

Newsletter

PROMOTION OF SUSTAINABLE SOCIO-ECONOMIC TERRITORIAL
DEVELOPMENT IN THE WESTERN BALKANS

Due to the necessity to give a strong boost to the development of private entrepreneurship, which is the foundation for sustainable socio-economic development of our country, the Government of the Republic of Serbia has started the initiative and made a decision to proclaim 2016 the Year of Entrepreneurship in Serbia.

IN THE YEAR OF ENTREPRENEURSHIP 2016, WE "THINK SMALL"



Katarina Obradović Jovanović
Assistant Minister of Economy

There are around 320,000 small and medium-sized enterprises operating in Serbia today. They are the state's primary interest, because small and medium-sized enterprises are the main drivers of economic development and they have a significant

growth potential with better implementation of innovation, high technology and creative industries. However, they need the state support, financial and non-financial, as well as more favourable business environment. Also, we should not forget the promotion of entrepreneurship and entrepreneurial culture, because we want to support and promote all entrepreneurs with good business ideas and their persistence (and courage) to start a business. With this goal, Serbian Government proclaimed 2016 the Year of

Entrepreneurship and underlined the importance of this sector and its further development for country's stronger economy. In the planning and preparation of the programmes we used the principle "think small" because we want to create stimulating conditions in the country where potentials of entrepreneurs and small and medium-sized enterprises would be fully realised, their competitiveness in foreign markets strengthened and new employment ensured.

The Year of Entrepreneurship 2016 is an important project which should join the efforts of relevant ministries and institutions on the national level. Also, contributions from other partners are very important, who are willing and able to be directly involved and to support the development of entrepreneurship and promotion of entrepreneurial spirit in Serbia, including the Development Agency of Serbia, Serbian Chamber of Commerce, Accredited Regional Devel-

IN THIS ISSUE:

Evaluation of
SME Development
Support Instruments

Closing the project "Climbing on
Berim Rocks - Dare to Imagine"

InTER News

opment Agencies, international donors, business community, business associations, academic community, non-governmental organisations and others.

At the same time, the structure of activities to be implemented within the Year of Entrepreneurship 2016 was developed with the goal to provide the most efficient answer to the most significant challenges related to entrepreneurship development, and they are concentrated in three precisely planned activity groups. For our own benefit, the priority goal is to improve business conditions for small and medium-sized enterprises and entrepreneurs, by introducing several incentives, changing the existing and adopting new regulations, improving sources of finance, but also not to forget the promotion of entrepreneurs and their importance and contribution to economic development. The first activity group consists of activities for improvement of business environment in order to finalize the work on creating reliable and predictable business environment and remove all unnecessary obstacles for business. With that goal, in the Year of Entrepreneurship, extensive changes and modernization of the legislative framework will be intensified, as well as development of business infrastructure, improvement of administrative procedures and involvement of businesses in policy and program development.

The second group consists of projects for direct support to the development of entrepreneurship, grouped into projects supporting start-up businesses and those supporting growth and de-

velopment through investment, exports and innovation. During 2016, more than 16 billion RSD was provided for the implementation of projects for financial and non-financial support to entrepreneurs on the national level. The third group consists of activities aimed at development and promotion of entrepreneurial spirit, as a separate, and the most important goal in the long-term for the Year of Entrepreneurship 2016.

Symbolically, on January 1, 2016 we entered the “Year of Entrepreneurship”, but also our first year of the EU programme for the Competitiveness of Small and Medium-sized Enterprises (SMEs) - COSME. Interestingly, COSME program fits perfectly in the initiative of the Government of Serbia to support the development of SMEs and entrepreneurship, as it will provide additional opportunities to improve access to finance. This activity will be implemented in cooperation with local banks and support of the European Investment Fund. At the same time, COSME enables participation in public calls for proposals for projects aimed at improving entrepreneurship, tourism, clusters, development of digital economy, creating better conditions for competitiveness, as well as support and promotion of entrepreneurial spirit.

