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# BASELINE ASSESSMENT OF THE ECONOMIC REGION SOUTH

MAY 2014







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## Abbreviations

AWPK	Association of Wood Processors of Kosovo
DCH	Department of Culture Heritage
ERS	Economic Region South
GDP	Gross Domestic Product
KATA	Kosovo Alternative Tourism Association
MTI	Ministry of Trade and Industry
RDA-S	Regional Development Agency South
SME	Small and Medium Enterprises
TAK	Tax Administration of Kosovo
UNDP	United Nations Development Programme
VAT	Value Added Tax



## Executive Summary

### A. Covering key research questions

Small and Medium Enterprises (SMEs) operating in Kosovo<sup>1</sup> are facing various challenges to access the market and the information needed for increasing their domestic and export competitiveness. Lack of information on market prices, quality and sanitary standards, access to affordable business and financial services are some of the key challenges faced by mainly the SMEs in Kosovo.

To identify the **nature and extent of challenges faced by SMEs** in Economic Region South (ERS), this report aimed to assess the operation of 500 SMEs in the sectors of agriculture, food processing, construction material production, wood processing, artisanal crafts, and cultural tourism in the ERS.<sup>2</sup> In particular, it provides **in-depth analyses of the current nature and scope of their operations** and defines the **factors influencing their competitiveness**. In addition, it provides **specific and realistic interventions** to address the identified barriers and challenges.

### B. Main Findings

The registered companies in Kosovo are mainly SMEs (99%), out of which 98%<sup>3</sup> are categorized as micro-enterprises.<sup>4</sup> Nonetheless, given the challenges they face, their contribution to economic performance, specifically to the balance of trade, is relatively weak. Weak-export oriented of SMEs hinders the further contribution of SMEs to Gross Domestic Product (GDP), job creation and economic growth<sup>5</sup>, and furthers the negative trade balance in Kosovo.

**Only four of the companies** interviewed in this research **export their products**. 86% of the companies interviewed were established after 1999, operating as micro-enterprises and are mostly domestically owned and sole proprietorships. The majority of **employees in the analyzed sectors are men**, with some small changes in percentage in the artisanal and cultural tourism. The main clients of these businesses are individuals, families, and retailers. Most of the companies are equipped with adequate **technology**, which is considered **old but functional** by the respondents. Interestingly, even though they reported that employees have **limited knowledge on how to use the current technology**, the companies would invest in newer technology, mainly if they had external financial assistance.

**Lack of access to finance and high interest rate loans** are considered by far the major challenge for the companies. Despite the high interest rate loans, the respondents **depend on them to extend their business activities** domestically or externally. Most of the companies interviewed produce their own raw material or buy it from local producers.

<sup>1</sup> For UNDP, all references to Kosovo on this document are made in the context of UN Security Council Resolution 1244 (1999).

<sup>2</sup> The municipalities included in the ERS are Prizren, Rahovec/Orahovac, Mamushë/Mamuša, Suharekë/Suva Reka, Dragash/Dragaš, and Malishevë/Mališevo.

<sup>3</sup> SME Development Strategy for Kosovo 2012-2016, 2011

<sup>4</sup> Micro-enterprises are those companies that have nine or less people employed.

<sup>5</sup> SME Development Strategy for Kosovo 2012-2016, 2011

Yet, even though small in numbers, some enterprises choose **informal service/product providers**, due to lower prices. Informality continues to harm the operations of legally registered businesses in ERS. The respondents in the focus groups observed that businesses operating in the same sectors that do not fulfil their tax obligations, present a serious and unfair competition in the market. Thus, many formal operators tend to lower product prices, sometimes even below the profit margin. Aside from the informal sector, one of the largest challenges that companies of the region face are competition coming from **subsidized imported products**.

Very few of the interviewed **companies invest in marketing**, and solely depend on 'word-of-mouth' for reaching to their clients. Only 3.4% of them reported to showcase their products in trade fairs and only 11.8% use marketing campaigns. Thus, while domestic producers and service providers consider quality of their products and price as their competitive advantages; company image, location, and sale channels are perceived as less important, indicating for a low level of awareness on the need of marketing tools.

Few companies consider **extending their business activities outside of Kosovo in the future**. Most of the companies plan to expand within Kosovo. Albania and Former Yugoslav Republic of Macedonia (FYRoM) have been mentioned as potential markets for expansion. On the other end, potential foreign investors and/or international business partners have no reliable basis for evaluating cooperation opportunities with Kosovan companies of ERS. Only a handful of companies are members of business association, and only in the cultural tourism sector do they consider business associations as a good way to build business network. Furthermore, none of the companies have received international qualification certificates.

### C. Conclusions

Only four companies, out of the 500 interviewed, export their products. The worrying levels of exports within the surveyed companies reflect the trend observed within Kosovo economy. This research has identified various challenges that hinder export levels for the selected companies. Some of these challenges are internal to the companies, such as older technology, lack of a trained workforce, poor provisions of basic utilities, and lack of marketing tools. However some are external factors such as high cost of transportation, lack of knowledge around international markets, and high interest rates on loans. Additionally none of the companies interviewed have received international quality certifications, and very few of them are part of trade chambers or other unions to receive information.



## D. Recommendations

To increase the level of exports and to increase the level of consumption of local products the businesses, business associations and the government should work together to create a friendly business environment for SMEs. The respondents flag the need for easy access to finance; reduction of transportation costs; address informalities within the economy; explore export opportunities and develop agreements with other governments. Additionally the government should create a space for information sharing among the main actors in the value chains for different sectors among the SMEs.

Business association on the other hand, should improve their communication strategies to SMEs, and strengthen the producer-client interaction; and promote employment of women and ethnic minorities in the work force.

Businesses should learn about the international quality standards and prepare the organization accordingly, by establishing strong marketing of their products, from packaging to advertisements through different channels; training employees on how to use existing and newer technology; develop vocational training programmes, and in-company trainings.

# I. INTRODUCTION TO THE SMALL AND MEDIUM ENTERPRISES (SMES) IN KOSOVO

## Introduction

With an average real GDP growth of 4.8%, Kosovo remains the only place in South-eastern Europe whose economy has continuously grown since 2006<sup>6</sup>, even during the global economic crisis. Various researches observe that current economic growth is mainly driven by donor aid and remittances<sup>7</sup>, and that Kosovo economy has relatively low level of economic integration with the global economy.<sup>8</sup> Nevertheless, despite continued economic growth during the last decade, Kosovo's current level of Gross Domestic Product (GDP) (€4.2 billion) is the lowest in the region. Additionally, the high level of poverty in Kosovo remains an issue. Based on United Nations Development Programme (UNDP) reports, 34% of population live in poverty on less than €1.42 per day, while 18% live in extreme poverty on less than €0.94 per day. Furthermore, Kosovo's unemployment rate is at the levels of 43%.<sup>9</sup>

The European Commission (EC) Progress Reports have identified three main barriers faced by businesses in Kosovo: unreliable electricity and water supplies; limited access to finance; and insufficient rule of law. In 2011, the government of Kosovo, through the Ministry of Trade and Industry (MTI) adopted a strategy to support the development of SMEs in Kosovo by aiming to minimize the impact of the barriers. This strategy outlines seven strategic objectives: (1) Strengthening the Legislative and Regulatory Framework for the Creation and Development of SMEs; (2) Improving SMEs' Access to Finance; (3) Promoting and Developing an Entrepreneurial Culture; (4) Strengthening the domestic and international competitiveness of SMEs; (5) Improving the Dialogue between the Private Sector, Public Sector and Civil Society; (6) Strengthening SME Support Institutions; (7) Improving the position of women entrepreneurs, youngsters, minorities, specific group and support of the entrepreneurs in disadvantaged zones.<sup>10</sup>

The government recognizes that export-driven SMEs might have a great impact in addressing the macroeconomic indicators, such as the trade imbalance<sup>11</sup>. Further, in 2013 the MTI also developed the National Development Strategy for the private sector (2013-2017<sup>12</sup>). The strategy puts a special focus on developing Industry, investments and SMEs through: (1) orientation in strategic industry sector, giving priority to production and export; (2) continuous support towards development of technical, innovative and managerial skills; (3) continuous improvement of access to finances; and (4) protection of industrial property. Additionally, the strategy also aims to further develop the quality infrastructure ensuring that goods produced in Kosovo meet the international quality standards for export.<sup>13</sup>

<sup>6</sup> SME Development Strategy for Kosovo 2012-2016, 2011

<sup>7</sup> Quoted in *ibid*

<sup>8</sup> *Ibid*

<sup>9</sup> *Ibid*

<sup>10</sup> *Ibid.*

<sup>11</sup> RDA South, 2013

<sup>12</sup> Private Sector Development Strategy 2013-2017, 2013

<sup>13</sup> *Ibid.*

In this regard, the municipalities of Prizren, Suharekë/Suva Reka, Rahovec/Orahovac, Dragash/Dragaš, Malishevë/Mališevo, and Mamushë/Mamuša have been selected to assess the operation of businesses in the agriculture, food processing, construction material production, wood processing, artisanal crafts, and cultural tourism sectors.

## Brief Overview of SME's in Kosovo

**Table 1. Registered Enterprises in Kosovo based on Number of Employees - 2010<sup>14</sup>**

Classification by Size	Number of Employees	Number of Enterprises	Percentage of Total
<b>Micro</b>	1 – 9	102,070	98.37
<b>Small</b>	10 – 49	1,406	1.35
<b>Medium</b>	50 – 249	221	0.22
<b>Large</b>	250 and more	58	0.06
<b>Total</b>		103,755	100.00

Around 99% of companies operating in Kosovo are SMEs, and are mainly administered as individual enterprises. The goal of the SME Strategy is to lay-out measures that need to be undertaken to advance reforms which will foster a dynamic SME sector and generate new jobs in Kosovo.<sup>15</sup>

However, even though SMEs make-up almost all Kosovan enterprises, their role in Kosovo's economic growth has been relatively small. The main reason for this is the fact that most of Kosovo's SMEs are domestically-oriented and not internationally competitive. As such, they are not export-oriented, which hinders their contribution to GDP, job creation, and economic growth. Additionally, more than 50% of all SMEs in Kosovo operate in the trade sector, which is characterized by low investments. On the other hand, less than 10% of Kosovo's SMEs operate in the production sector.<sup>16</sup>

Another significant challenge for the Government of Kosovo and implementation of the SME Strategy is to bring SMEs, which operate informally and whose economic size is estimated to range from 40 – 50% of GDP,<sup>17</sup> into the formal sector. The negative impact of informality in Kosovo is very severe. It prevents genuine competition, weakens worker protections, undermines the trust between SMEs and financial institutions, discourages foreign investments, etc. This makes it more difficult for the Kosovan economy to grow, and it also increases the costs of businesses that operate in the formal sector.

A very positive development for SMEs is that, over the last few years, Kosovo has improved its ranking in the World Bank's 'Doing Business' report, ranking 86<sup>th</sup> in the latest report.<sup>18</sup> Compared to previous years – 98<sup>th</sup> in 2013; 117<sup>th</sup> in 2012; and 119<sup>th</sup> in 2011 - this shows Kosovo's substantive progress in its business environment. One of the factors that helped Kosovo improve its ranking is the implementation of the SME Strategy.<sup>19</sup>

<sup>14</sup> Kosovo Business Registration Association, 2011

<sup>15</sup> SME Development Strategy for Kosovo, 2011

<sup>16</sup> Ibid

<sup>17</sup> Ibid

<sup>18</sup> World Bank, 2013

<sup>19</sup> World Bank, 2013

## SMEs in the economic region south

The SMEs operating in the ERS municipalities are generally engaged in small-scale activities. Prizren is the largest business centre in the region, with as much as 7,431 enterprises in total, out of which 99% are small trade businesses.<sup>20</sup> Agriculture is the main activity of this municipality, as 60% of the population lives in villages and dependent on its production. Specifically, Prizren has substantial swathes of land set cultivated as vineyards. Additionally, as the Sharr/Šar, Koritniku/Koritnik, and Pashtrik/Paštrik mountains surround Prizren - as well as being a home to many landmarks (e.g. historical mosques, a Hammam, etc.) - it has provided the base for a nascent tourism industry in this region.<sup>21</sup>

1,758 businesses operate in the municipality of Suharekë/Suva Reka. Out of these, "47% engage in trade, 13.4% [operate] in processing industry, 13% construction, 12% transport, storing and communication and 7 % are in services (hotels, restaurants, etc.)."<sup>22</sup> Given that out of the total territory of 36,099 ha, 53.7% is fertile agricultural land, one can easily conclude that agriculture is the main economic activity of this municipality. On the other hand, despite the tourism potential, considering its strategic position in the Sharr/Šar Mountains - as well as, natural attractions, rich flora, many water resources, and the favourable weather climate, such activity and its contribution to local economic performance is almost insignificant.<sup>23</sup>

820 private businesses operate in Malishevë/Mališevo. 90% of these businesses are small-scale traders, with 46% engaging in trade, "production (18%), transportation (14 %), handicrafts (10%), hotel resorts (5%), services (2.2%) and other activities (4%)".<sup>24</sup> Agriculture is the main economic activity in this municipality, while tourism is seen as a real potential for further SME development. Mirusha waterfalls, the Cave in Panorc with its stalactites and stalagmites, thermal water in the village Baja, and the Berisha Mountains are the main attractions in this municipality.<sup>25</sup>

The municipality of Dragash/Dragaš has 627 registered businesses.<sup>26</sup> Agriculture and farming represent the most developed economic sectors in this municipality, and specifically animal husbandry, livestock, and food production are the main activities of the businesses there. The largest employer is Rematex – a textile company, followed by the producers of food industry end products (e.g. dairy, meat, etc.), and craftsmanship.<sup>27</sup> Tourism is currently at a moderate level of development, given that the Recreation-Tourist Centre in Brod is operating successfully. However, potential for the expansion of the tourism activities exists, considering the rich flora and fauna and surrounding Sharr/Šar Mountains.

Mamushë/Mamuša municipality has 108 enterprises operating in different activities. However, small-scale farming and trade activities represent the main economic undertakings

<sup>20</sup> RDA South - Prizren Municipality Report, 2013

<sup>21</sup> Ibid

<sup>22</sup> RDA South - Suharekë/Suva Reka Municipality Report, 2013

<sup>23</sup> Ibid

<sup>24</sup> RDA South - Malishevë/Mališevo Municipality Report, 2013

<sup>25</sup> Ibid

<sup>26</sup> RDA South - Dragash/Dragaš Municipality Report, 2013

<sup>27</sup> UNDP Municipal Development Plan for the Municipality of Dragash/Dragaš, 2012

of this municipality,<sup>28</sup> with agro-business and food processing being the main foci. Mamushë/Mamuša has a high quality agricultural land, creating favourable conditions for the cultivation of cabbage, spinach, tomatoes, cucumbers, etc. Production levels have been on the rise due to investments in greenhouses that protect crops from unfavourable climate conditions.<sup>29</sup> Additionally many natural attractions, the Sahat Kulla (clock tower), and annual summer tomato festival represent the tourism potential of this municipality.

Lastly, agriculture, viniculture, and the cultivation of fruits are the main economic activities in the municipality of Rahovec/Orahovac. 12,626 ha of land are dedicated to agriculture, and roughly 65% of the population earns their income from agricultural activity. Specifically, 50% of Kosovan vineyards are situated in this municipality, and the climate is favourable for the cultivation of onions, garlic, pepper, tomatoes, watermelons, wheat, etc. However, no facilities for processing of the latter exist. M&Silloi, a major macaroni and wheat production factory, is situated here, as well.<sup>30</sup>

## Baseline assessment's outline/scope of work

The objective of this assessment is to provide an overview of the nature and scope of operations of producers/service providers in the sectors of agriculture, food processing, construction material production, wood processing, artisanal crafts, and cultural tourism within ERS. This is done by analysing the size and character of firms, mapping their inputs and outputs, as well as highlighting their production capacities and future plans.

At the same time, this report provides an overview of the factors determining the competitiveness of producers/service providers, including factors such as affordability of finance, cost and ease of acquiring necessary inputs, investments in marketing, availability of market information, human capacity and organizational constraints, access to transport, and access to support services.

Finally, it delivers real and feasible measures that, if implemented, will lead to tangible results directly benefiting SMEs' operations in various trade sectors in ERS. Accordingly this assessment will:

- Deliver recommendations for interventions that could be made by:
  - (i) local authorities;
  - (ii) development agencies, and/or;
  - (iii) firms operating in the trade sectors, to strengthen their competitiveness;
- Emphasize measures that will enable import substitution or access to export markets;
- Provide measures that will directly benefit SMEs operating in the trade sector.

<sup>28</sup> OSCE Mamushë/Mamuša Municipal Profile, 2013

<sup>29</sup> UN HABITAT Municipal Spatial Planning Support Programme in Kosovo, 2012

<sup>30</sup> RDA South - Rahovec/Orahovac Municipality Report, 2013

## II. METHODOLOGY

### a. Qualitative research – Structured, in-depth interviews

The main component of the research included face-to-face interviews with owners and/or managers of five hundred (500) enterprises in six industries: agricultural products, food processing, construction material production, wood products, handicrafts and tourism. All the interviewed companies are located in the South Region, namely: Prizren, Suharekë/Suva Reka, Rahovec/Orahovac, Dragash/Dragaš, Malishevë/Mališevo and Mamushë/Mamuša.

We utilized the database of the Tax Administration of Kosovo (TAK) for the selection of companies in the targeted municipalities and five of the sectors (the cultural tourism enterprises could not be found in the database because of their complex and diverse activities and operations) as it contains only active and legally registered companies.

Cultural tourism sites and operators were identified by consulting various institutions and relevant sources such as: RDA-S, Tourism Association - Southern Region of Kosovo, KATA (Kosovo Alternative Tourism Association), Cultural Organizations Network – Prizren, The Association of Craftsmen and Businesses of Prizren; Department of Culture Heritage (DCH), Culture Heritage Without Borders (CHwB), Emancipimi Civil Ma Ndryshe “EC Ma Ndryshe”, Directory for Tourism in Prizren, etc.

Table 2 shows the final distribution of businesses surveyed by municipality and sectors:

**Table 2. Distribution of Survey Respondents by Sector and by Municipality**

Municipalities		Prizren	Suharekë/ Suva Reka	Rahovec/ Orahovac	Dragash/ Dragaš	Malishevë/ Mališevo	Mamushë/ Mamuša
<b>Total/Municipality*</b>		<b>285</b> (57.0%)	<b>72</b> (14.4%)	<b>58</b> (11.6%)	<b>47</b> (9.4%)	<b>26</b> (5.2%)	<b>12</b> (2.4%)
<b>Agricultural produce</b>	<b>65</b> (13.0%)	37	9	8	6	3	2 <sup>^</sup>
<b>Food processing</b>	<b>158</b> (31.6%)	90	23	18	15	8	4
<b>Construction material production</b>	<b>89</b> (17.8%)	51	13	10	8	5	2
<b>Wood processing</b>	<b>95</b> (18.9%)	54	14	11	9	5	2
<b>Artisanal crafts</b>	<b>50</b> (10%)	28 <sup>^</sup>	7	6	5	3	1
<b>Cultural Tourism</b>	<b>43</b> (8.6%)	25	6	5	4	2	1

\*Percentages in this row reflect no more than a .2% difference from the real distribution if based on municipality; discrepancy lies in rounding in order to preserve sectoral distributions.

<sup>^</sup>Denotes specific values changed to maintain a sample of 500, as these were closest to being rounded up or down in their respective sectors.



Random selection of companies was realized through a systematic random sampling through the following formula: *Number of companies per sector and municipality divided by the total number of companies per sector in each municipality.*

Before the surveying process began, a pilot test of the questionnaire was carried-out, during which enumerators conducted eight surveys with companies from Malishevë/Mališevo and Rahovec/Orahovac in the food processing, wood processing, artisanal crafts, and construction material production sectors. No major problems were encountered during this process.

After completing the field surveying and as a quality check, 17 enterprises from each targeted municipality were chosen and interviews were re-contacted by phone. These 102 questionnaires (more than 20% of the total sample) were checked for accuracy and completeness. As an additional quality control, after receiving the final dataset from enumerators, an external expert performed a detailed logical data validation by examining each and every survey.

It should be noted that the majority of survey respondents hesitated to respond to questions about:

- Production capacities;
- Turnover;
- Human resources (especially questions about the number of employees, number of employees who work full time vs. part time, their age structure, minorities, women, and employees' education)

#### **b. Focus group discussions:**

Six focus groups - one per sector - were held with a sample of relevant stakeholders (i.e. representatives of businesses, business associations, municipalities, and RDA-S). These discussions served to identify challenges faced by SMEs as well as to validate the findings of the field surveying. Attempts were made so that every focus group session included at least one participant from each municipality.

### III. BASELINE ASSESSMENT RESULTS OF SMALL AND MEDIUM ENTERPRISES (SMES) IN THE ECONOMIC REGION SOUTH<sup>31</sup>

#### General overview

The majority of companies (86%) operating in the targeted sectors within ERS were established during the period 2000 – 2013 (Figure 1). The remainder of the companies (14%) were established before 1999.

Additionally, 94% are considered to be “micro” businesses with 9 or less employees (Figure 2). On the other end of the spectrum, only 0.2% (1 company) is categorized as a ‘large’ enterprise with over 249 employees.

FIGURE 1. Date of the establishment of companies

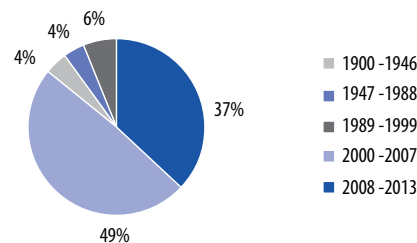
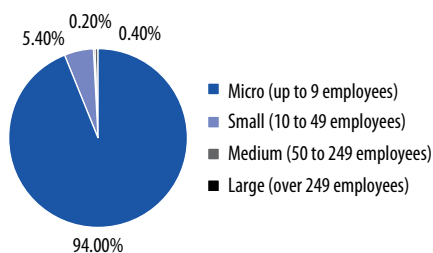


FIGURE 2. Size of companies measured by number of employees



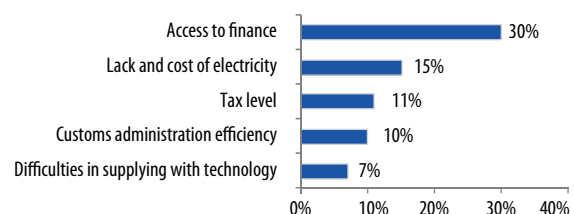
Most of the businesses (87.4%) are registered as individual businesses; 5% are registered as Limited Liability Companies and represent the second largest group. The rest include other legal forms such as partnerships, joint stock companies, cultural institutions and religious monuments.

Slightly more than 92% of the firms reported that they are domestically owned. The survey also showed that only 1% of the interviewed enterprises (5 in number in total) was privatized through the privatization process in Kosovo.

#### Obstacles

As the separate sector profiles will show in the next sections, access to finance is considered to be the biggest obstacle to business development by more than 30% of the interviewed firms (Figure 3). Lack of and cost of electricity is considered as a major barrier by almost 15% of the firms, whereas the taxation levels are believed to hinder business development by 11.2% of the surveyed companies.<sup>32</sup> Nevertheless, despite the myriad of barriers to business development, more than half (58.8%) of the interviewed firms reported that they plan to invest for extending their business in the future.

FIGURE 3. Obstacles in doing business



<sup>31</sup> Throughout rest of the report, if not otherwise specified, all tables/graphs are derived from the survey. Additionally, all tables/graphs that add up to over 100% are derived from questions where multiple answers could be selected.

<sup>32</sup> Other obstacles (11) that make up the remaining 27% are of much smaller values and, as such, are not as relevant compared to those presented in the graph (Figure 3).

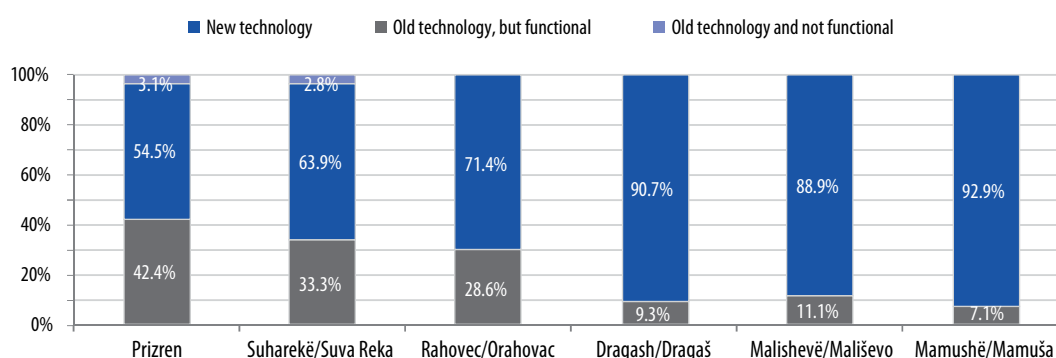
## Exports

Only 0.8% or 4 of the 500 surveyed firms reported that they export their goods outside Kosovo. One of the firms began exporting outside Kosovo in 2002, one in 2005, one in 2010 and one in 2011.

