

**INTERIM REPORT**  
**1/09/2009- 31/08/2010**  
**Enabling Private Sector Development in the Western Balkans**

Activity number: 18541

Project Country: Western Balkans

Contractor: SPARK

Implementing organizations: SME Development Agencies, Universities, and Business Alliances. University of Novi Sad, Serbian SME Development Agency and Business Start-up center Kosovo are local implementing partners

Grant allocated: 1,784,640.00 €

Agreed Duration: 01/09/2008-28/02/2011

Period covered by Interim report: 01/09/2009 – 31/08/2010

Section 1: Executive summary

In the reporting period, project goals and targets have proceeded with expectations, delays and discontinuation. Through agreement with the donor, funds for the business incubator in Pristina and SENSI have been removed and activities ceased due to lack of appropriate incubation space; a critical mass of SENSI members could not provide the fee to sustain core operations in conjunction with donor financing. On the upswing, Business Start-up Center Kosovo (BSCK) has garnered considerable interest by donors (e.g., USAID, EU, Booz Allan Hamilton, MDF/Intercooperation, UNDP, etc.) to implement business trainings throughout Kosovo, thereby solidifying their position in Kosovo as the premier educator of non-formal business education. BSCK currently is moving the center in another directions, starting 4 One-Stop-Shops in Kosovo (495,000 Euro EU funds), branching out activities in the development of a better enabling environment to doing business. BSCK trainings have continued as planned, outreach trainings to minority communities has attained 9%, by leveraging the UNDP project in North Mitrovica and Lighthouse NGO in Leposavic to attract Serbian participants to the trainings.

The SEE SME Association statute was drafted for review by the member countries. A meeting was held in Amsterdam between representatives of SME Agencies from Pristina and Belgrade, organised in August 2010 to reach an agreement on overcoming the technical disadvantage of the Republic of Kosovo stamp required on the SME Association statute. At the meeting it was mutually agreed that the SME Agency from Kosovo will verify with their officials possibilities of making a new stamp which could be accepted by all parties.

Under regionalization of existing EU Days and trade fairs through the project, EU Day in Skopje (Macedonia), World Day of Entrepreneurship in Tuzla (BiH), international conference SME Development of the Western Balkans in Mitrovica (Kosovo) were held, while the 3<sup>rd</sup> International Conference on Entrepreneurship, Innovation and Regional Development – ICEIRD (May 2010) was also supported through Novi Sad University.

Course lectures in the regional Master's Programme and Bachelor Course in Entrepreneurship in Novi Sad (Serbia) started on October 30<sup>th</sup>, 2009 for 27 enrolled students from the region, out of which 9 were self-financed. A great hurdle was cleared with students from Kosovo attending the course; none have experienced difficulties in travelling to Serbia and have attended all lectures. A remaining issue is the recognition of Kosovo diploma's by Serbia, which prevented the Kosovo Albanian students to receive their MA diploma's to date.

In the reporting period, 4 new project proposals were developed from the side of PSD partners' organizations and supported through this project, while little interest has been generated for ICT development of BSCK main partners. Therefore, the UNDP BAC (Business Advisory Centres) project in Mitrovica BSCK is associated with have been approached to develop their ICT issues.

In conclusion, a Senior Project Development Advisor was engaged in July 2010 to facilitate the process of identification of available funds and preparation of EU project proposals, articulating all needs and desires of the local PSD partners training needs and improvement of partner services that support the business environment in SEE.

## Section 2: Activities problems and Recommendations

### 2A: Activities Planned and Carried Out

Result 1: BSCK transformed into a self-sustainable local entity including incubator<sup>1</sup>

The Business Support Centre Kosovo (BSCK) held two Management Board meetings within the reporting period. The President of the Board, Mr. Avdullah Hoti, resigned, Mr. Isak Mehmeti, Chief of Economic Department at Municipality of Pristina was appointed as President by board majority.

As part of its financial sustainability, BSCK continued charging tuition fees to participants, resulting in 4,730 Euro income between November 2009 – July 2010.

