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ECONOMIC SECURITY PROJECT

SEMI-ANNUAL REPORT #12

OCTOBER 1, 2011 – MARCH 31, 2012

April 12, 2012

This report was produced for review by the United States Agency for International Development. It was prepared by Development Alternatives, Inc.

Economic Security Project

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DISCLAIMER

The author's views expressed in this report do not necessarily reflect the views of the United States Agency for International Development or the United States Government.

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Under Contract: DFD-I-00-05-00250-00
Task Order #1

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Executive Summary

Development Alternatives, Incorporated (DAI) is pleased to submit this twelfth Semi-Annual Report for the Economic Security Program (ES) covering the period from October 1, 2011 to March 31, 2012.

INTRODUCTION

This Semi-Annual Report provides quantitative and qualitative information and data to demonstrate the Economic Security Program continues to meet and exceed expectations. This report, however, takes the additional step of measuring progress not only against the project's own performance targets but also against a control group of unassisted companies. It also provides research and analysis on whether activities started by the project have taken root among its counterparts and within the targeted communities and are sustainable. Additional analysis specially prepared for the report examines the sustainability prospects of Junior Achievement of Serbia once all USAID funding ends later this year.

The answer to the three primary research questions the Economic Security team hoped to answer in this report is yes: program supported companies substantially exceed the performance of comparable companies; the vast majority of municipalities are sustaining the networks and actions resulting from the passage of Youth Entrepreneurship Action Plans and are doing so successfully largely due to the professional development of local Youth Offices; and, Junior Achievement Serbia, as it continues to diversify and expand its fundraising and make operational improvements, is a self-sustainable organization. This Executive Summary highlights the findings of each program area while the full document that follows offers in-depth reporting on this period's activities.

Business Support Activities:

Sales among program supported companies grew between 2008 and 2011 while sales among similar companies in the region that have received no donor support declined. The 87 currently active companies analyzed in this report experienced more than a 41 percentage point differential in growth over the control group of companies during this period. The comparative research was conducted among companies that mirror the program's business partners in terms of sector, size and geography. The ES-supported companies as a group grew by 21 percent in 2011. The impact of the program's activities in opening much-needed new jobs is equally important: the study found that a total of 263 new jobs were created among the program's companies studied, nearly a 10 percent growth since 2009, compared to more than a 4 percent loss of jobs among the control group.

Overall, after a difficult year in 2010, the program's companies increased revenues by \$21 million in 2011. These results confirm that project supported companies are becoming increasingly sophisticated in their businesses approaches, trade fairs have resulted in both new sales and permanent market entry, domestic expansion is being experienced by even the smallest supported firms and companies are investing in capital, new technology and improved quality controls. In each six months, the program has seen new milestones passed; this reporting period is no different. Some of the most significant milestones are detailed below.

KOSTANA SHOE CLUSTER FORMED AND ATTENDS ITS FIRST FAIR.

- In March, the new shoe cluster, composed of 12 South Serbian shoe manufacturers, traveled to Dusseldorf, Germany, to participate in its first trade fair and may very well break the program's trade fair results for a single exhibition. German partners met at the fair agreed to visit the factories of the shoe cluster members this spring to determine their capacity and discuss contract terms for up to \$1.6 million annually in new sales. If successful, the contracts would be a combination of outsourced work and sales of own-

brands of the Serbian companies. The first German delegation will travel to Serbia in late April or early May.

JEANS FROM SERBIA BECOME PART OF MOSCOW'S APPAREL MARKET

- Sandzak's apparel manufacturers first tested the waters of the Russian market in 2009. That trip laid the groundwork for future success. In the interim, the manufacturers formed ASST-EX, a Novi Pazar based textile association; formed a joint export cluster within the association that co-brands itself during international fairs as "Jeans from Serbia"; obtained international quality certification; and, opened a permanent showroom in Moscow staffed by a professional sales manager. In 2012 these investments paid off, with cluster members booking \$225,000 in new sales during the most recent Moscow fashion fair and continuing negotiations for an additional \$675,000 in orders through the end of the year.

NEW COMPANIES. NEW TRAINING.

- Thirty four new medium sized companies were added to the program during the reporting period. The new companies were given a redesigned management training that not only provided knowledge of basic management skills but an understanding of how to navigate through different growth periods. As in the past, the ES team, understanding that training is not an end onto itself, reinforces training with commitments from companies to prepare organizational plans related to their new learning (such as marketing and management plans) that become the basis for follow-on technical assistance support.
- For existing companies, a new training was added to the project's offerings to address the growing need for ES project companies to prepare leadership transition plans. A large proportion of the program's companies are founder owned and operated and like 90 percent of the companies in the country, none of the program's partners have written management transition plans. The lack of planning in this important area on the part of the companies is a potential threat to the companies' hard-won gains.

Quality Standards and Technology Upgrades

- A total of 20 companies (10 from each region) were trained and coached in the ISO certification process during the previous reporting period. Fifteen of the 19 companies plus the Sandzak Economic Development Agency (SEDA) participating in the ISO standards training passed their certification inspections during this period.
- In March, a group of food processors approached the project requesting support similar to that of the ISO standard certification in an effort to earn Halal certification for some of their products. The program expects the companies to qualify for Halal certification in time for the Novi Sad Agriculture Fair in early May.
- A dozen (six from each region) of the project's most advanced companies are upgrading to customized process management software to integrate all business functions for the purpose of improved business planning, financial and inventory control and customer relations and human resource management. Nine of the 12 companies now use the software to manage all key business processes. Apparel companies, especially those with their own retail outlets, are benefitting from real-time inventory reports and some smaller firms find the customer relations management module is improving their marketing follow-up.

Youth Support Activities

The program's goal to integrate youth into the economy has no single or simple solution. Over the past five years, the project used a multi-tiered approach and leveraged the resources of many partners to set in motion the human capacity, local support structures and community networks needed to bring youth into Serbia's economy. Perhaps the most critical step is to have

young people integrate themselves into the economy and do so without invitation but through personal action.

The Youth Support team continues to follow the successful methodology developed earlier in the program – targeting municipal level youth offices for capacity building assistance in the areas of outreach and promotion of entrepreneurship; using youth offices as a platform for reaching directly groups of young entrepreneurs and helping them with basic business planning and start-up funding issues; and, working with local communities to craft comprehensive plans to address youth unemployment through the promotion of entrepreneurship.

This year, more of the team’s efforts are focused on the regions already targeted by the Business Support Team – South Serbia and Sandzak. This geographical targeting has opened up additional opportunities for cross-team collaborations. For example, the program has extended its basic business support training to 29 new young business owners. The program has sought to include young businesses that could be potential partners (subcontractors) to existing larger businesses in its three targeted sectors – fashion, light manufacturing and food processing.

This geographical overlap between the two teams also makes it easier to enlist established businesses as partners in the creation and implementation of the Youth Entrepreneurship Action Plan (YEAPs). A high level of local business involvement is key to the plans’ effectiveness and sustainability. A recent survey of the 23 municipalities to have developed and adopted a YEAP showed that 82 percent of them have continued to implement the plan. In the first two years of the activity, more than 12,000 young people have participated in 97 YEAP programs, more than doubling the impact of the program’s initial investment. In this reporting period, 10 new municipalities entered the YEAP activity and nine former communities have been invited to continue their YEAP activities with program support.

The Youth Support highlights during this reporting period include:

- Provided professional development in communications, marketing and promotions and entrepreneurial training for 21 Youth Office Coordinators – with the addition of 19 new Youth Offices to the program’s support activities, the team has provided capacity building support to 118 of the country’s Youth Offices;
- Delivered Management and Sales training to owners and managers of 29 and 33 (respectively) youth-owned, businesses;
- Initiated the Youth Entrepreneurship Action Planning process 10 new communities – experience in the two prior years was used to shorten the time it takes communities to reach key milestones from 19 weeks to just 12 weeks;
- Opened a new career center in partnership with the State University in Novi Pazar to serve its students in career guidance, internship opportunities and job placement;
- Continued technical assistance in fundraising and management for Junior Achievement of Serbia. Though challenges still remain, the organization is on track to realize its best year to date in non-USAID sourced, non-restricted fundraising.

Conclusion

The Economic Security Project continues to work against the backdrop of economic uncertainty in Serbia. In Semi-Annual Report #11, we pointed out that the decision to target small enterprises and youth entrepreneurship as key to reducing youth unemployment was strategic and founded in the principle that small enterprises are not just *an* important piece of Serbia’s economic recovery; they are the most reliable job creation engine and *the most important* piece in recovery. This view is bolstered by current research: “Research funded by the Kauffman Foundation shows that between 1980 and 2005 all net new private-sector jobs in America were cre-

ated by companies less than five years old,” reflecting the impact of aggressive growth among all small businesses.¹

As important as entrepreneurialism is to the economy, it is not something governments can create. According to Oxford University 2004 Hayek Fellow, Peter J. Boettke, “Emphasis should be placed on creating a general institutional framework ... resources should be allocated to developing the necessary institutional context to allow productive activities to come to the forefront.”² The Economic Security Project has applied such thinking in both its business and youth support activities. And, this report has the most definitive results to date to demonstrate that not only was its focus on entrepreneurship on the mark, but its methodology has produced tangible results.

Sales have grown for project supported businesses during a time of extreme economic distress and these businesses have added new workers, while similar non-supported businesses have shrunk and shed jobs. Sixty-four of the program’s firms since 2008 have entered new markets, 19 new export markets have been opened and, working as a cluster, two important industries (shoe and apparel manufacturers) are remaking themselves and successfully competing in some of Europe’s largest export markets.

The same focus on infrastructure and institutional context was applied to youth support. Through its focus on “opportunity entrepreneurship,” the Economic Security Program has been able to help both established companies and new entrepreneurs successfully identify unexploited or underexploited business opportunities. Supporting youth has provided evidence that innovative thinking can produce high-value, innovative businesses that slow out-migration, support families and ultimately create new jobs.

In the end, entrepreneurship works as an economic development strategy as companies use the tools and skills provided to them to innovate, expand and find new markets domestically and internationally. And, when youth use the support provided to them to take responsibility for their own future and use the tools and skills provided to move the economy forward, be it through their first job or their first entrepreneurial venture, the entire country prospers. This report shows that Economic Security project supported companies and youth have done exactly that and have the ability to continue to do so beyond the life of the program.

¹ Economist, September 10 and Kauffman Foundation website

² Presentation: What Role for Entrepreneurship in Economic Development, Oxford University 2004

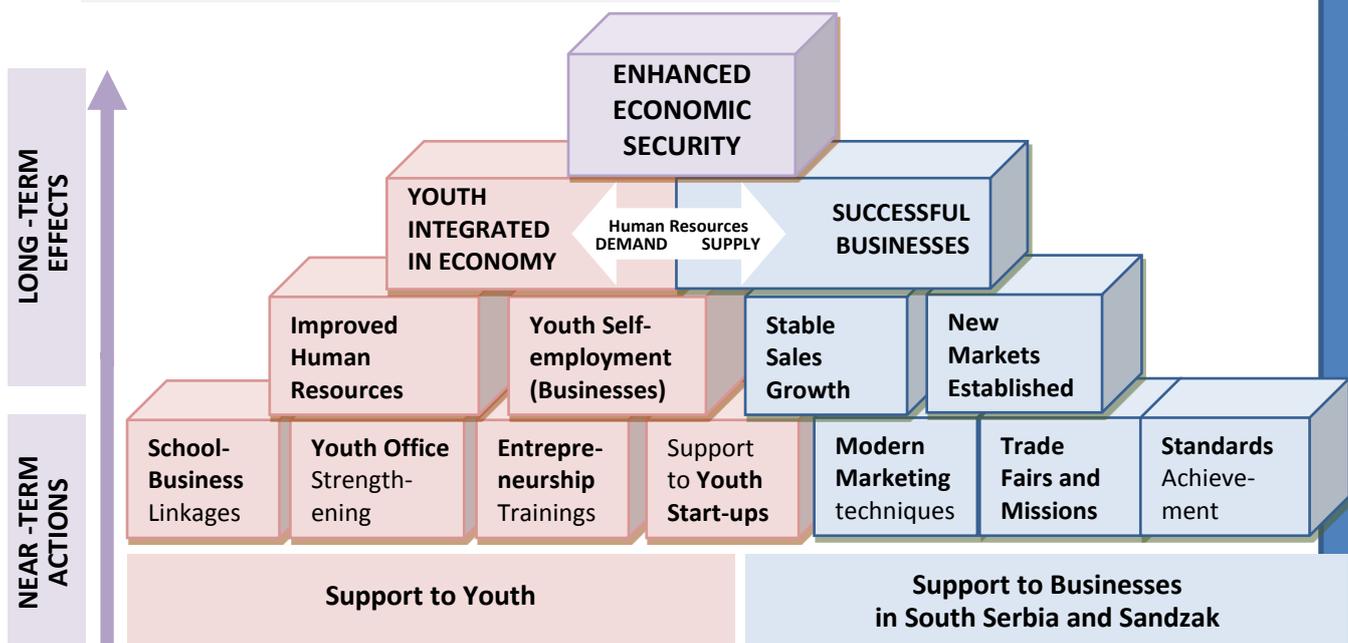
INTRODUCTION TO ECONOMIC SECURITY ACTIVITIES

The Economic Security Program has consistently promoted the idea that economic security will be achieved when all of Serbia's citizens are integrated into the economy and have the opportunity to participate to their full potential. Access to jobs -- quality jobs that offer professional and financial growth -- is the primary building block for a fully accessible economy. The program targeted the need to supply enough jobs through business development and the demand for a labor force educated and experienced to meet modern business requirements. The ES team addressed the need for a prepared workforce by tackling the gap between the education of youth and the emerging skills demanded by business.

Thus, the program identified both the Demand and Supply side, partnering with businesses, youth and all allied stakeholders to create new and better jobs for a young workforce ready to accept new challenges and contribute to a company's, and their own, success.

Figure 1 demonstrates how the project's activities align to support economic security through improving conditions in underdeveloped regions and by integrating the needs of business and building the capacity of youth to become the next generation of business leaders and owners.

Figure 1: IMPROVING OVERALL ECONOMIC SECURITY STRATEGY



With five full years of implementation under its belt, the Economic Security project is working less on the fundamental Demand and Supply equation and much more on successfully integrating public and private relationships in its two targeted regions of South Serbia and Sandzak that link business development and youth employment as seamless and permanent public policy actions.

Currently, the program is working with a total of 149 companies. This includes 120 top and middle tier companies, including 34 new companies added during this reporting period. The active number of base tier of businesses owned by young entrepreneurs has grown to a total of 29 firms this period. New companies, like those that have been with the program for much longer, are provided intensive support activities and training. This period, the ES team added two new training programs and launched a new round of visual identity and marketing materials support.

Table 1: ES PROJECT SUPPORTED COMPANIES												
	2007-2011(Sep)			2011 (Oct) – 2012 (Mar)								
	Previously Supported Companies			Actively Supported Companies from 2007-2011 group			New Companies			Total number of "Active" Companies		
	SOUTH SERBIA	SANDZAK	TOTAL	SOUTH SERBIA	SANDZAK	TOTAL	SOUTH SERBIA	SANDZAK	TOTAL	SOUTH SERBIA	SAN-DZAK	TOTAL
TOP/MIDDLE TIER	55	86	141	41	45	86	16	18 ³	34	57	63	120
BASE TIER (Youth)	6	2	8	4	0	4	13	12	25	17	12	29
Total	61	88	149	45	45	90	29	30	59	74	75	149

The activities reflect the ES team's work to tailor training and technical assistance to the immediate and emerging needs of its partners. New companies received training in the management skills needed to move their companies through the cycles of growth; the program's many family-owned firms were introduced to planning for leadership transition as the firms expand from owner-driven small companies to multi-manager corporations. The 14 companies targeted to date for new marketing materials are preparing for important new market expansion activities and the new identities will reflect those changes.

Of course, the project's long-term partners continue to evolve through their own growth cycles. The new Kostana shoe cluster attended its first trade fair and achieved sales results that may exceed any experience thus far from business support partners. Buyers met during Germany's Dusseldorf GDS Shoe Fair begin arriving in April or May to tour the factories of cluster members and discuss specific contracts. The total could reach nearly \$1.6 million if 100 percent of the contract negotiations opened during the fair are successfully concluded. ASSTEX members continue to invest in their individual company growth and collective expansion into new markets. ASSTEX's return visit to Moscow demonstrated the intensive work ES and these textile partners have invested in rethinking its market entry strategy. Supported by a showroom opened in September 2011, this cluster, too, achieved milestone results: selling \$250,000 of goods at Moscow's premier fashion fair with an anticipated total of \$800,000 in new sales for all of 2012 from the Moscow market.

As these business support activities were initiated, youth support activities in South Serbia and Sandzak further targeted the program's underlying efforts to help support the economic revitalization of these two economically distressed regions. In addition to bringing 19 new Youth Offices into the program to develop their professional capacity to support youth entrepreneurship and employment activities, it targeted 10 of the regions' municipalities for new Youth Entrepreneurship Action Plan (YEAP) activities and invited eight more municipalities from the regions to participate in another round of YEAP implementation activities. Collectively, these activities

³ Five Middle Tier companies from Novi Pazar, have owners younger than 30.

require a broad base of commitment from a network of community stakeholders, public and private, local and national, to both target immediate actions to spur youth entrepreneurship and employment opportunities and establish the framework for the sustainability of these activities.

Central to the team's work is expanding support to viable youth-owned businesses in the regions in the same way the team has done for its larger companies: a total of 34 businesses were selected (29 from the Base tier and 5 from the middle tier – 17 from each region. A full cycle of management, marketing and sales trainings are planned. In this period, the management and sales training seminars were completed.

As this increased integration of its business and youth support activities progresses, the project addresses business growth and market expansion in a way that creates permanent partnerships between its companies and buyers. The program also implements the change process whereby communities assume ongoing responsibility for economic development and youth employment. Additionally, it spurs new partnerships such as the one between the State University of Novi Pazar and ASSTEX where a new audio-visual laboratory, opened in 2011, offers modern marketing studies for students and the opportunity to produce multimedia materials for ASSTEX association members. Or, the newest opportunity finalized at the end of March that links the Presevo High School, the municipality, and businesses in South Serbia to focus the school's education on preparing students for jobs needed by the region's businesses.

The most unique opportunity resulting from the strategic integration of services, though, is the ability of the Economic Security Project to link youth-owned businesses and SMEs to become suppliers and subcontractors for one another. In this more value-chain focused approach, companies expanding rapidly can reduce cost and risk by subcontracting work. Entrepreneurs are contracted to perform additional work which, in turn, supports their growth and their need for more materials and supplies. The result ultimately is greater employment; simultaneously, local economic development becomes more flexible, diverse and deep rooted as jobs grow from many entrepreneurs that pay salaries, invest profits in the growth of their companies and the broad range of small companies does not lock an area's economy to the fate of one or two large employers.

Macroeconomic Context

The signs of a modest economic recovery projected in the first quarter of 2011 proved to be too optimistic. Economic indicators show the effects of the economic crisis lingered throughout 2011 and projections for a 3.2 percent growth in GDP was just 2.8 percent for the year. However, in the last two quarters, the year-on-year growth averaged just 0.65 percent, due to the spillover effects of the worsening Eurozone crisis, according to the Serbian Statistics Office⁴. Anticipation of continued economic struggles in Greece and Italy, with whom Serbia has a high level of economic interdependence, has forecasters projecting growth for 2012 at just 0.6 percent⁵.

The lack of any growth in the last half of the year caused unemployment to remain high and household incomes to stagnate. In fact, unemployment grew by more than a percent overall to 23.7 percent⁶. For youth, the numbers are far worse, reaching nearly 50 percent among 15- to 24-year-olds. The \$450 household monthly average income remains unchanged from 2010⁷. These two factors made it impossible for the 6.7 percent expansion of domestic spending which occurred from November 2010 to February 2011 to be sustained throughout 2011⁸.

The public debt load of 45 percent of GDP, already at the current legal limit, constrains the country's ability to invest in economic growth or increase fiscal stimulus. In February, the International Monetary Fund suspended Serbia's access to the "precautionary loan" funds it agreed to in September 2011 because both the projected 2012 budget deficit and total public debt exceed IMF limits agreed to last year. A year ago, fiscal constraints put in place by the IMF as part of the loan agreement helped position the country to lower its budget deficit from 5 percent of GDP to just under 4 percent. However, the pressures of government salaries and public social services and pensions resulted in the final budget deficit for 2011 remaining nearly 5 percent. Fresh talks between Serbia and the IMF are not expected until the new government is in place following general elections slated for late spring.

Furthermore, it is estimated that the government will have to borrow an additional \$6 billion to close its current budget gap. Fortunately, the country's bond rating upgrades by Fitch (BB-) and Standards and Poor (BB) last year have remained unchanged and its international market rates currently are at 7.3 percent which, while high, are not as high as they could be and the country's freely floating exchange rate continues to provide Serbia with monetary policy flexibility that some of its Euro zone economically stressed neighbors do not have.

The greatest negative reversal of fortune for the country was its three-year trend of trade deficit reductions. Following the announcement of the country's 10-year strategy to spur exports, Serbia's trade imbalance grew by 15 percent between 2010 and 2011⁹. According to SIEPA, most industry sectors experienced a new loss in exports. Interestingly, the once-moribund textile industry, a target partner of the ES Program, produced a 22 percent growth in exports from 2010 to 2011 and now represents 6 percent of the country's exports.

The positive news on the export front is that Serbia continues to have a trade surplus with CEFTA countries; 2011's surplus grew by 10 percent or nearly \$1.5 billion (\$3.21 billion exports against \$1.71 billion in imports). The majority of exports to CEFTA countries were from the agricultural sector.

