	11.8%	16.9%	0.0%	2.0%	0.0%	100.0%
Animal feeds/ concentrates	30.4%	13.4%	52.0%	2.8%	1.4%	0.0%	100.0%
Mechanization services	0.0%	21.8%	66.1%	3.3%	8.8%	0.0%	100.0%
Farming equipment	1.8%	10.8%	70.7%	5.4%	9.4%	1.9%	100.0%

Source: Mitrovicë/a Baseline Assessment Farmer Survey

Table 9B Sources of inputs, livestock farming in MN

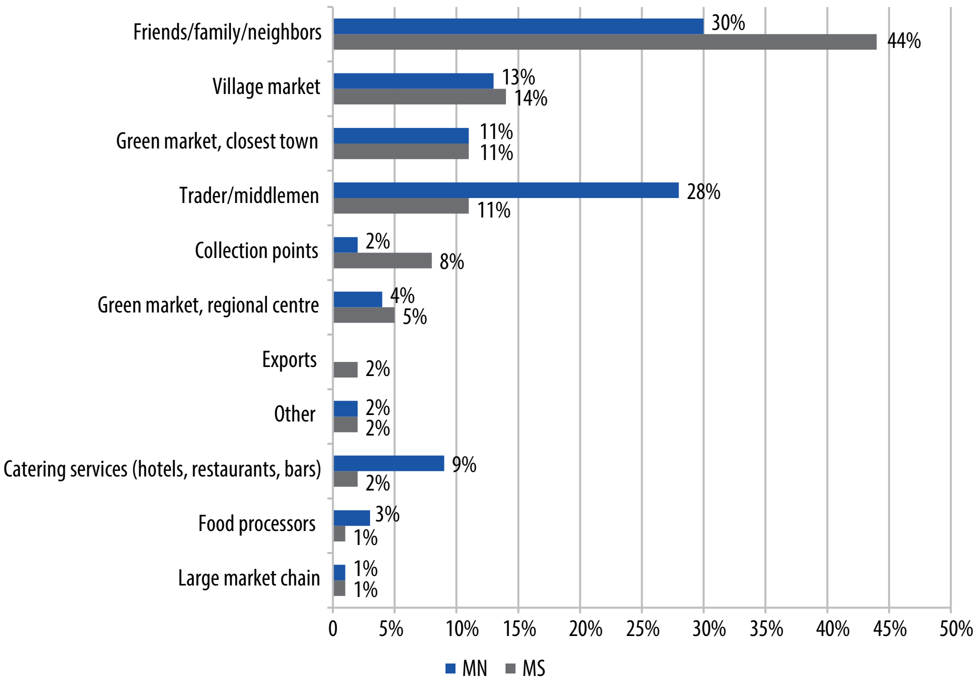
Inputs	Own pro-ducion	Domestic producers in Mitro-vicë/a	Domes-tic pro-ducers else-where in Kosovo	Imports, from a retailer/ wholesal-er in Mi-trovicë/a	Imports, from a re-tailer/ wholesaler elsewhere in Kosovo	We import them	Local NGOs and/or in-ternational donors , in the form of farming support	Total
Chicks/ breeding stock	36.2%	9.4%	19.1%	28.8%	0.0%	6.5%	0.0%	100.0%
Animal feeds/ concentrates	49.2%	5.0%	9.7%	22.8%	6.6%	6.7%	0.0%	100.0%
Mechanization services	0.0%	2.4%	6.0%	30.3%	5.8%	54.3%	1.2%	100.0%
Farming equipment	0.0%	5.8%	21.8%	31.3%	1.2%	32.8%	7.1%	100.0%

Source: Mitrovicë/a Baseline Assessment Farmer Survey

4.5. Markets and competitiveness

Generally, farmers in both MS and MN are rather detached from the rest of the value chain in their sub-regions. Family members and neighbours, the village market and traders/middlemen are the main clients of farmers in both sub-regions. A closer look at the rest of the clients shows that there are differences in how the farmers in MN and MS are connected to the rest of the value chain. A larger number of farmers in MN sell their produce to traders/middlemen, catering services and food processors. On the other hand, a larger number of farmers in MS seem to be connected to the village collection points, possibly as a result of their availability in the area.

Figure 14 Main clients of the agricultural sector in Mitrovicë/a Region



Source: Mitrovicë/a Baseline Assessment Farmer Survey

4.6. Productivity

A comparison of productivity (quantities of crops produced per hectares of land) shows that the crop farmers in MS are more productive than the ones in MN. Farmers growing wheat, strawberry and pepper had the highest yields in MS during 2014, whereas in MN the most productive farming activities include growing of grains, plums, corn, apples and pepper. It must be noted that except for potato, farmers in MS had notably higher average yields (productivity) in growing of all the following crops: wheat, pepper, apple, corn and white bean. Considering the similarities in infrastructure, namely irrigation and protection of crops, as well as other conditions, it may be concluded from survey data that the higher productivity in the MS is a result of higher surfaces of land used for farming (see methodology on calculation of productivity below), as well as usage of non-traditional seeds (recall from the previous section that 38% of farmers in MN produce their seeds by themselves).

The information provided by livestock farmers in both MS and MN was insufficient to calculate representative yields and productivity.

Table 10 Productivity of the crop farming sector in Mitrovicë/a Region

MS			MN		
Crop	Average produced (in kg)	Productivity (yield in kg per hectare)**	Crop	Average produced (in kg)	Productivity (yield in kg per hectare)**
Wheat	12,458	2,768	Wheat	2,175	1,088
Strawberry	7,880	1,751	Strawberry*	255	510
Pepper	7,000	1,556	Pepper	906	453
Apple	6,333	1,407	Apple	2,154	1,077
Corn	5,295	1,177	Corn	2,330	1,165
White bean	4,950	1,110	White bean	754	377
Potato	700	156	Potato	1,413	707
Elderflower/berry*	20,000	-	Tomato	695	348
Rosehip*	20,000	-	Cucumber	430	1,500
Seedling*	60,000	-	Cabbage*	2,000	-
Barley*	8,000	-	Barley	2,000	1,000
Melon*	6,000	-	Grains	4,600	2,300
Oat*	3,000	-	Blackberry*	1,500	1,500
Spinach*	600	-	Spinach*	50	50
Onion*	180	-	Hazelnut*	1,000	1,000
Plum*	20,000	-	Plum	3,444	1,722
			Soya*	1,000	1,000
			Walnut*	950	950
			Oregano*	600	600
			Garlic	1,000	215
			Pear*	3,000	-
			Quince*	2,000	-
			Raspberry	1,071	536

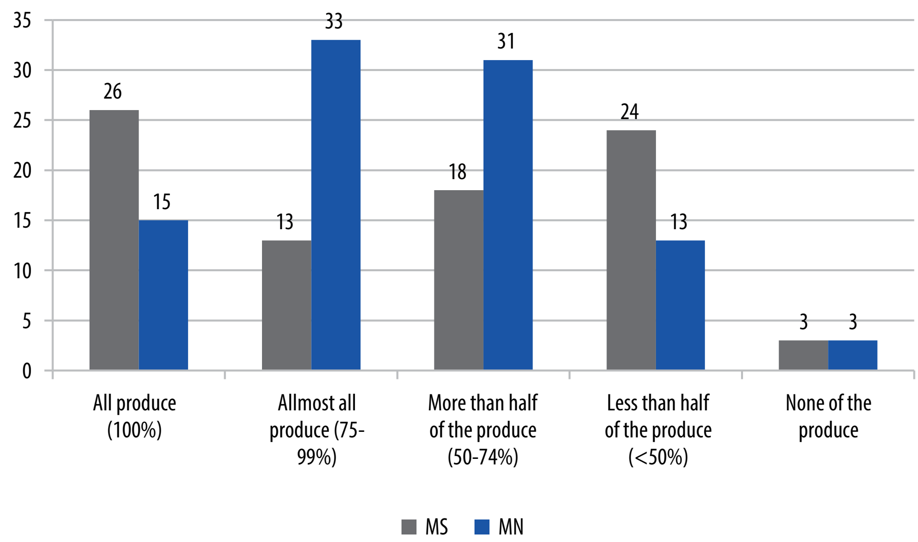
Source: Mitrovicë/a Baseline Assessment Farmer Survey

*Figures based only on one observation; therefore, no conclusions can be drawn. Productivity (yield per hectare) was not calculated for these crops.

4.7. Barriers in farming

Few farmers in both MS (26 farmers) and MN (15 farmers) managed to sell all their produce during 2014; nevertheless, farmers in MN seem to have performed better in the market. The main problems that farmers in both sub-regions face with selling their produce include: low demand in the market, inability to compete on price with imports and high transport costs. In MS, cumbersome procedures (possibly with connecting with the rest of the market chain) are also a major barrier to selling agricultural produce, whereas in MN, lack of market information is considered as a major barrier.

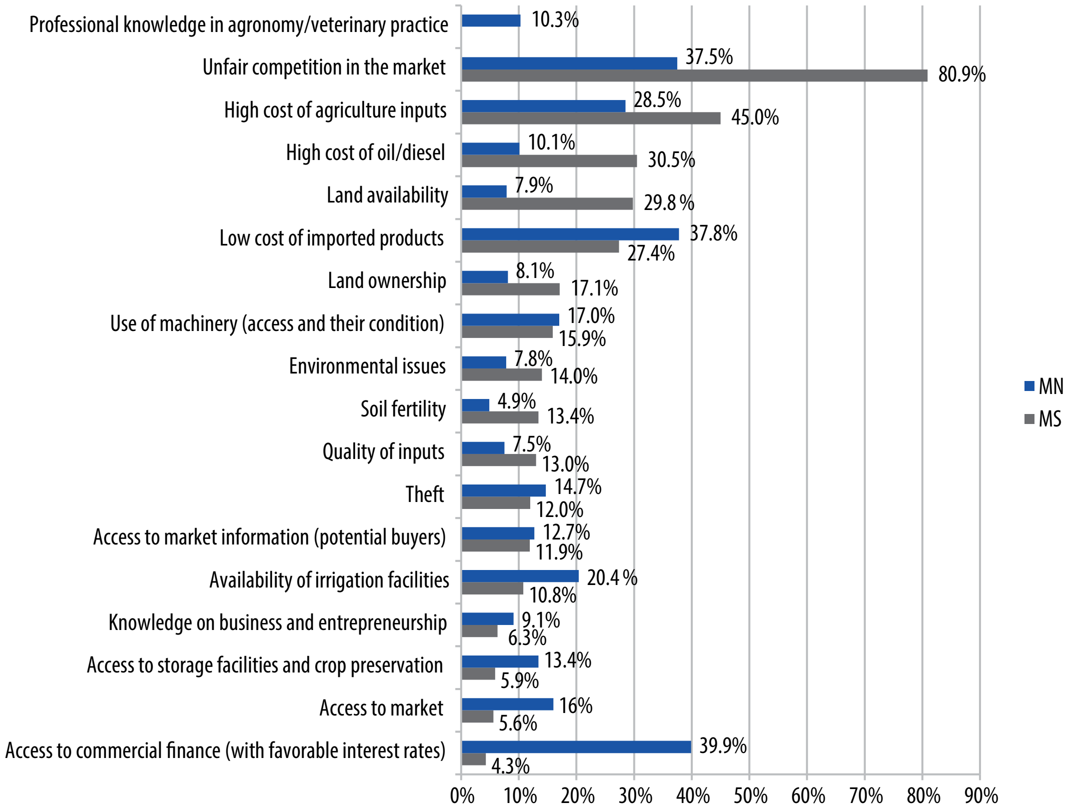
Figure 15 Share of produce of the agriculture sector sold in 2014



Source: Mitrovicë/a Baseline Assessment Farmer Survey

Survey data show that unfair competition in the market**,** especially due to the low price of imported products and high cost of agricultural produce are some of the main barriers for engaging in farming in both MN and MS. For farmers in MS, high cost of oil/diesel is considered another important barrier as it increases the cost of production, whereas for the farmers in MN, access to finance with favourable interest rates was ranked as the main barrier.