BSCK has successfully implemented a USD\$56,471 business skills training project funded by USAID in municipalities of Drenas and Prizren. A 48,589 Euro UNDP funded project is being implemented in South Mitrovica on establishing a Business Advisory Centre (BAC). In July 2010, BSCK has been contracted by the United States Embassy (Pristina) to implement a 6-month business, USD\$19,390 budget, training program in Mitrovica.

Two other projects implemented by BSCK during this period: Impact Study on Agricultural Finance in cooperation with MDF/Intercooperation (14,000 Euro) and Human Resource and Communication Training for Kosovo Inspectorate Police (8,000 Euro).

BSCK will soon begin implementation of the second phase of the Entrepreneurship Micro Enterprise Program, financed through the USAID Kosovo Private Enterprise Program (implemented by Booz Allan Hamilton). Program duration is one-year and will be implemented in 10 municipalities in Kosovo, including minority areas. Total budget for this project is 107,900 Euro.

Moreover, as of September 2010, BSCK has been included as local implementing partner in Kosovo on the recently awarded “Youth Employment and Participation Program” by the International Youth Foundation (IYF) from Baltimore, USA. This is a USAID funded project with total budget of USD\$1,300,000. BSCK will be responsible for implementing the Business Training and SME Support activities for years 2011-2015.

Finally, BSCK has been awarded a two-year project by the European Union in Kosovo - Support for Regional Economic Development Project leading sub-consortium municipal partners: Pristina, Podujeva, Obiliq, Fushë Kosova, Shtime and Drenas a 495,000 Euro project establishing One-Stop-Shops over two years.

Result 2: Business trainings and competitions resulting in 30 start-ups

In April 2010, BSCK conducted an impact assessment survey (Annex 1) among participants that attended School of Entrepreneurship and Business Skills Trainings in 2009. 86.4% of training participants surveyed responded that BSC activities would help them to secure a stable job. 72.1% of participants reported that their income increased as a direct result of participation in BSCK activities. 94.1% of surveyed participants reveal that BSCK trainings have had a direct and positive impact on their business skills trainings in 2009 and early 2010.

BSCK organized the School of Entrepreneurship in Pristina (2 cycles) and Peja, Introductory Entrepreneurship Training (course) in Gracanica, Business Plan Writing and How to Grow Companies courses in Zvecan. The 10-week Entrepreneurship Micro Enterprise Training Program, funded by USAID Kosovo Private Enterprise Program was organized in Prizren and Drenas. BSCK contributed in this project by awarding 8 awardees (4 from each municipality). The start-up support package comprises free business registration, 100 hours of professional consultancy, micro-credit up to 10,000 Euro and membership with the Kosovo Chamber of Commerce..

2-day pre-training was held in Pristina on 10<sup>th</sup> and 11<sup>th</sup> of October 2009 to revise the training modules for Pristina, Peja, Prizren and Drenas. Pre-training was facilitated by two experts, regional and local, and a 27 local trainers.

Promotion campaigns were organized for each training cycle in locations such as Pristina, Peja, Gracanica, and Zvecan. 177 applications were generated from these campaigns. 101 participants with best business ideas were selected to attend the trainings. For November 2009 trainings, in Peja and Gracanica there was

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<sup>1</sup> After not being able to raise necessary funding to build an incubator on land provided by the Municipality of Pristina, in February 2010 the incubator funds were withdrawn from the project, therefore business incubation is no longer part of the BSCK II project.

a lower number of applicants. Both campaigns were organized at the same time as municipal election campaigns, the target audience confused the BSKC promotion with election campaign.

**Overview of the BSKC Trainings and Business Plan Competition:**

Business Training	Dates	# modules	Price (Euro)	# participants completed	# business plans received	# BSKC support package awarded <sup>1</sup>
Pristina	30.11.2009-22.01.2010	7	95	25	17	5
Peja	11.12.2009-08.01.2010	4	Free	13	7	1
Gracanica	09-18.11.2009	2	Free	13	3	0
Prizren	26.10.2009-08.01.2010	10	USAID funded	25	18	4
Drenas	02.11.2009-15.01.2010	10	USAID funded	25	25	4
Pristina	31.05-09.07.2010	6	95	25	13	5
Zvecan	14-19.06.2010	2	Free	25	0	0
Total		41	4,730	853	83	19

In order to reach non-Albanian communities, BSKC organized a two-week business training for minorities in Zvecan. 25 participants were trained and certified.

