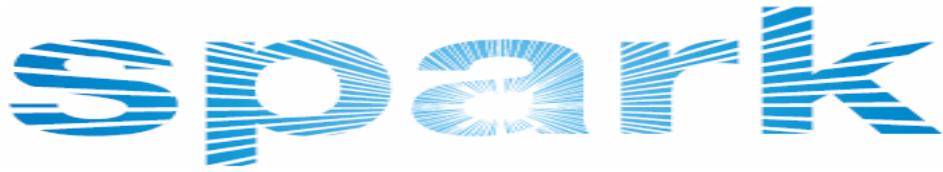


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Brief report on the impacts made by Business Start-Up Center Kosovo established in Pristina. Submitted for internal use of the SPARK program, and its regional partners.

BSCK Impact Assessment

1.1 Introduction

SPARK is a development organization funded by the Dutch Ministry of Foreign Affairs (MFS). Working in the Balkans, SPARK seeks to galvanize sustainable economic growth and boost entrepreneurialism via a three-level approach:

- Direct Poverty Alleviation
- Capacity Building
- Policy Making

The project aims of SPARK harness the potential of the small and medium enterprise (SME) sector in the area, focusing on young and ambitious entrepreneurs. As in many market economies, SMEs in the Balkans comprise somewhere between 95-98% of all registered enterprises.¹ Furthermore, the SME sector can effectively absorb labor that is made redundant through privatization trends. However, certain deficiencies of Kosovo labor pool, namely lack of business skills, absence of product or process innovation, and inexperience in business management, have been cited as pressing obstacles to the development of the Private Sector². Additionally, the perceived inaccessibility of formal financial sectors has, in the opinion of certain experts, retarded SME growth³. This report will review the extent to which the endeavors of SPARK have addressed some of these obstacles, implemented through the Business Start-Up Center located in Pristina, Kosovo (BSCK).

The primary goal of this report is to submit an account of outcomes and progress made by BSCK thus far. This report was conducted in tandem with the MFS mid-term evaluation of four other regional BSCs. For this reason, specific indicators have been stipulated and will be measured according to MFS requirements. However, it would be remiss to neglect this opportunity to gather more information for SPARK's own internal

reflection and assessment. Therefore, the report will expand upon the MFS indicators to include a more comprehensive picture of the BSC activities.

1.2 Outline of Objectives

Overall objectives:

- To strengthen SEE regional PSD cooperation and improve inter-ethnic relations;
- To decrease the likelihood of social unrest through economic development.
- To accelerate Bosnia, Kosovo and Serbia's economic integration into the European Union;

Project objectives:

- To establish a BSC in Pristina (Kosovo) with the support of the BSC's in Tuzla, Novi Sad, Osijek and Twente, while institutionally guided by the MoEST and MoTI;
- To assist students and recent graduates to start their own SMEs;
- To raise the entrepreneurial spirit amongst students and recent graduates;
- To improve the employability of university graduates through changing study programmes.

1.3 Central Questions

The research presented is an assessment of the *Impact* of SPARK's activities, thus far. The wider changes, both positive and negative, made in the locality as either a direct or indirect result of the project since its inception, will be described in regards to how they answer the following questions.

*What outputs can be attributed to the work undertaken by BSCK or in conjunction with local partners?

* How do reported outcomes address the local needs and challenges?

*(How) Are outcomes of project objectives tracked by the current monitoring protocol?

1.4 Methodology

The initial desk phase of this report entailed a review of relevant documents and publications produced both by SPARK and other regional development institutions. This supplied the necessary background on SPARK's fundamental objectives, primary means of achieving them.

The second phase was spent creating the necessary tools to gather pertinent information. A brief survey was written and distributed to all members registered in the BSC database.

The final third stage centered on a brief field visit to Pristina, in order to conduct interviews with stakeholders. This visit consisted of a single day and is not assumed to be sufficient in collecting ground-level perceptions of impact. More time to interview a wider pool of former and current BSC clients would have yielded more insight.

Quantitative Activities

To remain accountable to donors and clients, it is crucial that relevant monitoring indicators are reported as consistently, responsibly and accurately as possible, typically in quantitative measurements. For this report, surveys were administered to all previous and current participants, in order to collect a significant amount of statistical indicators.

Qualitative Activities

The information gathered from the statistical outputs of the survey are complemented by and compared with other sources of data (e.g. interviews, personal accounts of partners and participants, and focus group discussions). This information provides a more nuanced insight into impacts of the BSC, not readily apparent in the more constrictive frame of quantitative data.

Challenges

As with many transition economies, statistics such as number of employees, turnover or income in the informal sector go undocumented. While data collection has improved, small businesses are still apt to fall under statisticians' radar.