Figure 16 Main challenges with engaging in farming in Mitrovicë/a Region (% of farmers that ranked the barrier among the top three)



Source: Mitrovicë/a Baseline Assessment Farmer Survey

Other questions throughout the survey show that farmers in Mitrovicë/a Region face a few other very important challenges with performing and expanding their farming activity, including lack of access to a reliable (public) irrigation infrastructure; lack of facilities and instruments to protect their crops from harsh weather conditions and unavailability of modern facilities to store their crops. For instance, very few farmers claimed to enjoy an adequate and reliable irrigation infrastructure as only 10 of them were connected to the public water system in both MN and MS. The same is the case for modern facilities for crop storage: only 2 of the farmers in MS and 5 in MN used the modern method, cold storage to store their crops in 2014, mainly because such facilities are not available in their vicinity.[11] Additionally, farmers in both sub-regions do not possess the necessary facilities and instruments to protect their crops during harsh weather conditions, which has resulted in substantial losses for farmers in this region. More than half of farmers in MS and MN reported that the crops in their area got destroyed during the last three years, attributing the damage to drought, rain, floods and hailstorm. The problem with storage and protection of crops from harsh climate conditions was underlined by qualitative research (focus group discussions with *rakia* producers) as a major barrier for expansion of production capacities in the future.

Qualitative research conducted for this report suggests that the cost of agricultural inputs impacts negatively the competitiveness of farmers in Mitrovicë/a Region. The livestock

11 Twenty three percent of farmers in MN were not informed whether such a facility is available in their sub-region, underlining that lack of information is also an issue for farmers.

farmers in MS highlighted that the high costs of agricultural inputs are driven up by the taxes (both VAT and customs duties) [12] that they are subject to for rearing and selling veal. These taxes increase significantly the cost of rearing cattle, making the local producers uncompetitive in the local market for meat processers as well as in relation to the low-priced imported meat. The livestock farmers in MN, on the other hand, relate the high cost of agricultural inputs to the cost of animal feed, which is not produced in Kosovo and has to be imported.

Problems with access to favourable financing options constrain the farmers in Mitrovicë/a Region in expanding their activities since their income from agricultural activity is insufficient to finance investments in production technology and equipment, storage of crops/livestock produce, protection of crops from harsh weather conditions, marketing products (including bottling, packaging and branding for *rakia* producers), obtaining international certifications, etc.

Qualitative research with livestock farmers in MS and MN and rakia producers in the latter underlined another very important barrier that the farmers in this region face; lack of formal organization of farmers in an association or similar body/institution. Farmers of both of these sub-sectors operate independently, which hinders their connection to larger buyers in the value chain and "securing" demand for their products.

4.8. Economic interaction between MS and MN

Considering their limited market size and detachment from the rest of the value chain, it is not surprising that very few farmers (10) in both MS and MN interact with the other sub-region or export outside Kosovo. Even fewer farmers in MS reported that they export their produce, while for MN this figure was zero. Nevertheless, the latter must be considered with caution having in mind that the farmers from MN may not consider sale of produce in Serbia as exports.

4.9. Access to finance and support programmes

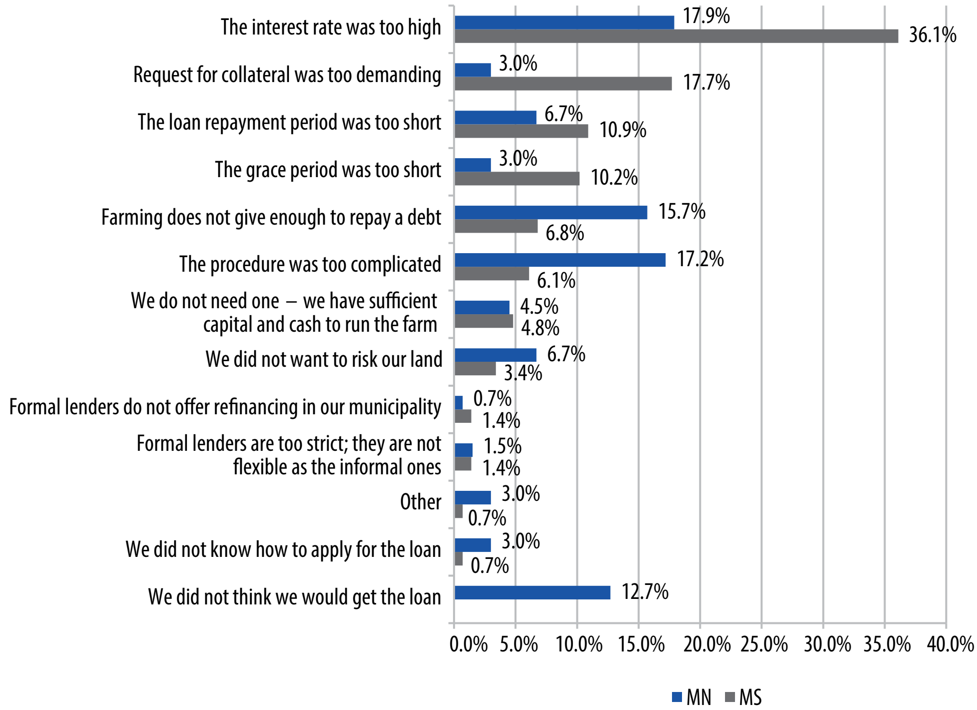
Survey data show that similarly to the private sector, the farmers in MN face major problems with access to finance. While in MS, the majority of 26% of the farmers who applied for loans received them, in MN, only 39% of the 19 farmers who applied for a loan got it. Hence, a higher percentage of the latter (26%) resorted to informal borrowing from family or friends.

The figure below further reiterates the differences between MS and MN with regards to access to finance; while in MS, unfavourable financing conditions are the main problem with obtaining finance, in MN the farmers face barriers with access to finance. As the figure below shows, the main reasons why farmers in MN did not apply for loans had to do

12 Note to the reader. Qualitative research with SMEs and farmers in Mitrovicë/a Region was conducted during July, 2015, before the fiscal reforms for removal of VAT on raw materials for Kosovo producers entered into force: http://www.institutigap.org/documents/5675_Economic%20and%20budgetary%20effects%20of%20fiscal%20reforms%202015_final.pdf

more with hindrances related to access to loans rather than unfavourable conditions: 17% of the farmers stated that they did not apply for a loan because the procedure was too complicated, whereas 13% because they did not think that they would get it.

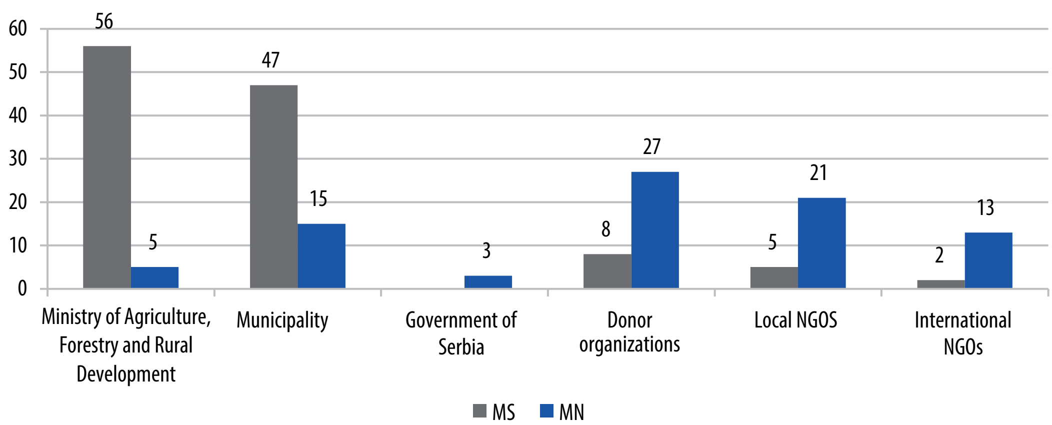
Figure 17 Reasons why farmers in Mitrovicë/a Region did not apply for a loan during the last three years



Source: Mitrovicë/a Baseline Assessment Farmer Survey

Possibly due to availability and easier access, many more farmers in both MS and MN applied for grants available in their municipalities during the past three years. As may be observed in the figure below, a greater share of farmers in MS have applied for grants support programmes in local and central level institutions, whereas for the farmers in MN, donor organizations, local NGOs, municipalities and international NGOs were the main sources of financial support.

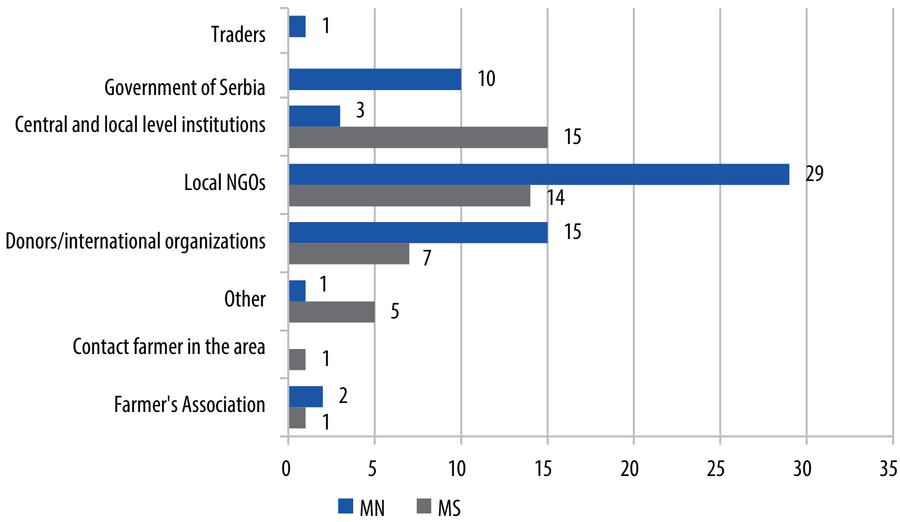
Figure 18 Grant support programs in Mitrovicë/a Region



Source: Mitrovicë/a Baseline Assessment Farmer Survey

In addition to financial support, a large number of farmers in both MS and MN have enjoyed other, technical support of different institutions available in their areas in the form of advisory extension services. As with the financial support, farmers in MS seem to be better connected with the central and local level institutions, whereas comparably more farmers in MN have been supported by local NGOs, donor organizations and the government of Serbia. The figure below shows a very important piece of evidence; that the farming sector in both MS and MN is at an infant stage and largely disorganized, as very few farmers seem to have benefitted from expertise of larger, more experienced farmers in the sector.