In July 2010, BSKC established partnership and contracted the local NGO Lighthouse from Leposavic to hold a six-week training in this municipality in North Kosovo. Trainings are now in progress and are attended by 25 participants.

From 19 business plan awardees, 13 of registered their companies and started using the BSKC start-up support package, 1 winner has not registered yet but is using consultancy services, remaining 5 business plan awardees revealed they intend to register their companies in the near future, as some have seasonal businesses. Latest records of the companies started up or assisted to date through the project cumulatively shows that 42 SMEs have been started/assisted and 234 jobs created.

During the interim reporting period, BSKC delivered 1,160 hours of consultancy to 14 business plan awardees. Under consultancy services, clients are also offered IT services such as software and website development. In addition, BSKC provided consultancy to 6 business plan awardees from the UNDP funded Business Advisory Centre (North Mitrovica). Each awardee has received 100 hours of professional consulting, ready to register their businesses and start operating.

A total amount of 71,984 Euro has been disbursed to 9 BSKC clients through the credit facility provider, NLB Pristina Bank. The remaining amount of micro-credit available is 20,678 Euro and will be disbursed to awardees of May-July 2010 trainings.

In November 2009, Business Support Centre in Kosovo organized the forum “Entrepreneurship and the Role of SMEs on Economic Development”. The goal was to present existing information and discuss on the challenges, problems, and the importance of entrepreneurship, especially SMEs, in Kosovo. This forum involved entrepreneurship lecturers and trainers, representatives of organizations and venture capitalists, business development providers, seasoned entrepreneurs, new entrepreneurs, and youth looking to start their own businesses. This forum was attended by 28 participants, 12 of which applied and attended BSKC’s School of Entrepreneurship in November 2009.

**Result 3: SENSI Made Sustainable**

SENSI has been removed from the project and funds withdrawn by the donor.<sup>2</sup>

**Result 4: Establishment of a self-sustainable SEE Association of SME Agencies**

Second preparatory meeting of SME agencies from the region was organized in Montenegro in November 2009. During reporting period a legal consultant was hired and drafted SEE Association statute and Founding Act (attached in Annexes 2 and 3) and aided in identification of all documentation and steps necessary for registration of the Association. Due to unsolved issues regarding official documents (stamp)

<sup>2</sup> After not raising adequate funds from SENSI members to co-finance the organization’s management structure, in February 2010 SENSI funds were withdrawn from the project, therefore SENSI is no longer part of the PSD & BSKC II project.

of the Kosovo SME Agency meeting for signing the MoU of SEE Association of SME Agencies, is postponed for the 4<sup>th</sup> quarter of 2010. The meeting between representatives of SME Agencies from Pristina and Belgrade was organised in the second half of August 2010 in order to try to find best modality of cooperation in overcoming this technical disadvantage. At the meeting it was mutually agreed that the SME Agency from Kosovo will verify with their officials possibilities of making a new stamp which could be accepted by all parties. The further development of the action was agreed to occur in September 2010.

#### Result 5: Regionalization of existing EU Days and Trade Fairs

EU Day in Skopje (Macedonia) was supported in 2010 through one of our partner organizations – the European Business Association. The conference gathered 14 governmental institutions, 45 private sector representatives, 17 educational institutions and 3 student organizations from the region of Western Balkans. Co-financing the organisation of the World Day of Entrepreneurship in Tuzla (BiH) was realized through the Entrepreneurship Development Centre Association in cooperation with University of Tuzla. PSD partners from Montenegro, Serbia and Macedonia took an active role presenting the situation within their respective countries and reminding that it is entrepreneurs who have consistently led sluggish economies back to prosperity and growth through innovation and job creation. Kosovo Chamber of Commerce organized the international conference SME Development in the Western Balkans in Mitrovica in May 2010. The conference was supported with the presence and active participation of the partners from the region. 3<sup>rd</sup> International Conference on entrepreneurship, innovation and regional development – ICEIRD 2010 was also supported within this period of time (May 2010) through Novi Sad University as an organizing body. The importance of the conference is recognized throughout the region and partners from all countries attended this event. Serbian Ministry for KiM has helped in travelling of participants from Kosovo.