## Technology

As shown in the graph below, very few or almost none of the firms consider their technology to be old and non-functional/defective. 34% of the interviewed companies stated that they have newer technology compared to their closest competitor; whereas almost 64% reported that their technology is older than their closest competitors' yet still functional (Figure 4). Therefore, even though investments in technology seem to be eminent pressing need (as noted in the report), companies would face problems utilizing new technology and equipment due to the lack of a qualified workforce. This highlights the need for more training offered by companies and greater collaboration between industries and higher education institutions.

FIGURE 4. Reported conditions of enterprises' technology



## Human resources

Only three companies in the tourism sector and two in the food-processing sector reported to provide trainings for their employees. Interestingly, even though knowledge in using new equipment is one of the main obstacles that the enterprises face in their business operation, still very few companies provide training to their employees.

# IV. FINDINGS BY SECTOR



## 1. AGRICULTURAL PRODUCE

### BASIC INFORMATION ABOUT THE SECTOR

65 companies were interviewed to assess operation of businesses within the agricultural sector in ERS. 88% of the respondent for this sector were owners/co-owners, 91% men, 92% of Albanian ethnicity. The companies surveyed operate in municipality of Prizren (57%), of Suharekë/Suva Reka (14%), of Rahovec/Orahovac (14%), of Dragash/Dragaš (7%), of Malishevë/Mališevo (5%) and of Mamushë/Mamuša (3%).

The companies were established after 1990, and the majority (66%) after 2003.

FIGURE 5. Reported Annual turnover, % of companies for each category

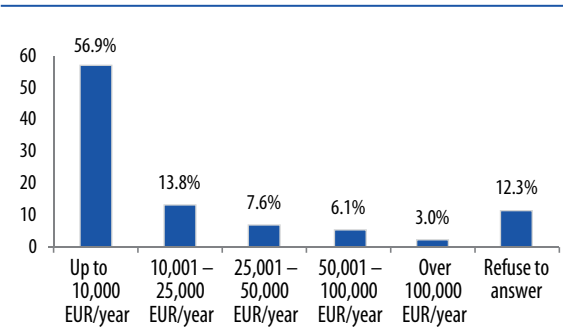


FIGURE 6. Estimated net value of assets

Net value of facilities (in EUR)	Net value of land (in EUR)
Minimum 5,000	Minimum 3,000
Maksimum 50,000	Maksimum 1,000,000
Average 17,142	Average 120,095

Around 92% of the companies are small and medium enterprises and have less than nine employees, and only 8% (five companies) less than 50 employees. They are mainly registered as individual businesses (80%), owned by one individual (96%), locally owned (98%), and a result of individual entrepreneurship<sup>33</sup>. None of the companies interviewed declared to be part of any business association.

57% (37) of the companies have reported an annual turnover of 10,000 EUR or less; on the other end, only two companies reported annual turnover of more than 100,000 EUR (Figure 5.)

The estimated average net value of facilities after depreciation is reported to be 17,142 EUR, while the estimated average net value of land after depreciation is 120,095 EUR (Figure 6).<sup>34</sup>

### PRODUCTION CAPACITIES<sup>35</sup>

61 of the companies interviewed provided information on the production capacity of their products. Table 3 depicts the number and percentage rate of companies producing within the categories identified in the survey and the percentage rate to total amount of production. As it can be noted, companies producing grains and horticulture tend to produce mainly products within this category (93.2% of total production for grains and 94% for horticulture). On the other hand, producers of tomatoes, watermelons, or grapes tend to diversify their products. Even though producers of tomatoes have the highest number of producers, they only produce 34.3% of their total production. The other 65.7% of production is dedicated to other types of products.

**Table 3. Average share of specific product produced as percent of total production capacities**

Agriculture production capacities	Number of companies	Average share of specific product produced
<b>Grains</b>	12	93.2%
<b>Horticulture</b>	11	94%
<b>Tomatoes</b>	10	34.3%
<b>Watermelons</b>	10	51.1%
<b>Grapes</b>	10	77.5%
<b>Mushrooms</b>	5	55%
<b>Peppers</b>	3	34.4%
<b>Tea</b>	1	100%
<b>Cocoa</b>	1	100%

**Table 4. Share of specific product produced as percent of the total production in the sector**

Agriculture production capacities	Total kg per month for all producers	Percentage of kg/total kg produced
<b>Grains</b>	75,600	63.8%
<b>Watermelons</b>	13,050	11%
<b>Peppers</b>	11,000	9.3%
<b>Tomatoes</b>	8,900	7.5%
<b>Grapes</b>	5,560	4.7%
<b>Horticulture</b>	3,250	2.7%
<b>Mushrooms</b>	900	0.8%
<b>Tea</b>	100	0.1%
<b>Cocoa</b>	100	0.1%
<b>Total</b>	<b>118,460</b>	<b>100%</b>

Table 4 provides the total production per month for all the interviewed producers within the agriculture sector. It indicates that the companies produce significantly more grains (64.1%) than other products.

<sup>34</sup> Only 28 of 65 interviewees responded to this question, while 24 companies refused to answer.

<sup>35</sup> The agricultural production sector is the one for which the most detailed data was provided. As such, this section is much more detailed than others.

Table 5. Production capacities: monthly quantity produced

Quantity produced monthly	Minimum	Maximum	Average
<b>Grapes</b>	60kg	1,000kg	506kg
<b>Watermelon</b>	200kg	3,000kg	1,186kg
<b>Tomatoes</b>	150kg	3,000kg	685kg
<b>Peppers</b>	100kg	10,000kg	2,200kg
<b>Tea</b>	100kg	100kg	100kg
<b>Grains</b>	600kg	15,000kg	6,300
<b>Horticulture</b>	100kg	1,000kg	295kg
<b>Cocoa</b>	100kg	100kg	100kg
<b>Mushroom</b>	180kg	100kg	400kg

In order to relate the production capacities of these companies, the quantity produced monthly (on average) by these companies and the percentage of this production in the enterprises' total production (on average) is presented (Table 3).<sup>36</sup> As one can observe the companies have limited monthly production capacities, and some of them produce relatively much more compared to the others.

## MARKETS AND COMPETITIVENESS

### Raw material

The majority of agricultural production enterprises, 55% (36), reported that they produce their own raw material (Table 6). Of these, on average, they are able to produce 82.2% of the total raw material they need. Additionally, 29.7% (19) secure their raw material from local wholesale traders. The average percentage of raw material secured by such companies is 79.5% of their total raw material. Only 9.4% (6) import their raw material.

The majority of the surveyed firms reported to obtain raw materials from a single source; eight of them report to both produce and obtain their raw materials from local wholesale traders; only one of them reported to obtain their raw materials from three sources: own production, local wholesale traders and local farmers. The reported average minimum cost of raw materials is 678 EUR per month, whereas the maximum 1, 173 EUR per month.

Table 6. Sources of raw material

Raw material source	Percentage of companies	Average % of raw material obtained by source	Percentage range of raw material obtained by source
<b>Own production</b>	56.3% (36 companies)	82.2%	10-100%
<b>Local farmers</b>	1.6%(only 1 company)	20%	20%
<b>Intermediaries</b>	4.7%(3 companies)	62.3%	20-100%
<b>Local wholesale traders</b>	29.7% (19 companies)	79.5%	10-100%
<b>Imports</b>	9.4% (6 companies)	80%	40-100%

<sup>36</sup> It is important to note that detailed information about the amount of cereal and horticulture production is unavailable, as these two categories were compiled *ex post* from respondents' answers listed under the sub-section "others" on the questionnaire. Though, importantly, this study has allowed identification of their significance among enterprises operating in ERS.

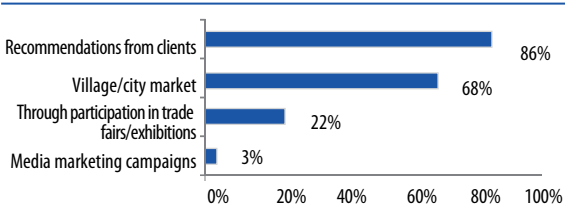


Only four (6.2%) of the 65 surveyed firms reported to get supplies from informal service providers/producers (small family activities or individual service providers who are not registered as businesses). The share of supplies from these providers ranges between 20-80% of the total. Two of four of these firms reported to purchase raw materials from informal suppliers, one reported to purchase ready-made produce from them, whereas one reported to sub-contract them for certain services. All the firms claimed that they purchase goods/services from the informal sector because of the cheapest prices.

### Main clients

Individuals or households were identified as main clients by 97% (63) of enterprises, while 60% (39) consider small shops and traders as their major clients. Public institutions and collection points were each considered as main clients by 5% (3) of the companies. This is a general trend found in all sectors and also supported by the findings with the focus group.

FIGURE 7. Main instruments used by companies to find clients



Eighty-six percent of the companies surveyed consider recommendations from other clients as the main instrument for identifying new buyers (Figure 7). While 68% (44) of the companies consider village and city markets as useful ways to find buyers/clients. Surprisingly, the respondents do not consider trade fairs and media campaigns as useful ways to find buyer/clients.

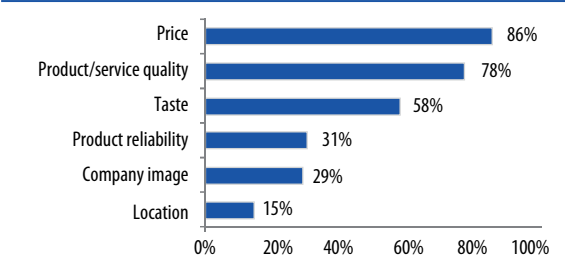
### Business extension opportunities

Ninety-seven percent of the surveyed businesses see business expansion opportunities in Kosovo; only one surveyed firm (1.5%) reported to see expansion opportunities in the region (Albania). None of the firms claimed to see expansion opportunities in Europe or elsewhere in the world.

### Competition

The interviewed companies consider imported products (64.5%), rather than locally produced products (24.2%), as the competitors of their products in the market. Only 11.3% consider the imported products and local products as equal competitors of their products in the market. This presents a challenge for local producers *vis-à-vis* foreign companies. In the words of the agriculture focus group participants, since producers from other countries receive subsidies from their respective governments, they are able to offer their products in Kosovo’s market at a final price that is equal to, and sometimes even lower than, the price of the products made in Kosovo; as such, domestic producers are forced to sacrifice their profits in order to not have to leave the market.

FIGURE 8. Source of competitive advantages

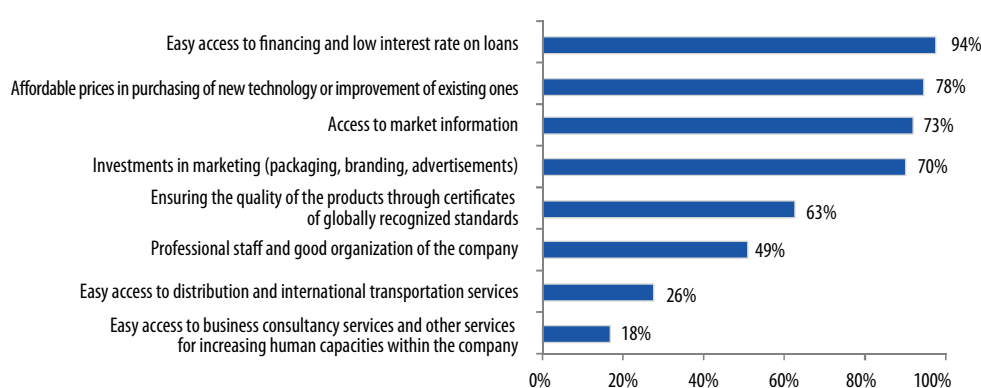


In terms of competitive advantage resources of the companies, 86% (56) of companies see price as their competitive advantage (Figure 8). Similarly, 78% (51) of these companies consider product quality to be an integral element of their competitive advantage. Thirdly, taste is seen as a competitive advantage by 58% (36) of companies.

### Enhancing competitiveness

Ninety-four percent of the respondents consider easy access to finance and low interest on loans to be 'very important' and 'important' factors for seizing growth opportunities in both the local and the international market (Figure 9). Meanwhile, affordable prices in the purchase of new technology, or improvement of existing technology, are deemed very important by 78% of the respondents. This could suggest obstacles to different forms of

FIGURE 9. 'Very Important' and 'Important' factors that would assist in enhancing competitiveness



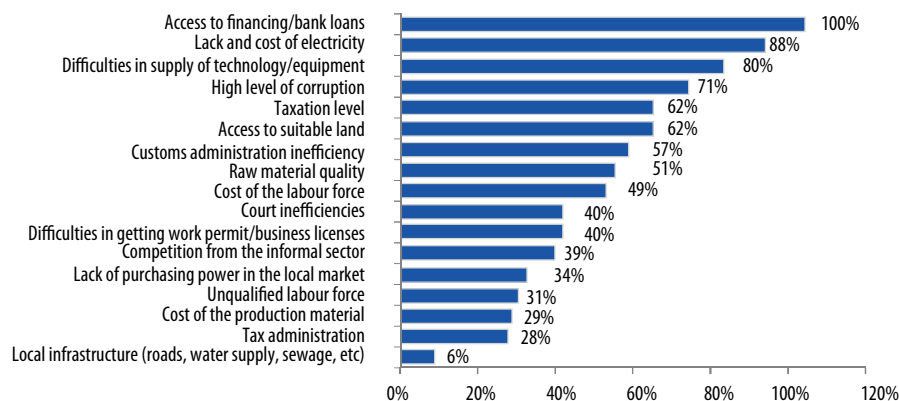
financing are an impeding force to invest in new technology for the interviewed companies.

### OBSTACLES IN DOING BUSINESS

Similar to questions about competitiveness, access to finance is seen as a large obstacle to overall business development by all of the companies (Figure 10). In this regard, focus groups representatives also highlighted that the interest rates of 12-19 % are very high. In the words of the participants, a rate of 7% would be more reasonable, especially in the case when applications for financing are made for the purpose of obtaining raw material.

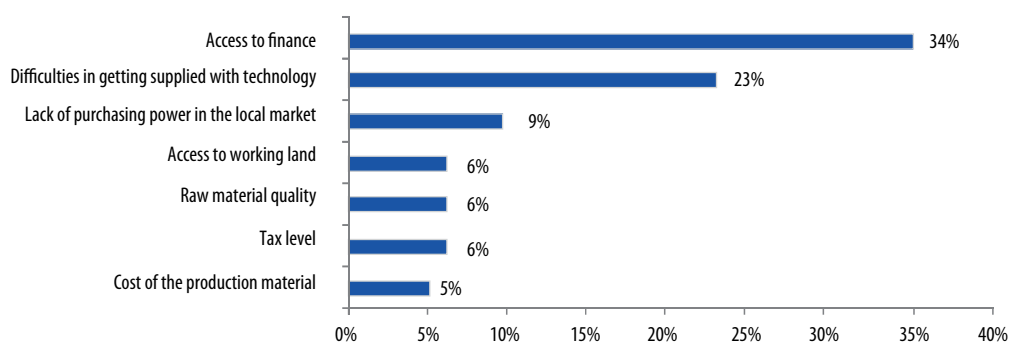
Additionally, another major obstacle for businesses (88%), is the lack of and high cost of electricity. Interestingly, the companies interviewed do not perceive local infrastructure (roads, water supply, sewage etc) as an important obstacle in doing business (6%).

FIGURE 10. Issues identified as obstacles and big obstacles in doing business



However, even though the above factors are seen as the main obstacles, the biggest ones for respondents are still access to finance and bank loans, 34% and difficulties in needed technology and equipment supply 23% (Figure 11).

FIGURE 11. The main obstacles respondents are facing



## EXPORTS

Only one of the 65 companies reported to export its products. This company started to export in 2011 and reported to have increased its production in the international market in 2013, compared to 2012. The company did not report any information on its exports, except for the main barrier to its exports being transportation. This company exports 25% of its total production.

## TECHNOLOGY AND INVESTMENTS

### Technology

The average estimated value of technology (machinery and equipment), among companies interviewed, has depreciated from 11,294 EUR in 2010 to 8,939 EUR in 2012 (Figure 12).<sup>37</sup> Companies evaluated

FIGURE 12. Estimated Average Value of Technology

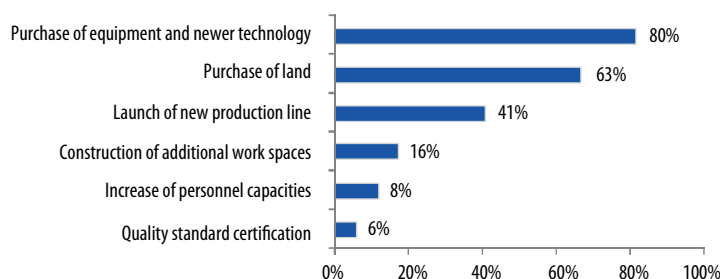
2012	• 8,939 EUR
2011	• 9,405 EUR
2010	• 11,294 EUR

<sup>37</sup> Not all the respondents answered the question about the value of the technology they own; hence, 49 responded for 2012, 40 for 2011 and 25 for 2010.

that the quality of technology they use, 86% (56) of respondents, is older but functional, while only one of them categorizes its technology as old and not functional. It is important to mention that 89% (58) of agricultural production enterprises obtain their production technology from within Kosovo. Furthermore, none of those surveyed in this sector are certified with any international quality standards.

## Investments

FIGURE 13. Reported Plans of Future Investments



75% (49) of companies reported to have plans to invest in the growth of their business in the future mainly through bank loans, 92%, and their own financial means, 71%. This shows that, despite the difficulties associated with access to finance noted in other sections, they are still dependent on loans if they want to invest further in their businesses.

The majority of companies (80%) plan to invest in the purchase of equipment and the newest technologies, purchase of land (63%) and launch of new production lines (41%) (Figure 13). 18 of the interviewed companies plan to mainly invest in horticulture, purchase of equipment and wine in the future. The continued emphasis on technology is also witnessed in relation to external assistance from government or donors, since all of the companies said that they would use external assistance for investing in equipment, facilities etc.

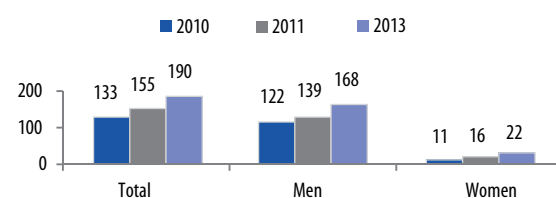
## HUMAN RESOURCES

### Number of employees

According to the survey, the companies interviewed have increased the number of people employed each year, however employing significantly less women than men, 11.5% of total employed during 2012 (Figure 14). Among their current employees, there are only 28 who belong to ethnic minorities and only three companies have employed women managers, 12 in total.

During 2012, 197 employees worked full-time, four part-time and only ten were seasonal workers.<sup>38</sup> 77% of the average share of work time of employees is allocated to production, 22% to administrative work and management, and 1% to other, such as repair.

FIGURE 14. Reported number of employees by gender



<sup>38</sup> The total number of employees in 2012 in this question is higher than that answered for the total number of employees.

On the other hand, women and men have been reported to have different level of education within the sector (Table 7). The women employed in these companies have significantly higher education degree (33%) than the men (9%) employed in the sector.

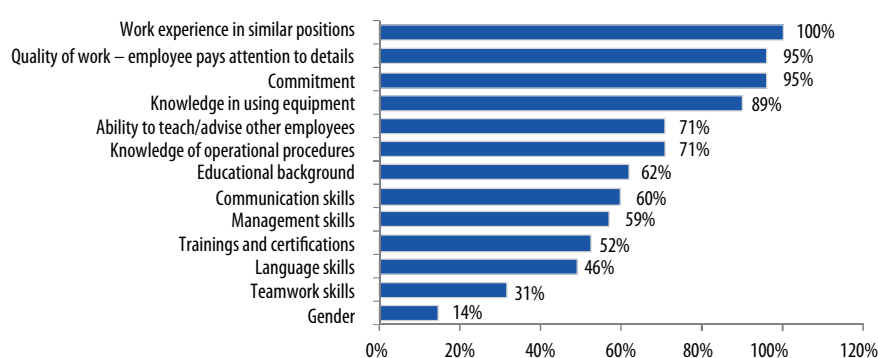
**Table 7: Reported education level of employees**

Employees' education level	Total number of men	Percentage of men	Number of women	Percentage of women
<b>Primary education</b>	53	32%	7	16%
<b>Secondary education</b>	97	59%	17	38%
<b>University education</b>	15	9%	15	33%
<b>Post-university education</b>	0	0%	6	13%
<b>Total</b>	165	100%	45	100%

### Qualifications valued by employers

All of the respondents believe that work experience in a similar position is very important for potential employees (Figure 15). Similarly, knowledge in using equipment (89%), being a committed employee and detail-oriented is very important for 95% of the companies surveyed. Surprisingly, despite the fact that knowledge in using equipment is highly valued by employers, suggesting that additional trainings are needed, only one of the companies surveyed provides training to its staff. This company reported to have provided training to only four employees, who were all men. Also, the focus group representatives highly emphasized the fact that there is a lack of professional staff to operate within the agricultural sector, being one of the key challenges faced among these companies.

**FIGURE 15.** Qualifications and characteristics valued by employers as important or very important





## 2. FOOD PROCESSING

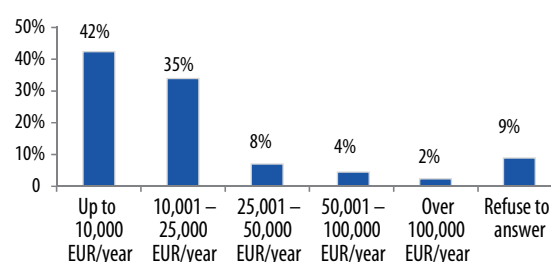
### BASIC INFORMATION ABOUT THE SECTOR

Food processing is the largest sector researched in this report. 158 companies were interviewed to assess operation of businesses within the food-processing sector in ERS. 88.6% of the respondents for this sector were owners/co-owners, 94.3% men, 86.1% of Albanian ethnicity, and 12.7% of them were of Gorani ethnicity. The companies surveyed operate in municipality of Prizren (56.3%), of Suharekë/Suva Reka (15.2%), of Rahovec/Orahovac (11.4%), of Dragash/Dragaš (9.5%), of Malishevë/Mališevo (5.1%) and of Mamushë/Mamuša (2.5%).

Around 10% of enterprises have more than 20 years of experience in the field, but the majority of them (88%) were found after 1999. The majority of the companies are domestic-owned,<sup>39</sup> while 3% (4) of companies in the industry are foreign-owned. 98.7% (156) are microenterprises with nine or fewer employees. None of the companies interviewed declared to be part of any business association.

41.8% (66) of the companies have reported an annual turnover of 10,000 EUR or less; on the other end, only three companies reported annual turnover of more than 100,000 EUR (Figure 17.)

FIGURE 16. Reported annual turnover, % of companies for each category



<sup>39</sup> Only one of the surveyed companies is a socially owned enterprise (100% of the shares). Only two companies of the firms have been privatized through the privatization process in Kosovo.



The companies reported that their estimated net value of assets after depreciation of facilities ranges from 2,500 to 1,000,000 EUR and net values of land from 4,000 to 150,000 EUR (Figure19)<sup>40</sup>.

## Production capacities

A further breakdown of the sector shows that bakery goods production is the subsector that accounts for a relatively large share of the industry.

FIGURE 17. Estimated Net Value of Assets

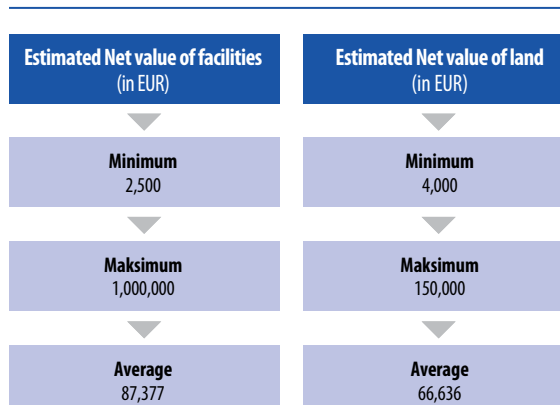


Table 8: Average share of specific product produced as percent of total production capacities

Production capacities	Number of companies	Average share of specific product produced
<b>Bread and pastry</b>	124	87.9%
<b>Dairy products</b>	48	38%
<b>Meat</b>	13	94.2%
<b>Non-alcoholic beverages</b>	4	100%
<b>Wine</b>	2	100%
<b>Beer</b>	1	100%
<b>Tea</b>	1	100%
<b>Chocolate</b>	1	54.5%
<b>Bottled water</b>	1	100%

Almost 87.90% (124) of companies interviewed produce such products. (Table 8) The second largest subsector - 38% (48) - includes companies engaged in the production of dairy products,<sup>41</sup> and the third largest subsector - 8% (13) - is comprised of those engaged in meat processing.

Table 9 shows the number and percentage rate of companies producing within the categories identified in the survey and the percentage rate to total amount of production. As it can be noted companies tend to diversify their produces within sector.

<sup>40</sup> 81 companies refused to answer this question.

<sup>41</sup> Percentage is calculated based on responses of companies interviewed. However, data was scarce and considered largely unreliable; therefore, specific data was not included in Table 5.