In order to facilitate communication with all potential beneficiaries of the programs to be implemented within this initiative, along with a detailed overview of all so far planned and initiated projects and activities within the Year of Entrepreneurship, a separate website was launched: www.godinapreduzetnistva.rs. ■

EVALUATION OF SME DEVELOPMENT SUPPORT INSTRUMENTS

Author: Jasna Žarković

Since 2008, Serbia records a deterioration in competitiveness compared to the average of the Western Balkan countries and the EU, based on the Global Competitiveness Index (GCI) indicators. The competitiveness of the economy largely depends on the development of small and medium-sized enterprises, which have a dominant share in the economy. However, to increase their competitiveness, the existence of an effective institutional support is necessary. The list of public policy instruments for support to the development of SMEs and the importance of their evaluation are presented below.

Support instruments for SME development

Support to SMEs is widely accepted as crucial for better competitiveness. Therefore, small and medium-sized enterprises are the focus of policy makers at local, regional and national economic development. Policymakers have at their disposal a wide range of instruments to encourage the development of small and medium-sized enterprises, involving coordinated participation of all levels of government and actors of economic development.

Some of the public policy instruments include:

- Creating a regulatory framework for a more favourable business environment;
- Establishing, closing or reforming public agencies to provide timely services to enterprises;
- Creating credit guarantee schemes;
- Self-employment programmes for vulnerable groups (e.g. youth, women);
- Establishing science parks, business incubators and promoting links between educational institutions and small and medium-sized enterprises;
- Business incentives for business angels;
- Improving innovation and investment capacities of small and medium-sized enterprises;

- Encouraging small and medium-sized enterprises for exports;
- Subsidizing new technology-based companies;
- Subsidizing management trainings;
- Subsidizing companies to invest in locations or regions with unfavourable positions;
- Development of clusters and local innovation centres;
- Promotion of entrepreneurship in rural areas;
- Promotion of business networking;
- Promotion of business zones

When choosing instruments, policymakers should bear in mind the effects that will arise from their use. Every public policy instrument affects some business factors for small and medium-sized enterprises. The literature often names four factors essential for the operation of small and medium-sized enterprises: availability and cost of financial services; availability and costs of non-financial services; availability and cost of input resources (e.g. labour, raw materials, technology) and the possibility for market entry.

The development of financial instruments (e.g., micro-credit programs, loans to financial intermediaries) has an impact on reduction of investment costs for small and medium-sized enterprises. Also, the provision of business development services (e.g., mentoring, skill development trainings) is aimed at reducing the cost of using non-financial services. In addition, the use of instruments for improvement of business environment (e.g. simplification of business registration procedures, tax cuts) enables reduction of transaction costs of small and medium-sized enterprises and improved market conditions. It should also be borne in mind that SMEs can be direct or indirect beneficiaries of these instruments.

When it comes to practice, at the EU level, the competitiveness of SMEs is in the focus of the Europe 2020 Strategy for smart, inclusive and sustainable growth. Small and medium-sized enterprises account for about 99% of all enterprises in the EU, creating 85% of jobs and ensuring two-thirds of the total number of employees in the private sector. Given the above facts, the European Commission has developed various instruments for direct support to small and medium-sized enterprises and assistance to regional and national policy makers to support the development of small and medium-sized enterprises.

In order to create a favourable business environment, the Small Business Act is implemented. That document is a policy framework for small and medium-sized enterprises in the EU. Also, considerable attention was paid to the promotion of entrepreneurship through education and counselling of target groups (e.g. women, youth, the long-term unemployed, minorities). The European Commission is working on improving access to new markets and internationalization, facilitation of access to finance, support to competitiveness and innovation of small and medium-sized enterprises and facilitation of networking and information.

European Union's support to the development of small and medium-sized enterprises is primarily implemented through two programmes:

- *Horizon 2020* is an EU Research and Innovation programme for the period 2014 - 2020. OF the total Horizon 2020 budget, around 20% is allocated for support to small and medium-sized enterprises. Within Horizon 2020, direct support to SMEs is provided through the SME instrument. This instrument is primarily available to highly innovative companies.
- *COSME* is the EU programme for the Competitiveness of Small and Medium-sized Enterprises which supports better access to finance, support to internationalisation and export, development of a favourable business environment for competitiveness and entrepreneurship. COSME mostly provides indirect support to small and medium-sized enterprises.