#### Result 6: Regional MA Programme and Bachelor Course in Entrepreneurship

Course lectures in Novi Sad started on 30 October 2009 for 27 enrolled students from the region, out of which 9 were self-financed (attached in Annex 4). Students from Kosovo have experienced no difficulties in travelling to Serbia and have attended all lectures. A new call for MA in Entrepreneurship Course will be published as of October 1<sup>st</sup>, 2010. The University of Novi Sad submitted in 2009 all documentation necessary for accreditation, but is still waiting official decision from the Commission for Accreditation and Quality Assurance. In the previous period we have been focused on solving the issue of diploma recognition of two students from Pristina whose diplomas are stamped with the Republic of Kosovo. A multitude of stakeholders in Pristina, Belgrade and Novi Sad were contacted and discussed for finding practical solution to overcome the obstacle. SPARK's latest attempt was to ask support from Special Representative of the Secretary-General and head of the UNMIK, Mr. Zanier. We are presently awaiting results of their intervention.

In the period May 2<sup>nd</sup> -8<sup>th</sup>, 2010 a training course for developing and disseminating teaching material for BA course in Entrepreneurship was held in Novi Sad. The process was, once again, moderated by the international expert from the Nyenrode University. The main finding was identification of different organizational structure of Universities, which allows only the ones which are centralized to start BA in Entrepreneurship as an elective subject. Hitherto we have received proposal from University of Tuzla to introduce BA in Entrepreneurship at their University as an elective subject, which is expected to start in the next school year.

#### Result 7: Partner Capacity Development Programme implemented

Within this timeframe 3 new project proposals were developed from the side of PSD partners' organizations and supported through this project: University of Novi Sad – UNESCO Chair on Entrepreneurship education led the proposal Advanced Master Course in Entrepreneurship and Innovation Management<sup>3</sup> under TEMPUS IV Advanced Master Course in Entrepreneurship and Innovation Management; Culture for All under the EuropeAid call for proposals gathered by the European Centre for Minority Issues, Kosovo - ECMI Kosovo, HD European Consulting Group as partners and Curricular reforms proposal gathered partners in the project led by University of Pristina temporarily settled in Kosovska Mitrovica.

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<sup>3</sup> Partners on this proposal: University of Tuzla, University of Zenica, University of Skopje, University of Bitola, University of Nis, Nyenrode University, Paderborn University and Politehnica University of Bucharest

Writing these project proposals was viewed as a great opportunity to gather partners and train them on exact projects by the side of engaged local consultants and this model produced the best result with Universities in shaping TEMPUS calls.

Little interest in the ICT component of BSCK partner capacity development needs has been registered. The majority of partners are government institutions with fully equipped IT hardware and software facilities. BSCK has established a partnership with Business Advisory Centers in North and South Mitrovica, Zvečan, and is considering upgrading their ICT capacities as these are start-up institutions requiring great assistance in hard and soft IT needs.

#### Result 8: SPARK Coaching and Monitoring Structure operational

A Senior Programme Manager was engaged as of July 2010 with the main tasks in articulating partners' training needs and improvement of partner services that support business environment and facilitating the process of identification of available funds and preparation of EU project proposals. Within this reporting period he has introduced all the partners in the region and is maintaining close contacts supporting progress in above-mentioned activities. It is aimed for to generate 4-5 more proposals by the end of the project period.

### 2B: Problems and recommendations

Was it in time, according to planning?

Result 1: Yes

Result 2: Yes, all activities were carried out according to the plan.

Result 4: Partially, due to the reasons explained above, the SEE SME network still is not functional. Therefore action plan for implementation was postponed.

