

INTERIM REPORT
1/09/2010 - 28/02/2011
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: 01/09/2008-28/02/2011¹

Period covered by Interim report: 01/09/2010 – 28/02/2011

Section 1: Executive summary

Within the reporting period, the BSCK made headway securing their sustainability and signed new contracts with other donors in Kosovo such as USAID Kosovo Private Enterprise Program, European Commission Liaison Office to Kosovo and Intercooperation. The Enterprise Development for North Kosovo project has been successfully completed resulting in establishing a Business Advisory Center (BAC) in South Mitrovica. In this reporting period, new businesses have been registered and received consultancy according to their needs. Business trainings continued as planned, resulting in 525 beneficiaries, 43% of whom come from Serbian minority in Leposavic and Orahovac. BSCK is currently conducting a research on SMEs in Kosovo with 500 businesses to observe what the barriers to doing business are and what are the needs of SMEs in Kosovo. As part of its partner capacity building, BSCK contributed to its partners in the ICT sector as well as staff capacity building.

The other Private Sector Development (PSD) activities have accelerated in the last 5 months of the project. Within this reporting period all SME Agencies from the region send their legal documents to the National Agency for Regional Development (NARR) ² Agency in Belgrade, who has cleared and submitted it for official registration at the Agency for Business Registers (Belgrade). After substantial effort, a mode for cooperation was agreed between the Kosovo SME Agency and the NARR to take part which was acceptable by the Serbian SME Agency.

The project co-financed a regional conference Business and Technology Incubators as Instruments of Regional Development, sponsored by Belgrade University, November 2010. Regional experience in innovation policies, business incubation and business angels' networks were discussed among more than 140 participants from WB countries, including PSD partners.

Under the Regional MA Programme and Bachelor Course in Entrepreneurship, a second generation of 9 new students were enrolled to MA Course in Entrepreneurship, organized solely by Novi Sad University. Accreditation documentation submitted in July 2009 by the University to the Ministry of Education has not encountered any objections regarding submitted materials, a positive answer from the Accreditation and Quality Assurance Commission is expected.

Over the preceding 5 months, 5 trainings for PSD partners were held, which gathered 103 representatives from all partner institutions. With direct support and coaching from Spark staffing, 10 new proposals were developed within the reporting period - 6 applied for funding, 2 were cancelled before submission, two have been delayed (six Tempus calls, two cross-border and regional development, and two through other European donors).

Coaching activities led by Spark staff proved beneficial in identifying partners' needs in a process consisting of three phases. Although most of the partners had institutional strategies and programs developed, rarely were these consulted for project ideas, thus comprising the initial elements of further project development activities. Though very intensive, this model of work produced higher results than

¹ PSD-BSCK II Project has been extended by the Dutch Embassy regarding Result 4: Establishment of self-sustainable SEE Association of SME Agencies to July 31st, 2011.

² In 2010 SME Agency from Serbia has gone through a re-organization process and within this changed the name also to National Agency for Regional Development (NARR).

expected and has indicated that there is a huge gap in working with partners and developing their capacities this way.

Section 2: Activities problems and Recommendations

2A: Activities Planned and Carried Out

Result 1: BSCK transformed into a self-sustainable local entity including incubator

The Business Start-up Centre Kosovo (BSCK) held a Management Board meeting during the reporting period. As the previous President of the Board has resigned (representing Faculty of Economics, University of Prishtina), another representative of this Faculty has been appointed in the Management Board. A BSCK business start-up owner that previously resigned from the Board has been replaced with another start-up owner supported by BSCK.

BSCK continued charging fees to training participants in Prishtina, as part of its sustainability strategy. This resulted in 2,375 euro income between October 2010 – February 2011. BSCK successfully completed the Business Opportunity for All project in Mitrovica (Kosovo), a USD\$19,390 project financed by United States Embassy Prishtina.

Enterprise Development for North Kosovo project financed by UNDP (48,589 euro) resulted in establishing a Business Advisory Center (BAC) in South Mitrovica.

Furthermore, BSCK signed a USD\$149,242 contract with Booz Allen Hamilton on implementing Entrepreneurship – Micro Enterprise Training Program, Phase II in 10 municipalities in Kosovo, after successfully completing the phase I pilot project in 2 municipalities.

The EU funded project (495,000 euro) on establishing 6 one stop shops in Prishtina region is being implemented currently with consortium municipal partners: Prishtina, Obiliq, Fushë Kosova, Podujeva, Shtime, and Drenas.