Figure 19 Sources of advisory extension services in Mitrovicë/a Region



Source: Mitrovicë/a Baseline Assessment Farmer Survey

4.10. Future outlook and plans

Regardless of the multiple barriers that they face, the farming sector in Mitrovicë/a Region is fairly dynamic and the farmers are open to new activities in the future. A third of farmers in MS and more than a quarter in MN reported for the survey that they have started growing a new crop over the past five years. Moreover, when asked about their future plans, 87% of farmers in MS and 79% in MN claimed that they plan to expand their activities in the next three years.

When asked about the areas where they would mostly need support in the future, half of the farmers in both MS and MN selected investments (including equipment, facilities, etc.), connection to buyers or local farmers and trainings, highlighting four of the key problems in the farming sector: access to finance, lack of organization between the farmers, detachment from the rest of the value chain and lack of knowledge/expertise.

5. CONCLUSIONS AND RECOMMENDATIONS

Mitrovicë/a Region Baseline Assessment includes a comprehensive analysis of the private sector and farmers in Mitrovicë/a Region, with a special focus on barriers that the two face in their activities and with expansion. For the private sector, even though the report focuses on all the SMEs, special attention is paid to the sectors of: i) meat processing, ICT, manufacturing of textiles and apparel and production of construction materials in MS and ii) meat processing, production of rakia, construction and ICT in MN, as sectors with higher potential for employment and future growth. In the agricultural sector, the analysis is disaggregated by farming activity – crop farming versus livestock farming – in order to identify differences, especially related to barriers that the farmers face in engaging in farming and expanding their production. The analyses also compare MS and MN in order to gain insight on specific barriers that the SMEs and farmers in the two sub-regions may face.

The findings suggest that SMEs in Mitrovicë/a Region face many barriers that hinder their daily activities and operations. **Low market demand**; **unfair competition** stemming from **high production costs** due to high imports taxes on raw material and production technology; **problems with access to finance** in MN and **unfavourable financing conditions** in MS (including **payment delays** in MS and MN as well as **enforcement of property rights** in MN); and **political instability** are perceived as key barriers to selling produce and doing business by SMEs in both MS and MN. The SMEs in MS also voiced their concerns about the **cost and lack of energy supply** and **corruption** as major obstacles in doing business in this sub-region, whereas the SMEs in MN perceive **lack of market information** as an important barrier. Women in both sub-regions face additional barriers related to **cultural prejudice** and **prevailing traditional roles** which is reflected in their low percentage of participation in the economy, especially in MS. With these barriers in mind, it is not surprising that very few of the SMEs in both MS and MN interact with the counterpart sub-region or foreign economies. While **lack of safety** and **political situation** were listed as the main reasons why the SMEs in MS and MN do not have any economic interaction with each-other, **lack of market information, procedures (including delays at the border)** and **custom tariffs** were ranked as common key barriers to exporting. The SMEs in MS also listed **limited networks and relations with foreign countries** as a major barrier to exports, whereas for their counterparts in MN, **transportation costs** topped the list.

Similar to other research conducted on the business environment in Kosovo, when asked what factors would increase their competitiveness in the market, the SMEs in both MS and MN selected **easy access to financing with low interest rates** and **affordable prices in purchasing new technology or the existing one.** The SMEs in MS listed also **improved infrastructure** and **increased supply of skilled personnel** as factors that would boost their competitiveness in the market, whereas their counterparts in MN listed **access to market information/potential buyers** (possibly due to the restrained economic activity to their geographical area in the north of Kosovo) and **less bureaucracy in central and local level institutions** (as the latter comprise a considerable share of their customer base). Additionally, when asked in what areas they would need external support (from different institutions), the majority of SMEs in both MS and MN listed **investments that would enable them to expand their business activities** and **networking/connection to similar businesses.**

It must be emphasized however that SMEs in both MS and MN seem to **lack awareness on the importance** of **employee skills (i.e. enhanced productivity), marketing** and **international certifications** for increasing their competitiveness in the market. Very few SMEs listed expertise, skilled personnel or international certifications as barriers in doing business or exporting. Very few SMEs reported to train their staff or hold an international certification. Moreover, even though individuals and/or households are the main customers of SMEs in both MS and MN, very few of them reported to use any type of marketing tools to reach their customers. Instead, **the majority rely on word-of-mouth for acquiring new customers.**

The main barriers that the farmers of Mitrovicë/a Region face with engaging in this economic activity are similar to the SMEs in the rest of the private sector: **low market demand, inability to compete, access to finance** and **high transport costs.** Farmers in MN also claimed that they have problems with selling their produce due to **lack of market information. Lack of organization of the farmers** (in a formal, joint entity/supplier) and **detachment from the rest of the market** limits greatly their ability to sell their produce or expand their activity. Family, friends and relatives are the main customers of farmers in both MS and MN; very few of them supply produce for larger buyers in the value chain, such as supermarkets, larger buyers/traders or food processors. Regarding the costs of production, due to heavy reliance on imports for agricultural inputs (whether directly or through wholesalers/retailers), the majority of farmers in both MS and MN incur high production costs, making them **uncompetitive** in the market with imported agricultural produce. Like the SMEs, farmers in MN face numerous barriers with **access to finance** (including due to problems with enforcement of property rights), whereas the ones in MS with **unfavourable financing conditions.** The survey data showed that farmers in Mitrovicë/a Region face a number of other barriers in their activity and its expansion: **lack of access to a reliable (public) irrigation infrastructure, lack of facilities and instruments for protection of crops from harsh weather conditions, unavailability of modern facilities for crop storage** and **lack of knowledge in growing new crops.** Unsurprisingly, when asked about areas where they would need external support in the future to expand their activities, the majority of farmers listed **support with investments, connection to buyers and local farmers** and **training.**

As may be deduced from the summary of survey findings listed above, low market demand is a substantial barrier to activity expansion of both SMEs and farmers in Mitrovicë/a Region. Therefore, in order to ensure growth of both sectors, efforts should be made to increase their competitiveness, which would also enable them to begin trade and adjoin to the international value chain. The following recommendations are linked to increasing productivity and competitiveness of the private sector and farmers in Mitrovicë/a Region:

5.1 SMEs and Farmers

- SMEs and farmers in Mitrovicë/a Region argued that their products/services are uncompetitive in the market due to high production costs that they face as a result of high custom and other taxes on imports, the main source of their supplies. Kosovo institutions have already made a step towards facilitating this issue, by exempting the following from VAT: i) production lines and machinery used in production processes; ii) raw materials that are used in production process; and iii) equipment of information technology. As new fiscal policies are implemented and impact the private sector, the central institutions of Kosovo should carefully assess what other reforms and policies are feasible to decrease production costs, especially of sectors with competitive advantage and potential to trade and generate employment;
- SMEs and farmers in Mitrovicë/a Region identified access to finance and unfavourable financing conditions - high interest rates, high collateral demands, and short grace and loan repayment periods - as a major barrier to expanding their economic activity. Alternative financial products, such as municipal loan guarantee schemes, grants and subsidies can be introduced for sectors that have a higher competitive advantage and which have higher potential for trade and for generating employment. In the agricultural sector, these schemes could also serve as incentives for [existing farmers] to grow new crops, whereby Kosovo has a higher competitive advantage. Since farming has a high potential to generate employment among the more vulnerable groups – especially female headed households and the less educated – these new financial products should be designed in a way that increases the inclusion of these groups in the economy;
- Lack of market information and limited networks and relations with businesses in foreign countries were reported as some of the main barriers to exporting by the SMEs in Mitrovicë/a Region. Therefore, efforts should be made by all the relevant stakeholders to make market information available to SMEs and farmers as well as provide them with opportunities to get together and establish business relations. Trade fairs could be one option, nevertheless, for an optimal result they should include not only the producers but also other stakeholders of the value chain in the specific sectors. Study visits to other countries could be another option;
- Efforts should be made to create opportunities and provide incentives for economic interaction between the farmers and related sectors in MS and MN. Since both of these sub-regions are restricted in market size, enhancing their collaboration is imperative for activity expansion of both farming and the private sector.

5.2 SMEs

- SMEs in all the sub-sectors of manufacturing reported that they face great costs due to energy cuts, both in terms of productivity loss and increased costs as a result of damage of machinery and investments they had to make in purchasing power generators. Therefore, efforts should be made to improve the infrastructure and supply of electricity;
- The survey results shows that word-of-mouth marketing is one of the most widely used means of the private sector in Mitrovicë/a Region to promote their products

and services, even though individuals and households are their main customers. Additionally, very few of the SMEs reported that they possess an international certification, and even fewer could name a world renowned international certification. Therefore, efforts by business associations should be made to raise awareness of the private sector in importance of branding, marketing and obtaining international certifications and accreditations for increasing their competitiveness and opportunities to trade with foreign countries;

- Very few SMEs train their staff and recognize enhanced employee skills as a factor to increasing competitive advantage. Efforts by business associations should be made to increase the awareness of the business community in Mitrovicë/a Region on the importance of staff trainings. Having in mind the lack of resources of SMEs, trainings programs, especially on soft skills could initially (for a short period of time of a few years) be made available by municipal and/or business associations;
- The curricula of VET schools and university programmes in Mitrovicë/a Region need to be revised and updated so as to tailor to the needs of the largest sectors that have high potential for employment in the future. Efforts should also be made to link the VET schools to the private sector to both provide the students with opportunities to enhance their skills and employability in the future, as well as the private sector employers with lower cost of labour.

5.3 Farmers

This research found that the farmers in Mitrovicë/a Region are not connected to the market, which has impacted negatively the demand for their produce. In this regard:

- Support (both financial and technical) should be provided to farmers for shifting resources to cultivation of crops where Kosovo has competitive advantage. In addition to introduction of financial products mentioned earlier in this section, advisory extension services and trainings need to be provided to farmers for growing new crops, as lack of know-how was identified as the key factor for not growing new crops by farmers;
- The majority of clients of the farmers in the region are family members or neighbours and to a lesser extent, the village market. Efforts should be made to organize farmers in formal bodies/associations and connect them to larger suppliers. This activity would not only increase the market demand for farmers' produce, but would also create opportunities for knowledge and information sharing between farmers;
- The majority of farmers in Mitrovicë/a Region reported that they have problems with the irrigation infrastructure, protection of crops from harsh weather conditions and modern storage facilities of their crops, all of which have a negative impact in farmers' productivity. Therefore, local level institutions should invest in improving the irrigation infrastructure, whereas joint efforts by farmer associations (once established) and other actors in the value chain should be made on securing facilities and instruments for crop protection and storage of crops which could be shared by farmers.