Result 5: Yes

Result 6: Partially, accreditation must be awaited; there is no way to urge Commission for Accreditation and Quality Assurance since they are independent body. Another obstacles remains the non-recognition of Kosovo diploma's by the Republic of Serbia.

Result 7: Partially. No ICT upgrading needs from BSCK current partners.

Results 8: Yes

Was it carried out completely or partially? If partially or not at all, please explain the discrepancy between expected and actual result.

Result 1: Yes

Result 2: Partially. Training targets are attained, unfortunately 9% of the total beneficiaries were from minorities. However, no quality business plans are received from minorities for start-up financing.

Result 4: Partially, due to delay in signing of the MoU. Sensitivity of the communication between Serbian and Kosovo officials has produced an additional pressure, we are anticipating that implementation of agreed Action Plan will be postponed which will cause delay in overall project implementation and achievement of agreed indicators.

Result 5: Yes

Result 6: Partially. Since the issue of recognition of Kosovo diploma in Serbia is still problematic because of the new Kosovo stamp. Since UNMIK is in charge for resolving these types of issues we have contacted them for assistance.

Results 7: Partially. No ICT upgrading needs from BSCK current partners.

Results 8: Yes

If there were, which were main problems and which solutions would you propose?

Result 1: No major problems identified in this result.

Result 2: BSCK partnered with BAC North Mitrovica to receive more quality business plans from minorities. This was reached by receiving 6 business plans. Each business plan was offered 100 hours of professional consultancy. By the end of the year, these businesses will be fully operational. In November 2010, BSCK will organize specialised business training on wineries for minorities in Orahovac. According to a meeting that BSCK held with municipal officials and entrepreneurs, there is a high demand of such

training and is expected that there will be quality business plans received. BSCK also contracted the NGO Lighthouse from Leposavic to hold a 6 week business skills training. The training is ongoing and is attended by 25 participants.

Result 4: Due to Serbian Government administrative difficulties, signing of the SEE SME Agency MoU was delayed and agreed implementation dynamics have slowed significantly. On the other side the financial contract is signed and funds are transferred to Serbian SME Agency, they are actively engaged in achieving targeted outputs. A verbal agreement has been reached, which has been confirmed in written by the GoK. Written approval from the GoS is now awaited.

Result 5: No major problems were identified.

Result 6: In the forthcoming period the issue of diploma recognition will have to be solved otherwise enrolling the second generation of students from Kosovo at Novi Sad University will not be possible. Reformulating targets might be a proposed solution. SPARK will remain in close touch with UNMIK and the parties to try to find a solution in this matter.

Result 7: Since there are no needs for upgrading the ICT infrastructure of BSCK partners, BSCK will upgrade the ICT capacities of its new partners in Mitrovica. No major problems were identified through the PSD partners.

Result 8: None

### Section 3: Project and management performance

#### 3A: Project performance (According to identified targets/indicators)

Report on project indicators is summarized in Annex 5

According to risks and assumptions identified in project proposal:

Assumptions at project conception	Validity of assumption (Y/N)
The political & security situation in the Western Balkans, (especially Kosovo) remains relatively stable	Y <sup>4 5</sup>
Political and institutional support is expected, notably at governmental and university level	Y/N <sup>6</sup>
Stakeholder staff that was trained for remains working at their institutions and attend all modules.	Y

### Section 4: proposals for substantive or Financial Changes to the Project

The following changes are suggested to the programme.

Result 1: BSCK transformed into legal entity

1. €500 from 4114 (salary BSC Director), to 8016 (Bank fees): due to the large number of bank transactions and payments of international experts during reporting period, we request this budget shift as international trainers and experts will be engaged for the upcoming trainings.
2. €1,500 from 4154 (Local intern remuneration result 8) to 4150 (Local intern / volunteer remuneration): in order to complete the final round of business skills trainings and close activities, extra volunteers will be required to execute logistics for trainings in Prishtina, Peja, Leposavic and Orahovac.