Lastly, BSCK signed a 3,785 euro contract as a pilot project with Intercooperation on organizing training and Business Plan Competitions in 5 Agriculture Schools in Kosovo.

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

In the reporting period, BSCK organized a School of Entrepreneurship in Prishtina and Peja/Pec and Leposavic and Orahovac, targeting the Serbian community. Local NGO, Lighthouse, from Leposavic (North Kosovo) has been contracted by BSCK to organize the 6 training modules for Serbian speakers. Trainings in Orahovac have been provided for winemakers of this region with special emphasis on marketing and design of packaging and labels, placement of goods to the national/regional/international markets and legal issues.

Below is an overview of BSCK trainings and Business Plan Competition:

Business Training	Dates	# modules	Price (euro)	# participants completed	# business plans received	# BSCK support package awarded ³
Leposavic	27.09 – 05.11.2010	6	Free	25	6	0 ⁴
Prishtina	18.10 – 26.11.2010	6	95	25	13	5
Peja/Pec	25.10 – 3.12.2010	6	Free	25	10	3
Orahovac	27.11 – 16.12.2010	3	Free	25	0	0
Total		21	2,375	525 ⁵	29	8

During this period, BSCK focused more on attracting minorities to its trainings. Out of 525 beneficiaries, 225 are from the Serbian community. 6 quality business plans have been submitted by participants in

³ The BSCK support package consists of 100 hours of free consultancy, micro-credit up to max. 10,000 euro, free business registration and networking.

⁴ There were quality business plans in Leposavic, micro-credit or consultancy will be delivered when candidates are ready to open or expand their business.

⁵ One person per module.

Leposavic and are expected that they will receive services from BSCK to start or expand their businesses under other donor funded projects after February 2011. Trainings in Orahovac for wine producers were offered for existing businesses therefore participants were not required to submit a business plan. BSCK also organized business trainings in Mitrovica (South) for 25 participants composed of Albanians, Serbs, Turkish and Roma, a project financed by United States Embassy Prishtina.

After successfully implementing the first phase of the project financed by USAID Kosovo Private Enterprise Program, BSCK is now implementing the second phase of the project in 4 municipalities in Kosovo after choosing the best candidates from a 3 day entrepreneurship training in 10 municipalities attended by 300 candidates. At the end of these trainings, each business plan winner received consultancy, business registration and grants offered by Community Development Fund (CDF).

The number of businesses established and supported by BSCK in the reporting period totals 27. Winners of Business Plan Competition of the last 4 cycles are expected to start their businesses in the near future, since the time has been short from their awarding until the end of the project. Agreements have been signed between BSCK and winners that even after the end of BSCK II project, are eligible to receive micro-credits and consultancy (consultancy will be offered from funds awarded under other projects). Since BSCK signed an MoU with Community Development Fund, all BSCK business plan winners are eligible to also apply for grants, in addition to micro-credits.

During this period 1,015 hours of consultancy have delivered to BSCK clients including development of websites for some businesses. Additional 250 hours of consultancy have been delivered to BSCK businesses by contribution of the SME Agency of Ministry of Trade and Industry (MTI).

2 BSCK businesses requested that their micro-credit contracts be renegotiated since they were not able to pay the monthly rate as initially agreed. Another business defaulted on the loan approved by BSCK and NLB Prishtina Bank. BSCK covered the payments for this business from the loans repaid from KEP clients, as agreed in the contract with NLB. BSCK and NLB are now cooperating on sending this matter to court in Prishtina.

BSCK conducted a survey with 500 SMEs in Kosovo to identify the needs of SMEs and barriers to doing business in Kosovo. The data from this research is being analyzed and in the second quarter of 2011, BSCK will draft conclusions and recommendations for use in lobbying the national government on reduction of business barriers and obstacles.

As part of promotion of its businesses, BSCK produced a documentary film, featuring the most successful and innovative businesses supported by BSCK.

Result 3: SENSI made self-sustainable

SENSI has been removed from the project and funds withdrawn by the donor⁶.

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

Within this reporting period all Agencies from the region send their legal documents to the NARR Agency in Belgrade for official registration at the Agency for Business Registers (Belgrade). The process of submission of documents from Prishtina took some time in order to find an acceptable model for the documentation for Belgrade authorities. NARR has submitted all documentation to the Business Register at the end of April 2011 and is awaiting the registration document. Since the process of negotiation proved to be much more time consuming and sensitive, this activity has been extended by 31 July 2011⁷ in order to use all the efforts partners have invested in successful completion of the activity. NARR has informed us they will invite all other SME Agencies from the region (including Bosnia and Herzegovina and Albania as referred to in your letter with reference BEL-530/2010) as soon as the association has been established. We will actively follow-up this issue once we receive the registration document of the association.