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ANNEX 1

Table 1 Legal form of SMEs in Mitrovicë/a Region

Legal form of businesses	MS	MN
Individual business	90.2%	80.7%
Partnership	4.8%	5.4%
Limited Liability Partnership	2.4%	3.7%
Joint Stock Company	0.3%	0.4%
Corporation	0.3%	3.1%
No answer	2.0%	6.7%
Total	100.0%	100.0%

Source: Mitrovicë/a Baseline Assessment SME Survey

Table 2 Reasons for increase in profits in the last three years

Reasons for increase in profits	MS	MN
Increase in sales	21.8%	37.3%
New products	18.9%	12.4%
Technological improvements	14.6%	15.2%
Enhanced employee skills	13.6%	6.0%
Increased productivity	11.7%	16.1%
Improvements in management	11.2%	4.6%
Decrease in costs	6.3%	6.5%
Other	1.5%	-
Foreign investments	0.5%	1.8%
Total	100.0%	100%

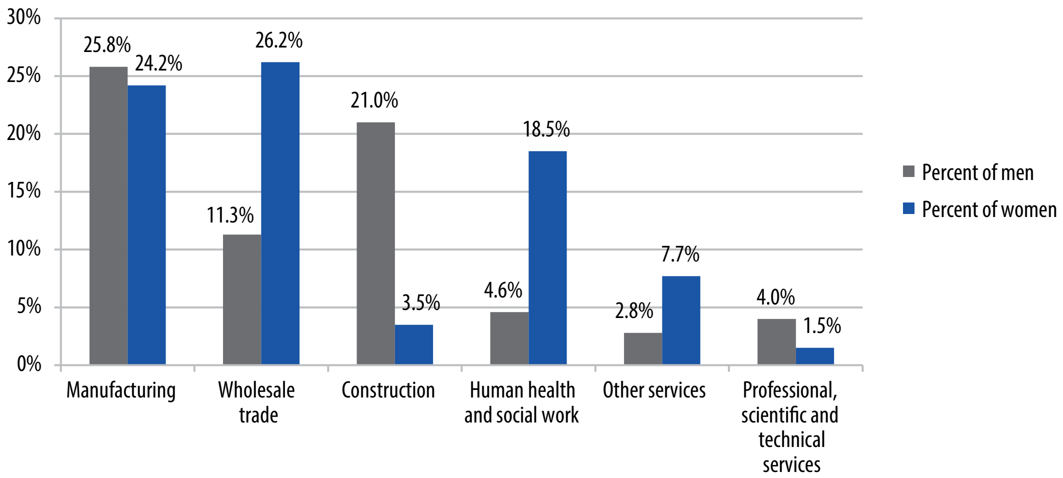
Source: Mitrovicë/a Baseline Assessment SME Survey

Table 3 Reasons for obtaining supplies from the informal sector

Reasons for obtaining supplies from the informal sector	MS	MN
Lowest price	38.1%	28.0%
Best quality	19.0%	7.6%
Geographical proximity	23.8%	34.7%
Fastest service	19.0%	29.7%
Total	100.0%	100%

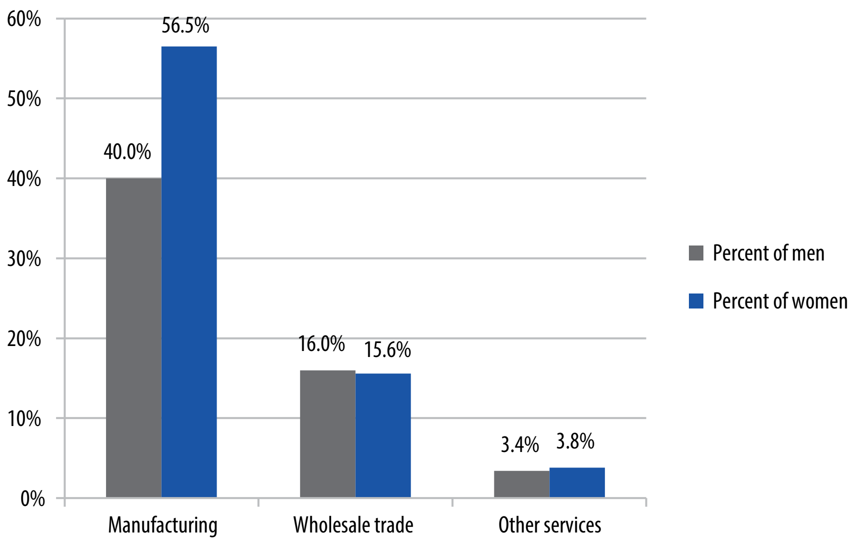
Source: Mitrovicë/a Baseline Assessment SME Survey

Figure 1 Employment in MS, by gender and sector



Source: Mitrovicë/a Baseline Assessment SME Survey

Figure 2 Employment in MN, by gender and sector



Source: Mitrovicë/a Baseline Assessment SME Survey

Table 4 Education level of SME owners in Mitrovicë/a Region, by gender

Education level	MS			MN		
	Men	Women	All	Men	Women	All
Unfinished primary	2.4%	2.5%	2.4%	1.0%	0.0%	0.7%
Primary education	3.6%	2.3%	3.4%	7.9%	2.7%	6.5%
General secondary education	17.4%	26.1%	18.7%	18.9%	34.7%	23.1%
Vocational secondary education	31.6%	33.4%	31.8%	43.0%	37.9%	41.7%
Tertiary (university) education	45.0%	35.7%	43.7%	29.2%	24.7%	28.0%
Total	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%

Source: Mitrovicë/a Baseline Assessment SME Survey

Table 5A Main barriers in doing business in MS

Main barriers in doing business	A considerable or very large barrier
Unfair competition	83.1%
Lack and cost of energy supply	68.4%
High taxes	65.2%
Corruption	47.0%
Political instability	44.6%
Tax administration	43.3%
Transportation	38.4%
Securing raw material, machinery and equipment	38.1%
Local infrastructure (roads, water, sewage, etc.)	38.0%
Lack of adequate security	36.4%
Payment delays	32.0%
Fiscal evasion	31.2%
Lack of market demand	30.6%
Cost of production material	29.1%
Crime, theft	28.5%
Customs administration efficiency	27.8%
Quality of raw material	25.0%
Lack of production capacities	24.7%
Lack of rule of law/ineffectiveness of courts	24.1%
Access to finance	22.9%
Lack of contract enforcement	21.4%
Inadequate and insufficient legal provisions	16.3%
Lack of market information	15.9%
Difficulty in obtaining work permit/business licenses	14.1%
Inadequate labour supply (lack of qualified labour force)	13.8%
Cost of the labour force	13.8%
Managerial capacities	11.4%

Source: Mitrovicë/a Baseline Assessment SME Survey

Table 5B Main barriers in doing business in MN

Main barriers in doing business	A considerable barrier and a large barrier
Lack of market demand	44.3%
Access to finance	40.0%
Payment delays	39.1%
Cost of production material	35.8%
Political instability	33.4%
Unfair competition/competition from the informal sector	31.4%
Lack of market information	24.6%
Customs administration efficiency	22.6%
Lack and cost of energy supply	21.9%
Quality of raw material	21.7%
Transportation	21.1%
Cost of the labour force	20.8%
Lack of adequate security	20.5%
Inadequate labour supply (lack of qualified labour force)	20.1%
Lack of contract enforcement	20.1%
Securing raw material, machinery and equipment	19.7%
Lack of rule of law/ineffectiveness of courts	19.4%
Corruption	19.0%
Tax administration	18.7%
Local infrastructure (roads, water, sewage, etc.)	17.7%
Crime, theft	16.7%
Fiscal evasion	16.2%
High taxes	15.0%
Inadequate and insufficient legal provisions	14.1%
Managerial capacities	13.2%
Difficulty in obtaining work permit/business licenses	13.0%
Lack of production capacities	11.2%

Source: Mitrovicë/a Baseline Assessment SME Survey

Table 6A Receipt of grants – MS

Institutions	Percent of SMEs	Average amount (in €)[13]
Foreign donors (e.g. EU Commission)	1.3%	€ 17,350 (2 respondents)
Central (Kosovo) institutions	1.0%	-
Local institutions (municipality)	0.7%	-
Other (Ministry of Internal Affairs; USAID; Bosniak Ministry of Diaspora)	1.0%	€ 3,237 (4 respondents)

Table 6B Receipt of grants – MN

Institutions	Percent of SMEs	Average amount (in €)
Foreign donors (e.g. EU Commission)	7.7%	€ 11,083 (18 respondents)
Central (Kosovo) institutions	1.7%	€ 475 (3 respondents)
Local institutions (municipality)	2.3%	€ 2,835 (7 respondents)
Government of Serbia	1.3%	€ 4,745 (4 respondents)

13 The average values of the received grants are based on a very small number of respondents, therefore, not representative.

Table 7 Education attainment of farmers in Mitrovicë/a Region, by gender

Education level	MS			MN		
	Men	Women	All farmers	Men	Women	All farmers
Unfinished primary	1.4%	12.6%	4.8%	1.3%	0%	1.1%
Primary education	3.3%	10.5%	5.5%	7.3%	32.9%	12.0%
General secondary education	22.3%	31.0%	24.9%	24.0%	17.6%	22.8%
Vocational secondary education	53.8%	35.4%	48.3%	57.1%	35.6%	53.1%
Tertiary education (Bachelor's degree or higher)	19.2%	10.5%	16.6%	10.3%	13.9%	11.0%
Total	100.0%	100.0%	100%	100.0%	100.0%	100%

Source: Mitrovicë/a Baseline Assessment Farmer Survey

Table 8 Marital status of farmers in Mitrovicë/a Region, by gender

Marital status	MS			MN		
	Men	Women	All farmers	Men	Women	All farmers
Single/never married	14.5%	13.5%	14.2%	23.2%	11.5%	21.1%
Married	85.5%	76.2%	82.7%	70.2%	67.4%	69.6%
Widowed	0.0%	6.5%	2.0%	4.6%	21.1%	7.6%
Co-habiting with partner but not married	0.0%	3.8%	1.1%	0.7%	0.0%	0.6%
Divorced	0.0%	0.0%	0.0%	1.3%	0.0%	1.1%
Total	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%

Source: Mitrovicë/a Baseline Assessment Farmer Survey

Table 9A Land ownership in MS, by gender

Land surface	Own			Rent-free use			Leased		
	Men	Women	All	Men	Women	All	Men	Women	All
Less than 0.5 hectares	19.1%	31.2%	22.6%	1	2	3	7		27.2%
Between 0.5 and 3 hectares	22.4%	23.2%	22.7%	2		2	4	1	18.1%
Between 3 and 5 hectares	14.6%	18.5%	15.7%	1		1	5	3	11.8%
Between 5 and 10 hectares	25.7%	15.6%	22.7%					1	21.2%
More than 10 hectares	18.2%	11.5%	16.3%	2		2	5	1	21.7%
Total	100.0%	100.0%	100.0%	6	2	8	21	6	100.0%