In the Republic of Serbia, small and medium-sized enterprises¹ account for 99.8% of the total number of business entities, and they generated 65% of employment and 65% of gross domestic value in 2014. SME development policy is based on the implementation

of the Strategy for Support to the Development of Small and Medium-sized Enterprises, Entrepreneurship and Competitiveness 2015-2020. Strategic goals for SME development are focused in the improvement of business environment, better access to finance, human resource development, strengthening of sustainability and competitiveness of the SME sector, easier access to new markets, development and promotion of entrepreneurship.

Some of the instruments to strengthen the sustainability and competitiveness of small and medium-sized enterprises are related to the development of business services, development of trainings for entrepreneurs, developing of business infrastructure (business incubators, science & technology parks) and the development of innovative voucher schemes. At the local level, the strategic plan for local economic development defines support instruments for the development of small and medium-sized enterprises.

At the national level, there are currently several programs for the development of small and medium-sized enterprises in Serbia. For many years, the Government of the Republic of Serbia has been implementing the Programme for Support to Business Incubator Development, the Program for Support to the Development of Innovative Clusters and Mentoring Program. The year 2016 has been declared the Year of Entrepreneurship, and a set of programs has been created for financial support, non-financial support for start-ups, improvement of business operations, exports, innovation and investment. SMEs can also access EU programs (Horizon 2020, COSME) and the programs of international development agencies (e.g. the EBRD's "Support to Development of SMEs in Serbia").

Evaluation of SME development support instruments

All these instruments and programs for support to SME development require monitoring and evaluation of their implementation. In the Republic of Serbia, the evaluation is conducted as a practice in case of programmes and instruments implemented and/or financed by the EU and other donors. However, on the national and local level, there is no evaluation culture in place, i.e. no continuous monitoring and evaluation of results achieved in the implementation of SME development instruments. Still, it should be mentioned that institutions responsible for implementation of these instruments do have a practice of controlling the approved funds.

¹ This includes micro, small, medium-sized enterprises and entrepreneurs

There is no defined methodology for evaluation of public policy and SME development support instruments on the national level. There are defined methodology rules in case of legislation impact analysis. However, it is mostly the ex-ante analysis of impact that is implemented, whereas ex-post analysis is conducted to a lesser extent.

In developed countries, there is no practice of evaluating public policy instruments for support to SME development, in order to determine their relevance, efficiency, effectiveness, impact and sustainability and make adjustments based on results and changes that occurred. Evaluation is the basic tool for result-based decision making. According to OECD/DAC definition, evaluation is the “process, usually as systematic and objective as possible, of determining the worth or significance of an activity, policy or program, a planned, on-going, or completed development intervention”. There are different types of evaluations depending on the period it covers (ex-ante, ex-post and mid-term), the subject of evaluation (formative, summative or prospective), and the evaluator (internal, external or participatory evaluation).

Evaluation results provide feedback about the success of public policy instruments implementation. Policy makers for support to SME development, based on evaluation results, get information about what was efficient, and what did not provide the wanted results; what lessons are learned and what are recommendations for improvement. At the same time, evaluation also contributes to better responsibility and transparency of public expenditures.

Development of a good result-based monitoring and evaluation system is a long process which requires a political will and implementation of systematic reforms. A public policy reform is currently ongoing in Serbia, which is defined by the Strategy of Regulatory Reform and Improvement of the System of Public

Policies 2015-2020. The Strategy includes the definition of methodology for public policy management, impact analysis of public policy and regulations, and contents of individual documents of public policy. Adopting the regulations and methodology for impact analysis of public policy should contribute to the establishment of the result-based practice of development of public policy instruments for support to SME development. This approach is necessary in order to provide an adequate answer to long-term challenges of support to sustainability and growth of small and medium-sized enterprises.