Table 9. Share of specific product produced as percent of the total production in the sector

Production capacities	Total kg per month for all the producers	Percentage of kg/total kg produced
<b>Bread and pastry</b>	99,865	69%
<b>Non-alcoholic beverages</b>	20,700	14%
<b>Meat</b>	8,185	6%
<b>Dairy products</b>	3,933	3%
<b>Coffee</b>	5,000	3%
<b>Tea</b>	3,000	2%
<b>Wine</b>	3,150	2%
<b>Beer</b>	1,500	1%
<b>Bottled water</b>	80	0.1%
<b>Chocolate</b>	60	0.04%
<b>Total</b>	<b>145,473</b>	<b>100%</b>

Table 10 provides the total production per month for all the interviewed producers within the food-processing sector. It indicates that the companies produce significantly more bread and pastry (69%) than other products.

Table 10. Production capacities: monthly quantity produced

Quantity produced monthly	Minimum	Maximum	Average
<b>Bread and pastry products</b>	25Kg	9,000Kg	1,003Kg
<b>Butchery/meat products</b>	15Kg	1,200Kg	629Kg
<b>Diary products</b>	5 Kg	400 Kg	81 Kg

## MARKETS AND COMPETITIVENESS

### Raw material

Around 53.5% (83) of the companies purchase raw material from local farmers, and 42% (66) procure them from local wholesale traders (Table 11).

Table 11. Sources of Raw Material

Raw material source	Percentage of companies	Average % of raw material obtained from the source	Percentage range of raw material obtained from the source
<b>Own production</b>	30.3% (47 companies)	42.7%	5-100%
<b>Local farmers</b>	53.5% (83 companies)	82.9%	10-100%
<b>Intermediaries</b>	1.9% (3 companies)	46.7%	20-70%
<b>Local wholesale traders</b>	42.6% (66 companies)	69.1%	10-100%
<b>Imports</b>	9% (14 companies)	40.7%	10-100%

Four of the surveyed companies reported that they produce their raw materials, 53 reported to obtain them solely from local community (farmers), 17 claimed to obtain them only from local wholesale traders. The remaining companies obtain their raw materials from mixed sources. The reported average minimum cost of raw materials is 465 EUR per month, whereas the average reported maximum cost 912 EUR per month.

Around 11.4% of the 158 surveyed firms (18 firms in total) reported to get supplies from informal service providers/producers (small family activities or individual service providers who are not registered as businesses). Almost 90% of these firms purchase raw materials from informal suppliers, while the remaining 10% buy ready-made products from them. The share of supplies from informal providers among these firms ranges between 20-90% of the total.

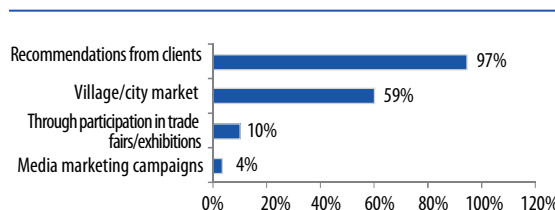
When asked why they purchase raw material from the informal sector, 18 of the firms claimed that they do it because of the cheapest/lowest prices<sup>42</sup>.

## Main clients

Almost all of the companies operating in the food processing industry consider individuals and households (99%) and small shops/traders (62%) as their main clients whereas only 16% of the respondents consider big shops/super-markets as their main clients.

Overwhelmingly, at 97% (153), businesses in this sector identify new clients through recommendations from existing ones (Figure 18). 59% (93) find their clients in village/city markets. A much smaller number of respondents - 10% (16) - reported that they identify their clients through participation in trade fairs and exhibitions.

FIGURE 18. Main instruments used by companies to find clients



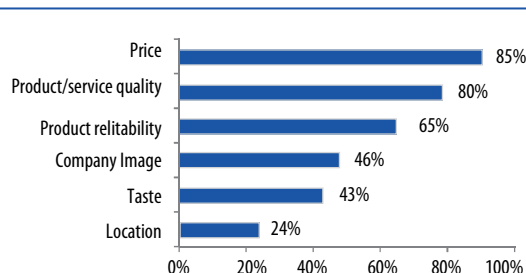
## Business extension opportunities

The great majority of the surveyed firms, 98% see business expansion opportunities within Kosovo; only 5 surveyed firms (3.2%) reported to see expansion opportunities in the region (2 firms only in Albania, 2 firms in both Albania and FYROM and 1 firm in both Albania and Serbia). None of the firms claimed to see expansion opportunities in Europe or elsewhere in the world. This can be a result of a lack of information on exporting markets, regulations and conditions that need to be fulfilled to do so, as well as a lack of international quality certifications.

## Competition

Around 69% (109) of the competition for businesses in the food processing industry is perceived to be from domestic products, while 8% (13) of companies perceive it as being from imported products. Focus group participants declared that imports are a major problem that they have to deal with because producers from the other countries receive subsidies from their respective governments and serve their products in the

FIGURE 19. Source of competitive advantage



<sup>42</sup> One (1) company mentioned also the best quality that the above-mentioned offer, and 2 firms also mentioned that these suppliers offer the fastest service.

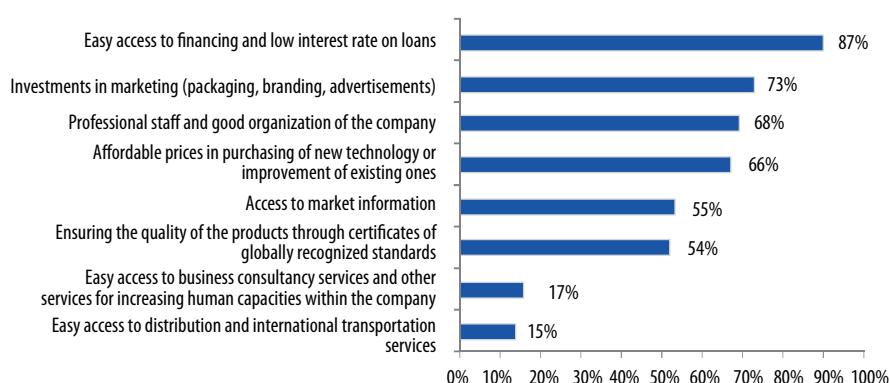
Kosovo's market at a final price which is equal and sometimes even lower than the price of the products made in Kosovo. On the other hand, 23% (36) of the companies consider that competition comes from both, imported and local products, evenly.

With regard to what these companies consider as their competitive advantages, 85% (135) believe that price and the high quality of products/services - 80% (127) - are their strongest attributes (Figure 19).

### Enhancing competitiveness

Around 87% of the interviewed companies consider easy access to finance and low interest loans as 'very important' and 'important' factors that would assist them in enhancing their competitiveness (Figure 20). A majority of the companies (73%) also consider investment in marketing (packaging, branding and advertisement) as major factor to enhance their competitiveness. Furthermore, food processors listed professional staff and good company organization (68%) and affordable prices in purchasing of new technology or improvement of exiting ones (66%) as factors that would enhance their competitiveness.

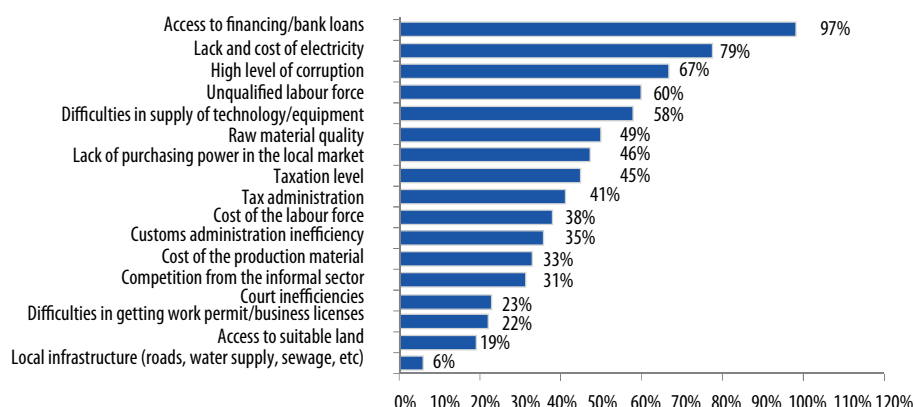
FIGURE 20. 'Very Important' and 'Important' factors that would assist in enhancing competitiveness



### OBSTACLES IN DOING BUSINESS

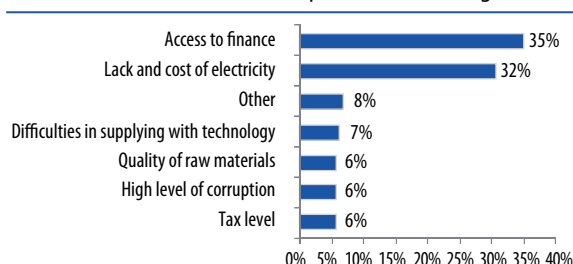
'Big' obstacles that the majority of companies face in developing their business are access to finance (97%); lack and cost of electricity (79%); high level of corruption (67%); unqualified labour force (60%); and difficulties in obtaining new technology/equipment (58%) (Figure 21).

FIGURE 21. Issues identified as obstacles and big obstacles in doing business



Overall, respondents listed the two 'main' substantial obstacles for doing business as access to finance/bank loans 35% (55) and the lack and cost of electricity 32% (51) (Figure 22). Additionally, as evident in the focus group discussion, the process of applying for a bank loan (e.g. procedures, etc.) represents a unique problem in and of itself, and non-recognition of Kosovo's Food and Veterinary Agency in Europe is seen as a serious impediment in terms of the possibilities for exporting. Also, focus group participants, find the VAT rate of 16% as one of the biggest problems for the producers. According to participants, they have undertaken initiatives asking for the removal of the VAT imposed on them; however, their efforts were unsuccessful.

FIGURE 22. The main obstacle respondents are facing



## EXPORTS

Only 1 of the surveyed companies reported to export. This firm started exporting in 2010. The firm reported to have increased its production in the international market in 2013, compared to 2012. The firm reported that the lowest value of its monthly exports in 2012 was 6,800 EUR, whereas the highest 10,000 EUR. The firm reported that in 2010 and 2011 it exported 25% of its total products, while in 2012 its exports amounted to 30% of its total produce and all the company's exports were channelled to the regional market. The firm listed transportation costs and the customs administration in the exporting markets as the main obstacles hindering its exports.

## TECHNOLOGY AND INVESTMENTS

### Technology

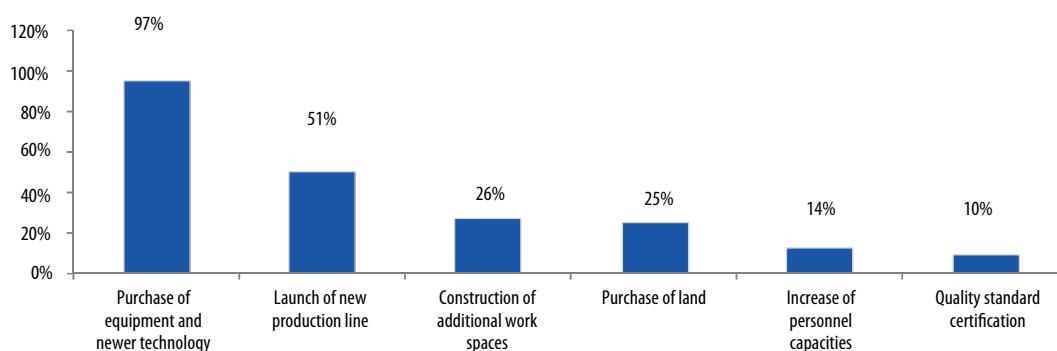
The estimated value of the machinery and equipment that 80% (127) of companies reported varies from 1,000 to 500,000 EUR (Figure 23). When compared with previous years, 9% growth in the estimated value of technology (including machinery and equipment) is evident from 2010 to 2011, and a slight growth of 3% also occurred from 2011 to 2012.

FIGURE 23. Estimated average value of technology

2012	• 58,424 EUR
2011	• 56,757 EUR
2010	• 52,140 EUR

Regarding the state of their technology, only 21% (33) of those interviewed reported using newer technology than their primary competitors. Additionally, the majority of respondents - 89% (140) - reported procuring their production technology from within Kosovo, and 32.7% (68) import it from other countries - mainly Germany and Italy. None of the companies in this sector are certified with any of the international quality standards, such as ISO.

FIGURE 24. Reported plans for future investments



## Investments

73% (115) of companies plan to extend their business in the future through bank-loans (92%), self-financing (86%), and only 3% (4) through financial assets of business partners. The investments are intended to be channelled towards purchase of equipment and newer technology (97%) and/or launch of new production line (Figure 24). Additionally, if they were to receive assistance by external actors, their would use it mainly for investments (97%), including equipment, facilities etc.

## HUMAN RESOURCES

### Number of employees<sup>43</sup>

Out of the companies reporting their number of employees, 155 (98%) of them declared having 22 or less men employees, while almost half of the companies – 47% (74) also have women employees (a maximum of 4) (Figure 25). On average, each company has 3 men and 1 woman employee. When comparing the total number of employees over the last 3 years, an increase of 8% in man employees and 46% of women employees occurred between 2010 and 2011, and further increases of 21% of men and 16% of women employees was evident from 2011 to 2012.

FIGURE 25. Reported number of employees by gender

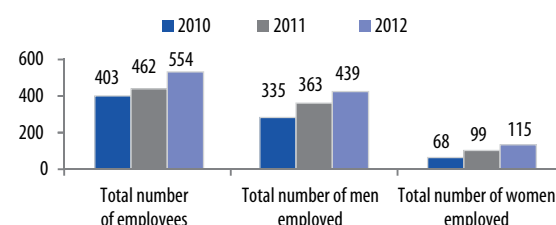
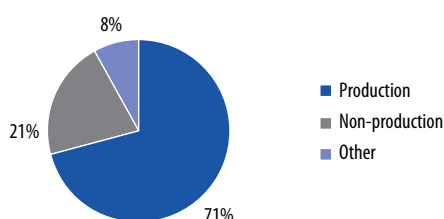


FIGURE 26. Estimated average share of work time allocated



The surveyed companies reported to have employed a total of 57 employee's from ethnic minorities. However the majority of the companies (125) do not employ any person from the ethnic minorities. 144 companies reported to not have any women manager, while only one company reported to have employed 14 women managers.

<sup>43</sup> It is important to mention that not all companies answered all of the questions regarding the number of employees. Some missing data exists, especially regarding the number of women employees for 2010 and 2011. The missing number of respondents for these 2 years is, on average, 14% (22) for men employees and 66% (104) for women employees.



Meanwhile, employees in the food processing companies allocate 71% of the average share of work time to production work (Figure 26). Only one of the surveyed firms reported that one of their employees has been on maternity leave for 6 months.

Table 12: Reported education level of employees

Employees' education level	Total number of men workers in the sector	Percentage of men	Total number of women workers in the sector	Percentage of women
Primary education	56	13.8%	22	17.5%
Secondary education	336	82.6%	103	81.7%
University education	15	3.7%	1	0.8%
Post-university education	0	0%	0	0%
<b>Total</b>	<b>407</b>	<b>100%</b>	<b>126</b>	<b>100%</b>

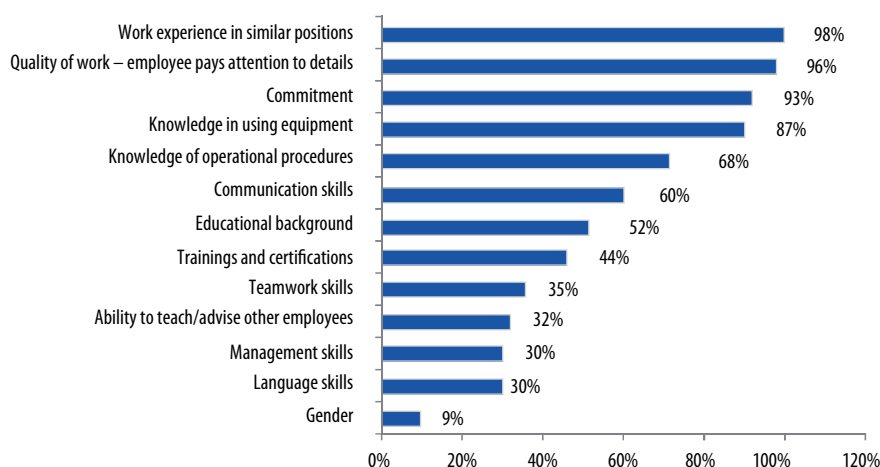
On the other hand, women and men have been reported to have similar level of education within the sector. As shown in table 12 men and women employed in the sector have been reported to have attained mainly secondary education degree.

### Qualifications valued by employers

In terms of what enterprises value as the most important characteristics of current employees, 98% stated that work experience in similar positions is important. 93% value committed employees, 87.3% think that knowledge in using equipment is a very important characteristic of an employee, whereas 95.6% think highly of those that are detail-oriented and produce high quality work (Figure 27).

Meanwhile, surprisingly only 2 (1.3%) out of 158 companies interviewed, claim to have provided training for their employees, even though 80% of them highly value employees that know how to use equipment. Participants in the focus group suggested that both vocational and on the job training are necessary in order to fill this gap.

FIGURE 27. Qualifications and characteristics valued by employers as important or very important





### 3. CONSTRUCTION MATERIAL PRODUCTION

#### *BASIC INFORMATION ABOUT THE SECTOR*

89 companies were interviewed to assess operation of businesses within the construction material production sector in ERS. 90% of the respondent for this sector were owners/co-owners, 98% were men, 94% of Albanian ethnicity, and 4.5% of them were of Turkish ethnicity. The companies surveyed operate in municipality of Prizren (52.8%), of Suharekë/Suva Reka (15.7%), of Rahovec/Orahovac (11.2%), of Dragash/Dragaš (11.2%), of Malishevë/Mališevo (5.6%) and of Mamushë/Mamuša (3.4%).

All of them were founded after 1999, and for 88% (79) of them, construction material production is their primary activity. Furthermore, 97% (86) of the companies operating in this sector are microenterprises with less than 9 employees. 93% (83) are individual business; meanwhile, 71% (63) are domestically owned, leaving 29% (26) owned by foreigners. The latter accounts for the highest percentage among all sectors in terms of foreign ownership. None of these companies were privatized during the recent privatization process in Kosovo, but two of them reported to be state-owned enterprises.

The estimated average net value of companies' facilities after depreciation reported is 39,957 EUR, while the estimated average net value of land after depreciation is 101,571 EUR (Figure 28)<sup>44</sup>. 29% (26) reported an annual turnover of 10,000 EUR or less; while on the other end of the spectrum, 14% (12) of them have an annual turnover greater than 100,000 EUR (Figure 29).<sup>45</sup> Only one company in the construction sector reported to be a

<sup>44</sup> 63 companies refused to answer these questions.

<sup>45</sup> 17% (15) of the respondents refused to answer the question about turnover.

member of a business association, specifically the Kosovo Chamber of Commerce, but did not disclose any type of benefit from this membership.

## Production capacities

Concrete, doors, and windows account for the majority of products produced by enterprises in this sector. 25 of the interviewed companies produce concrete<sup>46</sup>, while 27 produce doors and windows. More than half, 49 of the 89 surveyed companies reported that they produce other products, such as construction material products as shown in the table 13. Additionally, only a small number of companies produce bricks and paint, 4 and 2 companies, respectively, making their details insignificant<sup>47</sup>.

FIGURE 28. Estimated Net Value of Assets

Net value of facilities (in EUR)	Net value of land (in EUR)
Minimum 3,000	Minimum 1,000
Maksimum 180,000	Maksimum 200,000
Average 39,957	Average 101,571

FIGURE 29. Reported annual turnover, % of companies for each category

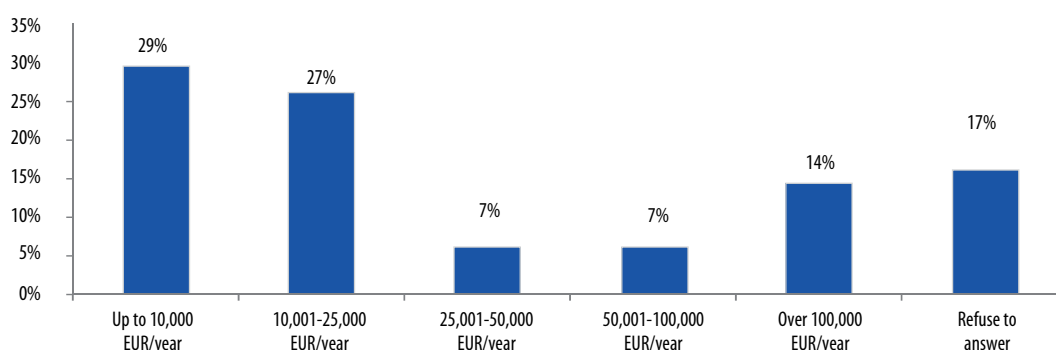


Table 13. Production capacities: monthly quantity produced

Quantity produced monthly	Minimum	Maximum	Average	Total number of companies producing
<b>PVC doors and Windows</b>	10	300	122	27
<b>Concrete</b>	500	250,000	35,976	25
<b>Metal</b>	200	100,000	26,355	10
<b>Bricks</b>	400	10,000	3,100	4
<b>Ceramic</b>	200	2,000	800	4
<b>Sanitary products</b>	30	150	82	4
<b>Paint</b>	200	200	200	2
<b>Electrical construction material</b>	100	100	100	1
<b>Lime</b>	5,000	5,000	5,000	1
<b>Cubes</b>	1,000	5,000	3,000	1
<b>Plastic</b>	40	40	40	1

<sup>46</sup> Detailed information about the level of concrete production is unavailable, as this category was compiled *ex post* from respondents' answers listed under the sub-section "others" on the questionnaire. Though, importantly, this study has allowed identification of its significance among enterprises operating in ERS.

<sup>47</sup> The share of each product as % of the total production of the firms or the sector could not be calculated because the products have varying units of measurement: units, kilograms, litres.

## Raw material

The majority of companies use three main sources for supplying with raw material. Hence, 46% (40) of the companies in the construction material sector buy raw material from local wholesale traders, 43.7% (38) of them import raw material while 40.2% (35) produce it themselves (Table 14).

**Table 14: Reported Sources of Raw Material**

Source of raw material	Percentage of companies	Average % of raw material obtained from the source	Percentage range of raw material obtained from the source
<b>Own production</b>	40.2% (35 companies)	68.9%	20-100%
<b>Local community</b>	1.2% (1 company)	100%	100%
<b>Intermediaries</b>	3.5% (3 companies)	83.3%	50-100%
<b>Local wholesale traders</b>	46% (40 companies)	64.9%	20-100%
<b>Imports</b>	43.7% (38 companies)	71.5%	10-100%

The reported average minimum cost of raw materials is 1,584 EUR per month, whereas the average reported maximum cost 2,475 EUR per month.

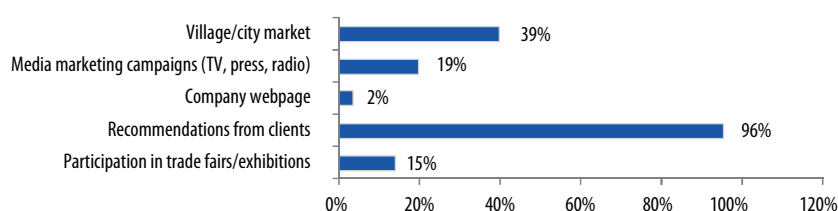
Around 3.4% of the 89 surveyed firms (3 firms in total) reported to get supplies from informal service providers/producers (small family activities or individual service providers who are not registered as businesses). The share of supplies from informal providers among these firms ranges between 20 and 90% of the total. One (1) firm reported to purchase raw material from the informal sector, whereas the two (2) others reported to purchase ready-made products from the above-mentioned. The main reasons for securing raw materials from the informal sector are the cheapest/lowest price; better quality; and easier access to the provider.

## Main Clients

97% companies in this sector, similar to others, reported that individuals and households are their main clients, while 51% of them are small shops/traders. On the other side, only 2.2% (2) of them consider public institutions to be their main clients.

Most companies (95.5%) believe that recommendations from clients can generate new clients for them. Meanwhile, 39% of the interviewed companies declare to find clients through village and city markets (Figure 30).

**FIGURE 30.** Main instruments used by companies to find clients



## Business extension opportunities

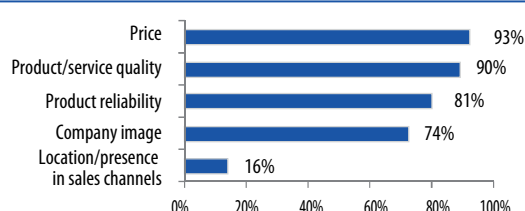
All the surveyed companies consider business expansion opportunities in Kosovo. Only 2.5% (2) of the respondents consider expanding their activities in the region, more specifically in Albania. None of the companies consider expanding their activities in Europe or elsewhere in the world.

## Competition

Surprisingly, 54% (48) of enterprises do not distinguish between local and foreign products when it comes to identifying the sources of competition. Only 15% (13) of companies consider imported products as their major competitor. However, the focus group participants declared that imports from Serbia, FYRoM, and Albania represent a real problem for Kosovo producers, as those countries subsidize their producers; hence, they are able to offer the products at lower prices in Kosovo. In addition, they declared that the presence of domestic informal actors leads to unfair market competition. This directly affects prices and represents a significant concern for producers, as unregistered businesses do not pay taxes, and they are able to offer products in the market at lower prices.