Source: Mitrovicë/a Baseline Assessment Farmer Survey

Table 9B Land ownership in MN, by gender

Land surface	Own			Rent-free use			Leased
	Men	Women	All	Men	Women	All	All (only men)
Less than 0.5 hectares	34.6%	33.1%	34.3%	29.6%	2 women	33.3%	20.8%
Between 0.5 and 3 hectares	31.8%	27.2%	31.0%	63%		56.7%	63.5%
Between 3 and 5 hectares	29.4%	30.5%	29.6%	7.4%	1 woman	10%	-
Between 5 and 10 hectares	4.2%	3.1%	4.0%		-	-	-
More than 10 hectares	0.0%	6.1%	1.1%		-	-	15.7%
Total	100.0%	100.0%	100.0%	100.0%	-	100.0%	100.0%

Source: Mitrovicë/a Baseline Assessment Farmer Survey

ANNEX 2

1. Private sector in Mitrovicë/a Region

1.1. Performance over the past three years

Table 1 MS: Perceptions on performance during the past three years

Compared to 12 months (1 year) ago, your revenues have	Percent of SMEs	Compared to 24 months (2 years) ago, your revenues have	Percent of SMEs	Compared to 36 months (3 years) ago, your revenues have	Percent of SMEs
Increased	22.8%	Increased	19.1%	Increased	22.4%
Remained the same	26.1%	Remained the same	25.7%	Remained the same	20.6%
Decreased	38.5%	Decreased	37.2%	Decreased	37.3%
No answer	12.6%	No answer	18.0%	No answer	19.7%
Total	100.0%		100.0%		100.0%

Source: Mitrovicë/a Baseline Assessment SME Survey

Table 2 MN: Perceptions on performance during the past three years

Compared to 12 months (1 year) ago, your revenues have	Percent of SMEs	Compared to 24 months (2 years) ago, your revenues have	Percent of SMEs	Compared to 36 months (3 years) ago, your revenues have	Percent of SMEs
Increased	28.5%	Increased	18.1%	Increased	16.0%
Remained the same	37.5%	Remained the same	33.5%	Remained the same	29.9%
Decreased	25.8%	Decreased	22.7%	Decreased	20.7%
No answer	8.2%	No answer	26%	No answer	33.4%
Total	100.0%		100.0%		100.0%

Source: Mitrovicë/a Baseline Assessment SME Survey

Table 3 MS: Performance over the last year (revenue trends), by sector

Sectors	Percent of SMEs that claimed that their revenues have increased during the last year
Human health and social works	36.7%
Professional, scientific and technical services	31.8%
Manufacturing	24.1%
Construction	22.6%
Other activities combined	20.0%
Other services	13.3%
Wholesale trade	9.1%
All sectors	22.8%

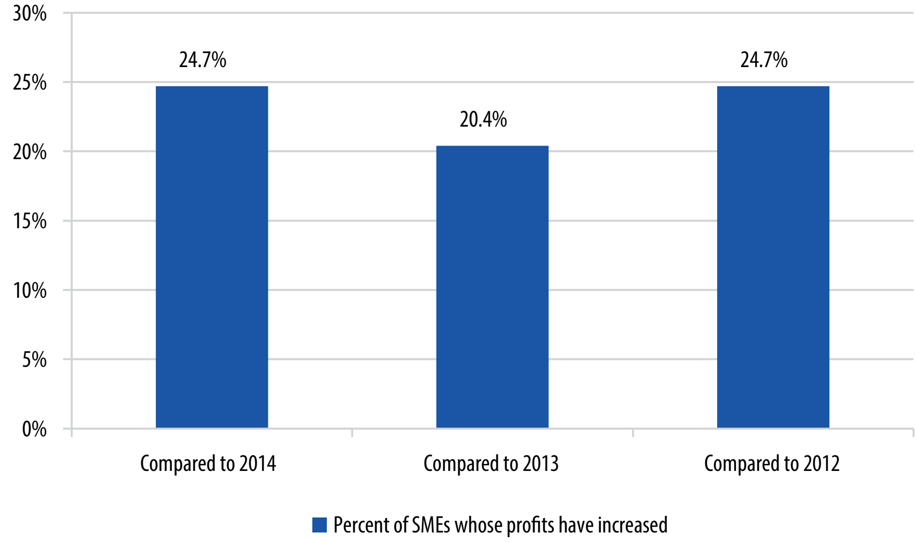
Source: Mitrovicë/a Baseline Assessment SME Survey

Table 4 MN: Performance over the last year (revenue trends), by sector

Sectors	Percent of SMEs that claimed that their revenues have increased during the last year
Manufacturing	37.2%
Wholesale trade	29.7%
Other services	30.0%

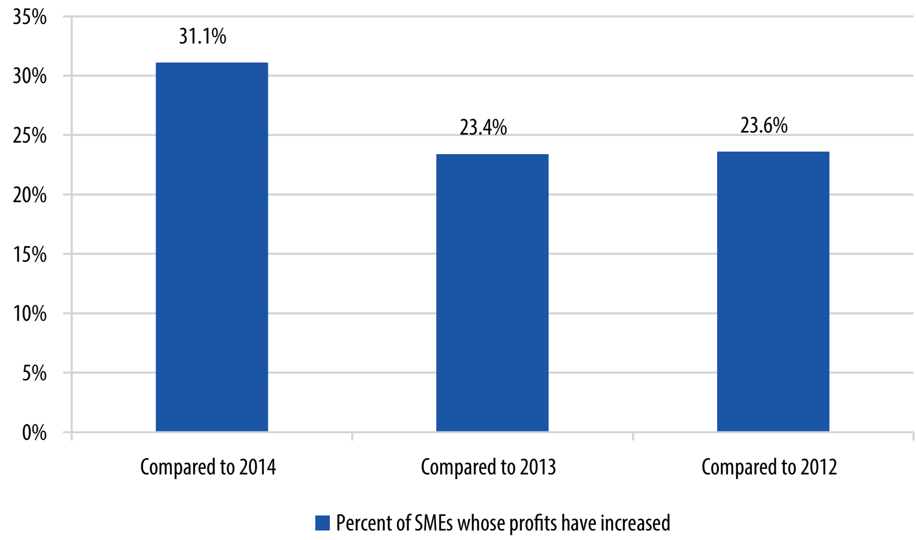
Source: Mitrovicë/a Baseline Assessment SME Survey

Figure 1 MS: Profit trends, 2012-2014



Source: Mitrovicë/a Baseline Assessment SME Survey

Figure 2 MN: Profit trends, 2012-2014



Source: Mitrovicë/a Baseline Assessment SME Survey

Table 5 MS: Profit trends, by sector

Sectors	Percent of SMEs that claimed that their profits have increased during the last year
Human health and social work	44.0%
Professional, scientific and technical services	33.3%
Manufacturing	27.8%
Other activities combined	21.4%
Construction	20.7%
Other services	14.3%
Wholesale trade	7.4%
All sectors	24.6%

Source: Mitrovicë/a Baseline Assessment SME Survey

Table 6 MN: Profit trends, by sector

Sectors	Percent of SMEs that claimed that their profits have increased during the last year
Manufacturing	36.9%
Wholesale trade	36.4%
Other activities combined	33.3%

Source: Mitrovicë/a Baseline Assessment SME Survey

Table 7 MS: Factors increasing profits, by sector

Factors	Manufacturing	Wholesale trade	Construction	Human health and social work	Other services	Professional, scientific and technical services
Increase in sales	13.5%	60.0%	18.8%	24.1%	27.3%	40.0%
New products	26.9%	0.0%	18.8%	17.2%	18.2%	6.7%
Decrease in costs	5.8%	0.0%	12.5%	6.9%	0.0%	6.7%
Technological improvements	15.4%	0.0%	6.3%	17.2%	27.3%	13.3%
Increased productivity	17.3%	0.0%	12.5%	10.3%	0.0%	6.7%
Enhanced employee skills	11.5%	40.0%	25.0%	6.9%	18.2%	20.0%
Improvements in management	9.6%	0.0%	6.3%	17.2%	9.1%	6.7%
Total	100%	100%	100%	100%	100%	100%

Source: Mitrovicë/a Baseline Assessment SME Survey

Table 8 MN: Factors increasing profits, by sector

Factors	Manufacturing	Wholesale trade
Increase in sales	41.0%	48.0%
New products	13.7%	20.0%
Decrease in costs	5.1%	4.0%
Technological improvements	13.7%	8.0%
Increased productivity	17.9%	12.0%
Enhanced employee skills	6.0%	4.0%
Improvements in management	2.6%	4.0%
Total	100%	100%

Source: Mitrovicë/a Baseline Assessment SME Survey

1.2. Supplies

Table 9 MS: Sources of supplies and average share of supplies from each source

Sources of supplies	Percent of responses	Average percent of supplies from the source
Own production	3.0%	70.0%
Domestic producers, in Mitrovicë/a	9.8%	68.2%
Domestic producers, elsewhere in Kosovo	20.4%	75.3%
Imports, from a retailer/wholesaler in Mitrovicë/a	6.7%	71.9%
Imports, from a retailer/wholesaler elsewhere in Kosovo	44.2%	79.1%
We import them ourselves, directly	15.5%	76.4%
Other	0.3%	86.7%

Source: Mitrovicë/a Baseline Assessment SME Survey

Table 10 MN: Sources of supplies and average share of supplies from each source

Sources of supplies	Percent of responses	Average percent of supplies from the source
Own production	11.6%	77.0%
Domestic producers, in Mitrovicë/a	13.8%	58.0%
Domestic producers, elsewhere in Kosovo	17.2%	63.2%
Imports, from a retailer/wholesaler in Mitrovicë/a	12.8%	60.0%
Imports, from a retailer/wholesaler elsewhere in Kosovo	15.0%	63.0%
We import them ourselves, directly	28.1%	68.9%
Other	1.5%	69.0%

Source: Mitrovicë/a Baseline Assessment SME Survey

Table 11 MS: Sources of supplies, by sector

Sources of supplies	Manufacturing	Wholesale trade	Construction	Human health and social work	Other services	Professional, scientific and technical services
Own production	8.8%	2.4%	0.0%	0.0%	3.2%	4.5%
Domestic producers, in Mitrovicë/a	15.0%	9.8%	12.1%	3.2%	19.4%	0.0%
Domestic producers, elsewhere in Kosovo	16.3%	12.2%	18.2%	29.0%	9.7%	31.8%
Imports, from a retailer/wholesaler in Mitrovicë/a	6.3%	9.8%	6.1%	3.2%	6.5%	9.1%
Imports, from a retailer/wholesaler elsewhere in Kosovo	35.0%	48.8%	60.6%	58.1%	45.2%	40.9%
We import them ourselves, directly	18.8%	17.1%	3.0%	6.5%	16.1%	13.6%
Total	100%	100%	100%	100%	100%	100%