The economic condition is taking its toll on the private sector. The total number of companies registered in 2011 is the same as in 2008, but the number of new companies opening is decreas-

⁴ Bloomberg News, March 7, 2012.

⁵ BMI, 3rd Quarter Report, October 2012

⁶ Republic Bureau for Statistics, February 2012

⁷ Bloomberg News, February 22, 2012

⁸ Business Monitor -- Growth to Continue In 2011; December 22, 2010

⁹ SIEPA Website updated January 2012

ing and those closing their doors are increasing – the net loss impacts jobs, wages and tax revenues in an economy that desperately needs all three. Start-ups in 2011 were 30 percent fewer than in 2008; perhaps of even greater concern is that the number of closures is five times greater in 2011 than in 2008 (13,339 compared to 3,067, respectively). According to Serbian economist Miroslav Zdravkovic, the numbers will continue to increase with new regulations that bankruptcy becomes automatic if a company is not liquid for more than one year. For a point of comparison, the annual average for company failures between 2001 and 2009 was just over 3,100.¹⁰

Business closure rates are against the backdrop of the recent release of the Index on Economic Freedom which refers to Serbia as “stagnating” as a place to create personal and business financial wealth. In the 2012 Index, Serbia is ranked 98 of 184 countries measured and it places 37th among 43 European countries. Of the five other former Yugoslavian countries, only Bosnia and Herzegovina (104 of 184) were ranked below Serbia on the scale¹¹. The index, prepared by the Heritage Foundation and the Wall Street Journal since 2002, measures 10 freedoms ranging from personal property to entrepreneurship.

The inflation rate is a source of more positive news, having slowed to 7 percent in December 2011, 3 percent better than December 2010, according to the National Bank. NBS projects that lack of demand for consumer goods will push inflation even lower to the 6 percent range for most of 2012. Prime lending rates have held at 9.5 percent for the first quarter of 2012. International and national economists alike recommend that the rate should not be reduced further; to do so, they warn, would force further depreciation of the dinar which hit an all-time low February 27.¹²

Despite these challenges, major monitors of Serbia’s longer-term prospects, including Bloomberg, Economist and Emerging Europe Monitor, continue to tout the country as a good future opportunity. Economists continue to point to the country’s strategic location, pool of skilled, inexpensive labor and generous incentives for foreign investment as its business investment attractions. In January, the European Investment Bank approved a \$131 million financing agreement with the National Bank of Serbia to help finance economic development among the country’s export companies employing between 250 and 3,000 workers. And, in these pre-election months, barely a week goes by without an announcement on the news of a new company entering the market.

The bottom line is that the Economic Security team’s efforts continue to be implemented against a backdrop of an exceptionally challenging macroeconomic environment. The upcoming elections will most likely result in a protracted period of political uncertainty as a new government is formed. In the interim, there is no government partner to lead economic policy or support donor and private sector efforts. A shrinking population coupled with high and rising unemployment will continue to create demand destruction and limit internal consumption-led growth. Given this context, the Economic Security Project’s focus on businesses and clusters pursuing export-oriented growth is an appropriate and necessary response. Furthermore, Serbian companies are well-positioned to leverage the global market’s demand for moderately priced goods, reduced transportation costs and flexibility in meeting orders and manufacturing quantity.

¹⁰ Serbian Business Registry (APR)

¹¹ Kosovo was not ranked; Macedonia (43), Slovenia (69), Montenegro (72) and Croatia (83)

¹² *Gordana Filipovic*, Bloomberg, March 7, 2012

Business Support



Nihat Ugljanin, owner of Brug, Novi Pazar

BUSINESS IMPACT

Sales Data Analysis

From the beginning of its business support initiatives, the Economic Security Program has worked to quantify the impact of its support model on its partner companies. For example, the project uses Return on Investment calculations to monitor trade fair results, which compare sales companies made to buyers contacted during a trade fair (within six months of the fair) to the value of the project's financial support. Since 2008, the Economic Security team has prepared an annual analysis of companies' sales data to measure revenue growth. Year-by-year, the database grew allowing the program to deliver more in-depth insight into the correlation between its services and support and companies' annual revenues, new market entry and return on the investments in trade fair activities.

In this report, a group of "control companies" were studied against which the Economic Security Project can measure the performance of its business partners compared to similar companies in similar municipalities. The expanded research provides the best-to-date picture of the state of small businesses in Serbia's underdeveloped municipalities in general and how the ES project-supported companies stack up in sales, jobs creation, export sales and use of formal capital markets.

The comparative results support the intuitive impressions formed when touring an apparel plant and listening to its owner describe the plant's reorganization to meet ISO quality standards or reviewing the new product catalog of a South Serbian shoe manufacturer: ES-supported firms seem to be more modern than other similar businesses in the area and managers and owners have a clear picture of where they need to go to become the businesses of their vision.

As the control companies swung between positive and negative growth in concert with overall economic conditions, the majority of active ES companies included in this study demonstrated positive growth even during the economic crisis. Moreover, ES companies rebounded more vigorously in 2011; the year-on-year sales growth was 21 percent from 2010 to 2011, nearly double the 10 percent target the program defined as a successful year for its companies. In total, ES companies increased sales a total of \$24 million in 2011. The following analysis outlines the methodology used this year, the full findings and suggested next steps for further refining and improving the project's sales impact analysis.

Sales data analysis highlights

263 sustainable jobs created by ES-supported business among current sample

1. **28 percent growth in sales** among ES-supported companies (2008-2011) compared to a 13 percent decline among control group companies.
2. **41 percent sales differential** between current ES-supported companies and the control group of companies (2008 to 2011).
3. **43 percent** of ES-supported companies have made **use of formal credit markets** compared to 35 percent of the control companies.
4. **57 percent of ES-supported companies grew** in 2011 compared to just 36 percent of the control companies.

1. Methodology

Sample – ES Companies and Control Group Companies

The ES team has worked in South Serbia and Sandzak since 2007. A total of 337 businesses have received some form of assistance; between FY 2008 and FY 2011, 137 firms were selected to participate in “intensive” support activities. Intensive assistance is defined as ongoing, long-term support including a package of aid starting with training and continuing on to targeted technical assistance, trade fair attendance support and assistance with capital investments.¹³

Semi-Annual Reports #8 and #10 provided an analysis of company sales data; this report expands the methodology to present trends through a comparison of sales results between the program’s supported companies and a control group of companies with similar characteristics to those partnering with the program. To properly compare results, 129 control companies were selected not only for their similarity in size, sector (light manufacturing, apparel and food processing) and stage of development but also because they have received no assistance from the Economic Security project or any similar development project.

The **Validity** of the comparative analysis was developed through attention to:

- a) **Company characteristics.** The research sample forms a statistically valid control group of companies that parallels the demographics of project-assisted companies. The universe of companies from the ES program and the control group both included three sectors: apparel, food processing and light manufacturing. Additionally, the sample targeted control companies that, like the ES-supported companies, are still active and have survived the recent macroeconomic downturn. That is, the sample did not include companies that had gone out of business during the past four years, although the business failure rate during this period throughout Serbia was high.¹⁴
- b) **Geographic characteristics.** All control group companies are based in municipalities that have the same Government of Serbia level of development designations (e.g., Underdeveloped; Economically Devastated) as do the companies based in ES project-supported municipalities, in approximately the same proportion.¹⁵ The control group companies come from municipalities that are geographically contiguous to the ES project’s area of operation.¹⁶

¹³ In the first year of the program, ES issued open calls for interest and provided one-off training (on business planning and financial management) and/or one-off grants to a larger number of businesses. This strategy was discontinued in Year 2 of the program in favor of the “continuous relationship/intensive” strategy upon concluding that “business support lite” was not having the intended impact on sales, employment or new market expansion.

¹⁴ A perfectly proportional sample size to that of the ES project businesses in the textile sector could not be constructed as so many textile firms in the control group region had gone out of business in the past five years.

¹⁵ The groups of control companies came from municipalities that fit into three of the five Government of Serbia (GOS) designations for underdeveloped municipalities. The distribution is as follows: (1) 26% of sample from GOS-designated Group 2 undeveloped municipalities, Aleksandrovac and Lucani; 16% from GOS-Group 3 undeveloped communities, Trstenik, Cicevac; and (3) 58% from GOS-Group 4 designated “devastated” municipalities, Brus, Varvarin, Kursumlija.

¹⁶ Although it would have been ideal to create a control group of companies from the exact same municipalities where the ES project works, it was impossible because the project either is working or has worked with nearly all viable businesses with growth profiles in its three chosen sectors.

The analysis of sales data provided by the project's partners include only those companies that provided complete sales data for the years they have cooperated with the project. A total of 141 businesses have participated in the intensive business support activities. For the purposes of this analysis, not all the businesses were included: 30 businesses in former tourism sector (29 households provided grants to open bed and breakfast facilities and 1 rafting company); 3 are service sector businesses; 6 companies have gone out of business; 8 are no longer participating with ongoing program activities thus not sharing data; 5 moved outside of the project's service area of implementation; 2 joined the project last year. Of the remaining 87 businesses that could provide data on sales this year, not all provided complete information on employment, exports and bank loans. Consequently, the base number for the four areas of analysis is different depending on the completeness of data provided by the project's partner companies¹⁷. The sample size in each area is as follows:

1. Sales: 87 companies;
2. Employment: 79 companies;
3. Exports: 84 companies;
4. Access to financial market: 82 companies.

Thus, the sample size for analysis of the key metric of sales includes 129 control group companies and 87 project-supported companies. The data for the control group was collected by an external service provider (the Regional Center for SME Development in Krusevac). The primary analysis of both data sets was, similarly, performed by an external consultant to reduce the risk of project bias. The distribution of the sample, by sector, can be found in the table below.

Table 2: Distribution of companies among sectors

	Apparel		Food processing		Light manufacturing	
ES Program-supported companies	29	33%	33	38%	25	29%
Control companies	33	26%	38	29%	58	45%

Data Collection

The data were collected through one-on-one interviews with representatives of companies and data published in the companies' annual financial statements, which are publicly available in the central business registry. Therefore, the researchers assume accuracy of the collected information. A certain level of risk in data accuracy does exist, however, because the information does not come from formal audit or inspection documents. Nevertheless, since the method of data collection for the ES-supported businesses is the same, the level of risk should be identical and comparisons between the two groups valid.

The results from all of the study's businesses will be calculated by using the firms' data on sales, number of employees, exports and access to bank loans. The data span the time period 2008-2011 for sales, 2009-2011 for job creation and 2011 for exports.

¹⁷ Despite the project's best efforts to hold the ES-supported business sample stable over time, this has proven impossible. The sample size in each of the past three years' annual sales data analysis has varied based on several factors: the willingness of supported companies to divulge their sales data, the completeness of data provided and the inactivity of companies either through the conclusion of their involvement with the project or their closure.

Sales Data Calculations

- To ensure reliable annual trend analysis of Economic Security Program-supported companies, the data reflect information only for the companies that were brought into the program in either 2008 or 2009.
- The originally collected data on sales were in Serbian dinars. These data were then translated into U.S. dollars, by using annual average exchange rates, because this is the currency that the ES project uses to present most of its quantitative results to USAID (and which USAID/Serbia, in turn, reports to USAID/Washington). Because most of the companies use RSD and EUR in their transactions, the data trends in these currencies were also examined, in addition to U.S. dollars, in order to check whether exchange rates affect the analysis. The conclusion is that the exchange rates do not significantly affect trends in sales over a long period of time (only to some extent on a year-to-year basis). For these reasons, dollar-based figures are used throughout.

Analysis

Two common types of analysis were used to better understand the impact of the Economic Security Program's business support activities: trend and comparative. The trend analysis extracted data to observe patterns in sales, employment, exports and access to financial markets over the period 2008 to 2011. The comparative analysis looked at differences and commonalities between the program's and control group's companies and at end-year annual sales results in the period 2008 - 2011.

2. Findings and observations

Key Findings

The 87 currently active companies analyzed in this report demonstrated more than a 41 percentage point differential in growth over the control group of companies during the period 2008 to 2011. The ES-supported companies experienced a 21 percent sales growth between 2010 and 2011.

The impact of the program's activities in job creation is equally dramatic: a total of 263 new jobs were created among the program's companies studied, nearly a 10 percent growth since 2009 – the height of the economic crisis – compared to more than a 4 percent loss of jobs among the control group. Additional findings include:

- Control companies' sales declined an average of 12.9 percent during the period of 2008 – 2011.
- In absolute numbers, Economic Security-supported companies generated an additional \$30.9 million in sales while control companies lost \$10.8 million in sales during the challenging economic years between 2008 and 2011.
- All three of the program's sectors created jobs: the food sector added 138 jobs; apparel manufacturing 102 and light manufacturing 23.
- Large companies were more likely to make use of formal credit markets than the small firms in the study; this statement held true for both those companies supported by the Economic Security Project and the control companies studied. Secondly, the project's companies make greater use of formal credit markets than control group companies.

- For the fourth year in a row, more ES-supported companies (57%) grew than shrank in 2011; this compares to just 36 percent of the control companies that grew in the same time period.

Sales

Economic Security-supported companies saw their companies grow from 2008 to 2011 while control companies in the same regions struggled with double-digit losses. Figure 2X and Figure 3 demonstrate the percent and amount of sales growth achieved by ES team companies that participated in training and technical assistance provided by the program compared to companies that were not provided assistance during the time period. In real dollars, the comparison is significant and demonstrates how USAID-support draws on the potential of domestically owned companies to create a positive impact on the local and national economy, even in the face of a global economic crisis. Sales among the program's currently active companies increased \$30.9 million or 28.3 percent, while control companies recorded losses of \$10.8 million or -12.9 percent during the four years.

Table 3: SALES IN TWO OBSERVED GROUPS OF COMPANIES

	Baseline 2008	2009	2010	2011	2008-2011
ES Program Companies	\$109,442,951	\$112,746,525	\$116,061,465	\$140,390,560	\$ 30,947,609
ES Program Companies	0	3.0%	2.9%	21.0%	28.3%
Control Companies	\$84,057,151	\$ 66,164,788	\$63,673,618	\$73,228,367	-\$10,828,784
Control Companies	0	-21.3%	-3.8%	15.0%	-12.9%

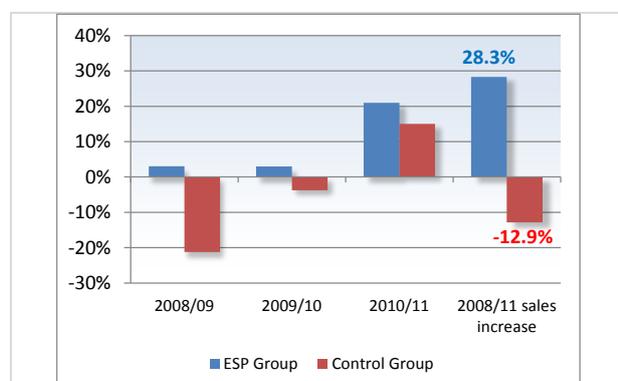


Figure 2: PERCENTAGES OF ANNUAL SALES INCREASE, YEAR-TO-YEAR AND TOTAL FOR 2008-2011 PERIOD

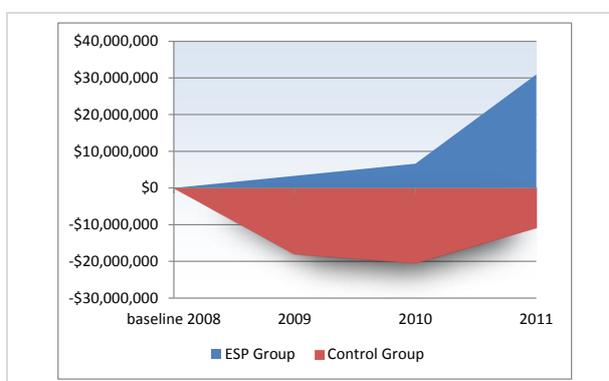


Figure 3: GROWTH IN SALES

The performance of each group of companies studied is impressive in light of the country's slow growth in 2011. A potential key is that each of the study's company sectors does a significant portion of sales through exports and while Serbia's domestic economy struggled, other markets were coming off the economic crisis. ES-supported textile manufacturers, for example, generated 52 percent of their sales through exports; that made it an industry that produced 22 percent of the country's growth in exports from 2010 to 2011.

The year-to-year trends in this report's sales data analysis differ from those reported in Semi-Annual Reports #8 and #10. In fact, last spring, the overall growth in sales rate from 2007 to

2010 was reported as 57 percent. Several factors contribute to the discrepancies between the first two analyses and the current one: (1) the sample size has changed -- the number of companies with complete data in 2009 was 100 and in 2010 was 97 companies. The current data set contains 87, as described above; (2) percentages in the first two reports were calculated based on the companies' figures provided in Serbian Dinar (RSD) whereas this report uses U.S. dollars; and (3) when defining overall sales growth, the baseline year used in the first two analyses was 2007 versus 2008 used in this report. Sorting out how much each factor contributed to the trend variance with past years' reports and better synchronizing past and current trend analysis was not possible in the time available after the current data sets were completed and must, therefore, be worked on during the next reporting period. The likely combined bias of these three factors is that sales growth is being underreported.

Due to the aforementioned issues, the most illuminating findings from this year's sales analysis are drawn from the comparisons between the project-supported companies and the control group of companies. In short, on average, the program's companies have been growing while non-supported control group companies have not.

Sales in food processing

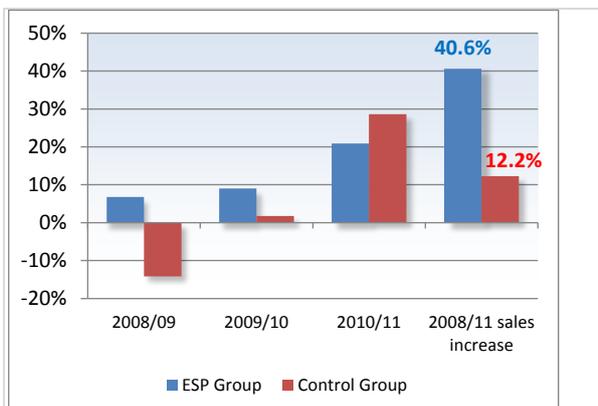


Figure 4: FOOD PROCESSING -- % OF ANNUAL SALES INCREASE, YEAR-TO-YEAR AND TOTAL FOR 2008-2011 PERIOD

For the third year in a row, the food processing sector is the project's strongest. Impressively, the program's food processors have realized year-on-year growth despite the recent recession. ES partner companies significantly outperformed control companies (40.6% growth and 12.2% respectively). As Figure 4 demonstrates, in the face of the economic crisis, unassisted companies suffered serious losses in 2009, the year the economic crisis began to seriously impact the Serbian economy. The ES team has consistently used strategies to influence growth in *both* domestic and international markets to support food industry growth. Trade missions and trade

fairs helped companies like Milkop in Sandzak become a multinational firm that relies upon 3,000 regional farmers for its raw product. At the same time, small producers such as South Serbia's Fontana Dairy found re-branding allowed it to expand local sales 25 percent and paved the way for the Presevo-based company to market in Nis (previously, the company felt, an unobtainable market). In short, the companies that performed the best during this period were those that sought to expand both internally (taking advantage of import substitution opportunities as hard-pressed Serbian consumers turned increasingly toward more cost-competitive domestic products) *and* externally at the same time.

Sales in apparel industry sector

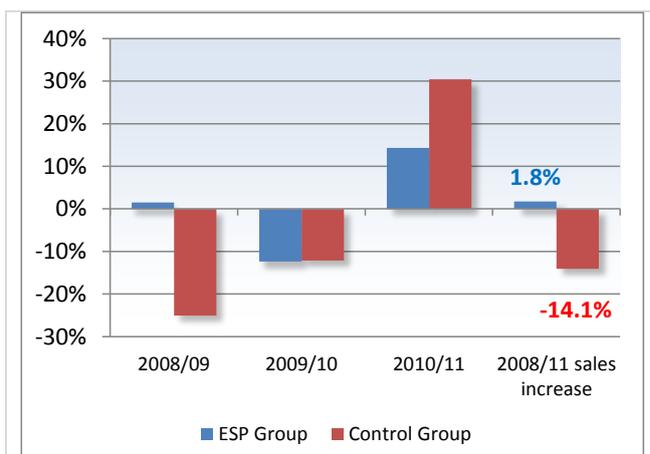


Figure 4: APPAREL INDUSTRY -- % OF ANNUAL SALES INCREASE, YEAR-TO-YEAR AND TOTAL FOR 2008-2011 PERIOD

Of all ES-supported businesses, the apparel industry recorded the smallest growth over the last four years. At the same time, it was the industry most affected by the global financial crisis. An analysis for the progress of the project's companies is best viewed in light of new markets opened, permanent placement of showrooms and technological improvements rather than by sales growth alone. Figure 4 shows that while the overall growth during the period of analysis is small (1.8%), ES-supported companies were able to weather the 2009-2010 economic downturn much better than their control group counterparts, which saw sales slide by more than 14 percent

(among those that were able to survive the downturn). The project attributes this relative success to the ES-supported textile companies' success in client diversification. Possibly more significant is that the project's textile manufacturers are well positioned for long-term growth. The focus on obtaining ISO certification, collaboration among the supported companies to expand manufacturing capacity and the willingness to invest company capital to open showrooms in Russia and Poland are foundations that should see the revenue trend continue upward.