In this sector, price continues to be considered the most important competitive advantage of companies (93%) (Figure 31). Similarly, companies consider product quality (90%) and product reliability (81%) as a competitive advantage for the sector.

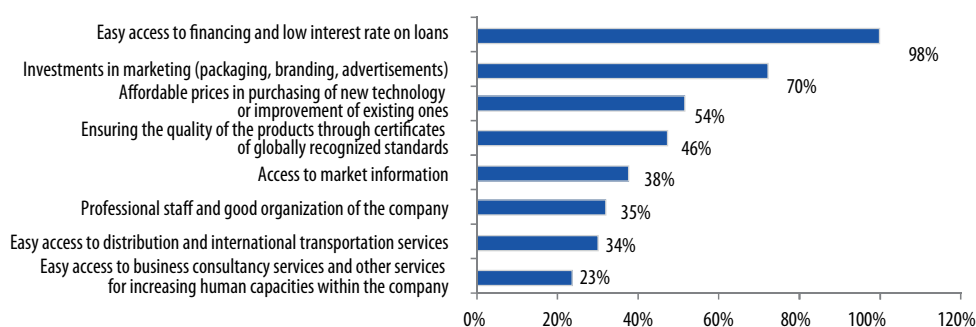
FIGURE 31. Sources of competitive advantage



## Enhancing competitiveness

The interviewed companies operating in the construction materials sectors, indicate that the most important and important factors enhancing firms' competitiveness in the local and international market is easy access to financing and low interest rate on loans (98%) (Figure 32). It is also important to mention that 70% of the enterprises in this sector consider that marketing can enhance their competitiveness.

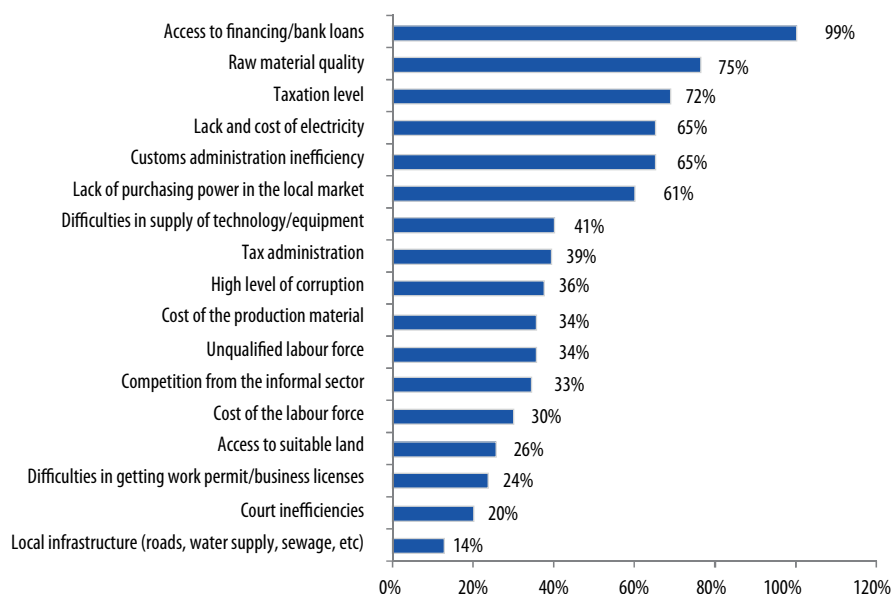
FIGURE 32. 'Very Important' and 'Important' factors that would assist in enhancing competitiveness



## OBSTACLES IN DOING BUSINESS

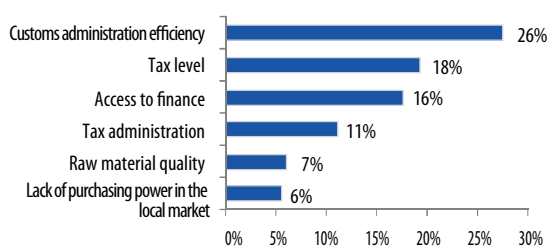
Similar to almost all other sectors, almost all the companies (99%) consider access to finances and bank loans as a very important and important obstacle in developing their businesses (Figure 33). Meanwhile, 75.3% of respondents reported that raw material quality and 72% taxation level as the main obstacles in doing business.

FIGURE 33. Issues identified as obstacles and big obstacles in doing business



Nevertheless, as the figure 34 indicates, customs administration efficiency as well as the lack of constant electricity supply is a big obstacle for more than 65% of the companies. In addition, the focus group findings suggest the existence of the informal economy, lack of liquidity (i.e. buyers usually have to ask to defer their payments or to have the possibility of paying in instalments for obtained material), and high interest on bank loans are significant problems encountered in this industry.

FIGURE 34. The main obstacle respondents are facing



However, when asked about the overall biggest obstacle, the customs administration was most reported by 26% (23) of enterprises (Figure 37). Hence, even though access to finance is the biggest obstacle in most of the sectors surveyed, in this sector, only 16 % (14) of the enterprises consider it as such. Additionally, taxation levels are considered as the biggest obstacle

for business development for 18% (16) of those in this sector.

## EXPORTS

None of the companies interviewed in this sector engage in exporting.

## Technology

The average estimated value of technology (machinery and equipment) of all companies surveyed in this sector increased by 7.8% in 2011 and then dropped by 7.9% in 2012 (Figure 35).<sup>48</sup>

FIGURE 35. Estimated Average value of technology

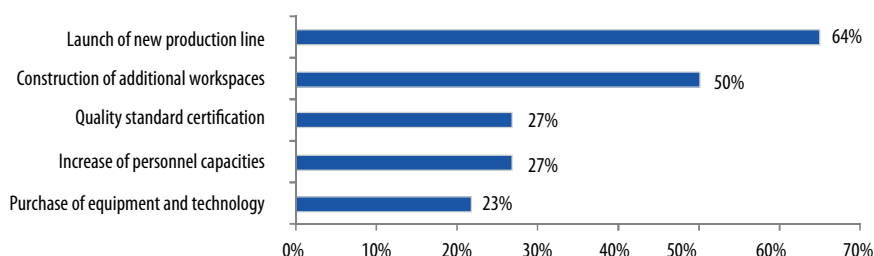
2012	• 56,367 EUR
2011	• 65,765 EUR
2010	• 66,773 EUR

Regarding companies' technology, 50% (45) of respondents said that they use older but functional technology. Additionally, 45% (40) said that they use new technology as compared to that of their closest competitors. Meanwhile, most of the companies in this sector, 89% (79), get their production technology from within Kosovo. In addition, 36% (25) of them stated that they also procure technology from Europe, including: Austria, Germany, Italy, Slovenia and Turkey. None of the companies are certified with any international quality standards.

## Investments

Only 24.7% (22) of construction material companies plan to invest in expansion of their business, while all of those that do, plan to finance their investments through bank loans, while 64% (14) of them will also finance these investments through their own financial means. Again, the companies depend on bank loans to expand their business operation, but the rates are considered as the biggest challenge.

FIGURE 36. Reported plans for future investments



In terms of specific investments, 64% of the companies will invest in launching a new production line, while 50% (11) of them will invest in the construction of additional workspaces (Figure 36). Of the companies that would invest in new production lines, 47% of them would invest again in construction materials, 16% in wood processing, and 10.5% of them in kitchen.

Almost all respondents in this sector - 99% (88) - would use external assistance to invest in equipment and facilities, and 40% (36) of them would use such assistance to invest in trainings, a very important element for increasing competitiveness when it comes to utilizing new technology and equipment.

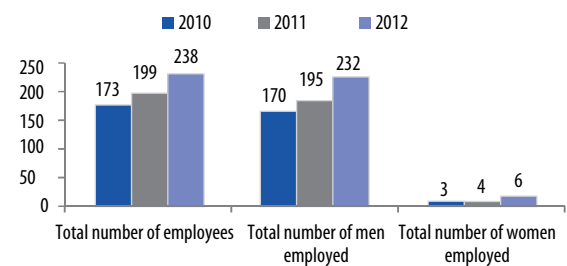
<sup>48</sup> Response rate for 2012 is 30 companies, for 2011 is 17, and for 2010 is 15 companies.



### Number of employees<sup>49</sup>

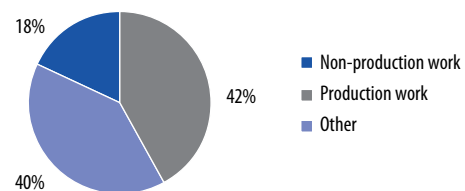
The companies within this sector responded to have employed a total of 238 employees in 2012, 20% more than in 2011, and 37.5% more than in 2010 (Figure 37). Six of the companies interviewed declared that they have employed 10 employees from ethnic minorities. The companies interviewed employ considerably less women than man, 95% less in 2012. Only six women have been employed in managerial positions in 3 of the companies interviewed. Furthermore, the majority of the employees in this sector were declared to be full-time workers (95%).

FIGURE 37. Reported number of employees by gender



On average, 18% of employees' work time in this sector is estimated to go into non-production activities (administrative work or management); 42% of work contributes to production, and 40% is estimated to be allocated into other activities (Figure 38).

FIGURE 38. Estimated share of work time allocated

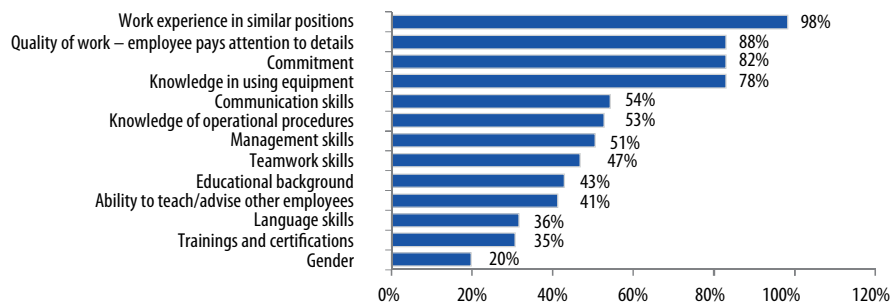


### Qualifications valued by employers

Work experience in similar position is the most important characteristic (98%) that employers in this sector look for in employees (Figure 39). Meanwhile, quality of work and detailed oriented (88%), commitment (82%) and knowledge in using equipment (78%), are considered as very important and important for the interviewed companies. Moreover, despite the importance that employers put on knowledge in using equipment, none of them offers any kind of in-house training.

The majority of the employees in this sector were reported to have attained primary education 52.9% and secondary education 45%, and only 1.7% university education<sup>50</sup>.

FIGURE 39. Qualifications and characteristics valued by employers as important or very important



<sup>49</sup> The total number of employees reported for 2012 was 218 men and 4 women. This number has increased yearly for men (2010 – 164, 2011 – 186). However, it is important to note that this is only the reported number of employees, as interviewees were extremely reluctant to provide accurate figures.

<sup>50</sup> The data on education attainment could not be disaggregated by gender because the number of women workers in the sector is only 7 in total.



## 4. WOOD PROCESSING

### BASIC INFORMATION ABOUT THE SECTOR

95 companies were interviewed to assess the operation of the businesses within the wood processing sector, all of which listed wood processing as the primary activity of their business, most of which were found after 1990. 90.5% of the respondent for this sector were owners/co-owners, 96% men, 85.3% of Albanian ethnicity, and 10.5% of them were of Turkish ethnicity. The companies surveyed operate in municipality of Prizren (56.8%), of Suharekë/Suva Reka (14.7%), of Rahovec/Orahovac (11.6%), of Dragash/Dragaš (9.5%), of Malishevë/Mališevo (5.3%) and of Mamushë/Mamuša (2.1%).

Approximately 94% (89) of businesses interviewed in this industry are microenterprises with 9 or less employees; and none was a large enterprise. Furthermore, 92.6% (88) of companies are registered as individual businesses of which 97% (92) are domestically owned businesses, and only 3% (3) are foreign-owned. Only one company has been privatized through the national privatization process.

The estimated net value of assets after depreciation for companies in the wood processing industry varies from 2,000 to 120,000 EUR for facilities and from 15,000 to 120,000 EUR for land (Figure 40).

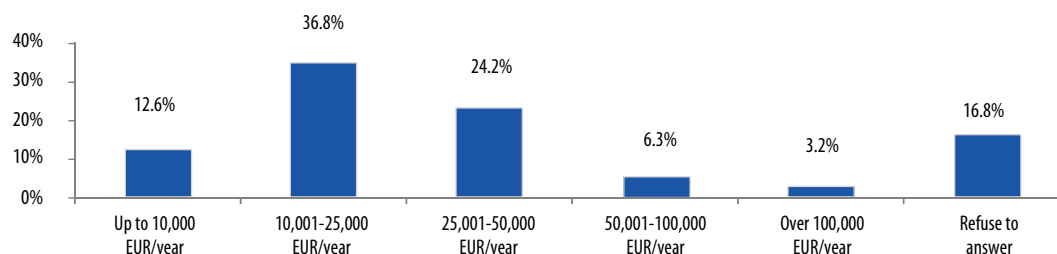
Four of the interviewed companies reported that they are members of business associations in Kosovo. Three of them are members of the *Kosovo Chamber of Commerce* (one of the afore-mentioned is also a member of ESNAF) and one is a member of the Association of Wood Processors of Kosovo (AWPK). Obtaining regular information on business trends and opportunities;

FIGURE 40. Estimated Net Value of Assets

Net value of facilities (in EUR)	Net value of land (in EUR)
Minimum 2,000	Minimum 15,000
Maksimum 120,000	Maksimum 120,000
Average 41,730	Average 55,000

participation in trade fairs within and outside Kosovo and important business trainings; arrangement of meetings with other business; cooperation with similar businesses and lobbying state embassies were each listed as benefits by the companies in the sector.

FIGURE 41. Reported annual turnover, % of companies for each category



88% (70) of businesses in this sector have reported an annual turnover of less than 50,000 EUR, whereas only 9 companies (12%) reported a turnover greater than 50,000 EUR per year (Figure 41).<sup>51</sup>

## Production capacities

Table 15: Production capacities: monthly quantity produced

Wood Products – categories of production	Number of companies	Minimum	Maximum	Average
<b>Furniture</b>	60	1	500	36
<b>Doors and windows</b>	28	10	100	48
<b>Chairs</b>	1	150	150	150
<b>Kitchen</b>	10	27	5	100
<b>Other furniture</b>	4	4	50	28.5
<b>Wood processing</b>	8	30	2000	300
<b>Carpentry</b>	20	50	50	50

Most of the companies in the wood processing industry produce furniture as their main product. Their capacities of production range from 1 to 500 units of furniture per month (Table 15).<sup>52</sup> The average number of units produced per month is 36 units of furniture, which comprises of 60% of total production per firm on average.

Table 16. Average share of specific product produced as percent of total production capacities

Production capacities	Total units per month for all the producers	Average share of specific product produced
<b>Furniture</b>	2007	32.3%
<b>Doors and windows</b>	1330	21.4%
<b>Kitchens</b>	270	4.3%
<b>Other furniture</b>	114	1.8%
<b>Other wood processing products</b>	2400	38.6%
<b>Carpentry</b>	100	1.6%

<sup>51</sup> 16.8% (16) of the companies refused to report their annual turnover.

<sup>52</sup> 93% (51) of the companies that mentioned that they produce furniture as their main product also reported their monthly produced amount.

Within this sector, the interviewed companies produce relatively more of other wood processing products (38.6%), and furniture (32.3%), and less of carpentry (1.6%) and other furniture (1.8%) (Table 16).

## MARKETS AND COMPETITIVENESS

### Raw material

Almost all of these companies purchase the raw material used in their production processes, and only 17 companies have reported to produce their own materials (Table 17). Out of those who purchase raw material, 64% (57) of them import it; 60.7% (54) purchase the raw material from local wholesales traders; while only 19.1% (17) of companies produce the raw material by themselves. The reported average minimum cost of raw materials is 3,465eur per month, whereas the average reported maximum cost 5,824eur per month.

Table 17: Sources of Raw Material

Raw material source	Percentage of companies	Average % of raw material obtained from the source	Percentage range of raw material obtained from the source
<b>Own production</b>	18% (17 companies)	38.1%	2-100%
<b>Local community</b>	12% (11 companies)	21.4%	0-50%
<b>Intermediaries</b>	12% (11 companies)	33%	10-100%
<b>Local wholesale traders</b>	57% (54 companies)	49.7%	10-100%
<b>Imports</b>	60% (57 companies)	73.5%	10-100%

In addition, focus group findings suggest that the prices of raw material are high as they are subject to many custom duties. As such, producers are not able to offer their products in the market at competitive prices. Participants declared that the price problem affects them significantly, but the lack of raw material in Kosovo is an even bigger issue.

More than 4% of the 95 surveyed firms (4 firms in total) reported to get supplies from informal service providers/producers (small family activities or individual service providers who are not registered as businesses). The share of supplies from informal providers among these firms ranges between 10 and 85% of the total. When asked why they purchase raw material from the informal sector, all the four (4) firms replied that they did it because of the cheapest/lowest price, the best quality, and geographical location.

### Main clients

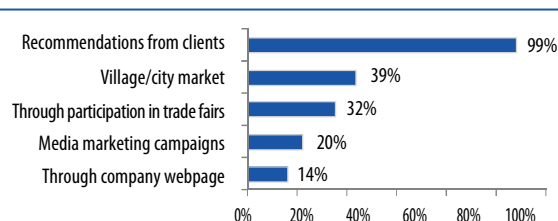
Main clients for the wood-processing sector are reported to be individuals or households (98%) and small shops and traders (64%). Unlike other sectors, 32% of enterprises declared big shops and super-markets as a main client, as well. However, only 12% (11) of companies consider public institutions as a main client.<sup>53</sup>

Approximating other industries, almost all businesses (99%) reported finding new clients through recommendations from existing ones (Figure 42). Much more diversified

<sup>53</sup> It was possible for a company to list multiple clients/buyers as their main clients.

than other sectors, and likely as a result of closer cooperation with business associations, enterprises in wood processing industry also identify new clients through participation in trade fairs and exhibitions (32%), utilizing media marketing campaigns – (20%), and using a company webpage (14%).

FIGURE 42. Main instruments used by companies to find clients



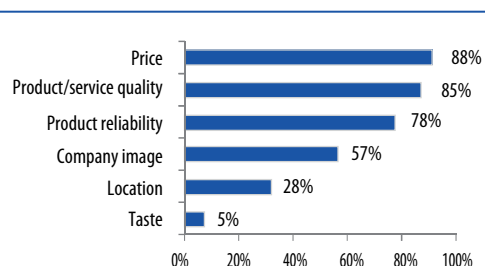
## Business extension opportunities

Over 96% (91) of these companies see Kosovo as the only opportunity for the extension of their business operations. Only four companies or 4% said that they see countries of the region (Albania and FYRoM) as possible destinations for their business, while Italy and China were listed as two other possible markets. Lack of information on foreign markets, lack of certifications, and regulations that need to be followed are, again, likely to be some of the factors that make it harder for wood processing enterprises to extend into foreign markets.

## Competition

Most of the competition (60%) for companies that operate in the wood-processing sector was reported to come from imported products. A small percentage of local companies (15%) see domestic companies as competitors; whereas, around 25% of producers think that competition comes equally from imported and local products.

FIGURE 43. Sources of competitive advantage

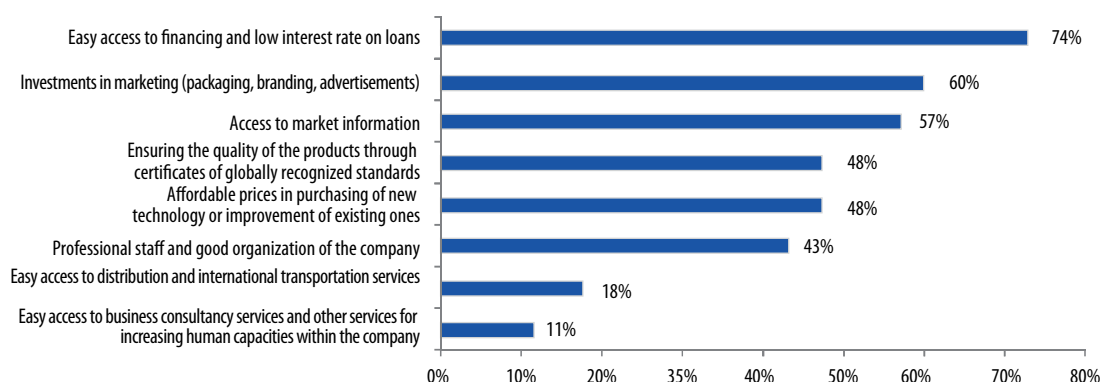


Regarding what wood processing companies in ERS consider as their competitive advantage, the majority of them consider it to be: price – 88% (83), product/service quality – 85% (81), product reliability – 78% (74), and company image – 57% (54) (Figure 43).

## Enhancing competitiveness

Similar to other sectors, easy access to finance and low interest loans are seen by a majority of wood processing enterprises (74%) as the most important factor that would assist in enhancing their competitiveness (Figure 44). Other 'very important' factors in this context are investments in marketing (33%); access to market information (57%); and affordable prices in purchase of new technology or improving of existing ones (48%).

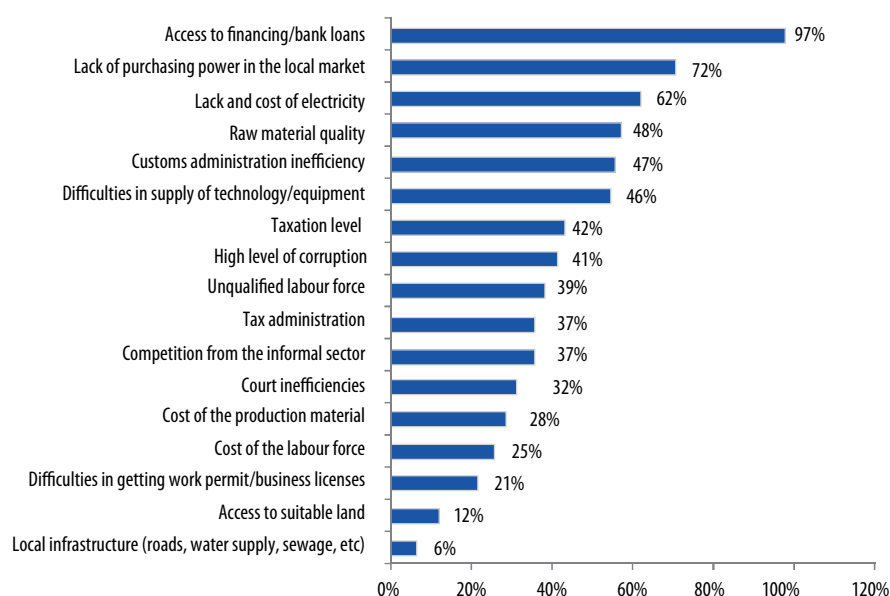
FIGURE 44. 'Very Important' and 'Important' Factors that would assist in enhancing competitiveness



## OBSTACLES IN DOING BUSINESS

Access to finances, as with other sectors in ERS, is viewed as the most important obstacle to doing business by 96.8% of companies in the wood processing industry (Figure 45). Other important obstacles include lack of purchasing power in the local market (72%); and lack and cost of electricity (62%).

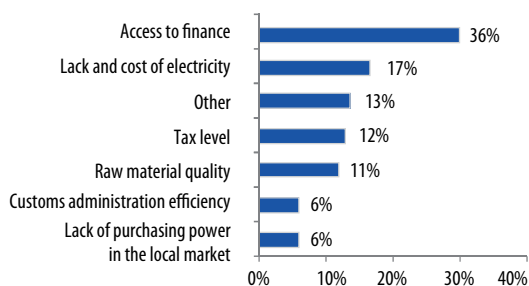
FIGURE 45. Issues identified as obstacles and big obstacles in doing business



The same respondents listed access to financing - 36% (34) - and lack and cost of electricity - 17% (16) - as the two biggest obstacles to doing business (Figure 46).

Moreover, focus group discussions revealed that current low levels of sales challenge producers in this industry. In their words, consumers are substituting wood products with those made of other

FIGURE 46. The main obstacles respondents are facing

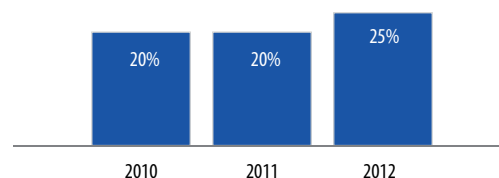


materials, namely plastic. Consequently, producers in this industry now concentrate on making doors and kitchen cabinetry, rather than any other wood products. However, given that these goods are not standardized and do not undergo any quality certification procedures, this makes these goods less preferred in the market.

## EXPORTS

Only 2% (2) of the 95 surveyed companies reported to export their products/goods outside Kosovo. They started exporting in 2002 and 2005, respectively. During the last three years, these companies exported around 20%-25% of their products, and over these years, a 25% increase in exports occurred (Figure 47). Even though they only export to the regional market, some of the main barriers that they face are high transportation costs and limited possibilities to connect with foreign businesses. The latter, once again, highlights the lack of information on export markets within ERS.

FIGURE 47. Percentage of exported goods



## TECHNOLOGY AND INVESTMENTS

### Technology

The estimated value of the technology among the interviewed companies ranged from 2,000 up to 250,000 EUR. On average, the estimated value of technology increased by 8% from 2010 to 2011, and decreased by 9% from 2011 to 2012 (Figure 48). 53% of the companies consider having newer technology than their competitors, while 44% of them consider having older, but functional technology.