Source: Mitrovicë/a Baseline Assessment SME Survey

Table 12 MN: Sources of supplies, by sector

Sources of supplies	Manufacturing	Wholesale trade	Other services
Own production	15.3%	1.9%	3.8%
Domestic producers, in Mitrovicë/a	14.2%	7.5%	19.2%
Domestic producers, elsewhere in Kosovo	21.3%	17.0%	23.1%
Imports, from a retailer/wholesaler in Mitrovicë/a	11.5%	9.4%	11.5%
Imports, from a retailer/wholesaler elsewhere in Kosovo	14.2%	20.8%	11.5%
We import them ourselves, directly	23.5%	43.4%	30.8%

Source: Mitrovicë/a Baseline Assessment SME Survey

Table 13 MS: Sources of supply for production technology

Sources of supply for production technology	Percent of responses
Kosovo	72.9%
Region	6.1%
Europe	20.7%
Other	0.3%
Total	100.0%

Source: Mitrovicë/a Baseline Assessment SME Survey

Table 14 MN: Sources of supply for production technology

Sources of supply for production technology	Percent of responses
Kosovo	60.7%
Region	36.0%
Europe	2.2%
Other	0.3%
Total	100.0%

Source: Mitrovicë/a Baseline Assessment SME Survey

1.3. Human resources

Table 15 MS: Composition of the workforce, by function and gender

Profile	Percent of all	Percent of men	Percent of women
Administrative staff	16.3%	73.1%	26.9%
Technical staff	58.0%	78.5%	21.5%
Managerial staff	7.8%	53.2%	46.8%
Other positions	17.8%	86.0%	14.0%
Total	100.0%	100.0%	100.0%

Source: Mitrovicë/a Baseline Assessment SME Survey

Table 16 MN: Composition of the workforce, by function and gender

Profile	Percent of all	Percent of men	Percent of women
Administrative staff	13.0%	40.6%	59.4%
Technical staff	71.8%	70.9%	29.1%
Managerial staff	8.2%	69.0%	31.0%
Other positions	7.0%	70.8%	29.2%
Total	100.0%	100.0%	100.0%

Source: Mitrovicë/a Baseline Assessment SME Survey

1.4. Markets and competitiveness

Table 17 MS: Factors important in increasing competitiveness

Factors increasing competitiveness	Important or very important
Easy access to financing and low interest rates	90.3%
Affordable prices in purchasing new technology or improving the existing one	89.7%
Better infrastructure	88.4%
Increased supply of skilled personnel	86.0%
Access to market information (potential buyers)	85.9%
International certifications	79.1%
Easy access to distribution and international transportation services	78.8%
Less bureaucracies in local and central institutions	77.2%
Investment in marketing	75.9%
Easy access to business consultancy and other services for increasing human capacities with company	74.5%
Better coordination among key actors in the sector (from farmers, producers, distributors, wholesalers and retailers, to exports)	73.6%
Other (e.g. freedom of movement)	53.6%

Source: Mitrovicë/a Baseline Assessment SME Survey

Table 18 MN: Factors important in increasing competitiveness

Factors increasing competitiveness	Important and very important
Affordable prices in purchasing new technology or improving the existing one	71.8%
Easy access to financing and low interest rates	67.7%
Access to market information (potential buyers)	56.5%
Less bureaucracies in local and central institutions	53.5%
Investment in marketing	48.3%
Better infrastructure	47.5%
Increased supply of skilled personnel	43.0%
Better coordination among key actors in the sector (from farmers, producers, distributors, wholesalers and retailers, to exports)	42.6%
Easy access to distribution and international transportation services	36.3%
Easy access to business consultancy and other services for increasing human capacities with company	35.9%
International certifications	34.3%
Other (e.g. freedom of movement)	15.0%

Source: Mitrovicë/a Baseline Assessment SME Survey

Table 19 MS: Competitive advantage factors

Competitive advantage	Percent of responses
Price	91.2%
Product/service quality	94.7%
Product/service reliability	93.3%
Location/presence in sale channels	80.6%
Company brand/image	82.0%

Source: Mitrovicë/a Baseline Assessment SME Survey

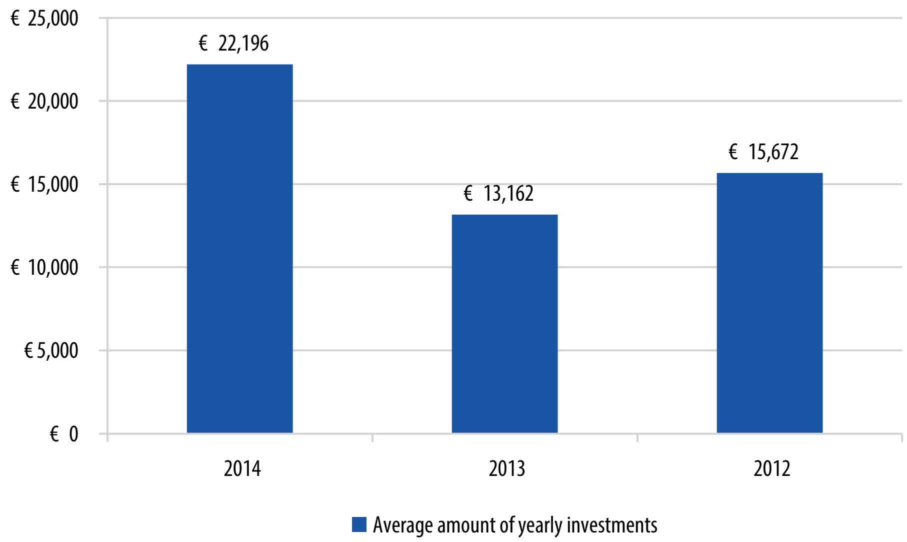
Table 20 MN: Competitive advantage factors

Competitive advantage	Percent of responses
Price	20.5%
Product/service quality	20.5%
Product/service reliability	20.5%
Location/presence in sale channels	17.2%
Company brand/image	18.1%
Other	3.3%
Total	100.0%

Source: Mitrovicë/a Baseline Assessment SME Survey

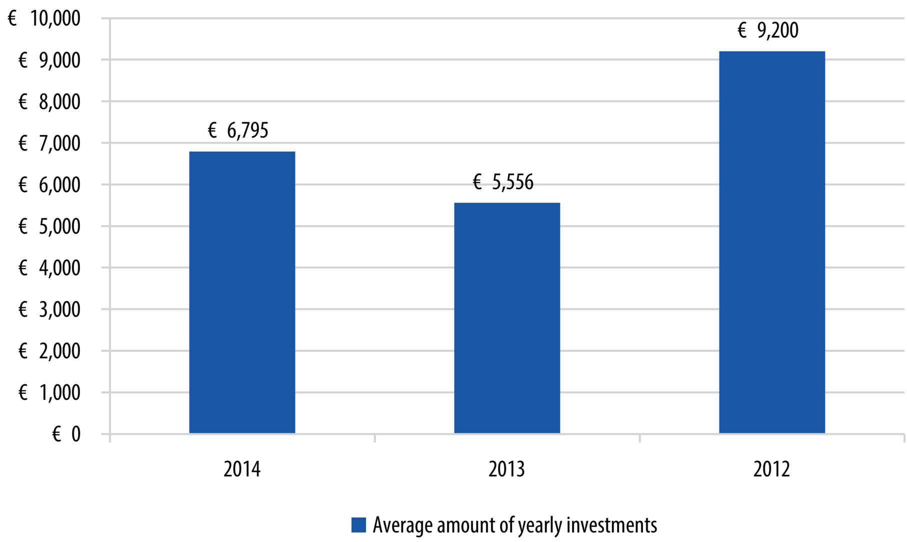
1.5. Investments

Figure 3 MS: Average amount of yearly investments, 2012-2014



Source: Mitrovicë/a Baseline Assessment SME Survey

Figure 4 MN: Average amount of yearly investments



Source: Mitrovicë/a Baseline Assessment SME Survey

Table 21 MS: Investment plans, by sector

Sector	Percent of SMEs that plan to invest in the next three years
Manufacturing	86.0%
Wholesale trade	84.9%
Other services	83.3%
Construction	77.4%
Human health and social work	73.3%
Other activities combined	61.2%
Professional, scientific and technical services	59.1%

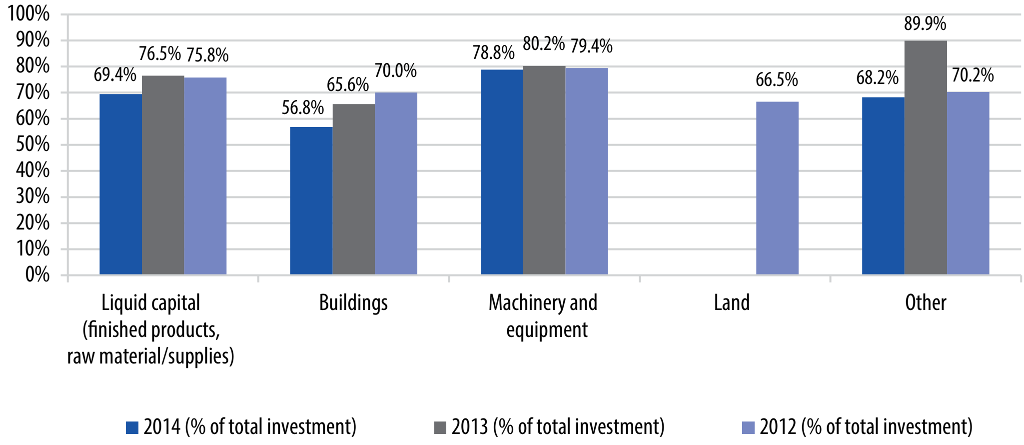
Source: Mitrovicë/a Baseline Assessment SME Survey

Table 22 MN: Investment plans, by sector

Sector	Percent of SMEs that plan to invest in the next three years
Manufacturing	57.9%
Wholesale trade	78.6%
Other services	55.6%