Sales in light manufacturing

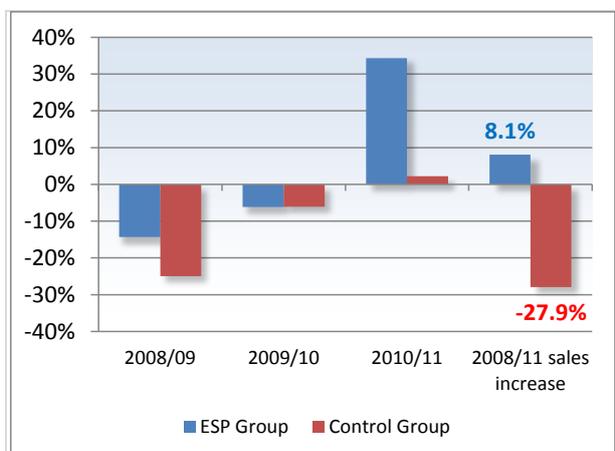


Figure 5: LIGHT MANUFACTURING -- % OF ANNUAL SALES INCREASE, YEAR-TO-YEAR AND TOTAL FOR 2008-2011 PERIOD

Among both samples analyzed, the light manufacturing sector was dominated by companies that feed into the construction value chain – a highly cyclical industry that is traditionally hit hard during economic downturns. Neither the ES-supported companies nor the control group companies were immune and both experienced declines in 2009 when ES-supported companies experienced losses of 14.3 percent. Control companies' losses were even more significant, reaching nearly 25 percent. Project-supported companies saw progress in 2011, achieving an overall growth of nearly 35 percent.

However, the growth was due in large measure to the excellent results of two companies: Emilio Stecher and Tobler Skele, both strong exporters. When the analysis removes those two companies from the overall totals, the growth for 2011 is negative 7.3 percent. The overall sector results reported from 2008 to 2011 are growth of 8.1 percent, without their revenue growth; the remaining 24 companies show an overall decline of 7.3 percent. The economic environment for light manufacturing has deteriorated in the years the program has supported the sector. Firms without a focus on exports find it hard to rebound in Serbia's weak housing market.

It is an industry that could benefit greatly from the cluster model used by the apparel and shoe manufacturers – through sector marketing, shared trade fair opportunities and larger, more

adept companies working cooperatively with smaller, less-diversified firms in pursuing larger private and public sector tenders that are unattainable individually, the entire sector could be pulled up.

Job creation

Data solicited from program-supported micro, small and medium enterprises in South Serbia and Sandzak regions showed important progress in job creation. In the period from 2009 to 2011, the unemployment rate in Serbia increased from 15.6 percent to 23.7 percent¹⁸. In the same period, the 79 companies of 87 currently active companies that provided complete employment data for this report revealed an increase in employment of 9.8 percent. Supported companies added a total of 263 new jobs, growing the workforce among those companies from 2,672 to 2,935. In the same period, among the 129 control companies, the workforce declined by 131 workers from 1,744 to 1,671 (-4.2%).

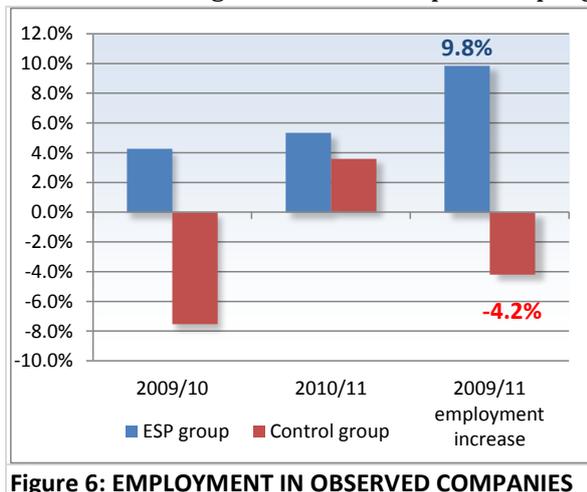


Figure 6: EMPLOYMENT IN OBSERVED COMPANIES

As figure 6 demonstrates, control companies added and subtracted staff based on economic conditions compared to steady growth between 2009 and 2011 among ES program companies.

Employment by sectors

The food processing sector not only enjoyed significant sales growth, it added the most new jobs. It is worth noting that the growth among the program's food producers also influenced the companies' need for suppliers. Thus, the impact on employment extends beyond individual jobs; it also includes the thousands of small, family-owned farms that supply the raw materials and animal products (such as milk) used by the program-supported companies.

The slowly rebounding apparel industry that was completely moribund and declared unsalvageable by the Serbian government at the time the Economic Security Program targeted it in 2007 also demonstrates slow but steady increases in jobs. The sector's overall growth from 2009-2011 was 7.4 percent compared to the control companies, which had an overall decline in jobs of just over 11 percent in the same time period.

Table 4: DISTRIBUTION OF COMPANIES AMONG SECTORS

sector	Apparel		Food processing		Light manufacturing	
	sales increase	job increase	sales increase	job increase	sales increase	job increase
ES Program-supported companies	1.8%	7.3%	40.6%	15.4%	8.1%	6.1%
Control companies	-14.1%	-11.1%	12.2%	11.9%	-27.9%	-8.5%

¹⁸ Source: Republic Statistical Office, Serbia

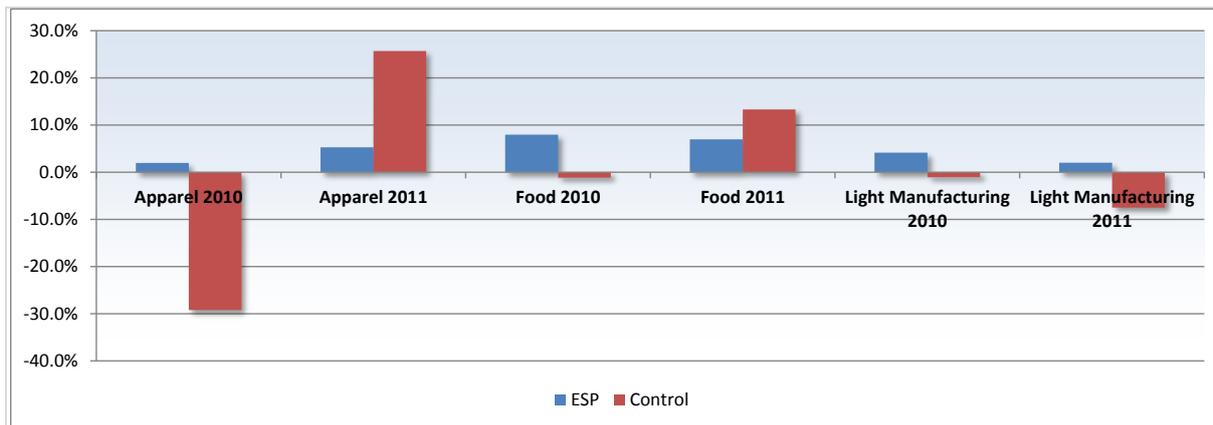


Figure 7: EMPLOYMENT BY SECTORS

Even the light manufacturers experienced an increase in the number of jobs, despite the sector’s economic challenges. Compared to ES program companies’ average 6 percent increase in jobs from 2009 to 2011, control companies experienced losses averaging 8.5 percent in the same time period.

Table 4, which outlines new job creation across industry sectors, also shows that overall the employment findings are consistent with the commonly accepted use of labor and capital in the respective industries. The fashion industry is highly reliant on labor in the manufacturing process so despite its slow growth, its need for people is disproportionately high. Conversely, food processors are capital intensive, using machinery more than people. In fact, the shift from people to technology is important in meeting food safety requirements and improved quality standards, as it is considered better to keep human contact with raw product to a minimum. Light manufacturing, on the other hand, tends to use capital and human resources in more equal measure.

A 10 percent increase in jobs is important to the program’s companies and the communities in which they are located. The reporting of individual jobs, though, does not account for the employment impact of the subcontracts used by food processors and the apparel sector: as mentioned, the former relies on small, family farms for raw product and the latter subcontracts with smaller manufacturers to increase production capacity. The jobs research also cannot account for jobs created by ES partner companies that use “sister” firms or subsidiaries in CEFTA countries to enter new markets. For example, Fluidi, which just opened Fluidi-Al, hired 12 employees to work in its new Albanian facility. Tobler, too, has opened branch offices in neighboring countries and will be completing a new plant in Albania in the coming months.

Exports

Both observed groups generate a significant portion of their total sales from foreign markets. The control group of companies achieves nearly a third of its sales from exports compared to Economic Security-supported businesses which achieve just under a quarter of their sales from exports. The percentage contribution of exports to sector sales revenue is relatively evenly distributed within control companies. Not surprisingly, ES’s apparel companies are earning more than 50 percent of their sales from exports, a result of the project’s strategy to target companies interesting in expanding international sales.

Little significant difference in percentage of sales revenue from export exists between the two groups’ light manufacturing sector (36.7% export sales among control companies and 38.5% among ES-supported companies).

It will be necessary to go back to ES-supported food processing companies to review company-level data to better understand the present disparity between the project's companies and those of the control companies in percentage of sales from exports. Furthermore, the Economic Security team will need to collect and complete the export trend data for the years 2008, 2009 and 2010 before any further analysis can be conducted. The current comparison between the two group's export data for 2011 is portrayed in Table 5.

Table 5: EXPORTS BY SECTORS, AND TOTAL PERCENTAGE

% of total sales	Economic Security Project group	Control group
TOTAL	23.2%	32.3%
Sector's share in exports		
Apparel	52.2%	38.2%
Food processing	13.7%	26.3%
Light manufacturing	38.5%	36.7%

Access to finance

This section of the report does not examine project efforts or impact related to the credit market, as this has not been a focal area of the project. Rather, it provides some analysis that might help in understanding SME's access to bank loans and support future decisions related to development funds from donors, government institutions and the financial sector.

Table 6: AVERAGE PROFILES OF COMPANIES THAT HAVE AND HAVE NOT USED BANK LOANS

	Average user of bank loans in 2011 (sales in 2011)	Average company that has never used bank loans (sales in 2011)
Economic Security Program group	\$1,934,000	\$236,000
Control Companies group	\$1,049,000	\$238,000

Table 7: SIZE OF COMPANIES, WHICH USED BANK LOANS IN 2011

Size of business	Economic Security Pro- gram companies	Control Companies
Micro	32%	25%
Small	43%	62%
Medium	68%	70%
ALL	43%	36%

Table 7 demonstrates that companies in both the ES group and control group make more use of formal credit markets as they get larger. Overall, ES-supported companies made more use of formal credit markets than did control group companies. This mostly likely can be attributed to greater donor support in helping companies access such financing and through the application for subsidized credit available through state programs like the Serbian Development Fund and not the result in any difference in familiarity with banking products or the availability of banks which is comparable in both geographic areas.

Clearly an area for more support in these two regions is access to financing among the "Small" companies. These firms have grown past micro businesses, are too large to access National Employment Service (NES) or other special government programs for start-up funding but too small to access resources targeted to medium-sized or larger companies.

3. Recommendations

Very little general research is conducted in Serbia to understand the needs of and influences on small and medium enterprises in general, and even less is known about specific sectors. This study begins to fill that void, especially as it looks at the impact of specific business support approaches and their potential to positively influence economic growth among companies working in economically depressed regions of Serbia. As with all research, this study raised additional questions that would enhance future research to be completed by the project. The most important questions to be considered in the future are:

- **Data Consistency.** The three data consistency issues that surfaced in the above analysis (sample size, currency of analysis, and baseline year) need to be addressed in order for longer-term trend analysis to be more meaningful and avoid underreporting. Admittedly, sales data accuracy and completeness is a continuous challenge and a number of factors (such as companies' bankruptcies, moving out of the project's area of operation, and refusal to continue to work with the ES project) are clearly outside the project's control. However, as researched, it is difficult to know if the full measure of sales growth is being captured even among those providing complete data sets. More work in this area is required. Finally, a research approach to paint a bigger picture of sales growth needs to ensure inclusion of sales generated through "sister" companies created to help firms open new markets. Such entities currently fall outside the project's current analysis.
- **Types of Assistance.** The above findings clearly moved the program's intuitive understanding that its supported companies are heading in the right direction to more evidence-based knowledge that ES program companies are doing better than non-supported companies in the region related to sales, jobs and accessing capital. Further study, however, is needed to evaluate the impact of individual services and technical assistance on the efficacy of companies and on sales.
- **Export Trends.** The export data set for ES-supported companies needs to be completed for earlier years (2008, 2009 and 2010) so that trend analysis by sector can be conducted. This also will enable a better understanding of how export trends impact sales and company growth.
- **Access to Credit.** The broader research scope for access to capital could provide understanding of how access to credit influences smaller businesses and their growth and analyze the impact of little access or understanding of credit among micro businesses and whether larger business needs additional support -- and what type -- so they would know whether, when and how to access capital to influence growth.
- **Integration of New Businesses.** The project must decide during the next reporting period how data from new businesses added in fall 2011 will be included in the analysis of 2012 sales data a year from now.

New Markets

New market entry and diversification of customer base has been the program’s underlying strategy for two of Serbia’s most under-resourced, yet strategic, regions the program targeted for intensive business support. The program works individually and in small groups with the short-term goals of helping companies to modernize, compete and revamp when needed to boost sales and market share. In the longer-term, the program adds to the initial company infrastructure and operational improvements to support growth that not only increases sales but influences local and national economic development through job creation, either through new company positions or increased demand for goods and services from small entrepreneurs.

As in past reports, the program saw several of its companies, representing each of the program’s three business sectors (food processing, apparel and light manufacturing) achieve important breakthrough contracts.

New Market Entry: Exports

From the beginning, the program worked with its largest companies that are best positioned to pursue export markets. Initially, traditional regional and former Yugoslavian markets were the focus. As clusters of companies began working together, non-traditional, European markets were researched and targeted. Currently, 70 of the 86 active companies with the project before October 2011 have entered at least one new market, plus 4 new FY2012 companies.

Figure 8: COMPANIES ENTERING NEW MARKETS

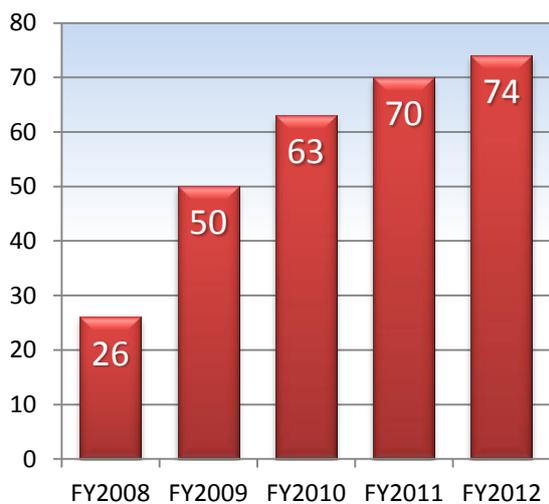


Table 8: NEW EXPORT MARKETS¹⁹

Albania	Italy
Austria	Kosovo
Belarus	Macedonia
Belgium	Montenegro
Bosnia and Herzegovina	Poland
Bulgaria	Russia
Croatia	Slovenia
Czech Republic	Sweden
Germany	Switzerland
	Turkey

74 of the project’s companies have reached new export markets. In the past six months, Sweden (Milkop entered Sweden) has been added to the list.

Exports as a percentage of production are a vital business performance measure for the program’s and its partner firms’ goals; the size of growth companies need to achieve to drive economic revitalization and create jobs directly and indirectly demands expansion beyond the consumer capacity within the domestic market. Overall, the Economic Security team’s companies are now present in 19 countries, including four European markets new to our regions’ companies (Austria, Germany, Poland and Switzerland). Once a new market is opened, the program works with its business partners to pursue avenues to ensure permanent presence. Below are three prime examples of export success.

¹⁹ A new market is a different measure than “new sales.” New sales could come from a new market or increased sales in existing markets achieved by increased market share or the offering of new products to existing customers, for example.

HIGHLIGHTS: BOLD STEPS TO EXPAND EXPORT SALES



Velickovic Dairy, Surdulica

A family-owned company with 22 employees that purchases raw milk products from more than 300 farms throughout South Serbia, Velickovic increased its sales by 30 percent in just three years.

The company took another big step recently to create partnerships with Macedonian retailers/wholesalers to export \$80,000 annually. This will expand the company's export sales to 10 percent of its total production.



Fluidi Beverages, Presevo

Another South Serbian company, Fluidi opened a branch company in Albania in this period. Since completing the deal during the Tirana Panair Fair in November, the company reports Albanian sales in excess of \$200,000.

The company, however, projects annual sales to exceed \$1.3 million. The summer season is traditionally the peak season for consumption of its beverages throughout the region.

Fluidi also has expanded into the Swiss market and is finalizing negotiations with an Italian company to export its products to Italy.



Strela Klajic, Leskovac

The company invested more than \$1 million in its new facilities in Leskovac. And the company is fast becoming one of Serbia's top food exporters to the European Union, exporting mushrooms and fresh berries. Currently, Italy is its largest export market.



New Market Entry: Domestic

Supporting domestic market expansion has been an equally important strategy for the ES team's strategy. It has proven important for small, family-owned companies like Fontana to broaden its market share by moving beyond Presevo into Nis or small South Serbian light manufacturers breaking into the Belgrade market to participate in the lucrative construction and public purchasing contracts.

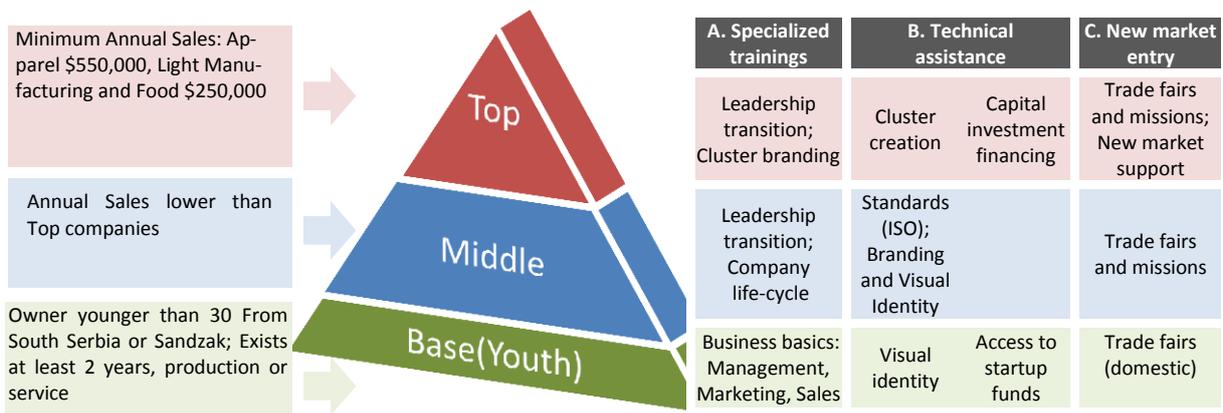
At the same time, many of the companies that have become successful multi-national traders are refocusing attention on their domestic market to take advantage of Serbia's 7 million-plus consumers. Table 9 highlights the major market expansion activities accomplished between October 1, 2011 and March 31, 2012.

Table 9: SIGNIFICANT MARKET EXPANSION ACHIEVEMENTS (OCTOBER 2011 – MARCH 2012)		
COMPANY	NEW DOMESTIC MARKET	MARKET EXPANSION DETAILS, SALES IMPACT AND SUMMARY OF ES BUSINESS SUPPORT
SANDZAK		
Milkop (dairy) Raska	Belgrade, Kragujevac, Novi Sad, Valjevo	The company opened retail outlets in each of these cities in the second half of 2011. They have contributed nearly 15 percent of the company's revenues since opening. Milkop participated in the ES-supported visual identity activity and will be part of the food producers from Sandzak collaboration for the Novi Sad Ag fair from May 12-18, 2012.
Stilex (home textiles) Prijepolje	Belgrade	Opened an office and retail shop at the end of 2011. The company is using the Belgrade office to service the Vojvodina market as well. Stilex reports that the new location contributed 20 percent to total sales during the four months since its opening. Stilex has been one of the program's most active companies participating in visual identity, management software and cluster marketing activities.
Turkovic (meat) Sjenica	Belgrade	The family-owned Turkovic meat processing company opened a retail shop in Belgrade at the end of last year. The company is optimistic that it made the right decision, calling initial sales promising. Turkovic was part of the visual identity activity, invested in management software, plans to participate in the Novi Sad Ag Fair and is working to obtain Halal certification.
SOUTH SERBIA		
Celiku (windows and doors) Presevo	Belgrade	Celiku negotiated two important contracts to supply windows and doors. The first is a \$400,000 job for the Coca-Cola Serbia office building; the second was worth \$226,000 to provide windows and doors for the Zemun Prison, which was completed during this reporting period. Celiku has participated in ES-provided trainings, trade fairs and visual identity and ISO standards technical assistance
Keramika (ceramic tiles) Leskovac	Belgrade	The project has been working closely with this family-owned business to help it broaden its sales. In this period, Keramika restructured its company and now has a separate business based in Belgrade to handle all of the sales for its handcrafted bathroom ceramics. This is an important step toward increased domestic sales for Keramika. Keramika has participated in marketing, management and sales training, ISO standards and exhibited at past year's construction fairs in Belgrade.
Termomont (furniture, windows, doors) – Leskovac	Belgrade	Termomont was awarded a tender by the Ministry of Environment, Mining and Spatial Planning to supply furniture for new public housing being built in Belgrade. The contract is valued at \$1.4 million. The company participated in organizational structure and management training and has been active in trade fairs.

BUSINESS IMPLEMENTATION

The Economic Security business support team identified the most promising companies in the program's targeted regions and invited them to participate in activities to help them achieve their potential to the benefit of their companies, employees and local communities.