FIGURE 48. Estimated Average Value of Technology

2012	• 33,972 EUR
2011	• 37,150 EUR
2010	• 34,432 EUR

The majority of enterprises (81%) supply their companies with production technology from within Kosovo. On the other hand, the most common countries where some companies import their machinery and equipment from are: Germany, Italy, Slovenia, Serbia, Turkey and China. In addition, none of the companies in this industry are certified with any international quality standards.

### Investments

63% (60) of companies engaged in the wood processing industry plan to make future investments in order to extend their business. Majority of them plan to do this by obtaining bank loans (92%) and self-financing (87%), while a smaller percentage (48%) plan to do the investments through financial means of business partners.



Among the areas they plan to invest in, the purchase of equipment and newer technology ranks number one (93.3%) (Table 18).

Therefore, it is unsurprising that all of the enterprises stated that, if they were to receive external assistance, they would use it to invest in equipment and facilities followed by trainings, connecting to similar businesses in other countries, and networking with businesses engaged in dissimilar activities.

Moreover, focus group participants declared that certification with ISO or other quality management standards is seen as a necessary action to be taken, especially now with the creation of more favourable conditions for joining the EU single market.

**Table 18. Reported Plans for Future Investments**

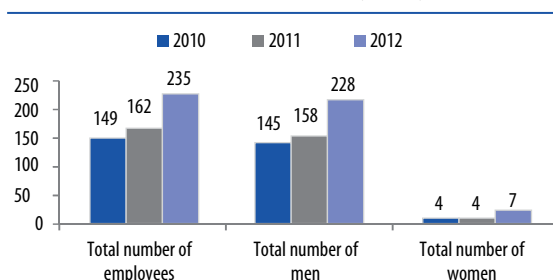
Areas of investment	Percentage of firms
<b>Purchase of equipment and newer technology</b>	93.3%
<b>Launch of new production line</b>	56.7%
<b>Construction of additional work spaces</b>	40.0%
<b>Increase of personnel capacities</b>	35.0%
<b>Quality standard certification</b>	25.0%
<b>Purchase of land</b>	21.7%

## HUMAN RESOURCES

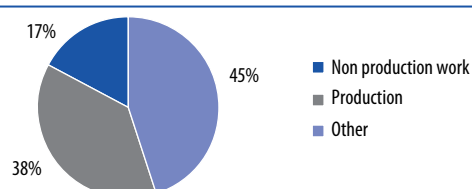
### Number of employees

Out of the 95 companies interviewed in this industry, only 5% (5) of them reported having had women employees in their companies, employing a maximum of three women. On the other hand, the number of men employees per company varies from 1 to 11. The total number of men employees during 2012 was 228. This contributed to a huge increase of 44% from 2011 to 2012 in the total number of employees in this sector (Figure 49).

**FIGURE 49. Reported number of employees by gender**



**FIGURE 50. Estimated share of work time allocated**



full time, 9.3% part-time and only 2% as seasonal workers.

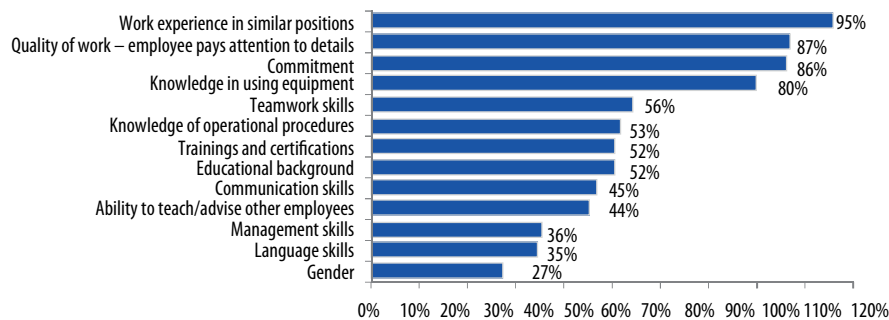
Lastly, 38% of the work that employees do in wood processing enterprises goes toward production, and 45% goes into other activities such as assembling product parts (Figure 50).

The number of employees from minority ethnic communities in wood processing companies is relatively low (less than one employee per company on average). Similarly low is the number of women managers in these companies. 88.7% of the employees have been reported to work

## Qualifications valued by employers

In terms of what enterprises value as the most important characteristics of potential employees, 95% of them have stated that work experience in similar positions is very important and important (Figure 51). Other qualifications valued by these companies are quality of work and detailed oriented (87%), commitment (86%), and knowledge in using equipment (80%).

FIGURE 51. Qualifications and characteristics valued by employers as important or very important



The majority of the employees in the interviewed companies have attained secondary education (68.5% by men, and 71.4% by women). As observed in the other sectors too, very few of the people employed in these companies have attained higher education.

Table 19: Reported Education Level of Employees

Employees' education level	Number of men workers in the sector	Percentage of men	Number of women workers in the sector	Percentage of women
Primary education	56	26.9%	1	7.2%
Secondary education	148	68.5%	10	71.4%
University education	10	4.6%	3	21.4%
Post-university education	0	0%	0	0%
<b>Total</b>	<b>214</b>	<b>100%</b>	<b>14</b>	<b>100%</b>

A characteristic of this industry is that, even though these companies highly value knowledge in using equipment and so on, out of the 95 companies that have been surveyed, none of them provides trainings for their employees.



## 5. ARTISANAL CRAFTS

### BASIC INFORMATION ABOUT THE SECTOR

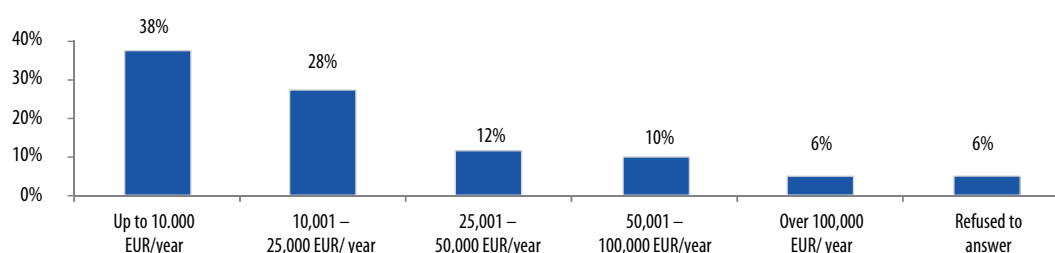
49 companies operating in ERS were interviewed to assess the operation of businesses in artisanal crafts sector. 98% of the respondent for this sector were owners/co-owners, 80% were men, 78% of Albanian ethnicity, 18% of Turkish ethnicity, and 4% of Gorani ethnicity. The companies surveyed operate in municipality of Prizren (56%), of Suharekë/Suva Reka (14%), of Rahovec/Orahovac (12%), of Dragash/Dragaš (6%), of Malishevë/Mališevo (10%) and of Mamushë/Mamuša (2%).

The oldest of those interviewed was founded 113 years ago, back in 1900s. Around 15% (7) of all the companies interviewed are older than 15 years. However, interest in the production of artisanal crafts appears to have risen after 1999, with around 70% (34) of enterprises having been founded during 2000s. As in the other companies operating in ERS, almost all of these companies – 96% (47) – are microenterprises with less than 9 employees. The other two companies in this sector are one small enterprise (10–49 employees), and one large enterprise (more than 249 employees). 47 (96%) of these companies are individual businesses and 12% (6) of them are foreign-owned. Lastly, it is worth noting that none of these companies have been privatized through the government’s privatization process.

FIGURE 52. Estimated Net Value of Assets

Net value of facilities (in EUR)	Net value of land (in EUR)
Minimum 3,000	Minimum 2,000
Maksimum 200,000	Maksimum 150,000
Average 70,842	Average 40,400

FIGURE 53. Reported annual turnover, % of companies for each category



The estimated net value of assets for companies in the artisanal craft industry varies from 3,000 to 200,000 EUR for facilities and from 2,000 to 150,000 EUR for land (Figure 52). 66% (33) of artisanal businesses reported an annual turnover of less than 25,000 EUR, while only 6% (3) of companies have reported an annual turnover over 100,000 EUR (Figure 53).

22% (11) of artisanal craft companies reported being members of business associations: Kosovo Chamber of Commerce (2); The Craftsmen and Businessmen Association of Prizren (9) and the Association of Silversmiths of Kosovo (1). They view business associations as offering benefits such as: regular information on business trends and opportunities, arrangement of meetings with other businesses, cooperation with similar businesses, participation in trade fairs, important business trainings, and lobbying of various state embassies.

### Production capacities

Production of filigree is one of the main activities for the interviewed artisanal companies. 25 businesses produce an average monthly output of 116 units, which is about 68.4% of their total production (table 20).

Table 20. Production capacities: monthly quantity produced

Quantity produced monthly in Units	Total number of companies	Minimum	Maximum	Average Production (units)	Average % of total production
<b>Filigree</b>	25	6	400	116	68%
<b>Textile handicrafts</b>	7	3	100	26	83%
<b>Other handicrafts</b>	2	100	100	100	58%
<b>Watchmaker</b>	9	10	70	31.7	99%

Some relatively smaller businesses produce only 6 units per month, while other bigger ones produce up to 400 units. Textile handicrafts are another popular activity among these companies. Seven companies reported producing up to 100 units of handicrafts monthly; however the average produced by these companies is roughly 26 units per month. Another major artisanal business is watch-making (9).<sup>54</sup> However, since most watches are now factory made, many of these artisans solely provide repair services. The companies interviewed in this sector produce mainly filigree (81.7%), and they produce less of the other products, like watchmaker's products (8%), other handicrafts (5.6%) and textile (4.7%) (table 21).

<sup>54</sup> Detailed information about the level of watch-making is unavailable, as this category was compiled *ex post* from respondents' answers listed under the sub-section "others" on the questionnaire..

Table 21: Average share of specific product produced as percent of total production capacities

Production capacities	Total units per month for all the producers	Average share of specific product produced
<b>Filigree</b>	2906	81.7%
<b>Textiles</b>	168	4.7%
<b>Other handicrafts</b>	200	5.6%
<b>Watchmaker's products</b>	285	8.0%

## MARKETS AND COMPETITIVENESS

### Raw material

The majority of artisanal businesses obtain raw material from imported sources, 22% (11) purchase it from local wholesale traders, and only 16% produce their own raw materials (Table 22).

Table 22. Sources of Raw Material

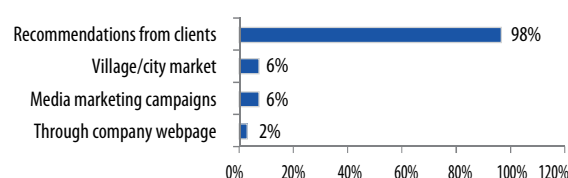
Raw material source	Percentage of companies	Average % of raw material obtained from the source	Percentage range of raw material obtained from the source
<b>Own production</b>	16% (8 companies)	52.5%	50-70%
<b>Local community</b>	-	-	-
<b>Intermediaries</b>	4% (2 companies)	100%	100%
<b>Local wholesale traders</b>	22% (11 companies)	70%	20-100%
<b>Imports</b>	36% (18 companies)	65.9%	30-100%

The reported average minimum cost of raw materials is 824 EUR per month, whereas the average reported maximum cost 1,562 EUR per month. Meanwhile, very few businesses - 6% (3) - obtain supplies from informal service providers. As with other sectors, the main reasons for engaging the informal sector is cheaper prices and, sometimes, faster service.

### Main clients

Individuals and households are main clients for all businesses in this sector, a finding supported by the focus group discussion. Only 12% (6) also consider small shops/traders main clients, while 2% (1) consider public institutions as main clients.

FIGURE 54. Main instruments used by companies to find clients



Recommendations from existing clients are the most common way of generating new clientele for 98% (48) of companies (Figure 54). A small percentage - 6% (3) - of them also uses marketing campaigns and village/city markets to sell their products, whereas company web pages are rarely utilized – 2% (1).

## Business extension opportunities

The overwhelming majority of the firms see an opportunity for extending business in Kosovo (94%). The rest believe opportunities exist in the region (notably, Albania), as well. However, none of them see business expansion opportunities in Europe or other countries.

## Competition

Most of the competition (72%) for the interviewed companies for this sector comes from imported products, and only 10% of the businesses consider local products as a competition to their products. Whereas, 18% of the respondents have said that the level of competition is the same from imported and local products.

Table 23. Source of competitive advantage

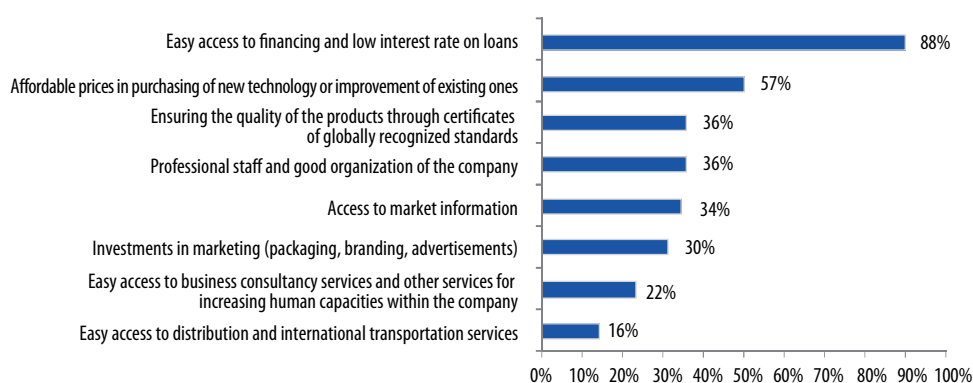
Firms' competitive advantage	Percentage of surveyed firms
Product reliability	80%
Product/service quality	78%
Price	76%
Company image	68%
Location/presence in sales channels	26%
Style	16%

The majority of artisanal businesses (80%) see their competitive advantage coming from the reliability of their products (Table 23). Moreover, cheaper prices and high quality products are considered to be the competitive advantage resources for over 76% and 78% of artisanal businesses respectively. Around 68% also believe that the good image contributes to their competitive advantage.

## Enhancing competitiveness

Similar to other sectors, access to finance and low interest loans are considered to be the most important factors that would assist in enhancing competitiveness (88%) (Figure 55). Another 'very important' factor to this end would be affordable prices in purchasing of new or improving existing technologies (57%).

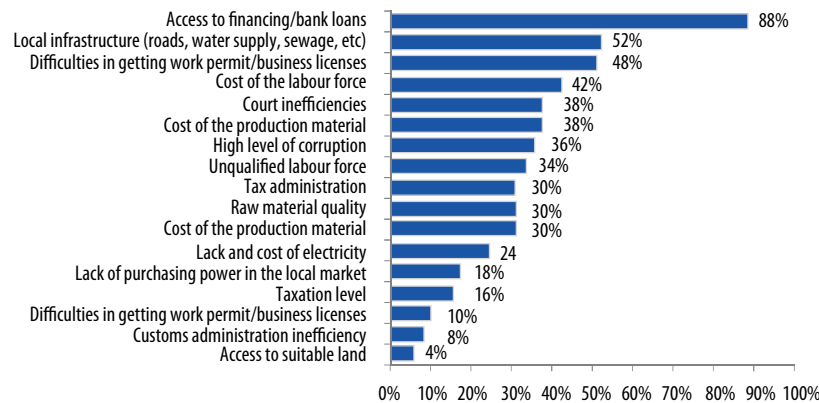
FIGURE 55. 'Very Important' and 'Important' factors that would assist in enhancing competitiveness



## OBSTACLES IN DOING BUSINESS

Among those considered as the biggest obstacles to businesses' development, 88% of the respondents identify access to finance and bank loans (Figure 56). Additionally, about 52% of artisanal businesses consider the inefficiency of the customs administration (52%) and difficulties in supply of technology/equipment (48%) as other biggest obstacle to developing their business.

FIGURE 56. Issues identified as obstacles and big obstacles in doing business



Similar to the other sectors, access to financing/bank loans (26%), customs administration efficiency (26%) and taxation level (24%) are perceived to be the main obstacles to business development (Table 24).

Table 24. The Main obstacles respondents are facing

Main obstacles to business development	Percentage of companies
Access to financing/bank loans	26%
Customs administration efficiency	26%
Taxation level	24%
Lack and cost of electricity	10%
Lack of purchasing power in the local market	10%
Unqualified labour force	2%
Competition from the informal sector	2%

To expand further, focus group findings suggest that the low volume of sales is a major problem that the artisanal industry is facing today. As the interest for artisanal products is diminishing, a risk that in the near future many artisans will have to cease their existing activity.

## EXPORTS

None of the artisanal businesses surveyed in ERS export any products.



## TECHNOLOGY AND INVESTMENTS

### Technology

The value of technology for artisanal businesses ranges from 500 to 100,000 EUR, with the average value around 24,681 in 2012 EUR (Figure 57). Additionally, 61% (30) of these consider their technology to be older than their competitors, but functional. Regarding the supply of technology used in production, most businesses – 70% (35) – procure it in Kosovo, while Turkey (6) is another significant source of supply. Additionally, companies import their machinery and equipment from EU countries such as Austria, Croatia, Germany, and Italy. Furthermore, none of the artisanal businesses are certified with any of the international quality standards.

FIGURE 57. Estimated Average Value of Technology

2012	• 24,681 EUR
2011	• 18,360 EUR
2010	• 20,709 EUR

### Investments

Only half of the companies (25) interviewed in this industry plan to invest in expanding their enterprises. Mainly, they plan to do it through self-financing (96%); by obtaining bank loans (84%), and less by financial assets of business partner (8%).

They plan to invest mostly in the purchase of equipment and newer technology (88%) and less on launching new production line (40%) or construction of additional workspaces (44%) (Table 25).

Table 25. Reported plans for future investments

Areas of investment	Percentage of firms
Purchase of land	-
Purchase of equipment and newer technology	88%
Launch of new production line	40%
Construction of additional work spaces	44%
Increase of personnel capacities	32%
Quality standard certification	36%
Other, specify	-

Businesses that plan to invest in new production lines will do so for filigree products (61%). Furthermore, if artisanal businesses were to receive external assistance, the majority of them 80% (39) would invest it in equipment and facilities, whereas 45% (22) also said that they would use it for trainings.

## HUMAN RESOURCES

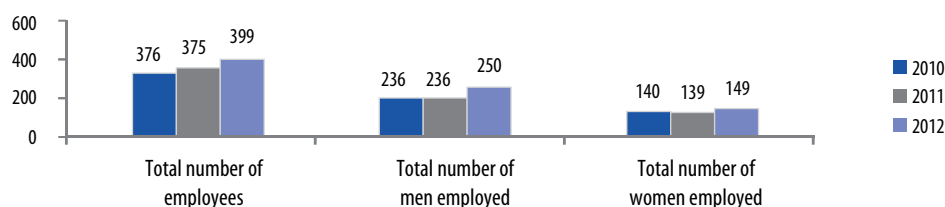
### Number of employees<sup>55</sup>

The gender difference among the companies interviewed in artisanal craft is relatively lower than among other sectors. During 2012, companies reported to have employed

<sup>55</sup> No data on the number of women managers or employees from other ethnic communities was reported for this sector, nor is there data on the age structure of employees.

only 25% more men than women in their companies. Additionally, the number of employees reported by these companies has been constant over the last three years, with only a slight increase of around 7% occurred from 2011 to 2012 (Figure 58).

FIGURE 58. Reported number of employees by gender

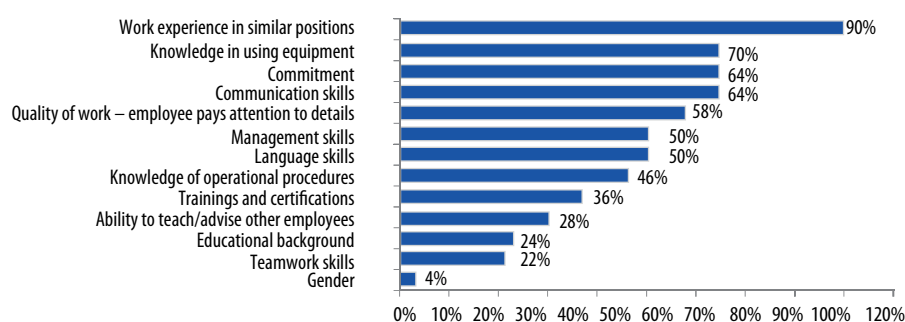


The companies interviewed in this sector also hired mostly people from other ethnic minorities (52), and all companies hired at least one person from the ethnic minorities. Furthermore, the companies also reported to have hired 12 women managers. 76.5% of the employees were reported to work full time, and only 15.7% and 7.8% were reported to work part-time and as seasonal workers respectively. 50% of all work in the interviewed companies was reported to go into production, 28% into non-production, and the other into creative work, processing or repairing. Only one company reported to have one of the employees on maternity leave.

### Qualifications valued by employers

Most (90%) of the interviewed companies consider work experience in similar position to be the most important qualification of current workers (Figure 59). Another essential characteristic was found to be knowledge of using relevant equipment (70%); communication skills (60%) and commitment (60%). Most individuals who are employed in the artisanal crafts sector have completed a secondary education. However, the number of those with a university degree is relatively low. Focus group participants emphasized that the lack of a specialized workforce to operate within this sector is another problem they are facing, considering the low level of interest of younger generations to be employed in these companies.

FIGURE 59. Qualifications and characteristics valued by employers as important or very important



The artisanal sector is another sector where, surprisingly, none of the companies surveyed provide trainings for their employees, even though they highly value knowledge in using equipment as a characteristic of potential employees.



## 6. CULTURAL TOURISM

### *BASIC INFORMATION ABOUT THE SECTOR*

Forty-three companies were interviewed to assess the operation of businesses in the tourism sector in ERS. 60% of the respondent for this sector were owners/co-owners, while 21% were ethnologists, employees, 56% were men, and 97% of Albanian ethnicity. The companies surveyed operate in municipality of Prizren (58.1%), of Suharekë/Suva Reka (30.2%), of Rahovec/Orahovac (2.3%), and of Malishevë/Mališevo (9.3%). 49% (21) of the companies were founded before 2000. 76.7% (33) of those interviewed are microenterprises with nine or less employees. 21% (9) of cultural enterprises are registered as public or cultural institutions, and 32.6% (14) are registered as individual businesses. Only one of the enterprises surveyed is foreign-owned, while none were privatized under the privatization process in Kosovo.

Additionally, 39.5% (17) of these have reported an annual turnover of 10,000 EUR or less; meanwhile, only one of them has reported an annual turnover of over 100,000 EUR.<sup>56</sup> Eight of the companies surveyed reported to be part of a business association, and half of this regard participation in trade fairs within and outside Kosovo as the main benefit of their memberships.<sup>57</sup>

### *Tourists served*<sup>58</sup>

The number of local tourists served by these enterprises, on average, is 163 people per month, compared to 77 international tourists (Table 26). None of the companies surveyed reported to have offered other services or products in addition to the cultural and/or mountain tourism.

<sup>56</sup> It is important to mention that 60% (23) of respondents refused to answer the question about annual turnover.

<sup>57</sup> Only one company in this sector answered the questions about net value of facilities and land, which has an estimated average net value of facilities after depreciation of 10,000 Euro and the same value for land.

<sup>58</sup> Only four respondents reported the number of tourists served.

**Table 26. Average Number of Tourists Served per month**

CULTURAL TOURISM	Minimum	Maximum	Average
No. of local tourists per month	50	400	163
No. of foreign tourist per month	10	200	78

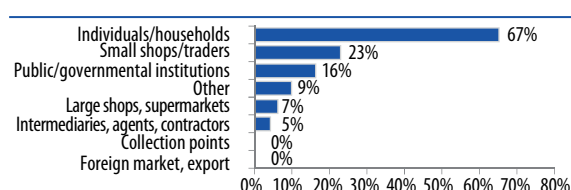
## MARKETS AND COMPETITIVENESS<sup>59</sup>

### Main clients

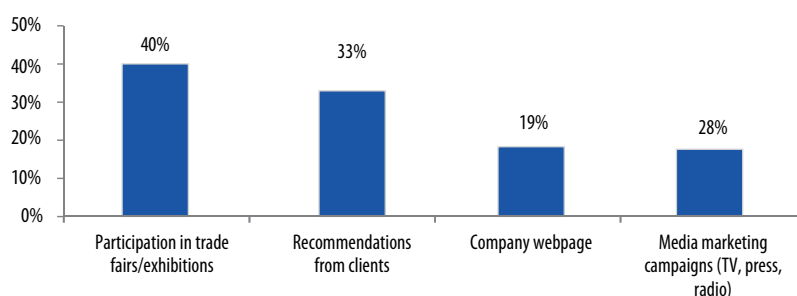
Individuals or households are seen as main clients for 67% of the respondents from this sector (Figure 60).

In light of findings in other sectors, it is interesting to note that participation in trade fairs and exhibitions, as well as media marketing campaigns, are important means of finding clients for this sector (Figure 61). Accordingly, 39.5% of respondents identify their clients through participating in trade fairs; 32.6% through recommendations from other clients, and 27.9% through media marketing campaigns.