For the purpose of a result-based policy development, Institute for Territorial Economic Development (InTER) conducted the “Analysis of the Support Programme to Innovative Cluster Development in Serbia 2007-2015”, which was implemented within the support from OSF Think Tank Young Professional Development Programme. Support Programme to Innovative Cluster Development has been continuously implemented from 2007, mostly through a financial instrument, i.e. provision of grants to clusters. The results of the analysis, related to the identification of achieved impact, limitations and lessons learned in the Programme implementation will be presented in May 2016. ■



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A lecture organized in Becici, Montenegro on the Evaluation of Public Policy

As a part of the School of Public Policy, organised by Institute Alternative from Podgorica, Dragisa Mijacic Director of the Institute for Territorial Economic Development delivered a lecture on the Evaluation of Public Policy. The lecture was delivered on 8 November 2015 at Hotel Queen of Montenegro, Becici, Montenegro.

With this lecture, InTER contributes to celebration of International Year of Evaluation 2015.

School of Public Policy gathers representatives of public administration, local self-government, civil society organisations and media from Montenegro. More information about the School is available on the website of the Institute Alternativa. ■



InTER's new project: "Impact of investments in the North Kosovo after the Brussels Agreement – do we live better?"

InTER in cooperation with Radio Television Mir, has signed the Agreement for implementation of the project "Impact of investments in the North Kosovo after the Brussels Agreement – do we live better?". The project is funded by Kosovo Foundation for Open Society (KFOS), with the duration of six months. Project implementation starts on January 15 and it will last until June 15, 2016.



Project objective is to raise awareness of the population in four municipalities of North Kosovo about the benefits of the Brussels Agreement, through the impact analysis of projects implemented from EU funds, Fund for North Kosovo and the budget of Kosovo Government. ■

A training organised on "Policy Evaluation in Local/Regional Development and Territorial Competitiveness Programmes"

InTER and the Austrian Institute for SME Research (KMFA), in partnership with the National Agency for Regional Development (NARR) and the Public Policy Secretariat of the Republic of Serbia have organized a training on "Policy Evaluation in Local/Regional Development and Territorial Competitiveness Programmes". The training was organized in Belgrade, on November 12-13 in Hotel Slavija.



The action is funded by the Austrian Development Agency (ADA) through the BACID grant scheme, managed by the Austrian Association of Cities and Towns (AACT) and KDZ Center for Public Administration Research. ■

InTER implemented the second training on local economic development and investment promotion in Montenegro

InTER provided the second out of two trainings on local economic development and investment promotion to local self-governments, ministries, CFCU, business centres and business parks from Montenegro.

The second training was delivered by InTER experts Dragiša Mijačić and Vesela Ćurković, and focused on business infrastructure and public private partnerships.



The training was provided within the EU funded project "Capacity building and support to local self-

government for implementation of municipal development grants", implemented by HCL consulting. The training was held on 9-10 November 2015 at Hotel Bianca, Kolasin, Montenegro. ■

Roma Entrepreneurship - Challenges and Perspectives

InTER is implementing the project "Roma Entrepreneurship: Challenges and Perspectives", together with YUROM Centre, from March to November 2016. The project is funded by Open Society Institute Think Tank Fund (OSI Think Tank Fund). Project objective is to raise awareness on specificity of Roma entrepreneurship in Serbia, their obstacles in everyday business, and definition of proposed solutions for these problems on the policy level. The project will be implemented in three parts: (1) carrying out fieldwork research and writing the policy paper; (2) making a documentary movie on Roma entrepreneurship and a clip that will visualize findings of the research, and (3) policy advocacy. In the year of entrepreneurship, implementation of this project should contribute to raising awareness on specificity of Roma entrepreneurship and finding ways to encourage Roma minority to take a more active role in the Serbian economic development. ■



New InTER project: Policy Dialogue for Environmental Protection and Development Action

InTER has started the implementation of the new project "Policy Dialogue for Environmental Protection and Development Action", funded by the EU Office in Kosovo within the grant scheme for support to non-governmental organisations in North Kosovo.