Figure 10: CATEGORY DEFINITIONS AND ASSISTANCE PACKAGES FOR THREE TIERS OF BUSINESSES



The Economic Security team currently delivers its intensive business support package of training and technical assistance to a total of 120 companies (63 Sandzak, 57 South Serbia) in the program's middle and top tiers. The team was methodical in its approach to the selection of companies. It began in 2007 by analyzing 1,000 companies using business information available through Chambers of Commerce and local and regional economic development agencies. Over the next 18 months, 141 companies were brought into the program; they came from the sectors of light manufacturing, food production and processing, textile and apparel manufacturing and tourism services²⁰. In FY 2012, another 34 companies were invited to participate.

Over the five years of business support five companies closed their doors, mainly for economic reasons. While this business failure rate of less than 3% is significantly below the recent 30 percent²¹ national average failure rate for small businesses, it illustrates that even carefully screened and selected businesses are not immune to the larger macroeconomic pressures facing Serbia.

The remarkably low attrition rate among the program business partners was due to thorough research. The ES team looked at business plans and operational capacities. Companies chosen for participation met three other criteria: (1) consistent sales growth in the prior 18 months; (2) a strong potential for and interest in expansion, especially in opening new markets and adding new jobs; and (3) were legally registered.

Based on its research, the Economic Security team developed a set of support activities that could be applied to the individual needs of the companies. The goal was to move companies through the business basics – appropriate business knowledge and strategic plans in management, marketing and sales – to the technical application of competitive market analysis, competitive branding, modern materials, and preparation for and exposure to export markets.

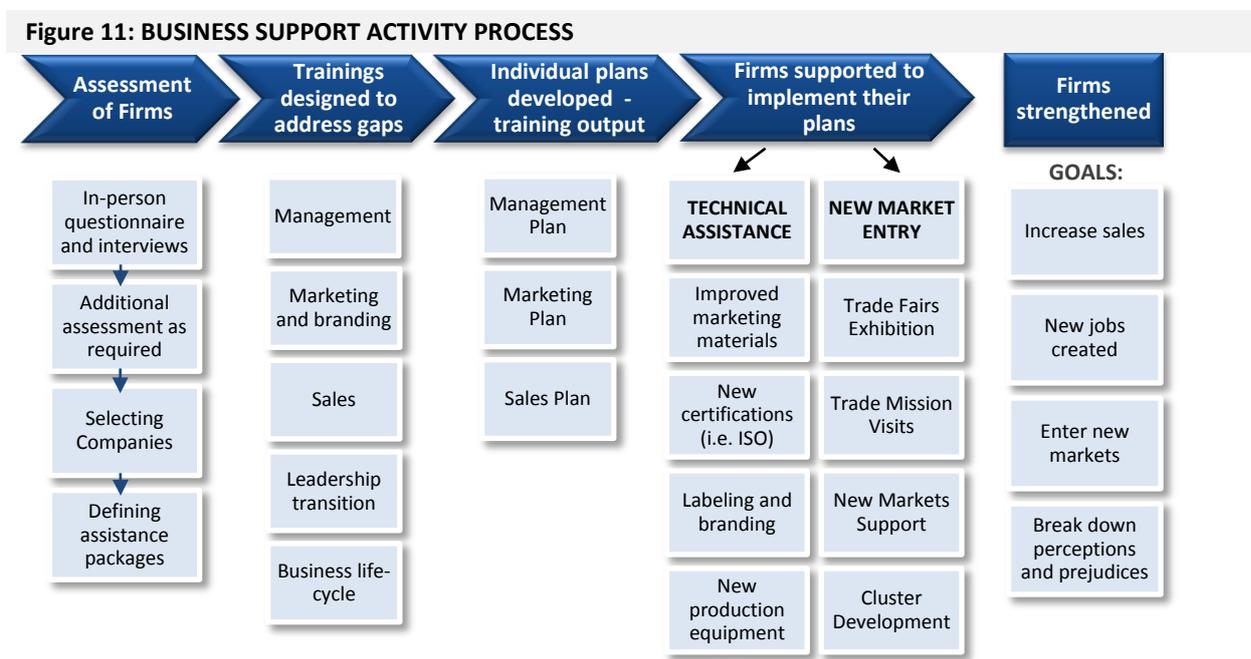
²⁰ Tourism was included in Years 1 and 2 of the program, but the work in that sector was completed early in Year 3.

²¹ Business Registration Agency.

Businesses Assistance Summary: October 2011 to March 2012

CHAPTER SECTION	ACTIVITY	STATUS	REGION	# OF COMPANIES
I A	TRAINING: Leadership transition training	Completed (Jan. 30-Feb. 2, 2012)	South Serbia Sandzak	13 managers from 12 family-owned busi- nesses + 13 managers from 9 family-owned busi- nesses
I B	TRAINING: Management and Adaption to Company's Growth Life Cycle	Completed (Dec. 21-23, 2011)	South Serbia Sandzak	13 companies + 12 companies
II A	TRAINING and TECHNICAL ASSISTANCE: New management software	Ongoing	South Serbia Sandzak	6 companies + 6 companies
II B	ISO standard Certification	Completed Certification inspections	South Serbia Sandzak	8 companies + 7 companies + Sandzak Economic Development Agency (SEDA)
III	TRADE MISSION VISIT: Tirana PANAIR General Fair, Albania	Completed (Nov. 1-3, 2011) (Nov. 25-28, 2011)	South Serbia Sandzak	2 (1 LM & 1 Food) companies + 5 (Apparel) companies
III	TRADE MISSION VISIT: Dusseldorf Global Shoes Fair (initial action in creating South Serbia shoe cluster), Germany	Completed (Sept. 7-9, 2011)	South Serbia	5 shoe manufacturers
III	TRADE FAIR: Moscow CPM textile fair Feb. 28-March 2, 2012, Russia	Completed (Feb 28. - Mar 2, 2012)	Sandzak	5 textile companies
III	TRADE FAIR: Dusseldorf : Global Shoes Fair (GDS), Germany	Completed (Mar 14-16 , 2012)	South Serbia	5 shoe manufacturers from Kostana shoe cluster

The plan charted a course to lead these companies into new markets, domestic and international, as quickly as possible. At the same time, the approach allowed the flexibility to offer packages of services that helped each company progress according to its resources and capacity.



ES team business support activities help individual companies modernize and open new markets. By targeting specific sectors, the program simultaneously improves an entire industry sector which, in turn, helps the regions' economy.

Where appropriate, companies' needs were grouped to train them together. The approach was not only cost effective,²² but it allowed business managers to learn from one another as well as from the professional service provider. It also built networks among the companies within their regions, instituting a culture of cooperation among them.

The Economic Security team has been applying this business development approach for five years, continuously refining and building on lessons learned. In the past six months, some of the team's most advanced companies achieved a new level of export success through participation in trade mission visits and membership in clusters while others moved closer to ISO standard certification, opened new production facilities and went fully operational with new technology-driven management systems.

The 34 newest companies brought into the project's work for FY 2012-2013 are starting as the veteran partners did, with the business education that builds successful foundations for growth.

²² The international standards certification processes are classic examples of how collaboration served the goals of the program and saved program and company resources. With 20 companies going through the process at one time, ISO service provider Dekonta cut its overall price for training, technical assistance and mock inspections by 30 percent. As the program prepares a group of nine companies to have products Halal certified, the Serbian certification agency, similarly, has offered to cut its normal price by 50 percent from nearly \$50,000 for all nine companies individually to just over \$25,000, illustrating that companies can save significantly through joint procurement of professional services.

I. TRAININGS: STRENGTHENED MANAGEMENT SKILLS

The core of ES Projects' customized technical support has always been training. Since 2007, the project has delivered seminars in management, marketing and sales to help companies close their knowledge gaps between what they have learned through trial and error and the methods of modern management. For most of the companies that participated in the ES team's training, it was the first time they have had access to any basic business education.

With the addition of 34 new companies to its middle-tier, ES introduced several new courses to its business curriculum. In recognition of the large number of participating family-owned businesses, the project offered a seminar in Leadership Transition. New companies brought into the program this year were offered Management and Adaptation to Company's Growth Life Cycle to help them gain a strong foundation in management and how management strategy has to change as a company grows.

A. Leadership Transition

Most of the project's supported companies are family-owned and operated and have experienced significant growth and expansion. Many will encounter, at some point, the unique challenge of transitioning from a founder-owner management structure to a broader family management one or to an alternate business structure. Not unlike more than 90 percent of Serbia's small and medium-sized business²³, none of the program's companies has a prepared leadership transition plan or a program for building new leadership within their companies. The lack of such planning represents a significant risk to the sustainability of the gains the companies have been able to achieve through USAID support. The training helps these companies identify their leadership structure needs and the qualities needed to assume leadership positions, and understand the impact of transitioning on operations, human resources and customers. Two, two-day trainings on the topic were held in this reporting period, one in South Serbia and one in Sandzak. The following table provides the details of each training.

Table 10: LEADERSHIP TRANSITION TRAININGS	 South Serbia Jan 30-31, 2012	 Sandzak February 01-02, 2012
Number of Firms Represented	12	9
Number of Participants	13	13
Avg. Participant Satisfaction on Objectives	4.3 (on scale of 1 to 5)	4.8 (on scale of 1 to 5)

²³ Henda Market Research: November 2011-January 2012 research of 400 Serbian SMEs

A key indicator of the project’s success with its training activities is the expectation that participants will act upon the information provided. As part of the Leadership Transition training, participants are to prepare a Transition Action Plan including a strategy for the development of leadership within their companies. The training service provider will follow up with each of the companies and provide feedback on their draft plans. The final results of this activity will be covered in the next reporting period.

B. Management and Adaptation to Company’s Growth Life Cycle

The ES team offers this course to help its business leaders implement effective managerial solutions to problems and obstacles that arise as the company’s market position changes over time and as the company grows. As the natural life-cycle stage of a company progresses, it is critical to adapt management structures, technology and human resource systems to the increased and new demands of each stage. All of the program’s new companies were invited to this training. Most of these firms are founder-managed and have never considered the evolution of their companies and how to plan for and drive those cycles.

Improvement in management practices has been critical to the success of the program’s supported companies. The ES team reinforces training with commitments from its companies to prepare organizational plans related to their new learning and offers the companies access to follow-up support. The assignment given to the participants in this Life Cycle Management session is to prepare a Management Action Plan that improves their company’s organizational structure. Participation by region is detailed in Table 11.

Table 11: LIFE CYCLE MANAGEMENT TRAININGS	 South Serbia Dec 22-23, 2011	 Sandzak Dec 21-22, 2011	
	Number of Firms Represented	13	12
	Number of Participants	13	20
	Average Participant Satisfaction on Objectives	4.8 (on scale of 1 to 5)	4.6 (on scale of 1 to 5)

II. TECHNICAL ASSISTANCE: PREPARING TO EXPORT

A. Computer-Driven Resource Planning

Working with its service provider, Melany, the Economic Security Project provided a dozen of its most advanced companies with customized process management software. The software integrates all business functions to give companies the ability to better plan and control their raw material supplies, finished product inventories, production line planning, and personnel and finance functions. That helps them to better

Artikal	Tip	Box	Volsina	Reziv	Jed	Bekod	Kol	Rez	Com	Min	Max
15-4028	4139	99	S	Dukis	kom	8605004950354	0,00	0,00	0,00	0,00	
15-4039	4179	99	M	Dukis	kom	8605012717261	2,00	0,00	0,00	0,00	D
15-4085	40041	54	M	Dukis	kom	8605012691554	0,00	0,00	0,00	0,00	D
15-4085	40041	99	M	Dukis	kom	8605012691592	0,00	0,00	0,00	0,00	D
15-4082	40054	43	M	Dukis	kom	8605012705767	0,00	0,00	0,00	0,00	D
15-4082	40054	43	S	Dukis	kom	8605012705770	0,00	0,00	0,00	0,00	D
15-4099	40033	393	M	Dukis	kom	8605012719289	0,00	0,00	0,00	0,00	D
16-8551	4139	28	M	Dukis	kom	86050048956176	0,00	0,00	0,00	0,00	
16-8566	40042	39	-XL	Dukis	kom	8605012715090	0,00	0,00	0,00	0,00	D
16-8562	4191	390	-L	Dukis	kom	8605012721367	8,00	0,00	0,00	0,00	
16-8562	4191	390	-M	Dukis	kom	8605012721360	5,00	0,00	0,00	0,00	
16-8562	4191	390	-XL	Dukis	kom	8605012721374	9,00	0,00	0,00	0,00	
16-8562	4191	390	-XXL	Dukis	kom	8605012721381	7,00	0,00	0,00	0,00	
16-8563	4202	95	-L	Dukis	kom	8605012721169	0,00	0,00	0,00	0,00	
16-8563	4202	95	-M	Dukis	kom	8605012721152	0,00	0,00	0,00	0,00	
16-8564	40141	39	XL	Dukis	kom	8605004857739	1,00	0,00	0,00	0,00	
16-8565	4186	95	M	Dukis	kom	8605004857807	1,00	0,00	0,00	0,00	
16-8579	4057	26	M	Dukis	kom	8605012707969	4,00	0,00	0,00	0,00	
20-4051	40031	901	M	Dukis	kom	8605004896519	1,00	0,00	0,00	0,00	
20-4052	4081	38	S	Dukis	kom	86050048967424	1,00	0,00	0,00	0,00	
15-4538	5003	392	M	Džemper	kom	8605012719579	0,00	0,00	0,00	0,00	Z:
15-4518	5001	90	L	Džemper	kom	8605012705091	1,00	0,00	0,00	0,00	Z:
15-4518	5001	90	M	Džemper	kom	8605012705084	0,00	0,00	0,00	0,00	Z:
15-4534	5001	14	S	Džemper	kom	8605004895021	0,00	0,00	0,00	0,00	Z:
15-4534	5004	82	L	Džemper	kom	8605012704964	-4,00	0,00	0,00	0,00	Z:
15-4534	5004	82	M	Džemper	kom	8605012704957	-6,00	0,00	0,00	0,00	Z:
15-4534	5004	82	S	Džemper	kom	8605012704940	-3,00	0,00	0,00	0,00	Z:

serve regular customers and occasional ones and ensures that they can deliver products to the right place at the right time. The commonly used term to describe such a system is Enterprise Resource Planning (ERP) software; it is the same type of integrated software designed and sold by SAP and Oracle and used by all Fortune 500 companies.

To be eligible for this program activity, a supported company already had to be part of the ISO certification process. The highly sophisticated software is an extension of the management changes required to meet ISO standards and businesses had to invest in both the technology and personnel skills development to build, integrate and manage the data base that drives the software.

All 12 companies (six from each region) have completed their training and their individual technical assistance sessions in the use of the software. As the table below demonstrates, financial management is the driver for all other modules; it is a significant benefit for all the companies. The other key benefits like production support through inventory controls and customer relations management are used by companies based on their needs and stage of corporate development. As companies expand their business or technology needs, they can access the other software modules and link them to their finances.

Nine of the companies now use the software to manage all their finances in house. This allows them not only to perform day-to-day bookkeeping tasks but to have immediate access to cash flow reports and other business analysis tools. Of the three companies not yet using the financial module, two are overcoming problems with their data and the third company is working on other financial issues and has postponed its start-up of the software applications. A full table of all the companies and a detailed description of how they are using the software to manage their companies is included in Annex B. Table 12 defines the primary features and benefits and shows which companies are using each feature.

Table 12: STAGE OF PROCESS MANAGEMENT SOFTWARE MODULES USAGE

SOFTWARE FUNCTION	SOFTWARE BENEFITS	COMPANY USING THE MODULE
Finance & bookkeeping	Financial data is the fulcrum for all other modules. It links across the modules to help department heads and senior managers continuously analyze costs, quantities and profits. General ledgers will now contain up-to-date financial information as bookkeeping is automatically linked to finance. Thus, managers can expect daily reports from every department, strengthening every aspect of business and financial management. The software also generates all appropriate legal reporting documents automatically, saving time and money.	Denis Čelik-U Maxers Mikan Minex Strela Stilex Tri-B Tobler
Operations	Standardizes company operational reporting and communications by creating forms, reports and analysis unique to the industry and individual company. The software offers forms for purchases and sales, invoices, delivery notices, bids and proposals, and letters of credit, among others. Companies also can create their own forms or adapt the available templates. Information on the forms is shared with related departments. Alerts for “next actions” are provided such as: accounts receivable become accounts paid, stock orders become materials delivered and ultimately stock used to complete orders.	Denis Čelik-U Minex Maxers Stilex Tri-B Tobler
SOFTWARE FUNCTION	SOFTWARE BENEFITS	COMPANY USING THE MODULE
Inventory	Maintains accurate, real-time information on raw materials, materials in use for production and wholesale and retail stock. Stock information includes exact purchase and sales price, and quantity of each item currently available. To support analysis and decision making, this software permits a view of wholesale and retail stock available on any given date, materials used for production of a given order and precise information on production output.	Denis Čelik-U Maxers Minex Stilex Tobler Tri-B
Customer Relations Management	Maintains detailed information on each customer, the buying habits, product demands, past and current price and discount structures offered and delivery schedules. The software can be customized to track special issues, problem resolution, changes in staffing or relevant company changes such as new market entry, facility expansion or addition of product lines – any information that can be used to encourage increased sales and maintain a strong relationship to the benefit of both parties.	Denis Maxers Minex Tri-B
Human Resource Management	Maintains, updates and produces organizational charts and employee structure. It manages wage and benefits, vacation, leave time, and pension and retirement records. It can automatically calculate and prepare all legal documents related to personnel administration whether needed by the employee, the government or for any other purpose.	Denis Maxers Stilex Strela Tobler

B. International Standards: ISO and Halal

1. ISO

In this reporting period, the majority of the program's 20 companies that pursued certification last year (10 each in South Serbia and Sandzak) received their ISO certifications.

To qualify for certification, business owners and managers committed to improvements in all core business functions: administrative management, operations and finance. It was necessary for the companies to invest in modernizing and upgrading their facilities, equipment and human resources. Companies that successfully pursued certification were the project's leading firms that envisioned competing and succeeding in international markets and had the resources to invest in upgrading management and operational facilities as well as in the certification inspection²⁴.

South Serbia UPDATE: Two South Serbian companies received their certifications this reporting period; six other companies passed inspection and after the final payment to the certifying company will receive their certification. The final two South Serbian companies were inspected and are implementing the recommended changes so they can be successfully re-inspected. Ultimately, all 10 selected companies from this region are expected to achieve ISO certification.

Sandzak UPDATE: Seven of the Sandzak companies plus SEDA passed inspection in November. A total of six of the textile manufacturers and SEDA received financial support from the National Agency for Redevelopment (of which SEDA is a board member) to cover 50 percent of the cost of the professional inspection.²⁵ Two of the companies covered the cost of inspection on their own. The final two companies from Sandzak have redirected their near-term financial priorities and are currently unlikely to complete the activity.



Apparel manufacturer Stig from Novi Pazar proudly displays ISO sign in the production plant

Serbian Government Supports ISO Certification

The National Agency for Redevelopment (NAR): The Agency provides grants for business development activities. ES program partner, SEDA, is an NAR board member and helped Sandzak's participating companies apply for grants to help pay for their ISO certification inspections.

²⁴ For certification, companies must obtain bids from three ISO certifying bodies. Companies must pay the cost of the certification and/or seek government co-financing. The average cost of the formal certification visit is about \$2,000 (depending on the size and type of company). To help the companies realize cost savings, the ES team organized its supported companies to be prepared for certification in groups so one agency can perform multiple audits in one visit. This made it possible to negotiate a discounted rate of nearly 50 percent.

²⁵ SEDA has been an important ES partner and an increasing influence in the region's economic development. Certification of the agency increases its ability to lead economic growth in Sandzak.

2. Halal Certification

The Sandzak region has a market of a half-million Muslims who shop for foods produced by companies possessing Halal certification. That market expands to 5 million with Muslims in border countries. As part of the ES team’s plan to organize a group of Sandzak food producers to work cooperatively and exhibit in May’s Novi Sad Agriculture Fair, the largest agricultural fair in South East Europe, the companies approached the project and requested Halal certification as one of the technical support activities most helpful to their market expansion aspirations. Nine companies have expressed interest.