**FIGURE 60. Main clients**



**FIGURE 61. Main instruments used by companies to find clients**



### Business expansion opportunities

81% of the surveyed companies see an opportunity for business expansion within Kosovo. Meanwhile, interestingly enough, increasing their business through attracting tourists from the region, and Europe more widely, is seen as a potential opportunity by only 10% (4) and 8% (3) of the respondents, respectively.

### Competition

For 47% of the enterprises, competition is viewed as coming from local companies operating in the same sector. 24% (9) of enterprises believe that taste is their competitive advantage; meanwhile, 11% (4) of them believe the quality of the services that they offer is their competitive advantage.<sup>60</sup>

<sup>59</sup> Questions about raw materials were not applicable for this sector.

<sup>60</sup> It should be noted that only 55% (21) of companies answered this question.

## Enhancing competitiveness

Different from other sectors, the majority – 76% - of the enterprises operating in cultural tourism believe that investment in marketing is a very important factor that would assist in enhancing the competitiveness of their business (Figure 62).

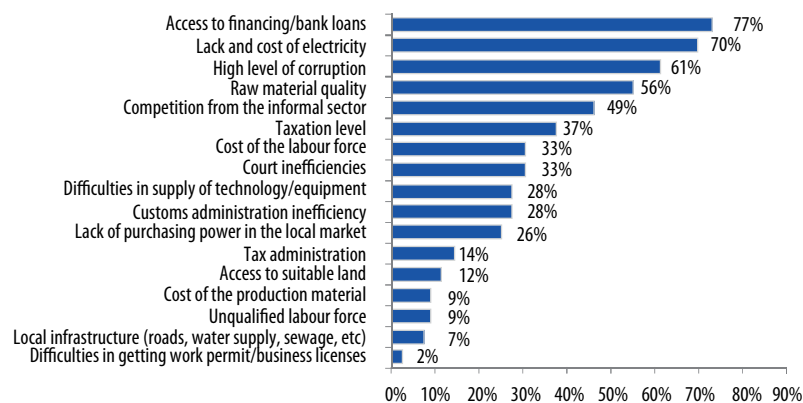
FIGURE 62. 'Very Important' Factors that would assist in enhancing competitiveness



## OBSTACLES IN DOING BUSINESS

Similar to most of the sectors, access to finance and bank loans are considered a 'big' obstacle to business development for 77% of the respondents (Figure 63). In addition, lack and cost of electricity (70%) and corruption (61%) are considered as the second biggest obstacle in doing business in ERS.

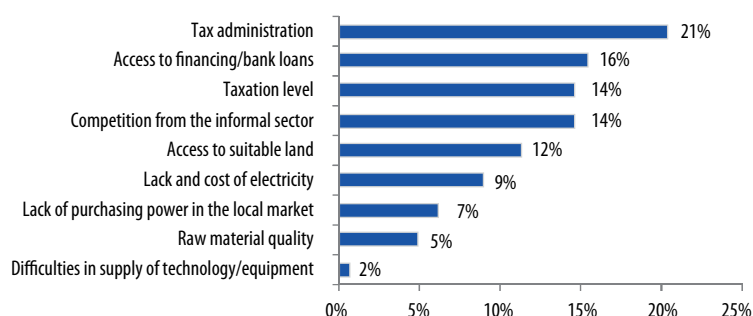
FIGURE 63. Issues identified as obstacles and big obstacles in doing business



Interestingly, compared to most other sectors, access to financing and bank loans is not the 'main' obstacle here. As such, access to financing and bank loans was identified as the 'main problem' for 16% of enterprises, right behind the tax administration —21% (Figure 64).

The focus group produced an alternative set of obstacles faced by enterprises in this industry, namely: the lack of a tourism development strategy, no set priorities (lack of structured budgets for the implementation of different activities), no communication amongst stakeholders, lack of people trained for the tourism industry, the unimplemented Cultural Heritage law, and lack of promotional activities.

FIGURE 64. The main obstacles respondents are facing



## TECHNOLOGY AND INVESTMENTS

### Technology

The average value of the technology for the years was estimated to have decreased from 2010 to 2012 by 18% of the respondents who answered this question (Figure 65). 48.8% (21) of the respondents stated that they use newer technology, while 44.2% (19) stated that they use old but functional technology. 69.8% (30) procure their technology within Kosovo, while only 7% (3) buy their technology from Germany. Additionally, none of the companies interviewed are certified with any international quality standard.

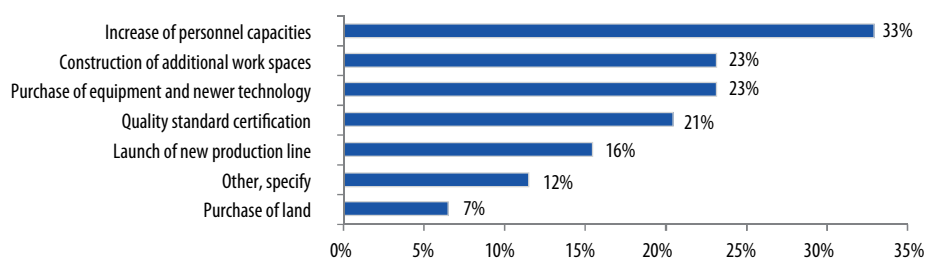
FIGURE 65. Estimated Average Value of Technology

2012	• 2,278 EUR
2011	• 2,357 EUR
2010	• 2,700 EUR

### Investment

Slightly more than half (51.2%) of the companies' surveyed claim to have plans to invest in extending their businesses in the future. Out of them, 50% (9) plan to finance their investments through the financial means of business partners; 33% (6) of them will invest through their own financial means, while 28% (5) will utilize bank loans. Different from the other sector data, 33% of the companies will channel their future investments into increasing the capacities of their personnel, while 23% will do so to purchase equipment and newer technology and construct additionally work spaces (Figure 66).<sup>61</sup>

FIGURE 66. Reported plans for future investments



<sup>61</sup> Questions on investment in production lines and percentage of work done in production and non-production work were not applicable for this sector.



Seventy-two percent of enterprises would use external assistance to invest in equipment and facilities, while, 33% to create connections with similar businesses in other countries. Additionally, only 18% of them would use such aid for training their employees

## HUMAN RESOURCES

### Number of employees

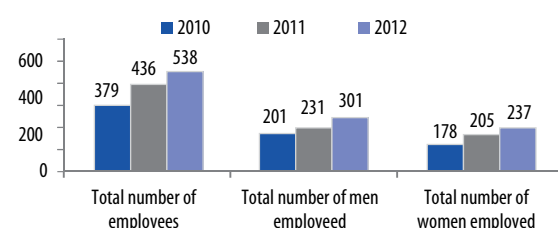
The total number of men employed for year 2012 reported by the surveyed companies was 301, while that of women employees is 237 (Figure 67). Interestingly, the disparity between women and men employees is lower than in other sectors, only 11% more men in 2012.<sup>62</sup>

Only one company reported to have three employees on maternity leave, whose leave usually lasts 9 months, and temporary employees replace them. The majority of workers (160) are seasonal and temporary workers.<sup>63</sup>

29% (11) of the companies reported having employed at least one person from minority ethnic groups (Non-Albanians).

42% of the companies operating in the sector also reported to have employed at least one women manager in their company. Only 10% of the employees' share of work is allocated to non-productive work.

FIGURE 67. Reported number of employees by gender



### Qualifications valued by employers

Companies interviewed value employees who are committed (95%); have knowledge of relevant equipment (93%), and that produce high quality, detail-oriented work (88%) (Figure 68). In addition, 77% of employers believe that work experience in similar positions is very important for their employees. Meanwhile, again, the discrepancy between knowledge in using equipment and educational background is evident in the graph below. While the majority of respondents value knowledge in using equipment, only 51% (10) value educational background.

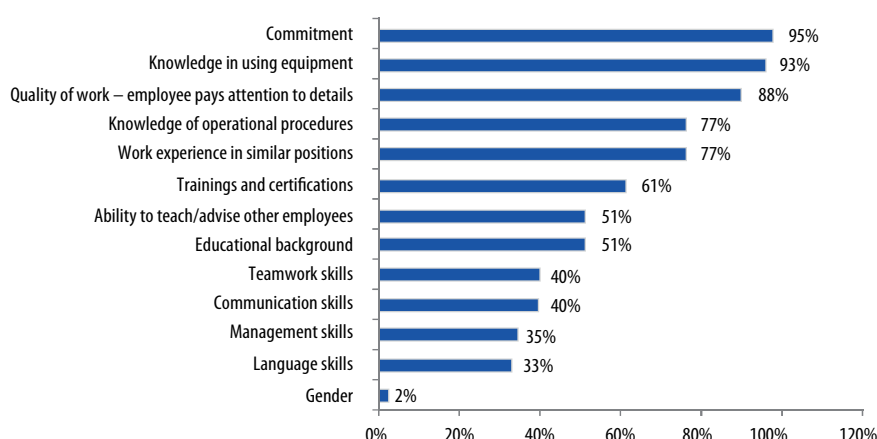
Only three companies in this sector reported to provide training to their employees. The percentage of women that completed the training was 30% for first company, 60% for second and 70% for the last company, respectively. All the three firms reported that the main education type/training for men is hand-on education training, whereas for women other forms (non-production/soft skills) of education/training for work (courses, workshops, etc.) and presentation skills, time management, etc. One of the firms claimed that 20% of its employees completed the provided trainings, the other one claimed that 25% of its employees completed the training, whereas one company reported that half (50%) of its employees completed the training that it provided.

<sup>62</sup> Nevertheless, it is important to mention that only a limited number of respondents, around 50% (19), answered the question about the total number of employees.

<sup>63</sup> Again, one has to be cautious because this is only the reported number, and not all respondents provided an answer to this question.



FIGURE 68. Qualifications and characteristics valued by employers as important or very important



Similar to other sectors, women employed in this sector have attained higher education degrees than men (Table 27). However, different from other sectors, the employees in this sector have been reported to be more formally educated, 54.4% of men and 61.4% of women employed have attained university education.

Table 27: Reported education level of employees

Employees' education level	Number of men workers in the sector	Percentage of men	Number of women workers in the sector	Percentage of women
Primary education	15	6.3%	17	9.7%
Secondary education	89	37.2%	41	23.3%
University education	130	54.4%	108	61.4%
Post-university education	5	2.1%	10	5.7%
<b>Total</b>	<b>239</b>	<b>100%</b>	<b>176</b>	<b>100%</b>

## V. CONCLUSIONS

This baseline assessment identified the challenges that SMEs of Kosovo's Economic Region South face. The focus was on the agriculture, food processing, construction material production, wood processing, artisanal crafts, and cultural tourism sectors. Evaluation relied upon primary and secondary research and included examination of the municipalities Prizren, Rahovec/Orahovac, Mamushë/Mamuša, Suharekë/Suva Reka, Dragash/Dragaš, and Malishevë/Mališevo.

The findings suggest that SMEs of ERS face many difficulties and serious obstacles that hinder their operations and day-to-day activities, which are a result of both inside and outside factors to the company. High level of interest rates; presence of informal economy; high prevalence of heavily subsidies imported products; high VAT; limited access to affordable finances are some of the factors which contribute to low current levels of export and no future plans of the companies to do so. On the other hand, little training provided to employees; older technology; lack of well developed business strategies are some of the factors which do not allow them to have competitive advantage in the market. This research did not identify any major difference of the challenges faced among SMEs in different sectors. Generally the companies were open to share information; however, less respondents answered questions about their annual turnover, value of facilities and land, and staff.

**Only four out of 500 companies currently export to the countries in the region**, while none of the companies under study export to wider Europe. In addition, very few companies have plans to export in the future. On one hand they lack the finances to expand; do not fulfil the international quality standards; and on the other, their personnel is not trained adequately, they are not utilizing marketing tools to promote their businesses. Moreover, a lack of proper exporting plans, being uninformed about potential exporting markets, lack of knowledge about the benefits of holding international quality certifications, and inactive business associations are some of reasons behind this problem. The majority of the companies **plan to only expand their business within Kosovo**. The challenges faced in Kosovo are perceived to be the presence of informal competitors, heavily subsidised imported products, and consumers choosing price over quality of the products.

Survey respondents and focus group participants bemoan the **high level of interest rates for SMEs** in Kosovo. With 12-19% interest on bank loans, Kosovo ranks first in the region in terms of interest rate levels. Nevertheless, companies still rely heavily on bank loans and self-financing, and less on financial assistance from business partners. As such, companies' main, if not only, means of obtaining finance for the expansion of their business activities is in and of itself a real obstacle. Interestingly, companies suggest that, if given the opportunity through loan or through external assistance, they would invest mainly in new technology. The majority of respondents declared the need for **newer technology** and equipment, as newer technology is very important for them in order to enhance their

competitiveness. Though, for the operationalization of this technology, companies will also have to invest in employee training.<sup>64</sup>

Based on the findings of the survey, the **lack of a trained workforce** is seen as a major obstacle for the development of business activity across all sectors. Additionally, in focus groups, representatives from the agriculture and food processing sectors reiterated that a lack of professional staff to operate technology was a serious impediment for the further development of their activities. Even if new technology was to become available to businesses, they declare that a serious lack of a trained workforce to operate it would still exist. It is worth mentioning at this point that, due to this problem, producers value the experience of workers higher than their education backgrounds. Furthermore, as noted above, this situation is exacerbated by enterprises themselves, as many do not offer trainings to fill-in the gaps of their employees'. These were trends encountered across all sectors. Another interesting finding was that the few women employees working in these sectors were much more qualified than their men colleagues.

As noted in the above analysis, businesses of ERS rely heavily on recommendations and word-of-mouth to generate clientele. This is evidence of poor utilization of marketing strategies to promote business activities, as media marketing and/or trade fairs are rarely utilized, though this can be somewhat explained by the costs of the marketing and promotional tools.<sup>65</sup>

Moreover, it is evident from the findings herein that businesses of ERS take little advantage of the benefits from membership in business associations. Across all the sectors, little to no companies are members of extant business associations. However, those who are members declared numerous, tangible benefits accruing from such associations. Benefits of association membership typically include steady information on business trends, updates on changes in legislation pertaining to their business activities, access to conferences and seminars, and a natural support network.

The focus groups' results indicated that the prevalence of informal actors makes the business climate even more strained and presents an area of high concern for businesses in ERS. Since many businesses engage in tax evasion, they are able to offer their products at more attractive prices for consumers than the companies that respect their fiscal duties. Consequently, many domestic companies are forced to lower their prices and, as such, often risk operating at a loss. However, as suggested by the survey results, formal operators could be tacitly showing their disapproval for informal actors through low levels of engagement with them in the procurement of raw material.

In several focus groups (i.e. agriculture, food processing industry, and cultural tourism), participants highlighted the lack of communication between themselves and retailers as an issue of concern; this situation has disallowed them from effectively utilizing the quality of their products to build competitive advantages. This situation can be linked to other trends visible from surveying. A real lack of active marketing schemes or trade fair partici-

<sup>64</sup> The lack of a specialized workforce to operate the existing, not to mention, newer technology, was identified as a serious problem across different sectors. Hence, the need for employee trainings and the commitment of companies to provide them exists.

<sup>65</sup> The outlier in this case is the tourism sector, where a majority of respondents declared to rely on trade fairs for the promotion of their services.

pation, where producers can present their products and help buyers become acquainted with what they have to offer, leads buyers (i.e. individuals, retailers, and wholesalers) to choose cheaper imported products over higher quality domestic products. Even though enterprises are partially at fault, buyers end-up making uninformed decisions; hence, this makes the selling of domestic products even more difficult. Beyond immediately increasing sales, an added benefit from the pursuit of active and sound interaction between producers and buyers would be the generation of new clientele.

## VI. RECOMMENDATIONS

The previous chapters of this report have outlined the current situation of the nature and extent of the challenges that SMEs in the ERS face. These challenges need to be addressed from different levels:

### Government of Kosovo:

- As discussed earlier, the adopted Kosovo Strategy for SME development 2012-2016 provides comprehensive strategic objectives and activities that address the challenges identified in this research, and direct the government towards creating an export led, business-friendly environment for SMEs. **The government should better monitor the institutions responsible for its implementation**, including the Ministry of Trade and Industry, and departments of economic development at the municipality level.
- Most of the companies interviewed in this research plan to expand their business in the region, especially to Albania and FYRoM. Considering the vulnerability of the SME producer operating in the ERS, as discussed previously, governments should **create schemes that subsidise specific sectors in which Kosovo has competitive advantage**
- The government should **establish trade agreements with countries in the region** for the specific sectors in which there is a competitive advantage. This requires a deep analysis of the Kosovo producers to better understand the type of products and the needs of the Balkan countries.
- The majority of companies consider the interest rates of 12% - 19% to be a real burden. Participants in focus group discussions specifically mentioned that interest rates of 7% would be affordable. Knowingly, the interest rates in Kosovo are the highest among all countries in the region (around 1% - 4% higher). Considering that influencing interest rates is a macroeconomic measure, the focus should be on presenting alternative means of finance for businesses in ERS. Therefore, it is important to consider introducing new financial products, such as **municipal loan guarantee schemes**—perhaps initially donor-funded, by which small borrowers, regardless of creditworthiness, would be able to finance their activities without having to put personal assets (e.g. house, car, etc.) up as collateral. While the active role of companies is crucial, municipalities need to support them by collectively promoting the activity of companies operating in their territory and try to **identify potential sponsors and/or relevant microfinance institutions**. Lastly, it is advisable for financial institutions to **simplify loan application procedures**. Focus groups revealed that these tend to be time consuming, leading to a reduced ability of SMEs' to react quickly to customer demand.
- Vocational training has been identified as the best solution for generating the skilled labour necessary for the further development of SMEs in ERS. On one hand, this would provide businesses with a trained and well-equipped workforce, and on the other hand, it would also lead to a reduction in overall unemployment levels. Given that there are tailored vocational training programs at the central level, it is essential to **establish firm relationships between the six municipalities' departments of Education and Culture (or their equivalent) and the Ministry**

**of Education, Science and Technology**, in order to create strategies that would benefit ERS. This would best channel the outputs of extant vocational training programs to benefit this region's enterprises. Furthermore, these trainings should be made equally accessible to both women and men.

- It is extremely important to **create better links between educational institutions** (i.e. the high schools of each municipality in ERS and the University of Prizren) **and the private sector**. This does not mean only **changing curricula** but also supporting certain mechanisms, such as **internships**, while students are enrolled in higher education. This would assist students in better preparing for the job market after they complete their studies, and it would allow employers to provide trainings tailored specifically to their needs, proactively contributing to a reduction in the skills gaps prevalent in their sectors.
- With the knowledge and link of the markets abroad, members of the Kosovo Diaspora could be a driving force for increasing exports in the future. The Ministry of Diaspora and the MTI should work together to create possibilities for local businesses to be introduced to in the foreign markets through the gates established and maintained by Kosovo Diaspora. This could include, but not be limited to, organizations of trade fairs in the countries where the largest group of Kosovo Diaspora is, like Switzerland and Germany, where the local producers tradeshow and promote their products and services.
- Different approaches to fighting the informal economy exist. They include preventive, stimulatory, and, ultimately, disciplinary measures. As the first would require larger commitments and can only be achieved through comprehensive involvement of central structures, focusing on disciplinary measures would be most advisable in the short-run. The government is strongly suggested to introduce and enforce legal sanctions for tax evasion and for breaking corresponding laws on taxes and labour.

### Municipalities:

- Municipalities, namely the Departments for Economic Development, **should establish and implement action plans for SME development in their municipalities**. These companies are still the main employers at the local level. Through Local Action Plans municipalities should provide companies information about exporting possibilities and international quality standards and certifications. Additionally, municipalities should foster and promote initiatives for business development hubs, such as chambers or unions, and raise awareness about their benefits.
- In addition, the **issuing of working permits** and **regular collection of reapplication fees** by the respective municipalities, **development of linkages** between formal and currently informal enterprises by **finding synergies through specially tailored programs** (where the role of the municipalities is essential as they can develop assessment plans and understand the business framework in cooperation with RDA-S and the business associations), and **making business development support services available to those currently operating informally** are alternative measures to bring more enterprises into the formal sector and, consequently, reduce the prevalence of informality in ERS.

- Municipalities should **strengthen the activity of work inspection agencies**. **Furthermore**, they should introduce an **Inspector General** in each of the municipalities that would closely scrutinize the trends in tax collection and would suggest respective corrective actions to the central level.

### Business Associations:

- In order to improve the interactions between producers and clients, **trade fairs** should be **organized regularly** where domestic producers can present their products. This way, the buyers of their products would become acquainted with the range and the quality of products available from domestic producers. Consequently, it could lead to a stronger link and more stable relationship, based on trust, between these two actors. Here, membership in business associations, on one hand, and increased and better coordinated activities of these associations, on the other hand, could very well lead to positive outcomes.
- It is essential for companies to understand the importance of quality certificates, which business associations or RDA-S could do through conferences and workshops. Then the needs of each sector in this regard should be identified, and ultimately, municipalities and external donors together need to create schemes to help businesses obtain quality certifications at lower cost.

### Small and Medium Enterprises:

- Relying on word-of-mouth as the main mode of marketing is not a sustainable alternative for ensuring growth of an enterprise's clientele. However, the survey showed that a majority of respondents do not consider active marketing to be high on their list of business concerns. In order to enable these companies to extend their business operations within and outside of Kosovo, they need to be aware of the importance of such business techniques (e.g. **media marketing**, etc.), and this should be the starting point for the further enhancement of their business operations. As such, organizing workshops, awareness campaigns, and specially-tailored trainings, are just some of the tools that could be used to address this problem. They can be achieved either through external funding given to companies for this specific purpose or through the help of business associations.
- Enterprises need to understand the benefits of **membership in business associations** and the positive impacts they can have on business growth. Thus, the companies should be encouraged to become members of existing associations or chambers.
- **Companies should aim to receive international quality assurance for their products and company**. While this is a long process, companies should be informed about what are the criteria and the standards, and start implementing those in their companies.
- Even though, the majority of companies researched here value investing in newer technology; they still are concerned that their staff does not know how to use the current technology. Thus it is crucial that companies **provide in-house, or other type of trainings to their employees** on how to use the current technology.



- The internet provides a whole new world for modern entrepreneurs. Hence, it is important that SMEs in this region utilize this tool in order to create connections and explore new territories for expanding their business operations. Initially, each of the companies aiming to export in the future should start by **developing a company website** and **engage in online marketing** - e.g. social media (*LinkedIn*), e-mail, webpages, etc. Again, membership in business associations, through information sessions organized by them, could help small businesses to learn how to do this best and at low cost. Alternatively, help from international donors in providing companies with the necessary funding to train workers on web-based opportunities is another way to address this problem. By utilizing internet tools, companies would be able to convey more information on their activities, which is essential for attracting investors. Moreover, internet tools would help companies obtain more information on business opportunities through various websites, business contacts, trade opportunities, market profiles, pricing information, business communications, etc. Consequently, improvements in this area could ultimately lead to positive results in business activity expansion and increased interest in exporting.
- Cultural norms, social and family pressures, and inconvenient working conditions (e.g. working hours and usually inflexible employers) are only a few of the reasons that could explain why such a low presence of women and minorities exists in the workforce. As such, encouraging women and minority representation in the workforce requires a mix of company and municipal government action. Firstly, employers should be open to **offering flexible schedules** and **allowing time-off for family emergencies**, as well as consider the option of **telecommuting** when physical presence is not mandatory.

#### Companies are encouraged to:

- Use marketing techniques to advertise their products. Don't forget Social Media!
- Be a member of business associations. Information is there!
- Aim towards receiving international quality assurance certifications for your company and products.
- Continuously train your employees, be it in-house training, or in other environments. The company needs qualified staff who knows how to use the technology you have:
- if the technology you have is not enough, get some new one. But don't forget to train your employees again.
- Get more information about alternative sources for raw materials.
- Launch a company website. Get the world to know about you.