A dearth of baseline information prevented reliable comparisons from before the project. As all the participants were self-selected, control group monitoring was not possible, precluding double-comparison. It was therefore necessary to rely on self-reporting of the BSC, its partners and participants.

The field visit was lamentably short and only a very limited number of individuals were available to be interviewed. This has led a disproportional reliance on quantitative statistical information.

¹OECD Policy Index (2007) *Report on the Implementation of European Charter on Small Enterprises in the Western Balkans*. p38

² ECODES (2005) *A Private Sector Strategy for Kosovo*. pp11 & 26.

³ *Ibid.* p40

2.1 Results

Central Questions Answered

2.1.1 What outputs can be attributed to the work undertaken by BSCK or in conjunction with local partners?

- Establishment of a Micro-Credit facility
- The creation of 27 newly registered start ups
- The creation of 133 new jobs through SMEs supported by BSCK
- Training of 1,000 beneficiaries in Business and Entrepreneurial Skills
- A 75% survival rate of businesses created since 2007
- The development and submission of at least 60 full business plans over 2006-2008
- The awarding of 58,000euro in micro-credits to promising young businesses
- Awarding of over 42 ECTS credits to local students through School of Entrepreneurism
- Over 1900 hours of consultancy given to start-ups through BSCK facilitation
- 14 trainers expertly-trained to lead Business Skills modules

Question	Outcomes	Means of Verification
2.1.a Have the activities of the BSCK successfully contributed to job creation ?	133 jobs have been created through new start-ups. <ul style="list-style-type: none"> • 48 permanent • 31 seasonal • 54 free-lance 	Survey Reporting Interviews with SME owners Reporting from BSC Directors
2.1.b Have the activities of the BSCs increased the income of their clients?	48% of BSCK alumni surveyed report their income increased as a direct result of BSC participation	Survey Reporting Interviews with BSC alumni
2.1.c Do BSCK alumni report BSC activities positively impacted their business skills competency ?	85% of BSC alumni surveyed report BSC activities had a direct and positive effect on their business skills	(Revised) BPC Survey Reporting BST Survey Reporting Interviews with BSC alumni
2.1.d Do alumni and clients report an increase in employability as a result of BSC activities?	58% of BSC alumni surveyed report the BSC activities enabled them to secure a stable job.	Focus Group Discussions

2.1.2 How do reported outcomes address the local needs and challenges?

In order to assess the general reaction of local participants to the BSCK activities and programs an anonymous survey was conducted among all current and former BSCK participants through an independent arbiter. The survey, which garnered 141 reactions (38% response rate), revealed a number of interesting responses to be addressed and analyzed.

- **Increased employability**

58% of respondents reported that their experience with the BSCK enabled them to secure a stable job.

As high unemployment rates are a pervasive concern in Kosovo, especially among youth, this result signals the redressing of a significant need. One factor of influence in the high rates of unemployment is privatization. A report by the European Agency for Reconstruction in 2005 forecasted that as privatization increases within Kosovo, business owners will maximize profitability and efficiency by integrating “new technologies, processes and higher skill sets” (ECODES, 2005) that obsolesce the current work force. This articulated the necessity of equipping young people with the skills and capacities needed to remain competitive in the increasingly difficult job market. However, this trend demonstrates that it is also pertinent to develop strong sources of new employment, which may be able to absorb the swelling unemployed labor force. Addressing the barriers to business creation leads us to our next indicator of impact.

- **Direct and positive impact on Business Skills**

85% of respondents (strongly) agreed BSCK activities had a direct, positive impact on their Business Skills.

Given that a deficiency of basic business skills has been cited as a prominent barrier to the development of the private sector, this impact is quite crucial. Moreover, as the privatization process is currently dominated by Kosovars¹, local business development and the creation of domestic Small-Medium Enterprises (SMEs) have the potential to significantly contribute to job creation. It has therefore been emphasized in several strategic recommendation reports, that attention be paid to assisting SME creation. The development of business skills programs is at the crux of this strategy.

Major skills’ deficits and skill mismatches undermine Kosovo’s economic growth and potential for competitiveness. These stem inter alia from

- a) low investment in workforce skills by enterprises,*
- b) difficulties in the offer and take-up of appropriate training for small enterprises,*
- c) a general decline in the value placed on adult learning, and*
- d) large numbers of unskilled job seekers.*

-Employment and Skills Observatory p7

[T]here is no doubt that absence of a comprehensive skills development programme in Kosovo puts the country at a competitive disadvantage and if left unaddressed will retard the growth of the private sector.