Table 13: Companies for Halal certification

COMPANY	MUNICIPALITY
Dzida	Priboj
Fass	Sjenica
Giljeva	Sjenica
LJIN	Novi Pazar
Polimka	Prijepolje
Sandzak komerc	Sjenica
Sjenicanka	Sjenica
Turkovic	Sjenica
Zornic	Tutin

The process will mirror the steps used in the ISO certification activity. Companies have been selected based on their readiness and commitment to making the necessary investments. All nine companies already hold the food security, HACCP certifications. Thus, the team expects the training and changes required to bring their administrative, operations and production

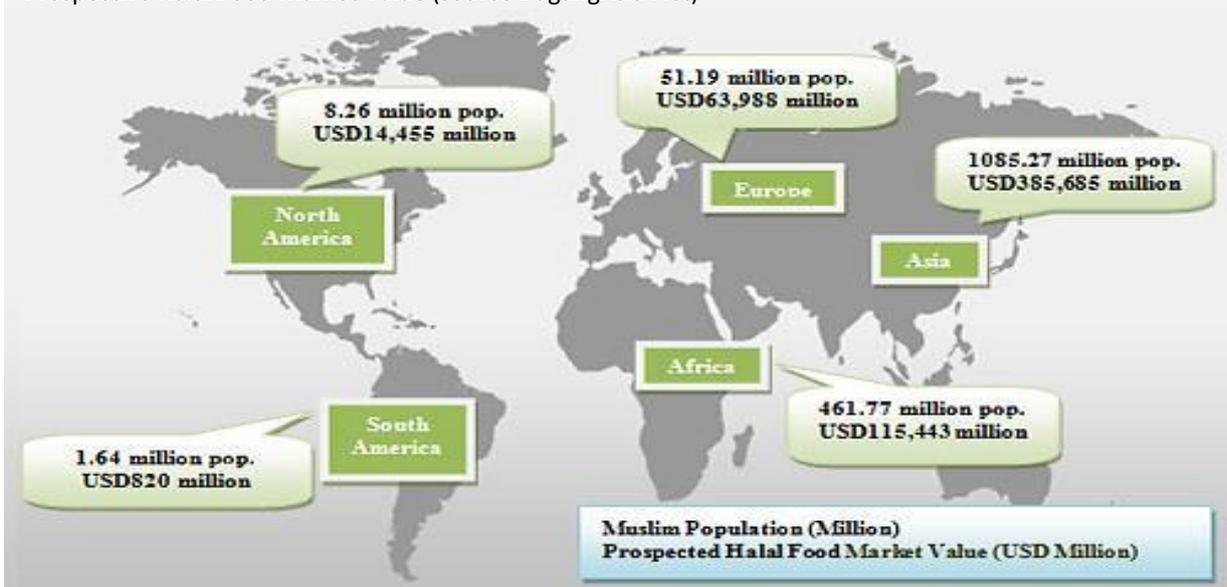
functions up to standards can be completed by mid-May²⁶. The project will provide a qualified consultant who will prepare and deliver appropriate training and conduct mock inspections in preparation for the final certification process.

Halal Certification and Market Potential

Halal certification marks products as meeting Islamic dietary guidelines and being made in accordance with Islamic law, deeming them appropriate for the world’s 1.5 billion Muslims -- a market valued at more than \$927 million in 2009. The Halal certification agencies in Serbia are making greater effort to create awareness of and a market for the country’s estimated 600,000 Muslims. For food producers, that number grows to 5 million when neighbor countries are included.

Experts suggest that in addition to the potential success of marketing to the Muslim populations in Bosnia and Herzegovina and Turkey, Serbia is positioned to take advantage of markets in Libya, Egypt, Algeria and Indonesia – all members of the former non-aligned nations that included Yugoslavia.

Prospective Halal Food Market Value (source DagangAsia Net)



²⁶ HACCP or Hazard Analysis and Critical Control Points is a management system for food safety; it sets standards for the control of biological, chemical, and physical hazards from raw material production, procurement and handling, to manufacturing, distribution and consumption of the finished product.

As mentioned earlier in the report, the ability of the program to support a group of companies in pursuing certification activities as steps toward opening new markets allows for significant savings in implementation costs to be negotiated to benefit its company partners. The nearly deep discount the Serbian Halal Certification Agency granted for a group of certifications means that these small family-owned food producers will spend a few hundred dollars compared to the \$4,000 it would have cost them individually. The program is planning a special ceremony at the Novi Sad Agriculture Fair the third week of May to award the certifications.

III. EXPANDING SALES: TRADE FAIRS AND TRADE MISSIONS

In the final year and a half of the program, the focus of Trade Fairs and Missions is on supporting business clusters. The original decision to select companies within specific sectors was made with the understanding that strengthening individual companies raises performance with the entire sector. Since the project's regions are now driven by one or two unique sectors that have coalesced into formal associations, lifting up a group of businesses in turn lifts the regional economy. Three trade missions were planned for the reporting period but two of the missions targeted for the new Kostana Shoe Cluster in South Serbia were rescheduled for later this year so the cluster could prepare for and attend a nearer-term opportunity that the cluster members felt had significant immediate sales opportunities – the Dusseldorf Global Shoes Fair. The decision proved to be sound, as initial results from the fair project sales of \$1.5 million for fiscal year 2012.

Trade Missions and Trade Fairs

The Economic Security Project's training and technical assistance has strengthened companies' potential for growth through new market entry, both domestic and foreign. Special emphasis was placed on exports to drive the expansion necessary to create the jobs needed to support economic security in the project's two targeted regions.

While trade fair participation was an obvious activity, by themselves, fairs would not provide the infrastructure for long-term and sustainable participation in international markets for the program's business partners. From the outset, the team aligned its selected trade fairs to its targeted industry sectors of light manufacturing, textile and apparel, and food production and processing. They chose fairs for size and market ensuring that program-supported companies had the capacity for the contracts they could negotiate at a given fair and that the market was a good fit for program companies.

The program's companies have enjoyed financial success as a result of trade fair participation. However, the ES team worked with the owners and managers to see fairs more strategically; to think beyond short-term access to new revenues and leverage new relationships into permanent market access.

The decisions that followed each year's fair participation led to the inclusion of key new technical assistance each year: new visual identity and marketing materials, international standards certification, and modern business software. Each of these activities makes the program's companies better prepared to test and succeed in larger markets. The exceptional results reported in this chapter from Germany and Moscow are the direct result of the disciplined use of research and evaluation of lessons-learned and the innovative thinking of both the project team and the owners and managers of the supported companies.

Trade missions are one of the most important solutions implemented to improve trade fair results. First tested in 2010, trade missions are linked to an upcoming, targeted trade fair. A

small group of company representatives -- five to seven is an optimum size for the trade mission group -- travel to the country of origin for the planned trade fair. The project works with a service provider from the fair's locale who performs market research and prepares meetings with appropriate wholesale and retail buyers and takes the group on tours of retail centers to see market trends in design and display. Additionally, the group will meet with officials from the trade fair country and Serbian officials serving in that country such as the Serbian Chamber of Commerce or economic attachés from the Embassy.

The trade missions lay the groundwork through face-to-face meetings and allow the companies that will attend the trade fair to continue communications in advance of the trade fair. Since its launch, trade missions have helped attract more buyer visits while at the trade fair and prepare and close more deals at the fairs versus spending months following fairs negotiating deals.

In this period, three trade missions were held in advance of the three trade fairs held during this reporting period.

TIRANA, ALBANIA PANAIR GENERAL FAIR	TRADE MISSION	TRADE FAIR
	November 1-3, 2011	November 25-28, 2011

THE TRADE MISSION: The Albanian market has proven to be valuable for ES' businesses and the Panair Fair in Tirana has been an excellent point of entry. The trade mission in preparation for the 2011 Panair Fair included light manufacturer Tobler Skele and beverage company Fluidi, both from Presevo. Brug joined the group as the designated representative from Novi Pazar-based ASSTEX. A total of 10 meetings were organized; most were held for individual firms to link the companies with buyers from their business sector. Tobler and Fluidi each had meetings during the fair that resulted in sales consummated three weeks later totaling \$302,250. Brug met with a local advertising agency that helped to prepare and distribute fliers to the agency's data base of 1,000 Albanian retailers that sell denim fashions. The entire group of companies toured surrounding shopping malls and centers to familiarize themselves with the local market.



The mission also met with the Albanian Chamber of Commerce and the Albanian Ministry of Foreign Affairs' Directorate for Foreign Investment. Each institution agreed to help link the companies with potential business partners during the upcoming fair and support continued export relations with Albania.

THE TRADE FAIR: Three weeks after the trade mission, seven companies attended the November 25-28, 2011 Panair Fair, the region's largest general fair. Tobler Skele and Fluidi came from South Serbia while Brug, Gold Star, Stilex, Join, Stig and Mikan represented Sandzak's textile manufacturers. It was a productive fair for all companies; each has closed deals with buyers met at the fair. The three-month sales total of \$375,000 does not tell the whole story of the fair's success. Both Tobler and Fluidi successfully completed deals it opened during the trade mission. Each also established relationships for a permanent presence in Albania to have direct access to the country's 3.2 million citizens.

Fluidi has created a subsidiary that it anticipates will provide \$1.3 million in annual sales. Tobler is purchasing land to build a production facility in Albania. Construction is to start in a few months. With the warmer weather, both Tobler and Fluidi expect greater sales in the country, as winter months are not strong for drink companies or the construction industry.

The "Jeans from Serbia" Sandzak-based denim manufacturers continue to search for the correct model for a permanent presence in Albania. Sales in the three months following the fair have totaled \$73,000 for the five participating denim producers. The financial investment ASSTEX is

making to open the Moscow market has caused the members to place a permanent presence in Albania on hold for the short term. However, in an attempt to keep a toehold in the Albanian market, the group is using a Pristina-based broker with contacts in Albania to carry ASSTEX member products as part of his/her line. This broker has visited Novi Pazar factories and purchased \$7,000 worth of product to create a collection of samples to show his/her Albanian business partners. It is too early to tell whether this strategy is a sound one.

MOSCOW, RUSSIA CPM FASHION FAIR

TRADE MISSION

February 6-9, 2012

TRADE FAIR

February 28-March 3, 2012

THE TRADE MISSION: The ASSTEX cluster showroom opened in September 2011 and the participating companies hired an experienced, well-connected sales manager to oversee the facility and represent the member companies in Russia, all to tap into the country's \$53 billion clothing market. The distribution center allows the companies to immediately fill new orders, a unique expectation of buyers attending the CPM fair and for the Moscow market in general.

During the trade mission, representatives from companies

Join, Milkan, Menus, His and Classic Jeans met with all Serbian institutions represented in Moscow working on economic development to tap into the networks established through the Embassy and other Serbian agencies. The group targeted and invited 115 Russian buyers from the data base the group built from its 2009 visit to Moscow to see the new ASSTEX display during the 2012 fashion fair; 60 percent came to see the booth. Concrete orders for 8,700 pieces were made during the trade mission and they were delivered before the opening of the fair.



THE TRADE FAIR: ASSTEX was able to successfully leverage its permanent Russian market presence during the CPM, the first public showing of the Novi Pazar-based textile association since its September showroom opening. Companies Join, Mikan, Menus, His and Classic Jeans exhibited under the collective denim fashion brand "Jeans from Serbia." The pre-fair invitations resulted in 67 buyers visiting their stand; 19 were from Moscow and the rest from other cities including Volgograd, Rostov and Novosibirsk. Nine buyers are working with ASSTEX members to complete orders totaling \$800,000 for all of 2012 (\$250,000 of which were contracted during the fair). Participating companies believe that the Russian market conservatively holds the potential for \$4 million annually in sales in the medium-term. The companies project they can manage that level of sales while trying to diversify both client base and markets by using other ASSTEX members as subcontractors to expand their manufacturing capacity.

DUSSELDORF, GERMANY GDS SHOES FAIR

TRADE MISSION

September 7-9, 2011

TRADE FAIR

March 14-16, 2012

TRADE MISSION: The newly formed Kostana Shoe cluster traveled to the fall GDS Shoes Fair in Dusseldorf in preparation for its first trade fair as a cluster. Four South Serbia companies, Minex, Steffi Com, Mladenovic and Lotos made the trip in September; the German Chamber of Commerce helped the group organize the mission. They met with 10 companies interested in purchasing shoe soles or other parts and five companies in buying finished



products designed and manufactured in Serbia. As a result of the trade mission, the group decided that its best near-term opportunity was to attend the March version of GDS, rather than returning in September 2012 as originally planned. The Serbian manufacturers believed they were more competitive in the autumn/winter collections to be highlighted in the spring fair.

TRADE FAIR: The opportunity to tour the September 2011 GDS Fair and recognize that the footwear collections sold in March played to the strengths of the Kostana cluster companies proved to be a sound observation. The five companies participating in the fair, (Minex, Stefi Commerce, Roberto, Lotos and Mladenovic) returned from Dusseldorf's Global Shoes Fair, Germany's largest footwear show, with the prospect of \$1.5 million in new orders for 2012. About 85% of this is for supplying shoe soles for larger companies. Importantly, about 15% of these new sales may come from shoes designed and produced by the Serbian manufacturers. It is no accident that Kostana's first major fair may represent the ES program's largest single fair sales result. The cluster formation and fair preparation is the culmination of all lessons-learned during the prior years of business support activities and trade mission and fair attendance.



ANALYSIS: TRADE FAIR RETURN ON INVESTMENT

The Economic Security Program has maintained and reported sales results and return on investment (ROI) reporting sales figures three and six months after the close of the fairs. After 24 fairs since 2007, the overall results are strong; total sales of \$12.9 million generated against investments of \$593,560 for an overall average ROI of 22-to-1 (27-to-1 based on prospective Moscow and Dusseldorf 2012 fairs). The early indications of success in the Russian market -- the result of years of testing market entry with Novi Pazar's textile manufacturers -- coupled with the potential for similar development of the shoe cluster in South Serbia, suggests that investments in trade missions and fairs will return dividends well into the future.

The ROI table illustrates that no fair has "lost" money (that is, cost more to support than companies realized in new sales). In fact, the vast majority of fairs have provided a return on investment that met or, in several instances, vastly exceeded expectations. In addition, the fairs have represented a valuable opportunity for new market entry for the project's companies and/or the negotiation of breakthrough contracts for, on average, from one to three of the participating companies. For example, Moravka Foods, the South Serbian food processor, grew from less than \$200,000 in sales in 2007, its first year of business, to nearly \$9 million in sales in 2011, due in large measure to the opening of the Albanian, Kosovo, Macedonia and Bosnia and Herzegovina markets through ES trade mission and fair participation. Tobler Skele took its construction scaffolding company from \$300,000 to \$2.5 million from 2006 to 2011 and its workforce grew from eight to 50. Through participation in ES missions and fairs, the company has created permanent market presence in Albania and Kosovo; it also has become a major supplier in the Serbian construction market after gaining important early contracts during the 2009 and 2010 Belgrade Construction Fairs.

At the same time, four fairs have not lived up to expectations for an immediate return on investment: Moscow CPM Fashion Fair 2009, Dusseldorf CPD Fashion Wear Show 2010, International Fashion Fair in Poznan, Poland 2011 and the Pristina Construction Trade Fair 2011. The first fashion shows were, of course, part of the broader effort to revitalize Sandzak's textile and apparel industry. The home of Serbia's once well-recognized textile industry and the heart of

Novi Pazar's economy, Sandzak suffered with outdated equipment and management processes in the post-privatization years that nearly collapsed the entire sector. The aforementioned early trade fairs were vehicles for re-introducing Serbian textiles to the international market; they also enabled the project and textile owners to learn of the work required for the companies to be fully competitive in the export market and helped pave the way for later success.

Lessons Learned from Trade Fairs that did not Meet Expectations

Moscow Fashion Fair 2009

Moscow is an obvious trading partner for Serbian companies and the CPM Fashion Fair is the premier buyers' show for the market. Five companies made the trip on this first effort to open the Russian market and while each made sales, the total fair sales were only \$136,125 for an ROI of just 2-to-1. The participating companies learned that Russian buyers want to select from an existing showroom of stock. The group returned to Novi Pazar knowing that only when it had a permanent facility in Moscow could it make another attempt at the market.

Interestingly, it was the post-Moscow fair discussions in which the concepts for using an association of textile and apparel companies to launch an export cluster emerged. The companies recognized as well that they needed to create greater capacity to tackle larger export markets. Without large turnover, it was difficult for any one company to make the necessary operational investments; collectively they could achieve the same result while supporting the growth of all member companies.

ASSTEX is the association that emerged from those early talks and it was ASSTEX members' investment in a permanent show room and the hiring of a highly experienced sales manager that helped to generate the February 2012 sales results. Assuming \$800,000 is achieved in the short term and the companies' commitment to reinvesting in the market produces sales of \$4 million a year in the long term, the investment in the lessons-learned in 2009 will have been, ultimately, a valuable one.

Dusseldorf Fashion Wear Show 2010

Denim producers in Novi Pazar targeted the European market where its denim fashions and quality had been popular in the 1980s. They entered the show co-branding their companies under the single identity "Jeans from Serbia." Interest was high but several business requirements of Western European nations demonstrated to the companies that Germany was not the right target market and that the Sandzak-based producers were not yet ready. Quality certifications required of companies that do business with German buyers go far beyond the ISO 9001 certification which ES partner companies were pursuing at the time. The cost of money, cash flow constraints, limits on loans for operating capital from Serbian banks and generally low margins for apparel manufacturing made pursuing the German market any further impractical at this point in time.

One positive outcome from this fair was that the team recognized the need for pre-fair reconnaissance and face-to-face meetings to create sales relationships prior to the fairs. Following this fair, the Trade Mission was instituted as a standard practice by the project. In addition, the group of companies that traveled to Dusseldorf did meet with senior German trade officials and buyers' associations and spoke with designers at the city's fashion design center. Each meeting added important knowledge that was later used in their companies' growth. The participants also realized how valuable cultivating such relationships were prior to trade fair appearance.

International Fashion Show, Poznan, Poland 2011

If Western Europe could not be the Novi Pazar denim producers' entrée into the EU market, they needed to find an alternative entry point. The companies then targeted Poland. It is the sixth-largest market in Europe and, when plans were set in motion to attend the fair, its economy was supporting a healthy clothing market. The trade mission created a relationship with a Polish-based trading partner and \$150,000 in contracts were signed during the fair. Immediate orders for 500 pieces were placed and a showroom was opened in spring 2011.

Activity slowed quickly after the fair. Either a weak sales management partner or the lack of brand identity or some combination of both demonstrated that a new sales partner and a more aggressive marketing campaign were needed. The ASSTEX members were willing to risk an ongoing investment but two other factors came into play: (1) orders for textiles were weak worldwide because of the economic crisis; and (2) ASSTEX was negotiating with the Serbian government for support to open a Moscow showroom. With limited senior management bandwidth, the small companies and nascent association were challenged to work on two significant investments simultaneously.

In August 2011, SIEPA announced a \$240,000 grant to ASSTEX to open the Moscow showroom. That signaled an opportunity for the members to use its grant to support its goals for the Russian market while they used their company investments to work the Polish market. In November 2011, SIEPA denied ASSTEX's application for reimbursement having added new requirements that were not included in the original award. ASSTEX members chose to push forward with the Moscow venture, thus diverting company resources earmarked for Poland to the success of the Moscow showroom and fair exhibition. ASSTEX does not want to abandon the market but, in the absence of the SIEPA reimbursement support for Moscow, has pushed its plans for Poland expansion forward into 2013. Thus, the final verdict on the initial investment in this fair is still to be decided.

Pristina Construction, Energy, Technique and Furniture Fair May 2011

Program companies had enjoyed great success expanding into the Kosovo market prior to 2011. Trade fairs alone there produced more than \$2.1 million in sales (in addition to the success that individual ES-supported companies were having in increasing exports to Kosovo). Unfortunately, there were significant Serbian-Kosovo border issues last May – right at the time of the fair – which affected both anticipated company participation and overall sales results of this fair for light manufacturers. Two of the four companies were unable to enter the country with their products despite all proper documentation and support from USAID and other entities. This alone significantly impacted the potential for sales. In addition, trade fair attendance by potential buyers was lower than previous years.

As a consequence of the continued political uncertainty between Serbia and Kosovo, the Economic Security team at the time it was designing its 2012 – 2013 work plan decided to not recommend attendance at any fairs in Kosovo over the next 18 months. Needless to say, the continued disruption to trade hurts Serbian manufacturers (which export more to Kosovo than Kosovo exports to Serbia) and, in a worst case scenario, the impact of effectively sealing the border to Serbian-originated goods could generate sales losses among some of the program's most successful companies totaling as much as \$2 million.

The full ROI table below provides data on each fair and demonstrates the overall impact the trade fair activity has had for Economic Security's targeted industry sectors.