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# ANNEX 1 – STATISTICAL TABLES OF SURVEY RESULTS

## i. AGRICULTURAL PRODUCE

### Respondent profile

**Table 1A Respondents' position in the company**

Position in the company	No. of respondents	Percent
Owner/co-owner	57	87.7%
Senior manager/director, manager	3	4.6%
Middle manager/department director/head	5	7.7%
Total	65	100.0%

**Table 2A Distribution of businesses across municipalities**

Municipality	No. of firms	Percent
Prizren	37	56.9%
Rahovec/Orahovac	9	13.9%
Suharekë/Suva Reka	9	13.9%
Dragash/Dragaš	5	7.7%
Malishevë/Mališevo	3	4.6%
Mamushë/Mamuša	2	3.1%

**Table 3A Gender of respondents**

Gender	No. of respondents	Percent
Women	6	9.2%
Men	59	90.8%
Totali	65	100.00%

**Table 4A Average age of respondents**

	No. of respondents	Mean	Minimum	Maximum
Age	10	37.8	21	54

**Table 5A Ethnicity of respondents**

Ethnic group	No. of respondents	Percent
Albanian	57	91.9%
Serbian	1	1.6%
Gorani	4	6.5%
Total	62	100.00%

### Sector profile

**Table 6A Firms' year of establishment**

Year of establishment	No. of firms	Percent
1990	3	4.6%
1991	1	1.5%
2000	2	3.1%
2001	2	3.1%
2002	1	1.5%
2003	13	20.0%
2004	1	1.5%
2005	6	9.2%
2007	3	4.6%
2008	3	4.6%
2009	3	4.6%
2010	11	16.9%
2011	7	10.8%
2012	8	12.3%
2013	1	1.5%
Total	65	100.00%

**Table 7A Firm size**

Firm size	No. of firms	Percent
Micro (< 9 employees)	60	92.3%
Small (10-49 employees)	5	7.7%
Total	65	100.00%

**Table 8A Firms' legal form**

Legal form of the firm	No. of firms	Percent
Sole proprietorship	52	80.0%
Limited Liability Company	9	13.9%
Agricultural cooperative	1	1.5%
Other	3	4.6%
Total	65	100.00%

**Table 9A Ownership of firms**

Type of ownership	No. of firms	Percent
Domestic	64	98.5%
Foreign	1	1.5%
Total	65	100.00%

**Table 10A Firms' share of domestic ownership**

Percent of ownership	No. of firms	Percent
50%	1	1.6%
60%	2	3.1%
100%	61	95.3%
Total	64	100.00%

**Table 11A Firms' share of social ownership**

Percent of ownership	Nr. of firms	Percent
40%	1	50.0%
50%	1	50.0%
Total	2	100.00%

**Table 12A Privatization of firms**

Firm privatized	No. of firms	Percent
Yes	2	3.1%
No	63	96.9%
Total	65	100.00%

## Markets and Competitiveness

**Table 13A Firms' main clients**

Clients	Percentage of firms
Individuals/households	96.9%
Small shops/traders	60%
Intermediaries, agents, contractors	1.5% (1 firm)
Large shops, supermarkets	3.1% (2 firms)
Foreign market, export	0%
Public/governmental institutions	1.5% (1 firm)
Collection points	4.6% (3 firms)
Other	-

**Table 14A Firms' main competitors**

Firms' main competitors	Percent of surveyed firms
Imported products	64.5%
Local products	24.2%
Both imported and local products	11.3%

## Technology and Investments

**Table 15A Technology of firms compared to main competitors**

Technology compared to main competitors	No. of firms	Percent
Newer	8	12.3%
Older but functional	56	86.2%
Total	65	100.00%

**Table 16A Sources of production technology**

Sources	No. of firms	Percent
Kosovo	58	89%
Germany	5	8%
Turkey	1	2%
China	1	2%

**Table 17A Means of realizing investment plans**

Means	Percent of firms
Self-financing	71%
Bank loans	92%
Financial assets from business partner	2% (one firm)
Other	-

**Table 18A Product lines firms are interested to invest on in the future**

Product lines	Percent of firms
Livestock	2.6% (1 firm)
Agricultural pharmacies	2.6% (1 firm)
Purchase of equipment	13.1% (5 firms)
Purchase of land	7.9% (3 firms)
Sweets/confectionery	5.3% (2 firms)
Horticulture	47.4% (18 firms)
Raw materials	2.6% (1 firm)
Construction material	2.6% (1 firm)
Pastry	2.6% (1 firm)
Food	2.6% (1 firm)
Wine	10.5% (4 firms)

**Table 19A Fields where the firms need assistance by external actors**

Fields of assistance	Percent and number of firms
Investments (including equipment, facilities, etc.)	100%
Trainings	6.5% (4 firms)
Expertise	4.8% (3 firms)
Connection to similar businesses in other countries	1.6% (1 firm)
Different business networking	1.6% (1 firm)

## Human Resources

**Table 20A Number of non-Albanian employees hired by the surveyed firms**

Number of non-Albanian employees	No. of firms	Percent
0	50	80.7%
1	5	8.1%
2	4	6.5%
3	1	1.6%
4	1	1.6%
8	1	1.6%
Total	62	100.00%

**Table 21A Number of female managers working in the firms**

Nr. of female managers in the company	No. of firms	Percent
0	51	82.3%
1	10	16.1%
2	1	1.6%
Total	62	100.00%

**Table 22A Number of employees in the sector, by employment type**

	Full-time	Part-time	Seasonal/temporary	Total
Number of workers	197	4	10	211
Percentage	93%	2%	5%	100%

**Table 23A Employees' main activities**

Employees' main activities	Nr. of firms	Average share of work (time) allocated
Non-production work (administrative work or management)	49	22%
Production	54	77%
Others (repair)	1	1%

## ii. FOOD PROCESSING

**Table 24A Respondents' position in the company**

Position in the company	No. of respondents	Percent
Owner/co-owner	140	88.6%
Senior manager/director, manager	1	0.6%
Middle manager/department director/head	15	9.5%
Employee	2	1.2%
Total	158	100.00%

**Table 25A Distribution of businesses across municipalities**

Municipality	No. of firms	Percent
Prizren	89	56.3%
Suharekë/Suva Reka	24	15.2%
Rahovec/Orahovac	18	11.4%
Dragash/Dragaš	15	9.5%
Malishevë/Mališevo	8	5.1%
Mamushë/Mamuša	4	2.5%
Total	158	100%

**Table 26A Gender of respondents**

Gender	No. of respondents	Percent
Women	9	5.7%
Men	149	94.3%
Total	158	100.00%

**Table 27A Average age of respondents**

	No. of respondents Mean Min Max	Mean Max	Min	Max
Age	34	38.2	20	52

**Table 28A Ethnicity of respondents**

Ethnicity	No. of respondents	Percent
Albanian	136	86.1%
Turkish	2	1.3%
Gorani	20	12.7%
Total	158	100.00%

## Sector profile

**Table 29A Firms' year of establishment**

Establishment year	No. of firms	Percent
1960	2	1.3%
1970	1	0.6%
1980	2	1.3%
1982	2	1.3%
1987	1	0.6%
1989	3	1.9%
1992	2	1.3%
1993	2	1.3%
1995	2	1.3%
1997	1	0.6%
2000	9	5.7%
2001	14	8.9%
2002	3	1.9%
2003	12	7.6%
2004	16	10.1%
2005	15	9.5%
2006	12	7.6%
2007	13	8.2%
2008	8	5.1%
2009	14	8.9%
2010	8	5.1%
2011	10	6.3%
2012	5	3.2%
2013	1	0.6%
Total	158	100.00%

**Table 30A Firm size**

Firm size	No. of firms	Percent
Micro (<9 employees)	156	98.7%
Small (10-49 employees)	2	1.3%
Total	158	100.00%

**Table 31A Firms' legal form**

Legal form of the business	No. of firms	Percent
Sole proprietorship	156	98.7%
Limited Liability Company	2	1.3%
Total	158	100.00%

**Table 32A Ownership of firms**

Type of ownership	No. of firms	Percent
Domestic	154	97.5%
Foreign	4	2.5%
Total	158	100.00%

## Markets and Competitiveness

**Table 33A Firms' main clients**

Clients	Percentage of firms
Individuals/households	98.7%
Small shops/traders	62%
Intermediaries, agents, contractors	3.2% (5 firms)
Large shops, supermarkets	16.5% (2 firms)
Foreign market, export	0%
Public/governmental institutions	0.6% (1 firm)
Collection points	1.3% (2 firms)
Other	-



**Table 34A Firms' main competitors**

Firms' main competitors	Percent of surveyed firms
Imported products	8.2%
Local products	68.4%
Both imported and local products	23.4%

## Technology and Investments

**Table 35A Technology of firms compared to main competitors**

Technology compared to main competitors	No. of firms	Percent
Newer	34	21.5%
Older but functional	124	78.5%
Total	158	100.00%

**Table 36A Sources of production technology**

Sources	No. of firms	Percent
Kosovo	140	88.6%
Balkans	1	0.6%
Serbia	4	2.5%
FYROM	2	1.3%
Montenegro	2	1.3%
Albania	2	1.3%
France	2	1.3%
Germany	27	17.1%
Turkey	3	1.9%
Italy	22	13.9%
China	2	1.3%
Slovenia	1	0.6%

**Table 37A Means of realizing investment plans**

Means	Percent of firms
Self-financing	86.1%
Bank loans	92.2%
Financial assets or business partner	3.5% (4 firms)
Other	-

**Table 38A Product lines firms are interested to invest on in the future**

Product lines that firms are interested to invest in	Percentage of firms
Purchase of premises	1.3% (1 firm)
Purchase of equipment	2.6% (2 firms)
Purchase of a new oven	4% (3 firms)
Pastry	11.8% (9 firms)
Raw materials	1.3% (1 firm)
Machinery	1.3% (1 firm)
Building of premises	1.3% (1 firm)
Wheat processing	1.3% (1 firm)
Beverages	2.6% (2 firms)
Beer production	2.6% (2 firms)
Ice-cream production	15.8% (12 firms)
Bread and other pastry products	31.6% (24 firms)
Food products	19.7% (15 firms)
Water	1.3% (1 firm)
Wine	1.3% (1 firm)

**Table 39A Fields where the firms need assistance by external actors**

Fields of assistance	Percent and number of firms
Investments (including equipment, facilities, etc.)	96.8%
Trainings	9.5% (15 firms)
Expertise	1.9% (3 firms)
Connection to similar businesses in other countries	4.4% (7 firms)
Different business networking	1.9% (3 firms)

## Human Resources

**Table 40A Number of non-Albanian employees hired by the surveyed firms**

Number of non-Albanian employees	No. of firms	Percent
0	125	79.1%
1	18	11.4%
2	12	7.6%
3	1	0.6%
4	1	0.6%
8	1	0.6%
Total	158	100.00%

**Table 41A Number of female managers working in the firms**

No. of female managers in the company	No. of firms	Percent
0	144	91.1%
1	14	8.9%
Total	158	100.00%

**Table 42A Number of employees in the sector, by employment type**

	Full-time	Part-time	Seasonal/temporary	Total
Number of workers	519	16	4	539
Percentage	96.3%	3.0%	0.7%	100%

**Table 43A Employees' main activities**

Employees' main activities	No. of firms	Average share of work (time) allocated
Non-production work (administrative work or management)	121	20.6%
Production	146	70.7%

## iii. CONSTRUCTION MATERIAL PRODUCTION

**Table 44A Respondents' position in the company**

Position in the company	No. of respondents	Percent
Owner/co-owner	80	89.9%
Senior manager/director, manager	3	3.4%
Middle manager/department director/head	5	5.6%
Employee	1	1.1%
Total	89	100%

**Table 45A Distribution of businesses across municipalities**

Municipality	No. of firms	Percent
Prizren	47	52.8%
Suharekë/Suva Reka	14	15.7%
Rahovec/Orahovac	10	11.2%
Dragash/Dragaš	10	11.2%
Malishevë/Mališevo	5	5.6%
Mamushë/Mamuša	3	3.4%
Total	89	100.00%

**Table 46A Gender of respondents**

Gender	No. of respondents	Percent
Women	2	2.2%
Men	87	97.8%
Total	89	100.00%

**Table 47A Average age of respondents**

	No. of respondents	Mean	Minimum	Maximum
Age	7	41	31	59

**Table 48A Ethnicity of respondents**

Ethnic group	No. of respondents	Percent
Albanian	84	94.4%
Turkish	4	4.5%
Gorani	1	1.1%
Total	89	100.00%

**Sector profile****Table 49A Firms' year of establishment**

Year of establishment	No. of firms	Percent
2000	3	3.4%
2001	4	4.5%
2003	13	14.6%
2004	7	7.9%
2005	6	6.7%
2006	5	5.6%
2007	5	5.6%
2008	8	9%
2009	11	12.4%
2010	9	10.1%
2011	7	7.9%
2012	9	10.1%
2013	2	2.3%
Total	89	100.00%

**Table 50A Firm size**

Firm size	No. of firms	Percent
Micro (< 9 employees)	86	96.6%
Small (10-49 employees)	3	3.4%
Total	89	100.00%

**Table 51A Firms' legal form**

Legal form of the firm	No. of firms	Percent
Sole proprietorship	83	93.3%
Partnership	1	1.1%
Limited Liability Company	5	5.6%
Total	65	100.00%

**Table 52A Ownership of firms**

Type of ownership	No. of firms	Percent
Domestic	63	70.8%
Foreign	26	29.2%
Total	89	100.00%

**Table 53A Firms' share of domestic ownership**

Percent of ownership	No. of firms	Percent	Cumulative percent
50%	1	1.6%	1.6%
60%	2	3.1%	4.7%
100%	61	95.3%	100.00%
Total	64	100.00%	

## Markets and Competitiveness

**Table 54A Firms' main clients**

Clients	Percentage of firms
Individuals/households	96.6%
Small shops/traders	50.6%
Intermediaries, agents, contractors	13.5%
Large shops, supermarkets	4.5%
Foreign market, export	2.2% (2 firms)
Public/governmental institutions	2.2% (2 firms)
Collection points	5.6%
Other	11.2%

**Table 55A Firms' main competitors**

Firms' main competitors	Percent of surveyed firms
Imported products	14.6%
Local products	31.5%
Both imported and local products	53.9%

## Technology and Investments

**Table 56A Technology of firms compared to main competitors**

Technology compared to main competitors	No. of firms	Percent
Newer	40	44.9%
Older but functional	45	50.6%
Older and not functional	4	4.5%
Total	89	100.0%

**Table 57A Sources of production technology**

Sources	No. of firms	Percent
Kosovo	79	88.8%
Former Yugoslav Republic of Macedonia	1	1.1%
Austria	3	3.4%
Italy	5	5.6%
Germany	15	16.9%
Turkey	9	10.1%
Switzerland	3	3.4%
Slovenia	10	11.2%

**Table 58A Means of realizing investment plans**

Means	Percent of firms
Self-financing	86.4%
Bank loans	100.0%

**Table 59A Product lines firms are interested to invest on in the future**

Product lines that firms are interested to invest in	Percentage of firms
Purchase of land	4.3% (1 firm)
Quarry	5.3% (1 firm)
Kitchen	10.5% (2 firms)
Raw materials	5.3% (1 firm)
Construction materials	47.4% (9 firms)
Furniture	5.3% (1 firm)
Equipment	5.3% (1 firm)
Wood processing	15.8% (3 firms)

**Table 60A Fields where the firms need assistance by external actors**

Fields of assistance	Percent and number of firms
Investments (including equipment, facilities, etc.)	98.9%
Trainings	40.4%
Expertise	3.4% (3 firms)
Connection to similar businesses in other countries	7.9% (7 firms)
Different business networking	7.9% (7 firms)

## Human Resources

**Table 61A Number of non-Albanian employees hired by the surveyed firms**

Number of non-Albanian employees	No. of firms	Percent
0	83	93.3%
1	3	3.4%
2	2	2.3%
3	1	1.1%
Total	89	100.00%

**Table 62A Number of female managers working in the firms**

Nr. of female managers in the company	No. of firms	Percent
0	83	93.3%
1	5	5.6%
2	1	1.1%
Total	89	100.00%

**Table 63A Number of employees in the sector, by employment type**

	Full-time	Part-time	Seasonal/temporary	Total
Number of workers	225	10	1	236
Percentage	95.3%	4.2%	0.4%	100%

**Table 64A Employees' main activities**

Employees' main activities	No. of firms	Average share of work (time) allocated
Non-production work (administrative work or management)	40	17.9%
Production	83	41.7%

## iv. WOOD PROCESSING

**Table 65A Respondents' position in the company**

Position in the company	No. of firms	Percent
Owner/co-owner	86	90.5%
Senior manager/director, manager	2	2.1%
Middle manager/department director/head	7	7.4%
Total	95	100.0%

**Table 66A Distribution of businesses across municipalities**

Municipality	No. of firms	Percent
Prizren	54	56.8%
Suharekë/Suva Reka	14	14.7%
Rahovec/Orahovac	11	11.6%
Dragash/Dragaš	9	9.5%
Malishevë/Mališevo	5	5.3%
Mamushë/Mamuša	2	2.1%
Total	95	100.0%

**Table 67A Gender of respondents**

Gender	No. of respondents	Percent
Women	4	4.2%
Men	91	95.8%
Total	95	100.0%

**Table 68A Average age of respondents**

	Observations	Mean	Minimum	Maximum
Age	14	41	26	55

**Table 69A Ethnicity of respondents**

Ethnic group	No. of respondents	Percent
Albanian	81	85.3%
Turkish	10	10.5%
Serbian	1	1.1%
Gorani	3	3.1%
Total	95	100.0%

## Sector profile

**Table 70A Firms' year of establishment**

Year of establishment	No. of firms	Percent
1975	1	1.1%
1986	1	1.1%
1989	1	1.1%
1990	1	1.1%
1992	2	2.1%
1996	1	1.1%
1999	1	1.1%
2000	3	3.2%
2001	4	4.2%
2002	1	1.1%
2003	22	23.2%
2004	7	7.4%
2005	8	8.4%
2006	6	6.3%
2007	4	4.2%
2008	6	6.3%
2009	6	6.3%
2010	6	6.3%
2011	4	4.2%
2012	10	10.5%
Total	95	100.0%

**Table 71A Firm size**

Firm size	No. of firms	Percent
Micro (< 9 employees)	89	93.7%
Small (10-49 employees)	5	5.3%
Medium(50-249 employees)	1	1%
Total	95	100.0%

**Table 72A Firms' legal form**

Legal form of the firm	No. of firms	Percent
Sole proprietorship	88	92.6%
Partnership	3	3.2%
Limited Liability Company	4	4.2%
Total	95	100.0%

**Table 73A Ownership of firms**

Type of ownership	No. of firms	Percent
Domestic	92	96.8%
Foreign	3	3.2%
Total	95	100.0%

## Markets and Competitiveness

**Table 74A Firms' main clients**

Clients	Percentage of firms
Individuals/households	97.9%
Small shops/traders	64.2%
Intermediaries, agents, contractors	7.4%
Large shops, supermarkets	31.6%
Foreign market, export	3.2%
Public/governmental institutions	11.6%
Collection points	2.1%
Other	1.1%

**Table 75A Firms' main competitors**

Firms' main competitors	Percent of surveyed firms
Imported products	60.0%
Local products	14.7%
Both imported and local products	25.3%

## Technology and Investments

**Table 76A Technology of firms compared to main competitors**

Technology compared to main competitors	No. of firms	Percent
Newer	50	52.6%
Older but functional	44	46.3%
Older and not functional	1	1.0%
Total	95	100.0%



**Table 77A Sources of production technology**

Sources of production technology	No. of firms	Percent of firms
Kosovo	77	81.1%
Montenegro	1	1.1%
Former Yugoslav Republic of Macedonia	1	1.1%
Serbia	4	4.2%
Italy	12	12.6%
Albania	1	1.1%
Germany	11	11.6%
Slovenia	15	15.8%
Turkey	6	6.3%
Switzerland	1	1.1%
China	9	10.1%

**Table 78A Means of realizing investment plans**

Means	Percent of firms
Self-financing	86.7%
Bank loans	91.7%
Financial assets or business partner	48.3%

**Table 79A Product lines firms are interested to invest on in the future**

Product lines	No. of firms	Percent
Doors and windows	5	10.2%
Kitchens	21	42.9%
Raw materials	3	6.1%
Construction material	1	2%
Furniture	5	10.2%
Equipment	2	4.1%
Processing of raw materials	1	2%
Wood processing	8	16.3%
Wood products	3	6.1%
Total	49	100.0%

**Table 80A Fields where the firms need assistance by external actors**

Fields of assistance	Percent and number of firms
Investments (including equipment, facilities, etc.)	100%
Trainings	16.8%
Connection to similar businesses in other countries	7.4% (7 firms)
Different business networking	2.1% (2 firms)

## Human Resources

**Table 81A Number of non-Albanian employees hired by the surveyed firms**

Number of non-Albanian employees	No. of firms	Percent
0	75	79%
1	8	8.4%
2	9	9.5%
3	1	1%
4	1	2.1%
Total	95	100.0%

**Table 82A Number of female managers working in the firms**

No. of female managers in the company	No. of firms	Percent
0	88	92.6%
1	3	3.2%
2	3	3.2%
3	1	1.0%
Total	95	100.0%

**Table 83A Number of employees in the sector, by employment type**

	Full-time	Part-time	Seasonal/temporary	Total
Number of workers	219	23	5	247
Percentage	88.7%	9.3%	2.0%	100%

**Table 84A Employees' main activities**

Employees' main activities	No. of firms	Average share of work (time) allocated
Non-production work (administrative work or management)	52	16.4%
Production	87	38%
Other: assembling product parts	1	80%

## v. ARTISANAL CRAFTS

**Table 85A Respondents' position in the company**

Position in the company	No. of respondents	Percent
Owner/co-owner	49	98.0%
Middle manager/department director/head	1	2.0%
Total	50	100.0%

**Table 86A Distribution of businesses across municipalities**

Municipality	No. of firms	Percent
Prizren	28	56.0%
Suharekë/Suva Reka	7	14.0%
Rahovec/Orahovac	6	12.0%
Dragash/Dragaš	3	6.0%
Malishevë/Mališevo	5	10.0%
Mamushë/Mamuša	1	2.0%
Total	50	100.0%

**Table 87A Gender of respondents**

Gender	No. of respondents	Percent
Women	10	20.0%
Men	40	80.0%
Total	50	100.0%

**Table 88A Average age of respondents**

Variable	No. of respondents	Mean	Min	Max
Age	15	37.7	19	67

**Table 89A Ethnicity of respondents**

Ethnic group	No. of respondents	Percent
Albanian	39	78.0%
Turkish	9	18.0%
Gorani	2	4.0%
Total	50	100.0%

## Sector profile

**Table 90A Firms' year of establishment**

Establishment year	No. of firms	Percent
1900	1	2%
1980	4	8%
1985	1	2%
1988	2	4%
1990	1	2%
1992	1	2%
1993	1	2%
1995	2	4%
1997	3	6%
2000	1	2%
2002	3	6%
2003	3	6%
2004	2	4%
2005	3	6%
2006	1	2%
2007	3	6%
2008	3	6%
2009	5	10%
2010	3	6%
2011	5	10%
2012	2	4%
Total	50	100%

**Table 91A Firm size**

Firm size	No. of firms	Percent
Micro (< 9 employees)	48	96.0%
Small (10-49 employees)	1	2.0%
Large (>249 employees)	1	2.0%
Total	50	100.0%

**Table 92A Firms' legal form**

Legal form of the firm	No. of firms	Percent
Sole proprietorship	48	96.0%
Limited Liability Company	1	2.0%
Joint Stock Company	1	2.0%
Total	50	100.0%

**Table 93A Ownership of firms**

Type of ownership	No. of firms	Percent
Domestic	44	88.0%
Foreign	6	12.0%
Total	50	100.0%

## Markets and Competitiveness

**Table 94A Firms' main clients**

Clients	Percentage of firms
Individuals/households	100.0%
Small shops/traders	12.0%
Intermediaries, agents, contractors	0%
Large shops, supermarkets	0%
Foreign market, export	0%
Public/governmental institutions	2.0%
Collection points	0%
Other	0%

**Table 95A Firms' main competitors**

Firms' main competitors	Percent of surveyed firms
Imported products	72.0%
Local products	10.0%
Both imported and local products	18.0%

## Technology and Investments

**Table 96A Technology of firms compared to main competitors**

Technology compared to main competitors	No. of firms	Percent
Newer	20	40.0%
Older but functional	30	60.0%
Total	50	100.0%

**Table 97A Sources of production technology**

Sources	No. of firms	Percent
Kosovo	35	70.0%
Serbia	1	2.0%
Turkey	6	12.0%
Austria	1	2.0%
Croatia	1	2.0%
Germany	1	2.0%
Italy	3	6.0%
China	1	2.0%

**Table 98A Means of realizing investment plans**

Means	Percent of firms
Self-financing	96.0%
Bank loans	84.0%
Financial assets or business partner	8.0%

**Table 99A Product lines firms are interested to invest on in the future**

Product lines	No. of firms	Percent
Handicrafts	2	11.1%
Filigree	11	61.1%
Shows	1	5.6%
Services	1	5.5%
Textiles	3	16.7%
Total	18	100.0%

**Table 100A Fields where the firms need assistance by external actors**

Fields of assistance	Percent and number of firms
Investments (including equipment, facilities, etc.)	80.0%
Trainings	44.0%
Expertise	2.0%
Connection to similar businesses in other countries	4.0%
Different business networking	4.0%

## Human Resources

**Table 101A Number of non-Albanian employees hired by the surveyed firms**

Number of non-Albanian employees	No. of firms	Percent
0	48	96.0%
2	1	2.0%
50	1	2.0%
Total	50	100.0%

**Table 102A Number of female managers working in the firms**

No. of female managers in the company	No. of firms	Percent
0	42	84.0%
1	6	12.0%
2	1	2.0%
4	1	2.0%
Total	50	100.0%

**Table 103A Number of employees in the sector, by employment type**

	Full-time	Part-time	Seasonal/temporary	Total
Number of workers	1,064	218	108	1,390
Percentage	76.5%	15.7%	7.8%	100%

**Table 104A Employees' main activities**

Employees' main activities	Number of firms	Average share of work (time) allocated
Non-production work (administrative work or management)	31	28.2%
Production	24	50.2%
Other: creative work	1	-
Others: processing	1	-
Other: repairing	1	-

## vi. CULTURAL TOURISM

**Table 105A Respondents' position in the company**

Position in the company	No. of respondents	Percent
Owner/co-owner	26	60.5%
Senior manager/director, manager	6	14.0%
Middle manager/department director/head	5	2.3%
Ethnologist (employee)	9	20.9%
Employee	1	2.3%
Total	50	100.0%