<sup>4</sup> The political stability remains relatively static in Kosovo, and recognition of BSCK within Serbian minority has improved, especially in North Kosovo.

<sup>5</sup> The political stability remains relatively stable, but the political sensitivity in Belgrade-Prishtina relations is very high on political agenda in the region.

<sup>6</sup> Support from the side of Novi Sad University is heavily depending on political decisions from Belgrade which reflects on diploma recognition.

3. €2,500 from 4116 (Local Salary Project Officers Pristina, Mitrovica) to 7116 (Local accountant): to pay for the annual (2010) local audit of Business Start Up Centre Kosovo.

Result 2: Result 2: Business Training and Competitions resulting in 30 start-ups

1. €2,000 from 4116 (Local Salary Project Officers Pristina, Mitrovica) to 4261 (Remuneration Local Trainers): In order to reach minorities and expand training locations to enclaves, more funds will be needed to reimburse the trainers. BSCK will hold specialized business training on wineries in Orahovac.
2. €816 from 6417 (Promotion & publishing winning participants) to 5821 (Selection Ceremonies/ events): BSCK regrets committing an over-expenditure of €816 at Selection Ceremonies/Events. Award ceremonies have shown to be a great promotion of business plan winners and BSCK activities to the public, as these events are attended by media and public and private instructions' representatives. Since four training cycles are in progress, BSCK requests this budget shift to hold a joint ceremony for all locations.
3. €4,000 from 4116 (Local Salary Project Officers Pristina, Mitrovica): €1,000 from 4114 (salary BSC Director): €7,000 from 5823 (Remuneration local expert consultancy to start-ups): €4,000 from 6282 (Training of trainers: Travel – experts), €2,000 from 5822 (Registration SMEs) and €2,000 from 5531 (Trainings' materials) to 5824 Seed-Money and management Credit Facility (Total €20,000): 20,678 Euro is left as guarantee fund at NLB Prishtina Bank. 5 winners from last training cycle are expected to receive micro-credits from the guarantee fund at NLB Prishtina Bank. Trainings are ongoing in 4 locations; therefore we expect to have approximately 15 winners which will need loans to start-up their businesses.
4. NEW €8,000 for Internship Programme from 4116 (Local Salary Project Officers Pristina, Mitrovica): BSC Kosovo requests that a new budget line be created for an internship programme that will generate employment among Kosovo youth. To date, BSCK has established meetings and agreed with 8 companies in Kosovo (Raiffeisen Bank, ProCredit Bank, Sigal, PR Solutions, GET KS, Buçaj Company, Bonita, Albi Commerce) that 20 BSCK candidates enter a 3 month internship programme in these companies. Each intern will be paid 200 Euro per month. These costs will be divided in half between BSCK and the company. Prior to sending candidates for an interview to the company, BSCK will train them on job skills such as CV writing and job interview

Result 3: SENSI made sustainable

1. €755 from 4118 (Local Field Work Advisor Pristina) to various SENSI budget lines within result 3: Rounding up all obligations regarding SENSI has cost a little bit more than anticipated and we therefore like to request a shift of euro 755 to finalize this result.

Result 5: Regionalization of existing national EU Days and Trade Fairs

1. €641 from 4266 (International and Regional Speakers Honorarium) to 5031 (Opening and Closing dinner, reception): increment in number of organized EU days from the side of partner organization caused more expenditure in group events organizing.
2. €500 from 6523 (Reporting) to 5557 (Conference Equipment): increased number of participants at the conferences and different topics discussed reflected in a necessity for renting more of the conference equipment. We regret the movement of funds from this budget line and return, and any problems it may have caused.

Result 8: Regionalization of Coaching & Monitoring & Evaluation Structure Established

1. €5,000 from 4075 (International Project Advisor) to 4076 (International Head of Finance) and €4,000 from 4075 (International Project Advisor) to 4077 (International Finance Officer): to be able to round off all the Projects financials properly.
2. €3,000 from 4117 (Local Field Work Advisor Belgrade) and 4119 (Local Field Work Advisor Skopje) to 4120 (Local programmer): to cover some additional local IT related salary costs / work.