Result 5: Regionalization of existing EU Days and Trade Fairs

During the reporting period co-financing of the regional conference Business and Technology Incubators as Instruments of Regional Development was realized in cooperation with the Technical Faculties of Belgrade

⁶ 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 & BSCK II project.

⁷ Embassy letter dated 20 December 2010.

University in November 2010. Regional experiences in innovation policies, business incubation and business angels' networks were discussed among more than 140 participants from WB countries, including PSD partners. In particular, regional speakers were focusing on debate on the issue of sustainability of the incubators in the region and the needs and possibilities for regional cooperation, as well as presented the first results in that direction.

Result 6: Regional MA Programme and Bachelor Course in Entrepreneurship

In October 2010, a second generation of 9 new students were enrolled to MA Course in Entrepreneurship, organized solely by Novi Sad University. This is lower than last years' enrollment due to the fact that scholarships were not available. Professors from the regional partners are lecturing in the programme (Bosnia, Montenegro, Macedonia). The submission of accreditation documentation was on 24th of July 2009 by the University and so far they have not received any objections regarding submitted materials. Therefore, Novi Sad University is expecting positive answer from the Accreditation and Quality Assurance Commission, but no answer has been received yet. In order to overcome this obstacle the University of Novi Sad requested and has received approval from Vojvodina's Educational Secretariat to work on a couple of the programs (including MA studies) which are still in the accreditation process. Accordingly, it is expected all students to get their diplomas by July 2011.

Capacities of teaching staff participating at the course were additionally developed through participation of teachers from Novi Sad and Tuzla University at Educational Material Development Program Case Writing Module.

The University of Tuzla supported the development and creation of a BA syllabus, as a first step towards the introduction of an elective in Entrepreneurship and Management Basics as for all students as of the next academic year. In order to continue with good regional cooperation and established network, professors from partner universities will hold lectures for students at the University.

Result 7: Partner Capacity Development Programme implemented

In the reporting period, a great focus was placed in training partner staff. Within this period, 6 trainings⁸ were held throughout the region in accordance to the training needs of the partner institutions. The opportunity for receiving high quality tailor made trainings for their staff was highly appreciated by all the partners who have sent their representatives to the events, which gathered 103 representatives from all partner institutions. In the light of constant reforms in the WB countries tailor made trainings proved to be significant. As an example, upgrading the SME agency of Serbia to a regional development agency handed a major mandate for the agency to manage. In such situations the priorities for competencies development are changing fast and thus the provider of capacity building must be flexible.

An increased level of knowledge and capacities of partners' staff to develop new proposals resulted in more active participation in development and submission of new proposals. With support of the Senior Program Advisor, 10 new proposals⁹ were developed within this timeframe, out of which 6 applied for funding in the reporting period, 2 were cancelled before applying,¹⁰ and the remaining two will be submitted for a next application cycle¹¹.

BSCK contributed to the above partner capacity development under the ICT component in the reporting period. Business Advisory Centers (BAC) in South and North Mitrovica and Zvecan established by BSCK and SPARK required expansion in the field of ICT. BSCK purchased computer equipment and training for these three centers. Additionally, BSCK contributed to Faculty of Economics, University of Prishtina, to extend and strengthen computer based learning within the University for the Faculty's computer laboratory.

Result 8: SPARK Coaching and Monitoring Structure operational

⁸ Training topics: Tempus Project Proposal Writing, Project Cycle Management, EU Community Programs with Focus on FP7, Regional Development (2) and Preparing for Project Implementation;

⁹ Proposals were developed for following partners: University of Prishtina temporarily settled in Kosovska Mitrovica, University of Novi Sad, University of Zenica, CEED Montenegro, Kosovo Chamber of Commerce.

¹⁰ One due to cancellation of project partner from EU country

¹¹ Applicant is University in Mitrovica: Master studies in Balkan Culturological Heritage and Computer literacy and its application in higher education and society

Coaching activities were beneficial in identifying the partners' needs and build their capacity to develop proposals for concrete donor calls. The coaching process consisted of three phases: 1. Defining basic project elements – mobilizing and motivating partners to start the process of project initiation within their institution, 2. Matching the most appropriate call was done parallel to the coaching for project initiation, 3. Engaging project development expert for concrete application/training. Although most of the partners had institutional strategies and programs, rarely these were consulted for project ideas, so the main output of the first phase has been general description or the project charter of the partner, thus comprising the initial elements of further project development activities for the concrete project. This phase was the most time consuming and demanding in terms of coaching since articulating realistic involvement was quite often very challenging. Though very intensive, this model of work produced higher than projected results (out of 5 proposals targeted, 10 were developed within this timeframe). It should be noted that the involvement of the programme manager, as requested in your letter with reference BEL-530/2010, was very much focused on capacity building of the partners. The final grant applications were a final product of an intensive training and coaching process that has enhanced the capacity of the partners to engage in such activity autonomously in the future.