**Table 106A Distribution of businesses across municipalities**

Municipality	No. of firms	Percent
Prizren	25	58.1%
Suharekë/Suva Reka	13	30.2%
Rahovec/Orahovac	1	2.3%
Malishevë/Mališevo	1	9.3%
Total	50	100.0%

**Table 107A Gender of respondents**

Gender	No. of respondents	Percent
Women	19	44.2%
Men	24	55.8%
Total	43	100.0%

**Table 108A Average age of respondents**

	Observations	Mean	Minimum	Maximum
Age	10	31	23	64

**Table 109A Ethnicity of respondents**

Ethnic group	No. of respondents	Percent
Albanian	37	97.4%
Turkish	1	2.6%
Total	38	100.0%

## Sector Profile

**Table 110A Firms' year of establishment**

Establishment year	No. of firms	Percent
1900	10	23.3%
1944	1	2.3%
1946	1	2.3%
1951	1	2.3%
1980	1	2.3%
1982	1	2.3%
1990	4	9.3%
2000	2	4.7%
2002	1	2.3%
2003	1	2.3%
2004	2	4.7%
2005	1	2.3%
2006	2	4.7%
2008	2	4.7%
2009	1	2.3%
2010	2	4.7%
2011	4	9.3%
2012	5	11.6%
2013	1	2.3%
Total	43	100.0%

**Table 111A Firm size**

Firm size	No. of firms	Percent
Micro (< 9 employees)	33	76.7%
Small (10-49 employees)	9	20.9%
Medium (50-249 employees)	1	2.3%
Total	43	100.0%

**Table 112A Firms' legal form**

Legal form of the firm	No. of firms	Percent
Sole proprietorship	14	32.6%
Limited Liability Company	6	14.0%
Other	23	53.4%
Total	43	100.0%

**Table 113A Ownership of firms**

Type of ownership	No. of firms	Percent
Domestic	42	97.7%
Foreign	1	2.3%
Total	43	100.0%

## Markets and Competitiveness

**Table 114A Firms' main clients**

Clients	Percentage of firms
Individuals/households	67.4%
Small shops/traders	23.3%
Intermediaries, agents, contractors	4.7%
Large shops, supermarkets	7.0%
Foreign market, export	0%
Public/governmental institutions	16.3%
Collection points	0%
Other	9.3%

**Table 115A Firms' main competitors**

Firms' main competitors	Percent of surveyed firms
Imported products	18.4%
Local products	47.4%
Both imported and local products	34.2%

## Technology and Investments

**Table 116A Technology of firms compared to main competitors**

Technology compared to main competitors	No. of firms	Percent
Newer	21	48.8%
Older but functional	19	44.2%
Older and not functional	3	7.0%
Total	43	100.0%

**Table 117A Sources of production technology**

Source	No. of firms	Percent
Kosovo	30	69.8%
Turkey	1	2.3%
Germany	3	7.0%
Italy	1	2.3%

**Table 118A Means of realizing investment plans**

Means	Percent of firms
Self-financing	23.3%
Bank loans	20.9%
Financial assets or business partner	20.9%

**Table 119A Product lines firms are interested to invest on in the future**

Product lines	No. of firms	Percent
Handicrafts	3	7.0%
Cultural activities	7	16.3%
Pastry	1	2.3%
Textiles	2	4.7%
Cultural heritage	1	2.3%
Tourism	1	2.3%

**Table 120A Fields where the firms need assistance by external actors**

Fields of assistance	Percent and number of firms
Investments (including equipment, facilities, etc.)	72.1%
Trainings	18.6%
Expertise	11.6%
Connection to similar businesses in other countries	32.6%
Different business networking	7.0%



## Human Resources

**Table 121A Number of non-Albanian employees hired by the surveyed firms**

Number of non-Albanian employees	No. of firms	Percent
0	27	71.1%
1	1	2.6%
2	2	5.3%
4	1	2.6%
5	3	7.9%
15	2	5.3%
20	2	5.3%
Total	38	100.0%

**Table 122A Number of female managers working in the firms**

No. of female managers in the company	No. of firms	Percent
0	22	57.9%
1	6	15.8%
2	4	10.5%
3	2	5.3%
4	2	5.3%
5	1	2.6%
6	1	2.6%
Total	38	100.0%

**Table 123A Number of employees in the sector, by employment type**

	Full-time	Part-time	Seasonal/temporary	Total
Number of workers	125	41	160	326
Percentage	38.3%	12.6%	49.1%	100%

**Table 124A Employees' main activities**

Employees' main activities	Number of firms	Average share of work (time) allocated
Non-production work (administrative work or management)	21	10.2%
Production	13	73.2%

## ANNEX 2 – SURVEY QUESTIONNAIRE

### BASIC INFORMATION ABOUT THE COMPANY

1. **When has your company/business been established?** [write down the year of establishment]  
[ \_\_\_\_\_ ]
  
2. **What is the size of your company:**
  - [1] Micro [up to 9 employees]
  - [2] Small [10 to 49 employees]
  - [3] Medium [50 to 249 employees]
  - [4] Big [over 249 employees]
  
3. **What is the legal form of the registration of your company?**
  - [1] Individual business
  - [2] Partnership
  - [3] Limited Liability Company
  - [4] Joint Stock Company
  - [5] Agricultural Cooperative
  - [6] Other, specify [ \_\_\_\_\_ ]
  
4. **Please, show the ownership of the company**
  - [1] Local:                      Private [ \_\_\_\_\_ ]%                      SOE [ \_\_\_\_\_ ]%
  - [2] Foreign
  
5. **Has your company been privatized through the privatization process in Kosovo?**
  - [1] YES
  - [2] NO
  
6. **What are the main and secondary activities of your business?** *[More than one answer can be chosen]*

Activities of the company	Main (i)	Secondary (ii)
1. <b>Agricultural products</b>	[1]	[2] go to 7a.
2. <b>Food processing</b>	[1]	[2] go to 7b.
3. <b>Construction material</b>	[1]	[2] go to 7c.
4. <b>Wood products</b>	[1]	[2] go to 7d.
5. <b>Handicrafts</b>	[1]	[2] go to 7e.
6. <b>Tourism</b>	[1]	[2] go to 7f.
  
7. **Tell us the production capacities of your products?** *[answer only for the products of the activities mentioned in the above question 4]*
  - a. **Agricultural products**
    - [1] Grapes - quantity produced monthly [ \_\_\_\_\_ ] and percentage rate in the total production [ \_\_\_\_\_ ] %
    - [2] Watermelon - quantity produced monthly [ \_\_\_\_\_ ] and percentage rate in the total production [ \_\_\_\_\_ ] %
    - [3] Tomatoes - quantity produced monthly [ \_\_\_\_\_ ] and percentage rate in the total production [ \_\_\_\_\_ ] %
    - [4] Peppers - quantity produced monthly [ \_\_\_\_\_ ] and percentage rate in the total production [ \_\_\_\_\_ ] %
    - [5] Other [ \_\_\_\_\_ ] quantity produced monthly [ \_\_\_\_\_ ] and percentage rate in the total production [ \_\_\_\_\_ ] %
  
  - b. **Food processing**
    - [1] Dairy products - quantity produced monthly [ \_\_\_\_\_ ] and percentage rate in the total production [ \_\_\_\_\_ ] %
    - [2] Bread and pastry products - quantity produced monthly [ \_\_\_\_\_ ] and percentage rate in the total production [ \_\_\_\_\_ ] %

- [3] Butchery /meat products - quantity produced monthly [ \_\_\_\_\_ ] and percentage rate in the total production [ \_\_\_\_\_ ] %
- [4] Other [ \_\_\_\_\_ ] quantity produced monthly [ \_\_\_\_\_ ] and percentage rate in the total production [ \_\_\_\_\_ ] %

**c. Construction materials**

- [1] PVC: Doors and Windows - quantity produced monthly [ \_\_\_\_\_ ] and percentage rate in the total production [ \_\_\_\_\_ ] %
- [2] Bricks - quantity produced monthly [ \_\_\_\_\_ ] and percentage rate in the total production [ \_\_\_\_\_ ] %
- [3] Colours - quantity produced monthly [ \_\_\_\_\_ ] and percentage rate in the total production [ \_\_\_\_\_ ] %
- [4] Other [ \_\_\_\_\_ ] quantity produced monthly [ \_\_\_\_\_ ] and percentage rate in the total production [ \_\_\_\_\_ ] %

**d. Wood products**

- [1] Furniture – units produced monthly [ \_\_\_\_\_ ] and percentage rate in the total production [ \_\_\_\_\_ ] %
- [2] Other [ \_\_\_\_\_ ] units produced monthly [ \_\_\_\_\_ ] and percentage rate in the total production [ \_\_\_\_\_ ] %

**e. Handicrafts**

- [1] Filigran - units produced monthly [ \_\_\_\_\_ ] and percentage rate in the total production [ \_\_\_\_\_ ] %
- [2] Tailor/textile - units produced monthly [ \_\_\_\_\_ ] and percentage rate in the total production [ \_\_\_\_\_ ] %
- [3] Other [ \_\_\_\_\_ ] units produced monthly [ \_\_\_\_\_ ] and percentage rate in the total production [ \_\_\_\_\_ ] %

**f. Tourism**

- [1] Cultural/mountainous Tourism – number of tourists served monthly, local: [ \_\_\_\_\_ ] international: [ \_\_\_\_\_ ] and % rate in the total number of tourists served [ \_\_\_\_\_ ] %
- [2] Other [ \_\_\_\_\_ ] number of tourists served monthly, local: [ \_\_\_\_\_ ] international: [ \_\_\_\_\_ ] and % rate in the total number of tourists served [ \_\_\_\_\_ ] %

**8. Is your business member of any business association?**

- [1] YES, specify which: [ \_\_\_\_\_ ]
- [2] NO, [if NOT, go to question 10]

**9. What are your benefits from the membership in these business associations? [More than one answer can be chosen]**

- [1] Regular information on business trends and opportunities
- [2] Arrangement of meetings with other businesses
- [3] Cooperation with similar businesses
- [4] Participation in trade fairs within and outside Kosovo
- [5] Lobbying to state embassies
- [6] Important business trainings
- [8] Other, specify [ \_\_\_\_\_ ]

**10. What is the annual turnover of your business?**

- [1] Up to 10.000 EUR/year
- [2] 10,001 – 25,000 EUR/ year
- [3] 25,001 – 50,000 EUR/ year
- [4] 50,001 – 100,000 EUR/ year
- [5] Over 100,000 EUR/ year
- [6] Other, specify [ \_\_\_\_\_ ]
- [7] Refused to answer

**11. What is the net value of your assets (after depreciation):**

- a) Facilities [ \_\_\_\_\_ ] Euros
- b) Land [ \_\_\_\_\_ ] Euros

## MARKETS AND COMPETITIVENESS

### 12. Where do you get the raw material from for your business?

	Yes	No	%
[1] Raw material source			
[2] I produce it myself	[1]	[2]	[ ]
[3] Local community (farmers)	[1]	[2]	[ ]
[4] Intermediates	[1]	[2]	[ ]
[5] Local wholesale traders	[1]	[2]	[ ]
[6] Imports	[1]	[2]	[ ]
[7] Other, specify [ _____ ]	[1]	[2]	[ ]
Non-applicable [go to question 14]			

### 13. What is the monthly cost of the raw material?

- a) Write down the highest cost [ \_\_\_\_\_ ] Euros  
 b) Write down the lowest cost [ \_\_\_\_\_ ] Euros

### 14. Do you get supplies from informal service providers/producers? *[small family activities or individual service providers who are not registered as businesses]*

- [1] YES if YES, please specify the rate in the total supply [ \_\_\_\_\_ ] %  
 [2] NO [if NO, go to question 17]

### 15. What are your relations with these operators?

- [1] Purchase of the raw material  
 [2] Purchase of readymade products  
 [3] Sub-contracted for certain services  
 [4] Competitive  
 [5] Other, specify [ \_\_\_\_\_ ]

### 16. What is the reason for being supplied from the informal sector? *[More than one answer can be chosen]*

- [1] Cheapest price  
 [2] Best quality  
 [3] Geographical locality  
 [4] Fastest service  
 [5] Other, specify [ \_\_\_\_\_ ]

### 17. Who are your main clients?

	Yes	No
[1] Individuals or households	[1]	[2]
[2] Small shops, traders	[1]	[2]
[3] Intermediates, agents, contractors	[1]	[2]
[4] Big shops/super-markets	[1]	[2]
[5] Outside market, export	[1]	[2]
[6] Public/governmental institutions	[1]	[2]
[7] Collection points		
[8] Other [ _____ ]	[1]	[2]

### 18. How do you find your clients/buyers? *[More than one answer can be chosen]*

- [1] Through participation in trade fairs/exhibitions  
 [2] Recommendations from clients  
 [3] Through our company webpage  
 [4] Media marketing campaigns, such as press, TV, radio  
 [5] Village/city market  
 [6] Other, specify [ \_\_\_\_\_ ]

**19. Where do you see the opportunities for extension of your business?** *[More than one answer can be chosen]*

- [1] Within Kosovo
- [2] In regional level (specify) [ \_\_\_\_\_ ]
- [3] Europe (specify) [ \_\_\_\_\_ ]
- [4] Other (specify) [ \_\_\_\_\_ ]

**20. Where does your competitiveness come from?**

- [1] Imported products
- [2] Local products
- [3] Same level from imported and local products

**21. What are the competitive advantage resources of your company?**

#	Competitive advantage	YES	NO
1	Price	[1]	[2]
2	Product/service quality	[1]	[2]
3	Product reliability	[1]	[2]
4	Location/presence in sale channels	[1]	[2]
5	Company image	[1]	[2]
6	Taste	[1]	[2]
7	Other, specify [ _____ ]	[1]	[2]

**22. Which of the below mentioned factors would assist in the competitiveness of your company in the local and international market?**

	Description	Unimportant	Of little importance	Of average importance	Important	Very important
[1]	Easy access to finances and low interest loans	[1]	[2]	[3]	[4]	[5]
[2]	Affordable prices in purchase of new technology or improvement of the existing one	[1]	[2]	[3]	[4]	[5]
[3]	Professional staff and good organization of the company	[1]	[2]	[3]	[4]	[5]
[4]	Ensuring the quality of the products through certificates of the globally known standards	[1]	[2]	[3]	[4]	[5]
[5]	Access to market information	[1]	[2]	[3]	[4]	[5]
[6]	Easy access to distribution and international transportation services	[1]	[2]	[3]	[4]	[5]
[7]	Investments in marketing (such as, packaging, branding, advertisements etc.)	[1]	[2]	[3]	[4]	[5]
[8]	Easy access to business consultancy services and other services for increase of human capacities within the company	[1]	[2]	[3]	[4]	[5]
[9]	Other, specify: [ _____ ]	[1]	[2]	[3]	[4]	[5]

## OBSTACLES IN DOING BUSINESS

### 23. Are the following issues an obstacle for your business development?

Description	Is not an obstacle	It's a small obstacle	It's an average obstacle	It is an obstacle	It is a big obstacle
[1] Access to finances/bank-loans	[1]	[2]	[3]	[4]	[5]
[2] Access to working land	[1]	[2]	[3]	[4]	[5]
[3] Difficulties in getting work permit/business licenses	[1]	[2]	[3]	[4]	[5]
[4] High level of corruption	[1]	[2]	[3]	[4]	[5]
[5] Court non-efficiencies	[1]	[2]	[3]	[4]	[5]
[6] Customs administration efficiency	[1]	[2]	[3]	[4]	[5]
[7] Lack and cost of electricity	[1]	[2]	[3]	[4]	[5]
[8] Unqualified labour force (appropriate education background and previous work experience)	[1]	[2]	[3]	[4]	[5]
[9] Competitive practices from the informal sector	[1]	[2]	[3]	[4]	[5]
[10] Tax administration	[1]	[2]	[3]	[4]	[5]
[11] Tax level	[1]	[2]	[3]	[4]	[5]
[12] Difficulties in getting supplied with technology/equipment	[1]	[2]	[3]	[4]	[5]
[13] Cost of the labour force	[1]	[2]	[3]	[4]	[5]
[14] Cost of the production material	[1]	[2]	[3]	[4]	[5]
[15] Raw material quality	[1]	[2]	[3]	[4]	[5]
[16] Lack of purchase power in the local market	[1]	[2]	[3]	[4]	[5]
[17] Local infrastructure (roads, water supply, sewage etc)	[1]	[2]	[3]	[4]	[5]
[18] Other, specify [ _____ ]	[1]	[2]	[3]	[4]	[5]

### 24. Can you tell us, based on the above mentioned obstacles, which is the main obstacle for the development of your business?

[ \_\_\_\_\_ ] (specify the code from the above questions list)

## EXPORTS

### 25. Do you export goods outside Kosovo?

- [1] YES  
[2] NO [If NO, go to the question 32]

### 26. When did you start exporting? [ \_\_\_\_\_ ] [write down the year]

### 27. Compared to three (3) previous years, have your company been increased in the sense of launching its production/products/services in the international market?

- [1] There was no change  
[2] There was an increase  
[3] There was a decrease

### 28. What is the monthly value of the exported products?

The highest monthly value during 2012 [ \_\_\_\_\_ ] Euros

The lowest monthly value during 2012 [ \_\_\_\_\_ ] Euros

### 29. What is the rate of the exported goods in the total number of sales?

- [1] Specify the approximate percentage for 2012: [ \_\_\_\_\_ ] %  
[2] Specify the approximate percentage for 2011: [ \_\_\_\_\_ ] %  
[3] Specify the approximate percentage for 2010: [ \_\_\_\_\_ ] %

### 30. How many percentages of the goods are exported to?

- |                                       | 2012       | 2011       | 2010       |
|---------------------------------------|------------|------------|------------|
| [1] The regional market               | [ _____ ]% | [ _____ ]% | [ _____ ]% |
| Specify the place/countries [ _____ ] |            |            |            |
| [2] The international market          | [ _____ ]% | [ _____ ]% | [ _____ ]% |
| Specify the place/countries [ _____ ] |            |            |            |

### 31. What are the barriers or obstacles you face with during the export of your product to the external market? [More than one answer can be chosen]

- [1] Transportation cost  
[2] International quality standards  
[3] Customs procedures during the transit and in exporting countries  
[4] Customs Administration in exporting markets  
[5] Political relations with exporting places  
[6] Limited number of relations with foreign business partners  
[7] Limited opportunities to create networks with foreign business networks  
[8] Other, specify [ \_\_\_\_\_ ]

## TECHNOLOGY AND INVESTMENTS

### 32. What is the value of the technology (machinery and equipment) you have?

Specify the approximate value for 2012: [ \_\_\_\_\_ ] €

Specify the approximate value for 2011: [ \_\_\_\_\_ ] €

Specify the approximate value for 2010: [ \_\_\_\_\_ ] €

### 33. If you compare your technology with the one of your competitors, how would you evaluate that?

- [1] New technology  
[2] Old technology, but functional  
[3] Old technology and not functional; defective

### 34. Where do you get the supplies for the production technology?

- [1] Kosovo?  
[2] Region? Specify places [ \_\_\_\_\_ ]  
[3] Europe? Specify places [ \_\_\_\_\_ ]  
[4] Other, Specify places [ \_\_\_\_\_ ]



**35. Are you certified with any of the international quality standards (such as, ISO standards)?**

- [1] YES specify which ones [ \_\_\_\_\_ ]  
 [2] NO [If NO, go to question 37]

**36. Did the certification with international standards help you in the competitiveness or increase of export?**

- [1] YES specify how: [ \_\_\_\_\_ ]  
 [2] NO [ \_\_\_\_\_ ]

**37. Do you plan to invest in the future for extending your business?**

- [1] YES  
 [2] NO (if the answer is NO, go to question 41)

**38. How do you plan to realize these investments? [More than one answer can be chosen]**

- [1] Self-financing  
 [2] Bank loans  
 [3] Financial means from business partner  
 [4] Other, specify [ \_\_\_\_\_ ]

**39. What will you invest in? [More than one answer can be chosen]**

- [1] Purchase of land  
 [2] Purchase of equipment and newest technology (complete the next question)  
 [3] Launch of new production line  
 [4] Construction of additional work spaces  
 [5] Increase of personnel capacities  
 [6] Quality standard certification  
 [7] Other, specify [ \_\_\_\_\_ ]

**40. What production line you are planning to invest in?**

Specify the product/s [ \_\_\_\_\_ ]

**41. If you would be assisted externally (for example, government or donors), in what field you would need the assistance most? [More than one answer can be chosen]**

- [1] Investments (including equipment, facilities, etc)  
 [2] Trainings  
 [3] Expertise  
 [4] Connection to similar business in other countries  
 [5] Different business networking  
 [7] Other, specify [ \_\_\_\_\_ ]

## HUMAN RESOURCES

**42. Tell us the total employee number and their division according to the gender and years:**

Years	Number of employees	
	Men	Women
1) 2012	[ _____ ]	[ _____ ]
2) 2011	[ _____ ]	[ _____ ]
3) 2010	[ _____ ]	[ _____ ]

**43. If you have employed other ethnical communities (Non-Albanians), please specify how many [ \_\_\_\_\_ ]**

**44. What is the number of women managers in your company?**

a. Number of women in managerial positions [ \_\_\_\_\_ ]

**45. How many of your employees in 2012 are working:**

- How many of your employees in 2012 are working:
- [1] Full time ..... [ ]
- [2] Part time ..... [ ]
- [3] Seasonal/temporary ..... [ ]

**46. What is the age structure of your employees?**

%

- |                             |     |
|-----------------------------|-----|
| [1] Under 18 years old      | [ ] |
| [2] Between 18-25 years old | [ ] |
| [3] Between 25-50 years old | [ ] |
| [4] Over 50 years old       | [ ] |

**47. What is the approximate work percentage that your employees do in:**

%

- |   |     |
|---|-----|
| [1] Non-production work (administrative work or management) | [ ] |
| [2] Production  | [ ] |
| [3] Other, specify [ _____ ]                                | [ ] |

**48. Do you have any staff on maternity leave?**

- [1] YES specify how many: [ ] and average length of leave [ ]. How is their position filled during leave: specify [ ].
- [2] NO

**49. When you think of the qualifications of your employees, how important are the following characteristics? Please indicate their importance as well.**

	Description	Unimpor- tant	Of little impor- tance	Of average impor- tance	Important	Very im- portant
[1]	Work experience in similar positions	[1]	[2]	[3]	[4]	[5]
[2]	Education background	[1]	[2]	[3]	[4]	[5]
[3]	Trainings and certifications	[1]	[2]	[3]	[4]	[5]
[4]	Knowledge in using equipment	[1]	[2]	[3]	[4]	[5]
[5]	Knowledge of operational procedures	[1]	[2]	[3]	[4]	[5]
[6]	Language skills	[1]	[2]	[3]	[4]	[5]
[7]	Communication skills	[1]	[2]	[3]	[4]	[5]
[8]	Management skills	[1]	[2]	[3]	[4]	[5]
[9]	Ability to teach/advise other employees	[1]	[2]	[3]	[4]	[5]
[10]	Distinguished employee	[1]	[2]	[3]	[4]	[5]
[11]	Work quality, detail – oriented	[1]	[2]	[3]	[4]	[5]
[12]	Team work skills	[1]	[2]	[3]	[4]	[5]
[13]	Other, specify: [ ]	[1]	[2]	[3]	[4]	[5]

**50. What is the rate of your employees who have finished the following education level (for 2012)?**

- |                           |       |
|---------------------------|-------|
| 1. <b>Primary</b>         | [ ] % |
| 2. <b>Secondary</b>       | [ ] % |
| 3. <b>University</b>      | [ ] % |
| 4. <b>Post-university</b> | [ ] % |

**51. Does your company provide trainings?**

- [1] YES
- [2] NO [If NO, go to question 53]

**52. If YES, what is the percentage of the employees who have completed trainings provided by the company [ ] %**

**53. Which is the main education/training type? [Choose the most important]**

- [1] Education/training by crafting
- [2] Other forms (non-crafting) of education/training for works, courses
- [3] Other Non-work education/training (such as: presentation skills, time management, etc.)

## Company Details

Please provide the following information in order to share with you the findings from this research.

- 54. Company name:** [ ]
- 55. Kosovo branch address:** [ ]
- 56. Email:** [ ]
- 57. Tel:** [ ]
- 58. Webpage:** [ ]
- 59. Name of the interviewee?** [ ]

**60. WHAT IS YOUR POSITION WITHIN THE COMPANY?**

- [1] Owner/co-owner of the company
- [2] Senior manager/director, manager
- [3] Middle manager/director of the directory (department, section)
- [4] More than one position? Specify [ ]
- [5] Other, specify [ ]

**61. Municipality:**

- [1] Prizren
- [2] Suharekë
- [3] Rahovec
- [4] Dragash
- [5] Malishevë
- [6] Mamushë

**62. Interviewee's year of birth:** [ ] [write down the year]

**63. Gender:**

- [1] Woman
- [2] Man

**64. Ethnical group:**

- [1] Albanian
- [2] Turkish
- [3] Serbian
- [4] Gorans
- [5] Other, specify [ ]

**Time of the interview completion [ : ]**

We thank you for your participation in this questionnaire. Once again, we would like to ensure you that your answers will be treated confidentially and in no way will be related to your business or you personally.





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