-Kosovo PSD strategy p33

- **Increased income**

48%, nearly half, of respondents stated their income increased as a direct result of BSCK participation. Of that group, the large majority, **69%**, reported their income increasing *by more than 15%*.

¹ In excess of 90% of privatized assets have gone to Kosovars demonstrating a great deal of domestic potential, but also revealing a lack of direct foreign investment. (ECODES p11)

In any economy, personal capital is an engine of progress and development. This factor plays a major role in the cycle of improving the business market where capital gain can lead to re-investment and further growth. Beyond strengthening the economic situation, increasing incomes can also contribute to improving living conditions, health and general quality of life. Moreover, it has been suggested that such improvements obviate political instability arising from disenfranchisement. Given that, this impact is also significant to the wider goal of seeking to prevent or alleviate social unrest.

- **Registering a Business**

17% of the respondents that reported they had created their own business, indicated that BSCK had specifically helped them to register their business.

Guidance through the formalities and costs of legal registration can be a hindrance to young entrepreneurs. Minimizing bureaucratic burdens is a widely promoted strategy for private sector growth. However, this takes considerable time and must be done with proper attention to and respect for the necessary formalities of registration that protect and contribute to the private sector.⁴ Until such a time when comprehensive policy improvements can be made, an effective short-term strategy is enabling entrepreneurs to work with the system, amid all its flaws or attributes, as it currently exists.

Other aspects of BSCK services reported by respondents who opened a business appear below

Assistance	% of respondents
1) Registering	17%
2) Increasing Sales	13.5%
3) Employing more	5.7%
4) Decreasing Overhead	5%
5) Expanding Clientele	4.3%

2.1.3 (How) Are outcomes of project objectives tracked by the current monitoring protocol?

“To assist students and recent graduates to start their own SMEs”

The SME Database system, which has been kept in practice for a while and recently formalized, is an essential tool in this regard. The Database will facilitate the consistent and continuous tracking of SMEs created by BSCK alumni as well as ensure that young start-ups are monitored during their initial tenuous years. In this way, the database not only ensures proper results reporting but also contributes to increasing the chances of businesses survival, as the BSCK maintains contact with the new SMEs.

Encouraging figures were gathered from a comprehensive survey of all BSC clients, which reported that **84%** of respondents (strongly) agree, Q1.7 “The BSC services are currently the most effective way to help young entrepreneurs in the region start an SME.” Furthermore, **95%** of respondents (strongly) agree, “I would recommend the BSC activities to any of my friends who want to start their own business.” These strong approval indicators bode well for future growth in participation.

Survey Question	Survey Results
Q1.7: "most effective"	84%
Q1.8: "would recommend"	95%

"To raise the entrepreneurial spirit amongst students and recent graduates"

Entrepreneurial Awareness Building has been described as an intangible and elusive impact to measure. However, awareness compels actions, which can be recorded and tracked. By identifying what actions this new awareness is inspiring, monitoring could be adjusted to better reflect the BSCKs' influence. Suggestions offered include:

- Tracking the change over time in BST and BPC participation
- Attendance at Entrepreneurship events, SME fairs, Job fairs etc.
- Recording 'walk in' visits at the BSC
- Growing media interest in BSC activities
- Disaggregating data by SME status (e.g. true start-up, gray economy, existing business)
- Tracking number of gray economy businesses that register as legal entities

"To improve the employability of university graduates through changing study programmes."

This objective may be further broken down into two mutually benefiting yet independent goals:

Employability Increase is a declared programme objective, thus substantiating the BSCK's impact on graduates' ability to gain employment is a central focus of this study. As stated before, participants who responded to the survey by and large reported that their experience with the BSCK had improved both their business skills and their chances of securing a stable job. However, periodic surveying, while helpful, is not adequate in illuminating the means by which the BSCK accomplishes these impressive results. To enhance this essential aspect of the BSCK programme, a follow up study providing more insight into the specific skills and needs young graduates find most critical in obtaining a job would be greatly contributing. Furthermore, it would be well worth the effort to investigate which sectors contribute the most to employment. Such information could lead to higher impacts through prioritizing support for SMEs within those sectors that demonstrate strongest employment potential.

Curriculum Development has been a focus to variant degrees across all the BSCs run by Spark in the Balkans. Cooperation and support within the local University is a vital part of the long term strategy to increase the entrepreneurial capacities in the region. Through the provision of entrepreneurial education a greater awareness of the need for and value of such learning may be accrued. This is the first step in encouraging Kosovo's next generation of business owners and employees, to invest in gaining high level skills and knowledge and further promoting a learning culture.⁵

⁴ Altenburg and von Drachenfels (2006) p400

⁵ ESOK (2004) p8

Works Referenced:

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