2B: Problems and recommendations

Was it in time, according to planning?

Result 1: Yes

Result 2: Partially. Although the number of beneficiaries has been met and exceeded, only 27 out of a projected 30 businesses have been registered until the end of the project period. Business plan winners of last cycles are expected to start their businesses soon and receive BSCK services, hopefully fully closing the gap of 30 businesses targeted for start-up.

Result 3: N/A

Result 4: Partially. Due to new developments on registration of the NARR Agency, result 4 activities have been extended to July 31st, 2011.

Result 5, 6, 7 & 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. Although the number of beneficiaries has been met and exceeded, only 27 businesses have been registered until the end of the project instead of the planned 30. However, Business Plan winners of last cycles are expected to start their businesses soon and receive BSCK services or other donor resources such as grants from the Community Development Fund.

Result 3: N/A

Results 4: Partially. Extension of registration of NARR Agency granted by Dutch Embassy to July 31st, 2011 as outlook on establishment and joint operation has taken on a new interest by all parties.

Result 5: Yes

Result 6: Partially. MA program accreditation process was not completed due to slow government level accreditation procedure and large backlog of applications for accreditation. This resulted in the fact that master thesis presentations are prolonged, although vast majority of the students finished their master thesis. With permission from Vojvodina's Educational Secretariat this will be overcome and students will get their diplomas by July 2011.

Results 7 & 8: Yes

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

Result 1: No problems identified in this section. BSCK successfully transformed into legal entity and became self sustainable.

Result 2: Since the target of establishing 30 SMEs for this project period has not been fully met, BSCK signed agreements with business plan winners to deliver the start up services after the project period, namely micro credit, consultancy and free business registration. Micro credits will be delivered from SPARK fund at NLB Prishtina, whereas consultancy and business registration will be covered either by

partners' contrition or funds gained by other projects. Through these measures, the target of 30 is likely to be surpassed (beyond the project period).

Result 3: N/A

Results 4: No significant problems, bringing together national SME Agencies into one regional agency under a unified voice has proven more difficult than anticipated, although if established as planned, the impact can be very significant.

Result 5: No major problems were identified.

Result 6: Due to legal restrictions University of Novi Sad administration could not complete Kosovo students diploma recognition process. UNMIK was not able to support us in resolving this issue, which remains to be resolved in the future.

Result 7: No major problems were identified.

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 1

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 ¹²
Political and institutional support is expected, notably at governmental and university level	Y/N ¹³
Stakeholder staff that were trained over the course of the project remain working at their institutions and attend all modules.	Y

3B: Management performance:

Section 4: Proposals for substantive or Financial Changes to the Project

4A: Substantial changes: No substantial changes are proposed, but an explanation is provided on the substantial under expenditure of the budget. In a separate proposal we lay out a proposed course of action for the extension until July 2011.

4B: Financial changes

During reporting period the following budget neutral revisions are proposed in the attached financial report:

All over expenditures that have occurred fall under the 10% threshold allowance as agreed by NLMFA in the letter dated 21 April 2009, except for 1 (budget line 6417). Below explanation provided for the over expenditures. If you require explanations for the other shifts (under the agreed threshold) we can send these.

¹² The political stability remains relatively static, though starting of dialog between Prishtina and Belgrade is leading towards increasing of political sensitivity in the region. On a positive note, the recognition of BSCK within Serbian areas (Serbian enclaves and North Kosovo) has improved.

¹³ Novi Sad University decisions on all matters related to Kosovo students are depending on official political decisions of Serbian government. The delay in the registration of the regional SME Agency Association is also due to political obstacles.

There is an over expenditure Promotion and Publishing winning participants (budget line 6417). This has occurred considering that promotion of small businesses is crucial in their start up phase; BSCK produced a documentary film featuring most interesting businesses. We apologize that this over expenditure exceeds the 10% threshold allowance with euro 110. We kindly request a shift of 1,028 EUR from Trainings materials (budget line 5531) to Promotion and Publishing winning participants (budget line 6417).