Table 14: CUMULATIVE SALES FOR ES-SUPPORTED TRADE FAIR ATTENDANCE

	#	Trade Fairs	# of firms	Anticipated sales at Fair	ACTUAL SALES 3 months	ACTUAL SALES 6 months	ES assistance	ROI ²⁷
FY 2008	1	48th International Fashion Fair in Belgrade (Oct 2007)	21	\$272,800	\$170,000	\$384,700	\$9,880	39 to 1
	2	Business Base 2007 (Nov 2007)	39	\$277,000	\$310,000	\$502,700	\$12,748	39 to 1
	3	5th International Fashion and Equipment Fair Novi Pazar (Mar)	40	\$338,600	\$280,500	\$546,100	\$20,307	27 to 1
	4	Bujanovac Agricultural Fair (May)	41	\$29,140	\$110,000	\$339,000	\$23,222	15 to 1
	5	Novi Sad Agricultural Fair (May)	6	\$232,500	\$210,000	\$855,840	\$20,646	41 to 1
	6	Pristina Agricultural Fair (Jun)	7	\$145,000	\$120,000	\$306,000	\$5,000	61 to 1
	7	The 84th International Zagreb Autumn Fair (Sep)	8	\$81,300	\$396,505	\$640,270	\$19,800	32 to 1
TOTAL FY 2008				\$1,376,340	\$1,597,005	\$3,574,610	\$111,603	32 to 1
FY 09	8	Construction Fair Belgrade (Apr)	11	\$98,724	\$2,495,230	\$3,686,985	\$25,464	145 to 1
	9	Bujanovac Fair (Apr)	57	\$24,537	\$110,256	\$177,650	\$18,500	10 to 1
	10	Moscow Fashion Fair (Sep)	5	\$650,000	\$54,525	\$136,125	\$57,380	2 to 1
TOTAL FY 2009				\$773,261	\$2,660,011	\$4,000,760	\$101,344	39 to 1
FY 2010	11	Pristina Fair (Oct 2009)	6	\$250,000	\$645,000	\$1,005,000	\$25,820	39 to 1
	12	Skopje Fair (Nov 2009)	7	\$170,000	\$455,000	\$610,000	\$16,390	37 to 1
	13	Tirana Fair (Nov 2009)	3	\$50,000	\$90,000	\$160,000	\$5,000	32 to 1
	14	Düsseldorf Fashion CPD (Feb)	4	\$432,000	\$6,000	\$25,000	\$30,998	1 to 1
	15	Belgrade Construction Fair (Apr)	8	\$203,000	\$317,000	\$317,000	\$23,637	13 to 1
	16	Bujanovac Agriculture Fair (May)	9	\$87,000	\$264,800	\$580,500	\$7,510	81 to 1
TOTAL FY 2010				\$1,192,000	\$1,777,800	\$2,697,500	\$108,995	25 to 1
FY 2011	17	Belgrade Furniture Fair (Nov 2010)	8	\$165,000	\$670,000	\$755,000	\$26,130	29 to 1
	18	Tirana General Fair (Nov 2010)	9	\$779,800	\$280,000	\$675,500	\$43,029	16 to 1
	19	Poznan Fashion, Poland, (Mar)	7	\$150,000	\$100,000	\$160,000	\$35,890	4 to 1
	20	Construction Fair Belgrade (Apr)	6	\$36,000	\$476,500	\$625,593	\$26,430	24 to 1
	21	Pristina Construction, Energy, Technology and Furniture (May)	4	\$15,500	\$80,000	\$80,000	\$31,174	3 to 1
TOTAL FY 2011				\$1,146,300	\$1,606,500	\$2,296,093	\$162,653	14 to 1
FY 2012	22	Panair Fair, Tirana (Nov 2011)	7	\$785,000	\$375,250	\$375,250+	\$41,582	9 to 1
	23	CPM Moscow, (March 2012)	5	\$800,000			\$45,000	18 to 1
	24	International Trade Fair in Dusseldorf, (March 2012)	5	\$1,575,000			\$22,383	70 to 1
TOTAL FY 2012				\$3,160,000	\$375,250+	\$375,250+	\$108,965	29 to 1
GRAND TOTAL				\$7,647,901	\$8,016,566+	\$12,944,213+	\$593,560	27 to 1

²⁷ Return on Investment is calculated only on the final six-month actual sales figure (which reflects cumulative sales). For reporting period only, a provisional 2012 and LOP ROI has been calculated based on prospective Moscow and Dusseldorf fair results due to the timing (relatively late in the reporting period) and importance of these two fairs.

SUCCESS STORY: MILKOP, RAŠKA

Milkop grows into multinational dairy with support from USAID Programs

Started as a small family business in 1997, Raska's Milkop Dairy has become one of Sandzak's biggest brands and Serbia's 15th largest dairy through determined expansion, modern marketing and a long history of cooperation with USAID. Even during the recent economic downturn, the company managed to increase its revenue and profit margins.

Milkop's success story began when USAID's Community Revitalization through Democratic Action (CRDA) Program helped it open a new production facility in 2002. Within a year, Milkop expanded production by 100 percent. In 2007, USAID's Economic Security Project included the company in its business support activities. Since then, the company has more than doubled its revenues, from \$5.6 million in 2008 to \$11 million in 2009, \$12.6 million in 2010, and \$10.4 million in 2011. The ES team engaged Milkop in a multi-level business support activity that provided management, marketing and sales training and modernized marketing and branding materials. The goal was to prepare Milkop for domestic and international business fairs to open new markets and expand sales. It will join other Sandzak-based food producers at May's Novi Sad Agriculture fair.

The company employs 150 in production facilities in Raska and Kraljevo and markets products throughout Serbia. Its success benefits the entire Sandzak area. It relies on milk supplies from 3,000 small farms – up from 1,000 in just the last four years -- which combined earn about \$8 million from this business. It also has created jobs in Belgrade, Kragujevac, Novi Sad and Valjevo with new retail outlets, and they contribute nearly 15 percent of Milkop's revenues since opening in the last half of 2011. Milkop's success earned it the 2011 ProBusiness Leader award for medium-sized enterprises sponsored by ProCredit Bank.

Milkop recently started exporting to Sweden when a wholesale partner found the company's unique "peppers in cream" product on the website and placed an order. Its next target is Russia, with challenging food product permitting. To increase exports, Milkop is building a modern, 3,000-square-meter production facility, ensuring products meet EU and Russian market standards.

"We've worked with USAID on establishing and strengthening our Quality Management systems, we've learned about how to approach new markets, and we've obtained international HACCP certification," said Zorica Djordjević, Milkop's marketing and trade manager. "Our mission is to fulfill the demands and expectations of our clients, our owners, and our employees."



Milkop's owner and Bojan Premović talks about company growth

Milkop ten years of support yields high returns

2002 – Before USAID	Today – After USAID
Employed: 15	Employs: 150
Purchased 3,000 liters of raw milk daily	Purchases 100,000 liters per day
Contracted with 200 small farms	Contracts with 3,000 local farmers
Production plant 200 square meters	Building new 3,000 square meter plant
Products sold locally and in northern Kosovo	Currently present throughout Serbia and exports to Montenegro, Macedonia, Bosnia and Sweden



BUSINESS PROFILE: Ana, Bosilegrad

A Brave Fight to Survive

Ana Export-Import is a small company in the isolated, economically challenged municipality of Bosilegrad, which suffers an unemployment rate of more than 50 percent. As it slowly expanded its product line, Ana staged a brave fight to survive after revenues plummeted in 2009 during the depth of the recession. With help from USAID's Economic Security project in rebranding and improving its marketing and financial skills, Ana rebounded one year later with its single best year since its establishment.



In 1998, Ana's owner, Anka Kotevska, opened a small shop in the village of Rajcilovci near Bosilegrad to sell mushrooms, pomegranates, blueberries and other forest fruits collected by local villagers. Kotevska's business took advantage of the rich forests where fruits and mushrooms grow abundantly around the ecologically protected areas of Lake Vlasina and the nearby hillsides of White Water, Crnooka and Besna Kobila.

After nine years selling locally to friends, neighbors and small local shops, Ana officially registered as a small business in 2007. It also opened its own cooling storage and drying facility and began processing the mushrooms and forest fruits. Today, the company's final products include dried and canned mushrooms, fruit marmalades, syrups and jams. Its signature offering is *Slatko*, a traditional Serbian fruit product typically served to houseguests with coffee as a welcoming gesture.

In 2008, its first full year in business, Ana had 10 employees, nearly \$430,000 in gross revenue more than \$21,000 in net profit. The ensuing global economic crisis wreaked havoc on small businesses throughout Serbia. Ana was no exception and saw 2009 revenue drop to \$380,000 and net profit reduced to just \$3,000. Still, Ana was determined to press ahead.

At about this time, Ana began cooperation with USAID's Economic Security project, which provided marketing, sales and financial training. The company's brand and visual identity needed to be strengthened to make it more prominent and appealing to consumers across Serbia. With the project's help, the company developed the now well recognizable "All Natural" brand and logo. The project also took Ana to its first major regional trade fair in Mostar. This first step outside of Serbia was not expected to produce immediate tangible sales but rather to help the company develop its trade fair presentation and negotiation skills and to help it start building regional networks. Ana continued to attend similar such fairs, mostly on its own, including, most recently in November 2011, Belgrade's 6th annual Ethnic Food and Drink Fair, where the company won first prize in the Fruit Product category.

Growth not only returned in 2010 (doubling from 2009) but also so did profits. The company has also added staff and now has 10 full- and 15 part-time employees. Kotevska remains committed to expanding regionally.

"We succeeded in almost all our plans. There is no doubt that we will be able to directly export one day to the countries in the region and beyond," she said. "We will progress one step at a time. We have now hopefully survived the crisis with USAID's help and things are looking up."



BUSINESS PROFILE: Nuraplast, Presevo

Helped for the First Time

Besnik and Zija Nura were just in their 20s when they took over Nuraplast, the family door- and window-making company in Presevo. The duo slowly expanded Nuraplast's product line over the last 15 years, enabling it to boost sales, expand its facilities and hire more workers. USAID's Economic Security Project recognized the brothers' innate business skills and knack for profitable ideas and is helping them hone those skills to expand internationally.

Nuraplast, begun 44 years ago by the Nuras' father, started out making wooden doors and windows. The brothers took the helm in 1991, making Nuraplast one of the only Economic Security program supported companies to have successfully managed a leadership transition. This transition changed the vision of the company from being content to do high quality work for clients in the local community to pursuing growth and export markets.

In 1995, the Nura brothers expanded their production to include customized kitchens. In 2003, they added doors and windows made of PVC, followed by aluminum ones in 2004. ISO 9001, 14000 and 18000 standard certifications and investments in new machines for their PVC products in 2007 enabled the company to increase exports, which today accounts for 25 percent of the company's revenues. With product expansion came the need for more space, new equipment and a larger workforce. In 2010, the brothers completed work on a new 1,400-square-meter plant right beside the old 1,000-square-meter facility. Nuraplast now has 20 employees, seven of which were hired during the last three years.

"Our company never had any help. All that we accomplished was done through hard work and by ourselves," said owner Besnik Nura. "Recently we have started to cooperate with USAID's Economic Security Project and I expect that this will be the first time that somebody really helped us."

Besnik is attending ES project trainings in order to strengthen his managerial skills and project marketing consultants are helping to develop the company's website and product catalogue.

"From the first moment of our cooperation, I appreciated the project staff's attitude," Nura said. "They demonstrate preciseness, responsibility and excellent organization during our joint activities. I hope this cooperation will help me to expand further our export markets."



Nura family business today pursues growth and export markets



BUSINESS PROFILE: Brug, Novi Pazar

Modernization, industry partnerships bring Brug fashion success

By modernizing with help from USAID's Economic Security Project, the family-owned textile business Brug has become a fashion trend leader, expanded internationally and strengthened the entire Sandzak textile sector.

Brug, opened in 1971, was one of the ES project's first partnerships six years ago. Brug has grown from a company that relied largely on intuition into a streamlined, modern firm with a skilled, innovative workforce that provides a competitive edge.

Brug participated in the program's managerial skills trainings and hands-on technical assistance and greatly improved its human resource management. Brug strengthened its organizational structure, created clearly defined work processes and, following core management training, engaged experts from the University of Novi Pazar Department for Economic Sciences to help it write detailed job descriptions for each employee.

Today, Brug is a model for Human Resource Management in Serbia, developing its people's skills, encouraging teamwork and fostering creativity. It is emerging as a leader in monitoring market trends to link designers' ideas with customer needs. Its art and production technology departments collaborate to offer artistic styling with textile processing technology which has made Brug a prominent local fashion company known for unique design and premium quality.

Brug also received technical assistance to expand exports; in the past two years, it created a new visual identity, attained ISO certification and prepared a new markets' entry strategy. That all let Brug expand beyond nearby trade partners Bosnia and Herzegovina, Albania and Croatia to the Czech Republic, Russia and Poland. It also produces jeans for higher-profile fashion outlets such as Otto Kern, Mustang and Pioneer.

Brug is founding company of Novi Pazar's textile association, ASSTEX, and a member of its export cluster. The cluster markets itself under the joint brand "Jeans from Serbia," which allowed ASSTEX to open a Moscow showroom and distribution center and expand to the Czech market.

"We are not competitors anymore; we are partners and co-workers," said Nihat Ugljanin, a founder's son and Brug's general manager. "Thanks to lessons learned through the ES program, we are generating increased revenues from exports and preparing ourselves for even bigger growth."



Nihat Ugljanin,
Owner of Brug

Improved Quality Reduces Production Costs, Increases Profits

ES business training guided Brug to reorganize its strategy to focus on product quality with higher returns. As a result, though the company produced fewer pieces during the recent economic downturn, it increased its profit margin –due to more efficient operations and premium pricing of higher-quality products.

Recently Brug exported more than 20,000 jeans to the Czech market; 6,000 to Slovenia; 3,000 to Russia; and 1,500 to Poland.

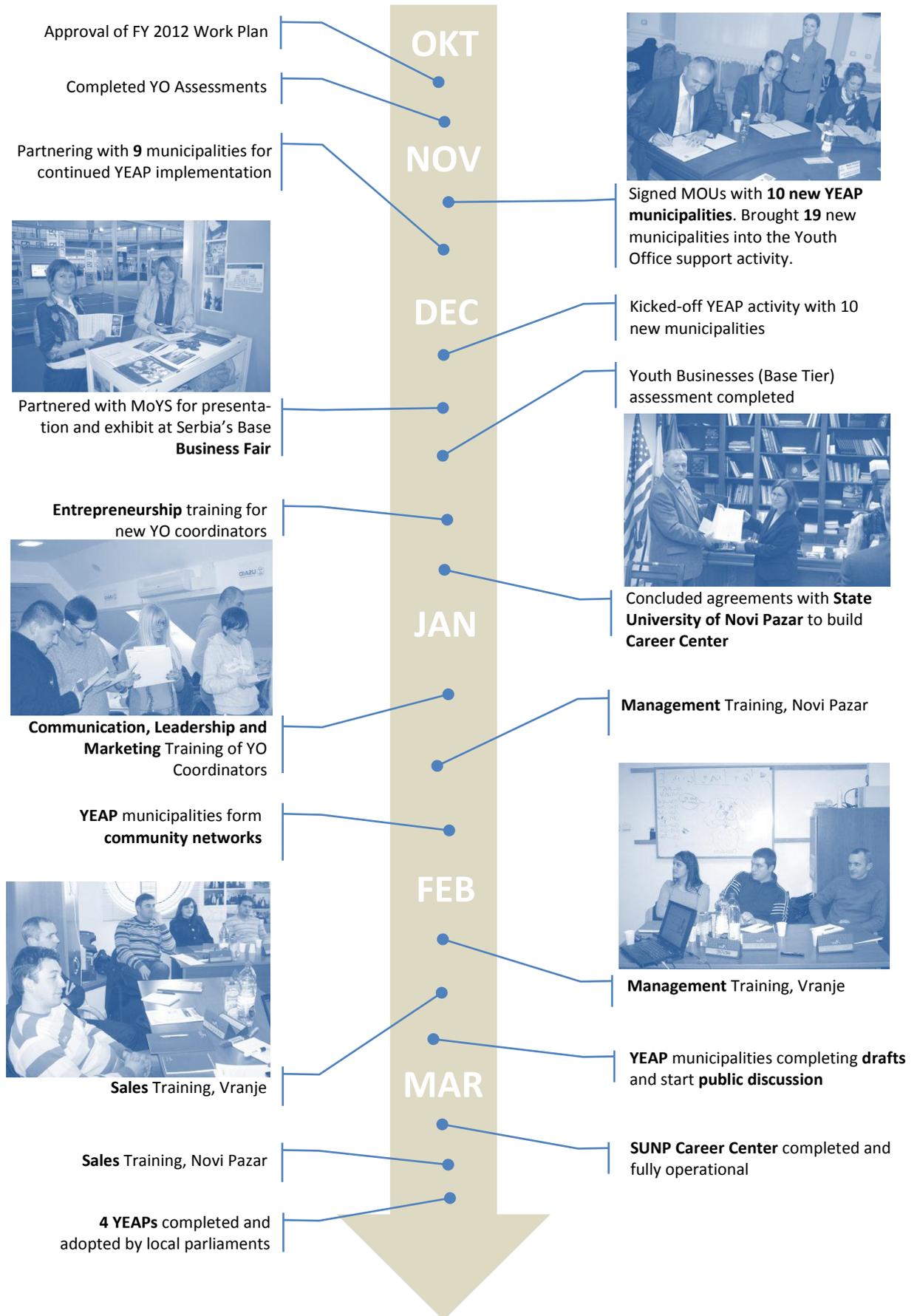


Youth Support



Young Business owners: Ramadani brothers, Unikaf, Bujanovac

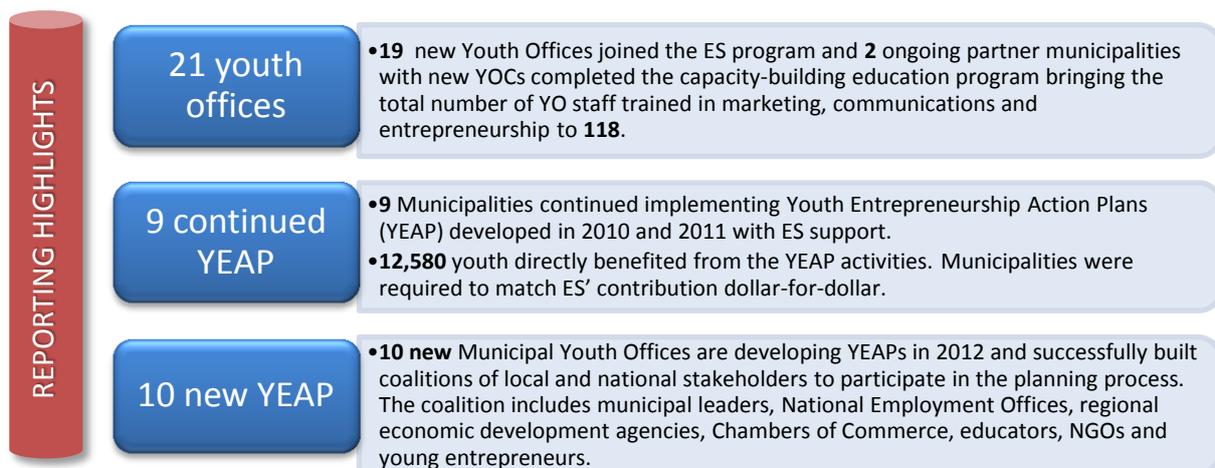
Youth Assistance Summary: October 2011 to March 2012



YOUTH ENTREPRENEURSHIP: AN EMPLOYMENT STRATEGY

The Economic Security team's goal is to integrate youth into the Serbian economy by being more competitive for jobs or preparing them to start their own business. The project's approach combines direct support of individuals to build entrepreneurial and leadership skills with strengthening the institutions that serve and support young people. A higher level of youth employment and self-employment is essential for both more robust economic growth and helping to ensure social and political stability in the project's two targeted regions of South Serbia and Sandzak.

Figure 12: REPORTING PERIOD HIGHLIGHTS



The economic crisis set back job growth in Serbia in each of the past three years. The impact of these lost jobs will continue for some time. The recent flurry of new company openings in Serbia has not absorbed all the newly unemployed who lost their jobs during the 2009-2010 recession, let alone those who were already jobless before the crisis for structural reasons (such as ongoing privatization). This environment makes tackling youth unemployment all the more difficult as the problem will not be solved through traditional job creation by existing businesses alone.

The program's current youth strategy is built on three pillars – 1) the building of broad partnerships to address the issue of youth unemployment; 2) working through municipal level youth offices to reach large numbers of youth country wide; and, 3) strengthening targeted sectors by integrating youth owned small businesses into existing value chains.

Partnerships

The program developed partnerships with all levels of government early on. This helped frame the challenges and the approach strategically and logically. These partnerships have extended from the national level with the Ministry of Youth and Sport, the National Employment Service and the Development Fund of Serbia to the local level with municipal governments and their youth offices. Relationships have also been built with local educational institutions such as universities (in Bujanovac and Novi Pazar) and with local technical (vocational) high schools. The project has formed alliances with local non-governmental organizations, such as Junior Achievement Serbia, that share similar objectives and with local businesses. These latter partnerships have been probably the most important in helping to actualize activities like internships and jobs training public private partnerships.

Municipal Youth Offices

In 2007, only five Youth Offices existed but even then, the ES team recognized their potential. Municipal Youth Offices were targeted early in the program as formal vehicles to advocate for and lead young people in their communities in finding solutions to important problems like employment and entrepreneurship. The ES team devised an approach that has transformed the relationship between local government and the Youth Offices through professional development and development of community networks to take concrete steps to reduce unemployment and support youth-owned businesses. No longer mere informational facilities for young people to gather and socialize, most Youth Offices now have regular appropriations, official status with the local government, action plans and concrete programs for addressing youth entrepreneurship and unemployment issues. By the end of this year the ES program will have provided intuitional strengthening support for all 118 functioning Youth Offices in Serbia.

With the infrastructure in place to transfer leadership for activities to the Youth Offices, the ES team developed the Youth Entrepreneurship Action Plan activity. With the understanding that no speedy or sustainable development is possible without investment in human resources that remain in local communities, the program engaged municipal leadership to build a broad-based network of public, private and civil society individuals and institutions to focus on job and business creation for and by youth. To date, 23 communities have completed entrepreneurship activities that served more than 13,000 youth. This year, 10 new municipalities were accepted into the YEAP activity; another nine municipalities, based on prior performance, were invited to extend their cooperation with the Economic Security Program for a second year of YEAP activity implementation.

Integrating youth owned small businesses into existing value chains

In 2012 the program added 34 youth-owned businesses to its group of intensively supported businesses in South Serbia and Sandzak. Creation of this “Base Level” tier of businesses is a natural evolution of the program’s emphasis on business development and youth employment activities. The project’s work with middle and top tier businesses demonstrate what training, modernization, trade fair support and industry clusters can do to build or revitalize companies and create jobs. Through the same careful selection of viable businesses, the ES team is working to set the same foundation for youth-owned businesses in South Serbia and Sandzak as it has for its medium-sized partner businesses.