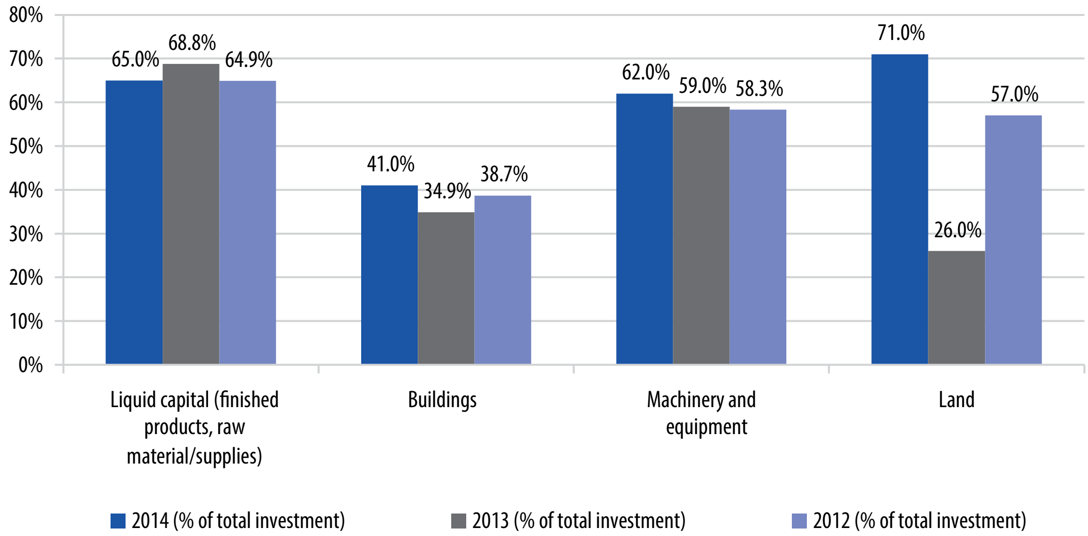
Source: Mitrovicë/a Baseline Assessment SME Survey

Figure 5 MS: Trends in areas of investment, 2012-2014



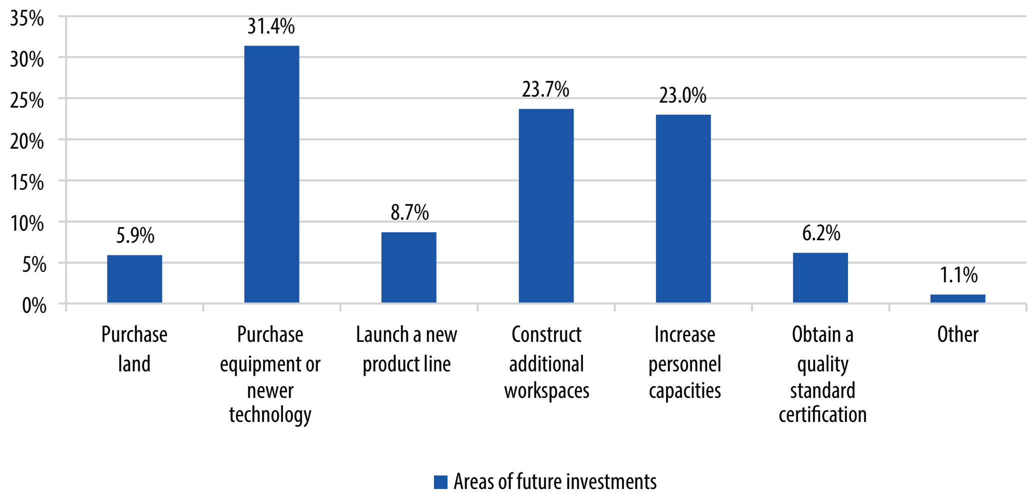
Source: Mitrovicë/a Baseline Assessment SME Survey

Figure 6 MN: Trends in areas of investment, 2012-2014



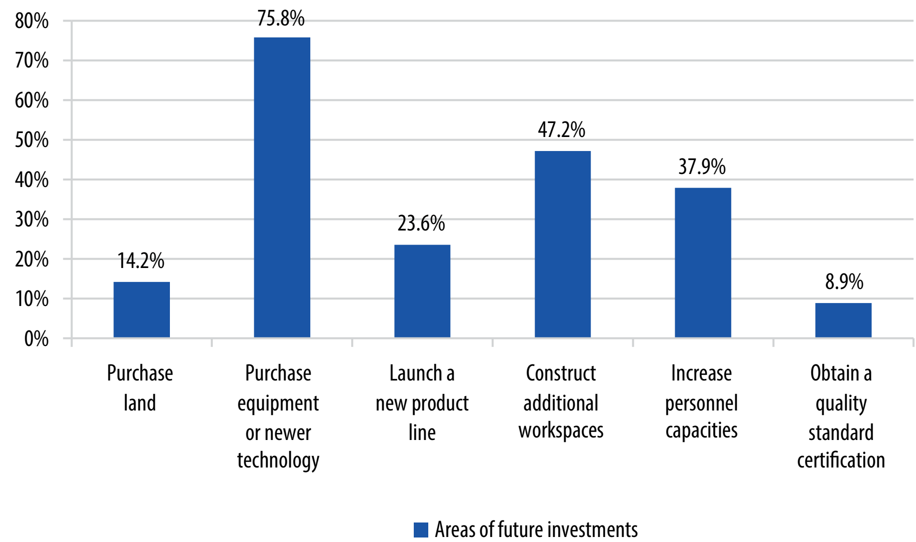
Source: Mitrovicë/a Baseline Assessment SME Survey

Figure 7 MS: Areas of future investments in the private sector



Source: Mitrovicë/a Baseline Assessment SME Survey

Figure 8 MN: Areas of future investments in the private sector



Source: Mitrovicë/a Baseline Assessment SME Survey

2. Farmers in Mitrovicë/a Region

2.1. Farmer characteristics

Table 23 MS: Farm definition

Farm definition	Percent of farmers
Farm that consumes and sells half of produce	61.4%
Farm mainly producing to sell produce	26.8%
Farm mainly producing for own needs	9.4%
Other	1.3%
Commercial farm with wide presence in the market	1.1%
Total	100.0%

Source: Mitrovicë/a Baseline Assessment Farmer Survey

Table 24 MN: Farm definition

Farm definition	Percent of farmers
Farm mainly producing for own needs	8.5%
Farm that consumes and sells half of produce	62.3%
Farm mainly producing to sell produce	28.6%
Commercial farm with wide presence in the market	0.0%
Other	0.6%
Total	100.0%

Source: Mitrovicë/a Baseline Assessment Farmer Survey

2.2. Dynamics of the farming sector

Table 25 MS: Main reasons for not growing new crops

Reasons for not growing new crops	Percent of responses
It is very costly	49.4%
Unfair price competition with imported crops	20.3%
Do not have enough knowledge on new crops	13.9%
Cannot afford input costs	6.3%
Low demand in the market	5.1%
Lack of irrigation infrastructure	3.8%
Inappropriate soil	1.3%
It is very risky	0.0%
Other	0.0%
Don't know/No answer	0.0%
Total	100.0%

Source: Mitrovicë/a Baseline Assessment Farmer Survey

Table 26 MN: Main reasons for not growing new crops

Reasons for not growing new crops	Percent of responses
Cannot afford input costs	25.7%
It is very costly	22.0%
It is very risky	21.1%
Do not have enough knowledge on new crops	9.2%
Low demand in the market	9.2%
Lack of irrigation infrastructure	6.4%
Other (do not have land; I do not want to take the risk; I don't have enough financing)	3.7%
Unfair price competition with imported crops	2.8%
Inappropriate soil	0.0%
Total	100.0%

Source: Mitrovicë/a Baseline Assessment Farmer Survey

2.3. Inputs

Table 27 MS: Reasons for using traditional seeds

Reasons for using traditional seeds	Percent of responses
Good quality of the crop	32.7%
Higher yields/more production	21.2%
Low cost of the seeds	15.4%
Safety from pests	11.5%
More profitable	7.7%
Low consumption of water, fertilizers and greater resistance to the hot-cold weather etc.	5.8%
Quick production	5.8%
Lack of availability of hybrid seeds	0.0%
Can't afford expensive seeds	0.0%
Other	0.0%
Total	100%

Source: Mitrovicë/a Baseline Assessment Farmer Survey

Table 28 MN: Reasons for using traditional seeds

Reasons for using traditional seeds	Percent of responses
Low cost of the seeds	26.2%
Good quality of the crop	24.6%
Can't afford expensive seeds	12.3%
Higher yields/more production	10.8%
Low consumption of water, fertilizers and greater resistance to the hot-cold weather etc.	7.7%
Quick production	6.2%
Safety from pests	6.2%
More profitable	4.6%
Other	1.5%
Lack of availability of hybrid seeds	0.0%
Total	100.0%

Source: Mitrovicë/a Baseline Assessment Farmer Survey

Table 29 MS: Reasons for using hybrid seeds

Reasons for using hybrid seeds	Percent of responses
Higher yields/more production	27.3%
Good quality of the crop	25.0%
Quick production	15.9%
More profitable	11.4%
Low consumption of water, fertilizers and greater resistance to the hot-cold weather etc.	6.8%
Low cost of the seeds	6.8%
Safety from pests	6.8%
Lack of availability of local seeds	0.0%
Can't afford expensive seeds	0.0%
Other	0.0%
Total	100.0%

Source: Mitrovicë/a Baseline Assessment Farmer Survey

Table 30 MN: Reasons for using hybrid seeds

Reasons for using hybrid seeds	Percent of responses
Higher yields/more production	36.4%
Good quality of the crop	19.5%
Quick production	11.7%
Low consumption of water, fertilizers and greater resistance to the hot-cold weather etc.	10.4%
Low cost of the seeds	5.2%
Safety from pests	5.2%
More profitable	5.2%
Can't afford expensive seeds	3.9%
Lack of availability of local seeds	2.6%
Other	0.0%
Total	100.0%

Source: Mitrovicë/a Baseline Assessment Farmer Survey

Table 31 MS: Source of irrigation available in the area

Irrigation means present in the area	Percent of farmers
Public water supply system	10.3%
Canal	1.7%
Own pump/bore/tube well	1.5%
Pond	1.4%
River	14.6%
Water tank	7.3%
Well	56.8%
Sprinkle irrigation	6.5%
Total	100.0%

Source: Mitrovicë/a Baseline Assessment Farmer Survey

Table 32 MN: Sources of irrigation available in the area

Irrigation means present in the area	Percent of farmers
Public water supply system	12.6%
Canal	14.7%
Own pump/bore/tube well	35.9%
Pond	0.0%
River	18.3%
Water tank	2.3%
Well	12.4%
Sprinkle irrigation	3.8%
Total	100.0%

Source: Mitrovicë/a Baseline Assessment Farmer Survey

Table 33 MS: Frequency of pesticide usage

Frequency of using pesticides	Percent of farmers
Always	6.6%
Occasionally	12.6%
Rarely	4.2%
If the need arises	60.2%
Never	16.4%
Total	100.0%