The Project will try to initiate a broader social dialogue about policy landscape in environmental protection and its implications to sustainable socio-economic development in North Kosovo municipalities. With this goal, policy research will be conducted and public debates organised which will contribute to a better understanding of the existing legislation and in the field of environmental protection and economic development in Kosovo. Final project activities will include a conference about the situation in environmental protection in North Kosovo municipalities.

Project duration is 15 months, starting from January 8, 2016, and it will be implemented in all North Kosovo municipalities (Leposavic, Mitrovica North, Zvečan and Zubin Potok). ■

Press Conference organised within the Policy Dialogue for Environmental Protection and Development Action Project

On Wednesday, 16 March 2016, Institute for Territorial Economic Development (InTER) is organising a Press Conference and a Panel a Panel: Environmental Protection – an Opportunity or a Threat for Economic Development?" The event was organized within the Policy Dialogue for Environmental Protection and Development Action Project financed by the EU office in Kosovo, and implemented between January 2016 and March 2017. ■



Round table "Dissemination of Electronic Building Permits System/EBPS in SEE"

A round table was organised on February 2, 2016 in Pristina within the research implemented by InTER as a part of the project "Dissemination of Electronic Building Permits System/EBPS in South East Europe", where all the key findings of the research were presented. Objective of the research is to determine the conditions for establishment of an electronic building permits system/EBPS in Kosovo and it is conducted on central and local level.



The project is implemented in cooperation with NALED, GIZ and Swiss Development and Cooperation Agency. ■

Press release: closing the project "Climbing on Berim Rocks - Dare to Imagine"

Implementation of the Project "Climbing on Berim Rocks – Dare to Imagine" was finished on the last day of January. The Project aimed at contributing to socio-economic development and conditions for job creation which would reduce poverty in rural areas of the municipality of Zubin Potok. Specifically, the Project was focused on developing and promoting new products for active tourism in the municipality of Zubin Potok which would promote this municipality as an attractive tourist destination.

The following results have been achieved within the Project:

- We built a Via Ferrata on Berim rocks, a new tourist product which we hope will attract a large number of tourists in the following years;
- We constructed 10 free climbing routes;
- We purchased 15 sets of climbing equipment necessary for Via Ferrata;
- We constructed a logistic camp at the foot of Berim;
- We organised a training for future Via Ferrata guides;
- We organised a mountain race: Gazivode - Mokra Gora;
- We produced a movie "Via Ferrata Berim – Dare to Imagine";
- We redesigned and printed a Zubin Potok Tourist Map;
- We organised a photo exhibition and a presentation of project results in Zubin Potok, Leposavic, Pristina, Gracanica, Zvecana and Mitrovica North.
- As a part of project promotion, we also placed 6 billboards, printed and distributed promotional materials about Via Ferrata and redesigned the website www.ibarski-kolasin.org. We also published 10 press releases and raised significant interest of the media in our activities and Zubin Potok tourism development in general.



The Project "Climbing on Berim Rocks – Dare to Imagine" was implemented by the Institute for Territorial Economic Development (InTER), in cooperation with the Municipality of Zubin Potok and Outdoor In. Total project value was 66,950 EUR, of which 59,950 EUR was financed by the Embassy of Finland, and 7,000 EUR by InTER. Municipality of Zubin Potok supported the project implementation through the reconstruction of the road to Via Ferrata and support to the organisation of the mountain race: Gazivode - Mokra Gora. The Project was also supported by the Swiss Project PPSE/Swisscontact which hired experts from the Belgrade Alpinist Department to develop technical documentation for construction of Via Ferrata and inspect the works on this tourist product. The Project duration was 11 months, from March 1, 2015 to January 31, 2016. Photos showing different stages in the project implementation can be found on Outdoor In Facebook page.

InTER wants to thank all donors, project partners, volunteers, media, non-governmental organisations, sport clubs, companies and individuals who contributed to the successful project implementation. We hope to continue successful cooperation in a new initiative that will contribute to socio-economic territorial development of municipalities in the north of Kosovo, and Western Balkans in general. ■



LEADING IN TERRITORIAL DEVELOPMENT



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