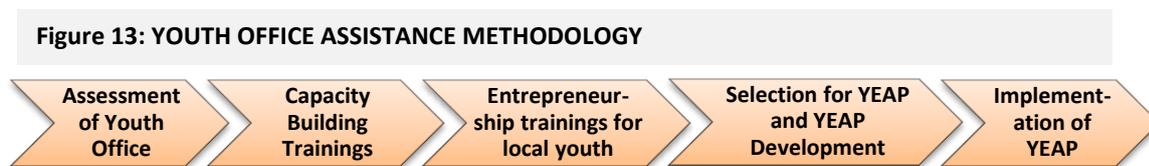
While these regions’ official youth unemployment rates – between 50 percent and 70 percent for 15 to 24 year-olds – are reason enough for providing business development support, these two depressed areas of Serbia offer several unique opportunities. First, the project can use its ongoing relationships with the regions’ now-growing larger companies to leverage opportunities for youth-owned companies to become part of a larger supply chain of products and services. Moreover, the regions’ demographic make-up of large families and a relatively young population create the potential for growth in gross domestic product that can outpace the rest of the country’s aging population – an opportunity often referred to in current economic literature as the “population dividend.” The project’s two geographical areas of focus are the *only* areas of Serbia that have the potential to realize such a dividend.

I. SUPPORT TO YOUTH OFFICES

Youth Office support activities for this period continued to focus on two main goals:

- 1) To develop the professional skills of Youth Office Coordinators (YOC) so they can develop municipal Youth Offices (YOs) into youth employment strategy centers that offer youth entrepreneurship information and support;
- 2) To help YOs in project's targeted regions of South Serbia and Sandzak create and implement Youth Entrepreneurship Action Plans to fight youth unemployment and promote youth entrepreneurship.

The assistance methodology to reach these two goals is summarized in Figure 13, below:



Selection of Cohort Four Youth Offices

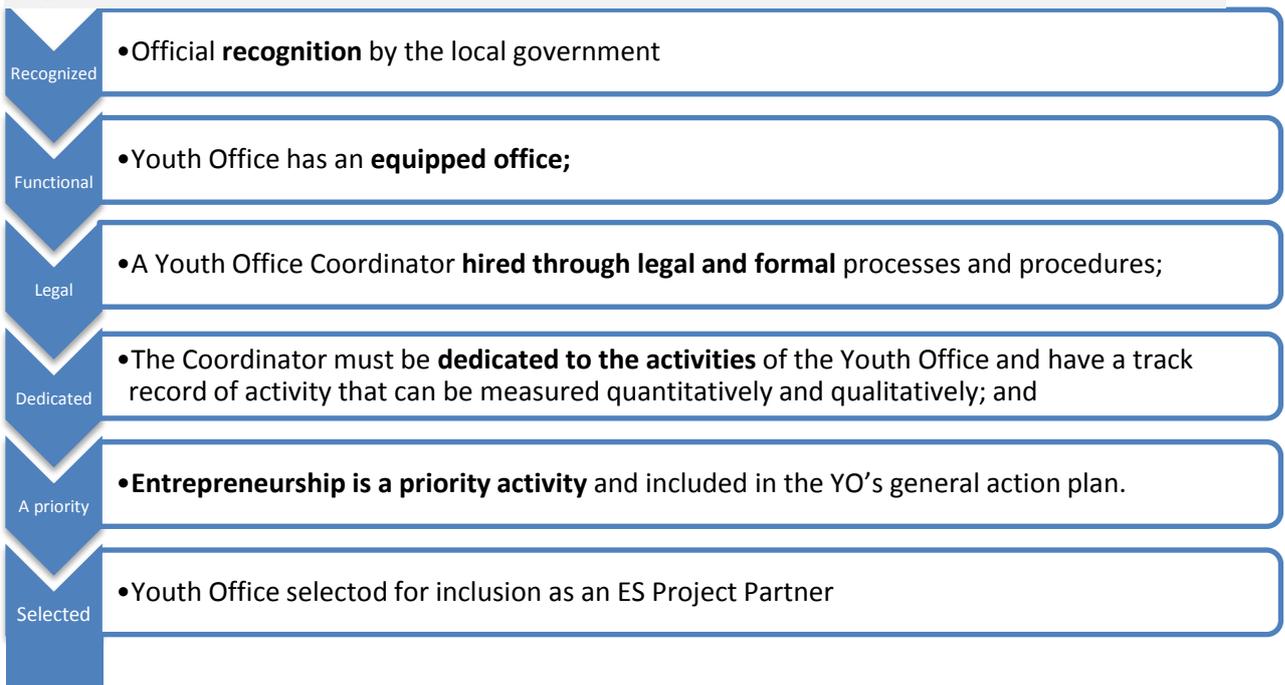
As it has with each of the prior three Cohorts, the Economic Security team conducted an assessment of Youth Offices not already included in the program to determine their preparation for the program's support services. A total of 29 Youth Offices were surveyed last fall to understand their needs and capacity²⁸. Questionnaires were followed by ES team site visits and/or phone interviews.

Based on the assessments, 23 of the 29 fulfilled the criteria to immediately put to work the support offered by the project and were invited to participate in Youth Office support activities. The six other offices do not have full-time coordinators or fully operational offices, and have not yet initiated any programs or activities for youth in their municipalities. Thus, the ES team determined these six offices were not ready at this time to take advantage of the Coordinator training or to successfully lead entrepreneurship activities.

Table 15: NEW OFFICES THAT JOINED PROGRAM IN FY 2012 (COHORT 4)

#	YOUTH OFFICE		
1	Apatin	12	Topola
2	Beograd Čukarica	13	Trgovište
3	Bor	14	Velika Plana
4	Brus	15	Boljevac
5	Čuprija	16	Doljevac
6	Svrijig	17	Babusnica
7	Novi Sad	18	Vrnjacka Banja
8	Pirot	19	Razanj
9	Rača	20	Sjenica*
10	Rekovac	21	Varvarin*
11	Šabac		

²⁸ Assessment findings were reported in Semi-Annual Report #11, pg. 51-54

Figure 14: YOUTH OFFICE SELECTION CRITERIA

The remaining 23 was reduced to just 19 when two Belgrade Youth Offices (Belgrade city and Stari Grad) and the municipalities of Negotin and Osecina failed to gain local leadership support for the proposed activities and the Youth Office Coordinators did not attend the professional development seminars. The program conditions any further assistance on the successful completion of the initial capacity building training.

The loss of the aforementioned municipalities and the program's emphasis on the depressed communities of the Sandzak region provided an opportunity to include the new Youth Office Coordinators from Sjenica and Varvarin in the basic training; both municipalities are existing partners in the YO support activities but they have new YOCs who had not had the opportunity to participate in prior rounds of ES training. Thus, the Economic Security team will provide its array of professional development and youth employment services to 21 YOs in this fiscal year.

Capacity building training was delivered to Youth Office Coordinators in December 2011 and January 2012. The core capacity building topics included marketing, communications and entrepreneurship. Participation in the professional development training is the project's baseline activity for Youth Offices and is a requirement for the Offices to be involved with any further support activities.

A. Youth Offices Capacity Building Trainings

Once again, the project conducted two capacity-building training sessions targeting new Youth Office Coordinators; it is the fourth consecutive year for this activity.

Strategic Communication and Promotion: This training focused on strategic communication with stakeholders. Specifically, it increased the Youth Offices' capacity to understand, organize, and promote a broad spectrum of youth activities. Special emphasis was placed on how to provide logistic support for and on-site management of events – an important capacity-building skill because the majority of local coordinators lacked experience, knowledge and skills to perform basic outreach tasks.

Youth Entrepreneurship: This course provided YO Coordinators with an understanding of entrepreneurship as a business concept as well as an approach to professional and personal responsibility. Key seminar topics included: entrepreneurship, marketing and business development. The session served as the foundation to develop Youth Officers' skills to promote, recruit and manage logistics for the Youth Entrepreneurship courses delivered with project support during the following reporting period.

Training Results

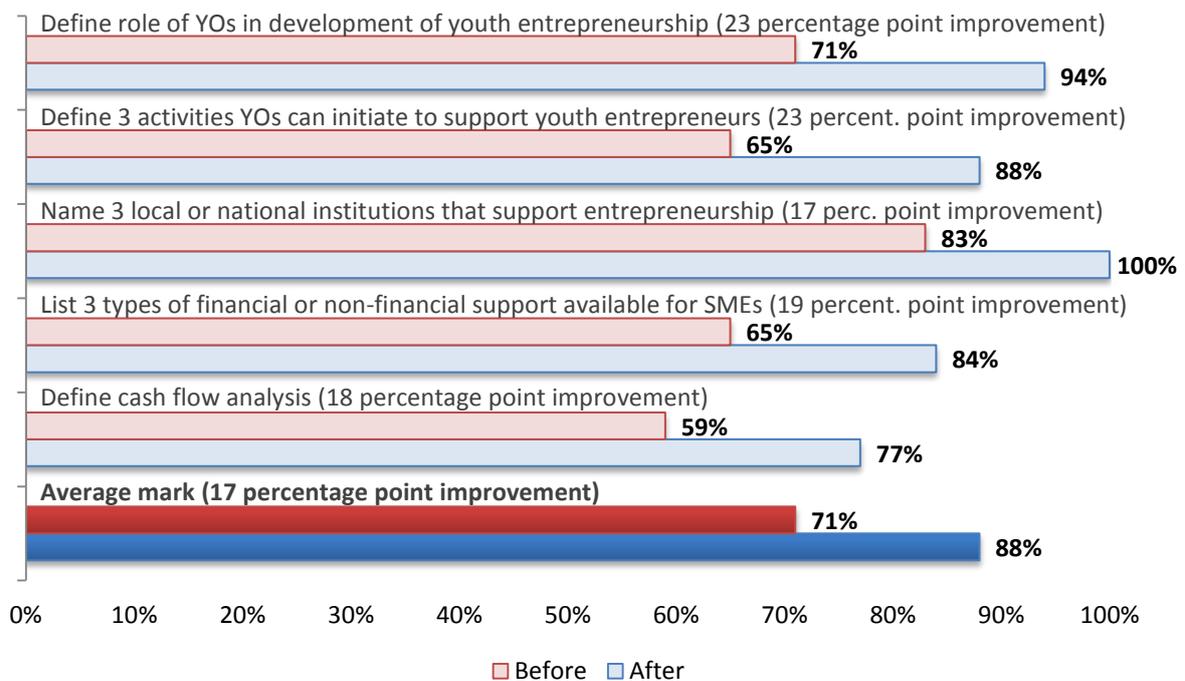
Both trainings focused on practical skills and it is clear from the post-training evaluations by participants that they believed they received education that will help them in their day-to-day work and improve their services. Youth Coordinators attending December's Entrepreneurship training were unanimous in their 100 percent satisfaction that they received the knowledge they needed and that the case studies and corresponding exercises gave them practical experience that will help them in their day-to-day responsibilities. While the questions asked of the Coordinators following January's Marketing, Communications and Promotions training were slightly different, overall satisfaction with the training was similarly positive.

<p>Table 16:</p> <p>OVERALL SATISFACTION OF YOUTH COORDINATORS WITH THEIR PROFESSIONAL DEVELOPMENT SEMINARS</p>	 <p>Entrepreneurship Training for YO Coordinators, Krusevac December, 22-24 2011</p>	 <p>Marketing, Communications, Promotion Training, for YO Coordinators, Nis January 31 – February 02, 2012</p>
<p>Technical Content - Quality of overall training, trainers and materials</p>	<p>4.8 (scale of 1-5)</p>	<p>4.9 (scale of 1-5)</p>
<p>Administrative - Accommodations, logistics and organization</p>	<p>4.6 (scale of 1-5)</p>	<p>4.9 (scale of 1-5)</p>

For the first time, the ES team this year implemented a *Before and After* training test to quantify participants' growth in knowledge and understanding²⁹. The Youth Office Coordinators and staff were given a baseline test before the training started and were retested at the end of the seminar. The results are remarkable; not only was there a significant increase in participants' core knowledge (as was expected) but generally their overall ability to articulate or to devise specific actions showed even more improvement.

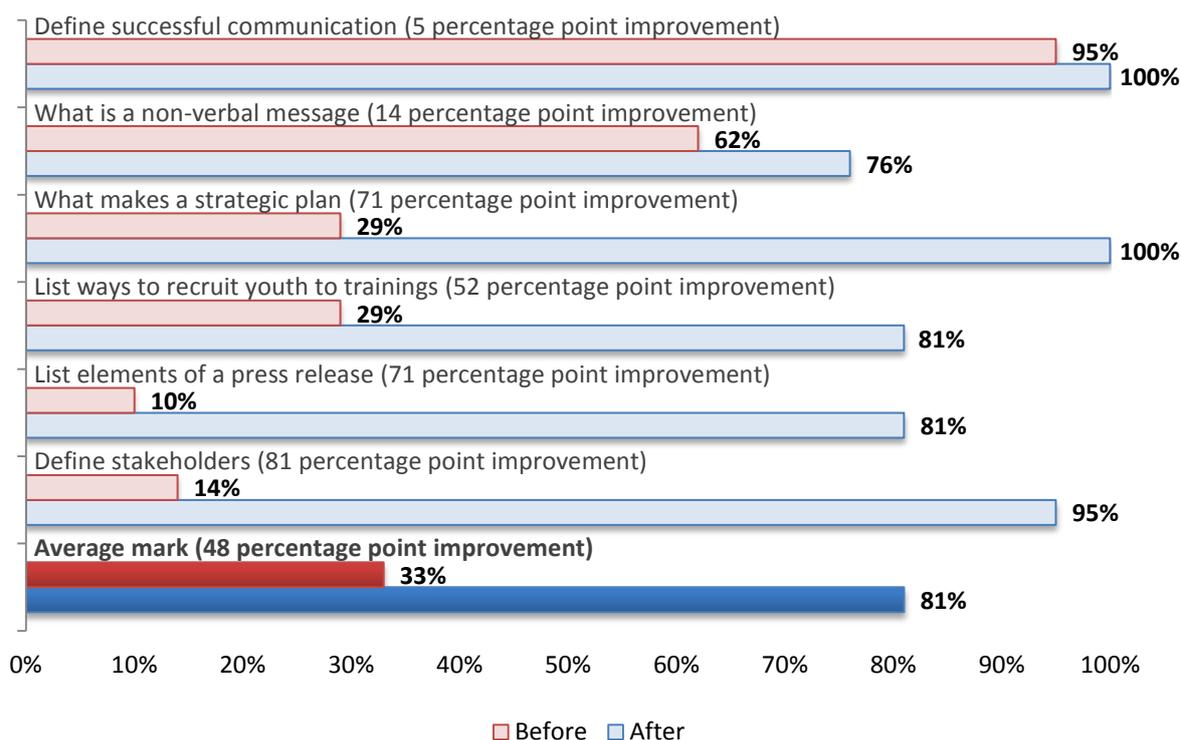
Training in entrepreneurship and basic business prepares Youth Office Coordinators to develop support activities for young business owners or those exploring the options of self-employment. Before YOCs participated in the introductory entrepreneurship education, 71 percent of the answers for the entire questionnaire were correct; at its conclusion, 88 percent of the answers were correct for an overall improvement of 17 percent. More importantly, their role as YOCs in supporting youth entrepreneurship and their ability to choose high-quality solutions became much clearer to them. Additionally, 28 were more knowledgeable about what financial resources were available to young small business owners (from 83 percent correct response to 100 percent correct at the end of the seminar). Figure 15 illustrates some of the areas of growth in understanding among the YOC participants.

Figure 15: ENTREPRENEURSHIP AND BUSINESS TRAINING PARTICIPANT'S IMPROVEMENT



The education in marketing and promotions, communications and leadership delivers organizational skills and modern approaches to communications. The participants are called upon to think about message development and delivery in entirely new ways. That may be the reason for the dramatic change in the before and after questions. While there was little room for growth in the understanding of basic communications, knowledge and understanding of other concepts – strategic planning, methods, development of content for press releases and appreciation for turning audiences into stakeholders – showed dramatic shifts before and after the training as Figure 16 demonstrates.

²⁹ The tests were administered anonymously; participants were not asked to put their names on either the before or after tests.

Figure 16: COMMUNICATIONS AND LEADERSHIP TRAINING PARTICIPANT'S IMPROVEMENT

B. Youth Offices Trainings for Potential and Existing Youth Entrepreneurs

Each year, following the completion of their two professional development trainings, Youth Office Coordinators recruit, organize and manage a seminar for youth in their communities who want to start their own business or strengthen an existing one. The ES-developed entrepreneurship training program, *Business Planning and Financial Resources for Businesses*, teaches business basics, provides skills to evaluate their business idea, offers information on raising capital and introduces participants to the personal attitudes and values common to successful entrepreneurs.

As the ES team has in the past, this year's seminars will be scheduled to parallel the open call for small and medium-sized enterprises to apply to *The Fund for Development of the Republic of Serbia* for start-up funds. The project engages agencies certified by the National Agency for Re-development to lead the training on *Access to Business Financing*.³⁰ To date, the program has helped young people who participated in the three prior years' training receive a total of \$240,969 start-up funds from the Development Fund, the National Employment Service and other sources.

The ES team works with the YOCs to target youth both highly interested and motivated to take on the challenges of business ownership. Since 2009, 135 participants from the business trainings registered and run a small enterprise, representing 9 percent of the 1,550 total youth attending the seminars. To date, the program has delivered 157 entrepreneurship trainings in 87 municipalities around the country. This year's trainings are targeted in South Serbia and Sank. To date, 18 of the municipalities have submitted their lists of participants in their com-

³⁰ The National Agency for Regional Development was created in February 2010 when it merged with the Republic Agency for SMEs and the Ministry of Economy. The three Regional Centers for SMEs supporting the ES trainings were the Belgrade, Krusevac-Kraljevo-Cacak and Timok Regional Centers.

munities; thus far, 310 young, highly motivated youth have been recruited for seminars this spring.

Interestingly, the team's entrepreneurship training, which not only gives the basics of business and finance but discusses the qualities of entrepreneurship, whether as an owner or a modern employee, has had impact on the participants' optimism and confidence about their economic opportunities. Consistently, responses to follow-up questionnaires show that 90 percent or more of the participants say they are more optimistic and feel more competitive in their abilities to get a job. As of the last reporting period 255 past participants, or 16 percent, had found either full- or part-time employment since attending the training.

C. Youth Offices – YEAP

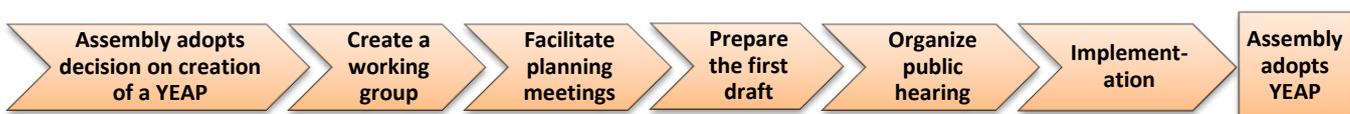
All municipal Youth Offices from South Serbia and Sandzak that were not YEAP participants in FY 2010 or FY 2011 were invited by the Economic Security Program to apply for participation in the current fiscal year. A total of 15 municipalities applied and 10 were accepted. Memoranda of Understanding were signed at public events to formalize the municipalities' partnership with PPES and to promote the activity.

Table 17: YEAP PARTICIPATING MUNICIPALITIES

#	2010	2011	2012
1	Aleksandrovac	1 Bačka Topola	1 Bujanovac
2	Aleksinac	2 Bečej	2 Kuršumlija
3	Blace	3 Čicevac	3 Preševo
4	Leskovac	4 Knjaževac	4 Priboj
5	Novi Pazar	5 Lajkovac	5 Prokuplje
6	Ruma	6 Loznica	6 Sjenica
7	Surdulica	7 Palilula (Bgd)	7 Sokobanja
8	Vel. Gradište	8 Palilula (Niš)	8 Tutin
9	Vlasotince	9 Pantelejev (Niš)	9 Vladičin Han
10	Zaječar	10 Paraćin	10 Vranje
11	Zrenjanin	11 Prijepolje	
		12 Senta	

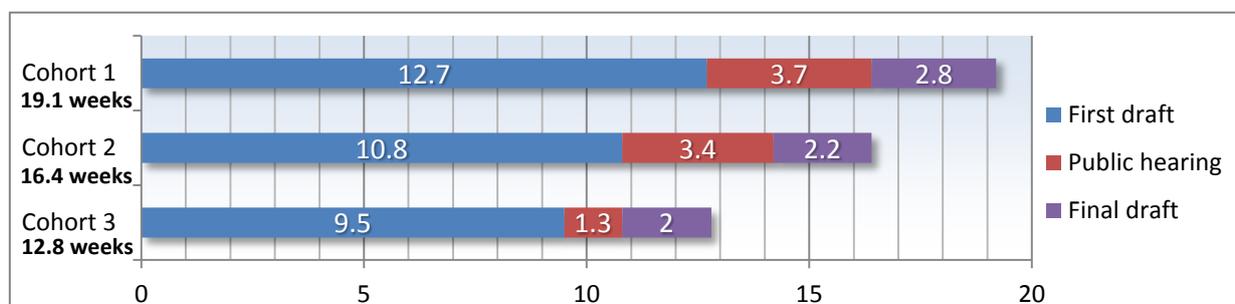
A seven-step process molds the YEAP activity. First a municipality builds a working group of local and national and public and private leaders willing to focus the communities' resources to solving the persistent youth employment problem. The broad-based committee of community stakeholders completes a municipal needs assessment, drafts the plans and hold open public discussions to collect feedback. The final YEAP is adopted by municipal parliaments; once the plan is formally adopted, implementation begins immediately. The process is outlined in Figure 17, below.

Figure 17: THE YEAP PROCESS



This year, municipalities have moved through the first three key milestones (completing a first draft, holding public hearing and creating a final YEAP draft) 30 percent faster than in the first year the project facilitated the activity (as is illustrated in Figure 18 , below). This can be attributed to more experienced service providers and greater inter – municipal learning and information sharing.