Source: Mitrovicë/a Baseline Assessment Farmer Survey

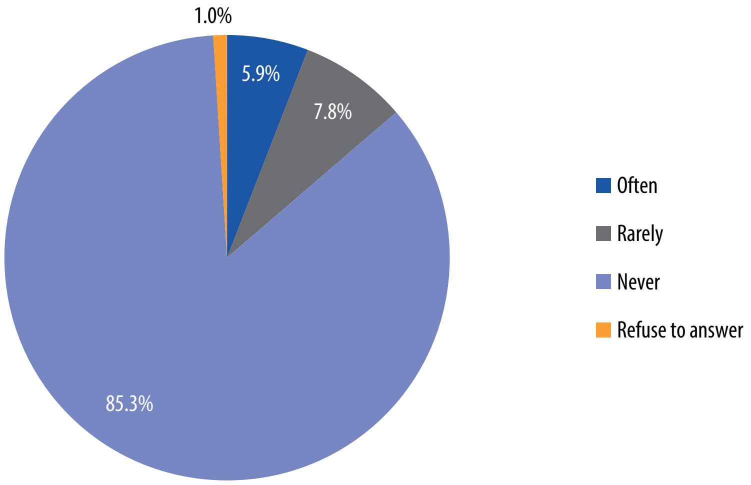
Table 34 MN: Frequency of pesticide usage

Frequency of using pesticides	Percent of farmers
Always	18.3%
Occasionally	25.0%
Rarely	26.5%
If the need arises	26.0%
Never	4.2%
Total	100.0%

Source: Mitrovicë/a Baseline Assessment Farmer Survey

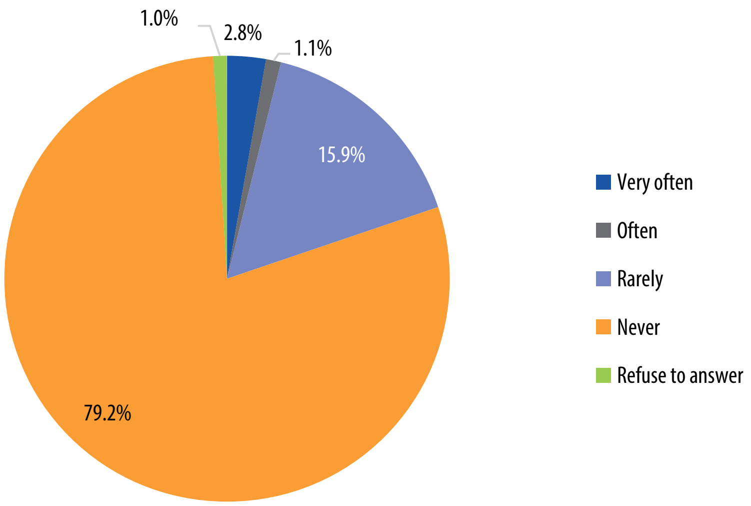
2.4. Economic interaction between farmers in MS and MN

Figure 9 MS: Frequency of doing business with MN



Source: Mitrovicë/a Baseline Assessment Farmer Survey

Figure 10 MN: Frequency of doing business with the MS



Source: Mitrovicë/a Baseline Assessment Farmer Survey

2.5. Barriers in farming activity

Table 35 MS: Percent of farmers who are satisfied or very dissatisfied with different aspects of farming

Dimensions of farming	Dissatisfied and very dissatisfied
Cost of inputs	70.0%
Grants and subsidies provided by state institutions	69.3%
Market prices for agricultural products	67.6%
Overall climate for agriculture	62.4%
Access to information on financial support	51.2%
State of machinery in the farm	48.8%
Access to commercial marketing and distribution channels	34.9%
Lack of legal infrastructure for doing business with the South	34.3%
Access to public professional services	31.4%
Access to commercial services	23.9%
Access to local green/food markets	23.5%
Income from farming	19.7%
Access to the closest market (in the vicinity)	13.9%
Quality of inputs (seed, fertilizers, pesticides, insecticides, etc). [If the main activity is growing crops]	12.3%
Irrigation system/infrastructure	5.5%
Quality of animal feed [If the main activity is livestock]	4.3%

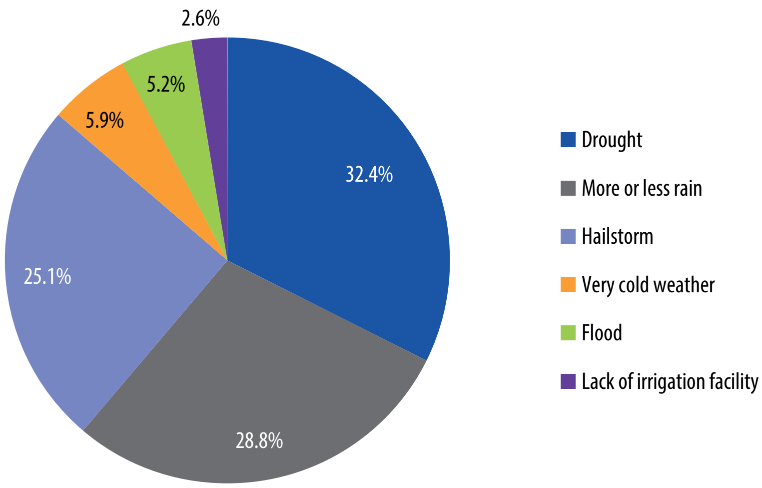
Source: Mitrovicë/a Baseline Assessment Farmer Survey

Table 36 MN: Percent of farmers who are satisfied or very dissatisfied with different aspects of farming

Dimensions in farming	Dissatisfied and very dissatisfied
Grants and subsidies provided by state institutions	75.0%
Access to public professional services	59.2%
Access to commercial services	58.3%
Access to information on financial support	55.8%
Irrigation system/infrastructure	54.9%
Cost of inputs	48.5%
Lack of legal a infrastructure for doing business with the South	48.5%
Overall climate for agriculture	43.6%
Market prices for agricultural products	42.3%
Access to commercial marketing and distribution channels	37.0%
State of machinery in the farm	28.5%
Access to local green/food markets	24.8%
Income from farming	24.7%
Access to the closest market (in the vicinity)	21.7%
Quality of inputs (seed, fertilizers, pesticides, insecticides, etc). [If the main activity is growing crops]	8.8%
Quality of animal feed [If the main activity is livestock]	2.2%

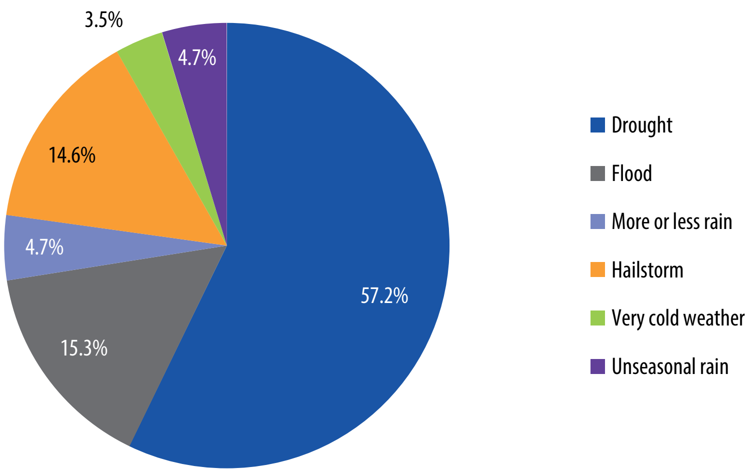
Source: Mitrovicë/a Baseline Assessment Farmer Survey

Figure 11 MS: Main reasons for crop damage during the past 3 years



Source: Mitrovicë/a Baseline Assessment Farmer Survey

Figure 12 MN: Main reasons for crop damage during the past 3 years



Source: Mitrovicë/a Baseline Assessment Farmer Survey

2.6. Future outlook

Table 37 MS: Perceptions on farming in the next three years

Perceptions on farming in the next three years	Men	Women	All
Growing rapidly	9.6%	15.1%	11.2%
Continuous growth but with slow pace	31.0%	42.1%	34.1%
No difference from last year	45.6%	18.3%	37.8%
Worse than last year	3.5%	4.4%	3.8%
Don't know	10.3%	20.1%	13.1%
Total	100.0%	100.0%	100.0%

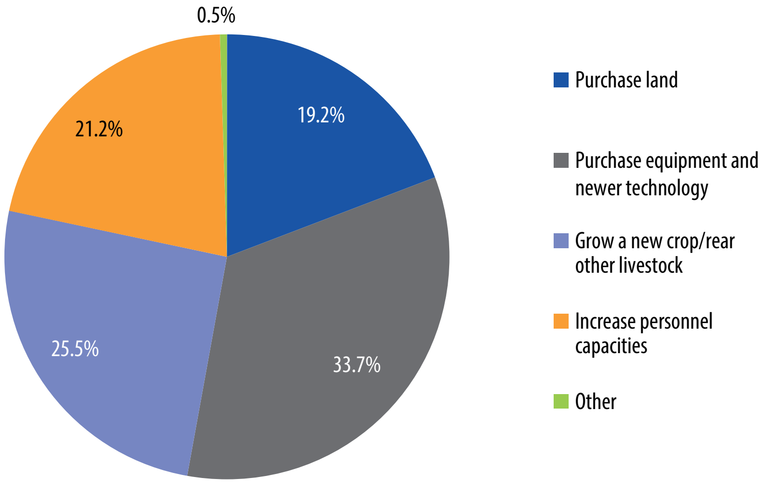
Source: Mitrovicë/a Baseline Assessment Farmer Survey

Table 38 MN: Perceptions on farming in the next three years

Perceptions on farming in the next three years	Men	Women	All
Growing rapidly	4.0%	0%	3.3%
Continuous growth but with slow pace	28.4%	12.8%	25.6%
No difference from last year	29.9%	49.7%	33.4%
Worse than last year	15.5%	21.5%	16.6%
Don't know	22.2%	16.0%	21.1%
Total	100.0%	100.0%	100.0%

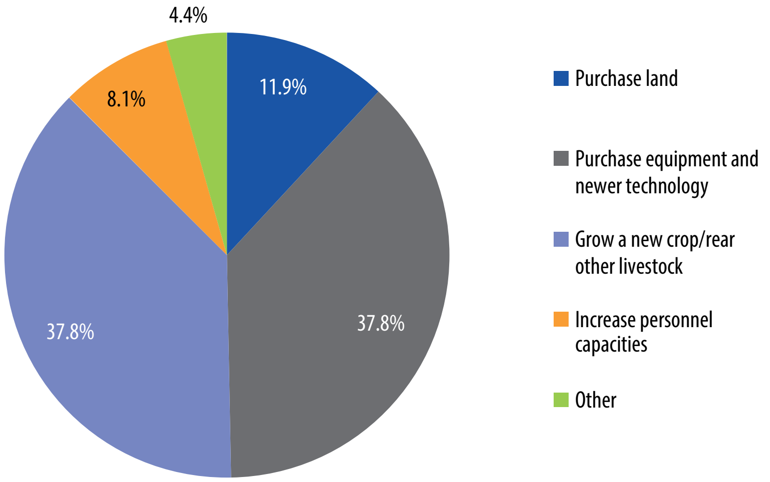
Source: Mitrovicë/a Baseline Assessment Farmer Survey

Figure 13 MS: Plans to invest in the future



Source: Mitrovicë/a Baseline Assessment Farmer Survey

Figure 14 MN: Plans to invest in the future



Source: Mitrovicë/a Baseline Assessment Farmer Survey

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