Figure 18: YEAP PROCESS MORE EFFICIENT OVER TIME



During this reporting period, three municipalities have already had their YEAPs adopted by their local parliaments. Before the end of 2011, seven of the 10 new municipalities had formed their working groups and seven successfully discussed their draft plans in a public forum, before the end of the reporting period.³¹

To show communities that the YEAPs are “living plans” not meant to gather dust on someone’s bookshelf, PPES encouraged municipalities to move rapidly from adoption to implementation of activities. To incentivize this, ES provides initial seed funding (up to \$5,000, which is matched dollar-for-dollar by the municipality) to implement a few high-priority projects defined in the YEAPs.

Table 18: COHORT III MUNICIPALITIES YEAP IMPLEMENTATION PROGRESS

Municipality	Milestones					
	Adopted decision/created working group	First draft developed	Public hearing	Final document developed	Assembly adoption	Implementation
Bujanovac	16-Dec-11	16-Mar-12	29-Mar-12	1-Apr-12		
Kuršumlija	09-Dec-11	14-Feb-12	27-Feb-12	05-Mar-12	09-Mar-12	
Preševo	14-Dec-11	09-Apr-12	20-Apr-12	23-Apr-12		
Priboj						
Prokuplje	07-Jan-12	13-Feb-12	29-Feb-12	07-Mar-12	14-Mar-12	09-Apr-12
Sjenica	07-Dec-11	28-Feb-12	02-Mar-12	05-Mar-12	09-Mar-12	
Sokobanja	22-Feb-12	04-Apr-12	06-Apr-12			
Tutin	07-Dec-11	28-Feb-12	29-Feb-12	05-Mar-12	30-Mar-12	
Vladičin Han	29-Dec-11	11-Mar-12	29-Mar-12	29-Mar-12		
Vranje	21-Dec-11	08-Feb-12	14-Feb-12	16-Feb-12	06-Mar-12	Apr-June

³¹ Priboj signed an MOU committing it to the creation and implementation of a YEAP but has since decided to wait until after May’s Elections to begin work on its YEAP.

YEAP Continued Implementation Support

The Economic Security Project targets regions where youth unemployment is especially difficult. As part of that targeting, the program invited eight communities that adopted YEAPs in prior years to continue collaboration with the Economic Security Project on implementing their plans. All eight eligible municipalities accepted and already have allocated funds to co-finance activities with the ES program.

A ninth municipality, Krusevac, also was invited despite not participating in prior YEAP Cohorts. The community created its own Youth Action Plan, which met the project's standards and is one of the strongest and most ambitious in the country. The community is working with the Regional Center for SME Krusevac, Kraljevo and Cacak – a service provider for ES YEAP implementation – and it's expected that ES support will deliver a strong return on investment for the municipality, participating youth and the program.

The municipalities are prioritizing activities that will lead directly to new jobs for youth, or new start-up businesses or creation of public-private partnerships that will contribute to one of the first two goals. The first implementation activities will be completed in spring 2012; concrete results will appear in and be the focus of the next Semi Annual report.

YEAP Sustainability

During the previous two years, the Economic Security program selected 23 Youth Offices to undertake the YEAP activity. The process has permanently expanded municipalities' networks of local, national and international stakeholders while the implementation links innovative solutions to reduce youth employment to a broader network of youth – many of whom are underserved by other programs.

Since its introduction in 2010, and through partnership with ES, the 23 municipalities have delivered 39 projects reaching more than 6,000 youth.

Possibly more impressive is that many municipalities and their Youth Offices recognize the impact YEAPs have had in tackling their youth unemployment challenges. A total of 19 of the program's YEAP municipalities created a budget line item for their action plan to continue implementation activities. In this reporting period, the ES team surveyed all 23 YEAP municipalities and found that, acting independently, 19 of them undertook 58 new actions in 2011 that reached another 6,500 youth.

Table 19: CONTINUED YEAP MUNICIPALITIES

2012 YEAP CONTINUED IMPLEMENTATION MUNICIPALITIES	
#	MUNICIPALITIES
1	Aleksandrovac
2	Aleksinac
3	Blace
4	Knjazevac
5	Krusevac
6	Leskovac
7	Novi Pazar
8	Prijepolje
9	Vlasotince

YOUTH ENTREPRENEURSHIP ACTION PLAN:
Locally Managed. Sustainable. Delivers results.

Y	E	A	P
12,580 beneficiaries to date	23 Youth Offices to date	97 separate projects to date	19 YO's to implement YEAP FY 2012

YEAPs are unique, innovative and use both the process and the end result to address the causes of youth unemployment.

The inclusive approach requires municipalities to invest money and broad-based support to integrate young people into the economy. Also, YEAPs challenge youth to carry responsibility for the direction of their future by providing education, training and access to new resources.

The total number of YEAP projects implemented in partnership with ES or independently by YOs is summarized in Table 20.

	ES+YO		YO INDEPENDENTLY		TOTAL	
	PRO-JECTS	BENEFICIARIES	PRO-JECTS	BENEFICIARIES	PRO-JECTS	BENEFICIARIES
Employment skill enhancement	7	359	24	2,064	31	2,423
Entrepreneurship education	18	701	16	495	34	1,196
Direct support to Young Entrepreneurs	3	65	7	240	10	305
Employment and Entrepreneurship Info dissemination	11	5,955	11	3,701	22	8,656
TOTAL	39	6,080	58	6,500	97	12,580

The willingness of municipal leaders to continue funding and implementing YEAPs in tough economic times demonstrates that the activity planted the seeds for permanent change. The activities offer municipalities affordable, sustainable solutions to local youth unemployment problems.

Whether ES-supported or continued actions by past YEAP municipalities, all actions continue the focus on the four core elements most important to solving the youth employment problems at the local level:

- 1) Employment skill enhancement
- 2) Entrepreneurship education
- 3) Direct support to young entrepreneurs
- 4) Employment and entrepreneurship information dissemination

All are designed to make youth more competitive in getting and keeping employment and to introduce them to and encourage them to engage in entrepreneurial endeavors both professionally and personally.

The four municipalities in this year's YEAP activity that have had their action plans adopted by the local parliament also have identified activities that continue to target the four themes listed above.

The Agricultural Association of Paracin

Sixteen participants in the Paracin YEAP activities received training in modern agricultural production and marketing methods as well as a study tour of the Novi Sad Agricultural Fair. Upon returning to their family farms, and armed with good ideas, they and two other youth founded the Association. Pooling their financial resources, they leveraged a grant from the municipality to purchase irrigation and harvesting equipment to be shared by association members. The irrigation equipment will help increase yield and reduce their risk of crop loss to drought; the harvesting equipment performs a job in hours that required weeks when done by hand. Members are reinvesting the resources gained through higher production and reduced costs to purchase additional equipment, also supplemented by a municipal grant. The benefits reaped from the association by the young farmers who are staying in Paracin to build their future help not only them but their large families and the local economy.



Paracin youth at agricultural training in Vojvodina

II. SUPPORT TO YOUNG ENTREPRENEURS

The Economic Security program continues to provide assistance to “base of the pyramid” businesses, an activity initiated last year. *Base Tier* companies are start-ups that are deemed ready to benefit from some of the program’s standard package of business support previously provided to more established businesses. All were identified in early FY12. Selection criteria were based on companies’ total revenues and human resource and operational capacity that suggest they can benefit and grow through the standard business support assistance package offered by the Economic Security team. The companies have owners who are 35³² or younger, proactive and interested in growth and agree to cooperate with the program’s existing supported firms.

At the end of 2011, the ES team conducted assessments in South Serbia and Sandzak to identify potential beneficiaries and businesses for cooperation and support.

In South Serbia the assessment covered the communities of Bojnik, Bosilegrad, Bujanovac, Crna Trava, Lebane, Leskovac, Medvedja, Vladicin Han, Vranje, Vlasotince, Presevo, Surdulica and Trgoviste; in Sandzak it covered Nova Varos, Novi Pazar, Priboj, Prijepolje, Sjenica and Tutin.

The assessment consisted of the following phases:

Figure 19: BASE TIER BUSINESSES ASSESMENT PROCESS



To identify an eligible company, the ES team contacted and consulted a variety of local, regional and national institutions and agencies, including:

Table 21: BASE TIER BUSINESSES IDENTIFICATION – PARTNERS IN SELECTION PROCESS

Local Economic Development Offices	Entrepreneurs association	Serbian Business Registers Agency
Youth Offices	HELP Bujanovac	The local accountants’ association
Regional Chamber of Commerce	National Employment Service (NES)	The Republic of Serbia Development Fund
Regional Agency for Economic Development and Entrepreneurship for Pcinja District - VEEDA	Business women association for Pcinja and Jablanica Districts	SEDA (Agency for Regional Development)
Presevo and Bujanovac Development Agency - PBDA	Center for the development of Jablanica and Pcinja Districts	Uzice (Regional Development Agency)
Young entrepreneurs association	Office for entrepreneurship help and development	

³² For this category Youth is considered up to 35 to align our activities with other Ministry of Youth and National Employment Services efforts in this field

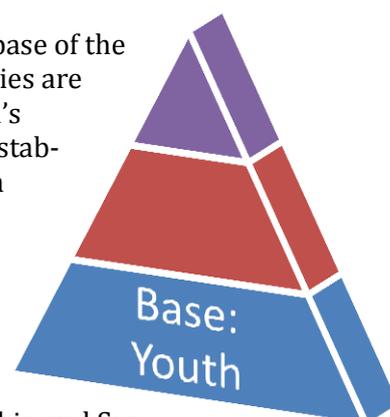


Table 22: YOUTH-OWNED BUSINESSES SELECTION CRITERIA

CRITERIA	SOUTH SERBIA # OF COMPANIES	SANDZAK # OF COMPANIES
All youth-owned SMEs	326	270
and Production oriented	146	80
and ES targeted sector	27	52
and Showed interest, Ethics vetting	21	22
and Eligible for assistance	20	21
Joined ES Project	17	17

The assessment results provided a five-step formula for zeroing in on the final 34 companies (29 base tier companies + 5 middle tier companies) representing the targeted regions of South Serbia and Sandzak.

Development of Modern Business Skills: Management, Sales and Marketing

Just as it delivered for its top- and middle-tier companies, the ES team launched its intensive support for youth-owned businesses with business skills development. During this reporting period, the team delivered Management and Sales training for young entrepreneurs. It also began to provide marketing materials support.

Management Training

The first support delivered to 29 companies was an ES-organized and delivered management training conducted in January and February 2012. The young entrepreneurs were introduced to basic business skills and the management phases of a business from start-up survival to growth, expansion and maturity. It explored how young business owners can improve their business and grow from startup to young company to a business employing other young members of the community

Mr Hrvoje Bogdan, Management Trainer, comments on training and participants:

“Preparation and selection of participants was excellent. All participants were young entrepreneurs and start-ups. Training was well organized. Participants’ knowledge on management and business issues was basic or none, but they were well motivated and devoted. I am surprised and delighted on progress of participants during these two days. At least half of the group has the potential for growth, and these young people can be champions of change in their companies and community. Based on the given impressions, the training has fulfilled the set goals and objectives.”



Among the participants were young people seen as successors in existing family companies so part of the emphasis was on introducing a second generation to company management to foster longevity and sustainable growth.

All participants found the training valuable not just for gaining new practical skills and knowledge but for the valuable networking experience with other participants. As is its standard practice, the project conducted an evaluation of the trainings:

Table 23:

**OVERALL
SATISFACTION
OF
MANAGEMENT
TRAINING FOR
YOUTH**

 Management Training, Vranje
February 01-02, 2012

 Management Training, Novi Pazar
January, 30-31 2012

 General impres-
sion of training

5.0
(scale of 1-5)

5.0
(scale of 1-5)

 Average under-
standing of in-
formation

4.7
(scale of 1-5)

4.9
(scale of 1-5)

Sales Training: Closing the Deal

In February, the ES service provider ASEE delivered sales training to 15 young business owners in South Serbia and in early March they repeated the training for 18 young owners in Sandzak. The training introduces sales techniques and how to develop productive sales relationships. It helped the young entrepreneurs, most of whom focus on their products and do not recognize sales as a part of the operations or the customer service chain.

Once again, the participants strongly believed that they received tools that will help them grow their business. The overall impression of the training rated a perfect five on a five-point evaluation scale for the young owners in each location. Participants also believed they understood the knowledge and could put it to immediate use.

Table 24:

**OVERALL
SATISFACTION
OF SALES
TRAINING FOR
YOUTH**

 Sales Training, Vranje
February 22-23, 2012

 Sales Training, Novi Pazar
March 6-7, 2012

 General impres-
sion of training

5.0
(scale of 1-5)

5.0
(scale of 1-5)

 Average under-
standing of in-
formation

4.9
(scale of 1-5)

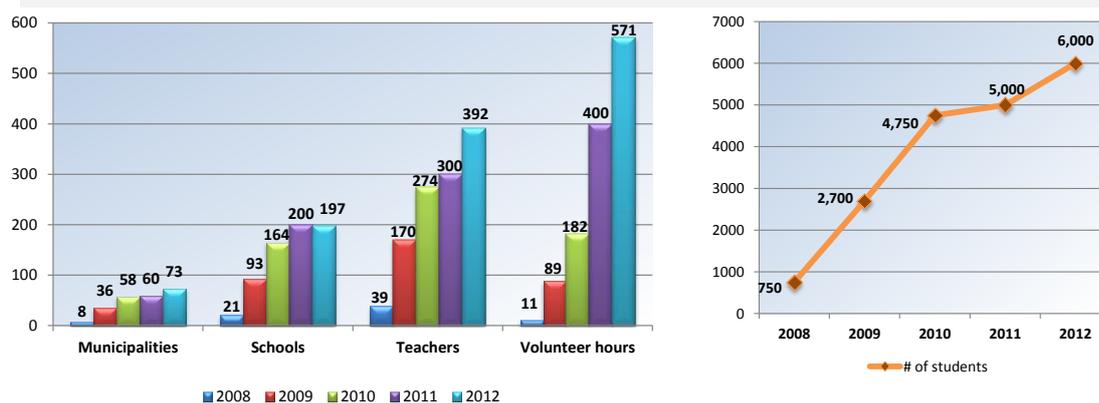
4.7
(scale of 1-5)

III. SUPPORT TO JUNIOR ACHIEVEMENT SERBIA

The Economic Security Project's support to Junior Achievement Serbia (JAS) continues to target long-term sustainability: financial management, fundraising and management capacity development. The program re-focused its emphasis from expansion of activities (adding schools) to greater technical support two years ago. Special emphasis has been placed on transitioning JAS' dependency on earmarked funds targeted to specific competitions or high-visibility events to raising more unrestricted funds through corporate sponsorships, which enhance growth and long-term stability. Concurrently, the program has been developing management skills within JAS to improve its financial planning and management, internal control and operational capacity.

Supporting Junior Achievement Serbia's nationwide entrepreneurship education program helps the project provide Serbia's youth with the skills and knowledge to be more competitive – a key goal for the project. Serbia's formal candidacy into the EU has been announced; the government to be formed following May's elections will be focused on the steps required for EU membership. With these major leadership and structural challenges ahead, JAS' groundwork in entrepreneurship education positions it to become a leading authority in molding Serbia's public school curriculum to match the needs of the global economy. Figure 20 portrays the extraordinary growth of JA in Serbia in just the past five years.

Figure 20: GROWTH OF JAS BETWEEN 2008 AND 2012



Building Operational Capacity

Junior Achievement Serbia, through ES program support, has made great strides over the past few years:

- JAS offers programs for eight times the number of students it did just four years ago;
- JAS has a full-time executive director and a five full-time staff; the professional development of staff and the organization is an ongoing activity with good results.³³
- Though the JAS Board hasn't changed during this reporting period, it is built around a core group of dynamic and involved members and it is recognized that this core group needs to be expanded to help ensure the organization's continuity; and
- JA Serbia actively cooperates with JA Europe and participates at European events and competitions (whereas it did not a short four years ago).

³³ As measured by the OCAT (Organizational Capacity Assessment Tool) – a widely accepted standard in organizational capacity assessment for nonprofit organizations that was originally prepared for Venture Philanthropy Partners (VPP) by McKinsey & Company.

In order to continue the institutional growth of JAS, the Economic Security Project continued to provide short-term technical assistance (STTA) for a U.S.-based fundraising expert to coach JAS staff to reach its fundraising goals.

The consultant reviewed progress made against the fundraising plan first developed at the end of 2010 and generally concluded that JA Serbia has made positive movement toward the principles set forth in the new approach to fundraising, and that early results have been achieved. At the same time, many important actions called for in the initial plan are either incomplete or targets are greatly underachieved. Table 25 compares the original goals to actual accomplishments.

Table 25: JAS: PROGRESS TO DATE IN ACHIEVING GOALS OF 2010 FUNDRAISING PLAN			
#	OBJECTIVE	GRADE	STATUS
1	JA Serbia to identify 153 “warm” prospects.	In progress	JAS has developed a list of 120 “cool” prospects; held two events for high-profile donors during this period, the events hosted 14 executives from six companies.
2	JA Serbia develops and can clearly articulate a vision and a case for support	Vision and Case for support: Objective met Use of case with prospects in progress	Completed vision and case for support; consultant has determined that the case for support has yet to be used to its full potential with donors.
3	JA Serbia develops a corporate recognition program	Objective met	Completed
4	JA Serbia has a basic “donor management” program	Objective met	Completed
5	JA Serbia completes a strategic/business plan	In progress	Consultant recommends technical assistance in preparation of a professional business plan.
6	Each board of directors’ member makes personal contributions	In progress	Each board member is to contribute 2,500 Euros or raise that amount from his/her employer; to date four members have raised 18,000 Euros.
7	JA Serbia to create an advisory board	In progress	Greater organizational commitment of time and management resources is needed.
8	Build a fundraising database	In progress	Database is being built as donors are identified and appropriate research collected: completed approximately 50 percent of goal set in fundraising plan.

To close the gap between what JAS has completed and what is ongoing or has yet to be properly initiated, the professional fundraising specialist made the following recommendations and conclusions:

1. **Develop detailed business plan.** JAS must overcome its fundraising weaknesses and align the fundraising plan with the organization’s strategic plan and existing budget. To do so, USAID, through its Civil Society Advocacy Initiative project, plans to provide a grant to hire professional support to write a two-year business plan with appropriate

operational strategies and goals based on realistic revenue projections and a sustainable staffing level. A key focus of the business plan is to fully develop the Major Donor program and outline how to make it operational.

2. **Develop and test revenues and expenses scenarios.** JA Serbia needs to develop detailed revenue and expense models based on different scenarios, develop contingency plans based on those same models, and establish trigger “decision” points based on actual revenue performance. This provides JAS with a clear financial picture ensuring that revenue shortfalls or changes are seen well in advance and can be dealt with in a timely fashion.
3. **Scale-up fundraising activities.** JA Serbia must follow the original plan but do so at greater scale. Last year JA Serbia held two “vision meetings” in which it makes its case for support to small groups of targeted prospects. To meet its fundraising targets, the organization needs to hold these meetings at least once a quarter.
4. **Create individual strategies for all prospects.** Successful cultivation strategies were created for some prospects but JAS must create such strategies for all prospects. The discipline to execute thoughtful donor strategies has to be priority No. 1. The Executive Director needs to allocate at least 50 percent of his time cultivating the relationships with prospects that lead to the fundraising goals.
5. **Further engage board members.** Board members should get more involved in fundraising. JA Serbia should consolidate its board so that:
 - All board members are evaluated based on meeting attendance, money raised, and general involvement with the organization
 - Those who do not meet minimal levels of the above should be asked to leave the board
 - Former members could be considered for the Advisory Board
 - Potential new Board members should emerge from JAS
 - The organization should also create a “target list” of board members that they would like to have
 - The organization should actively try to find connections to people they would like on their board. Individualized prospect plans should be created for each potential board member

Change fundraising model. Currently, much of JA Serbia’s funding is tied to direct sponsorships of events: a corporation pays for an event with 10 percent to 20 percent overhead built in. JAS needs unrestricted funds that support operations and long-term planning. Fundraising through the cultivation of donors is more likely to be able to secure general operating funds. Marketing strategies for events can give corporations the publicity and recognition at events they seek; for incentive, a corporation will be recognized based on its level of contribution. If a corporation wants to sponsor an event, a higher level of overhead will be built in going forward.

Fundraising: Current school Year 2011-2012

JAS fundraising success from non-USAID sources in the first half of the 2011/2012 school year very nearly matches the totals in each of the previous two school years. Not only have corporate contributions increased in each year from 2010 to early 2012, but the proportion of dollars now tilts in favor of unrestricted contributions that support JAS operations and long-term planning as opposed to donations designed for specific events. In fact, with the first half of the 2011/2012

school year, the level of unrestricted funds now reaches 60 percent. The table below shows JAS' progress over the years in increasing the amount of unrestricted funding.

Table 26: JAS GROWTH IN NON-USAID FUNDING					
#	TYPE OF NON-USAID FUNDING	SCHOOL YEAR			
		08/09	09/10	10/11	HALF 11/12
	In-kind & Restricted funds	\$56,090	\$78,279	\$58,187	\$33,516
	Unrestricted funds	\$0	\$20,647	\$30,604	\$49,423
	Total funds	\$56,090	\$98,926	\$88,791	\$82,939
	% Unrestricted funds	0%	21%	34%	60%
	Non-USAID Donors	4	9	17	13

During this reporting period JA hosted several high-level fundraising activities with new and/or existing donors expanding its base of support. JAS' current non-USAID contributors, shown in Table 27

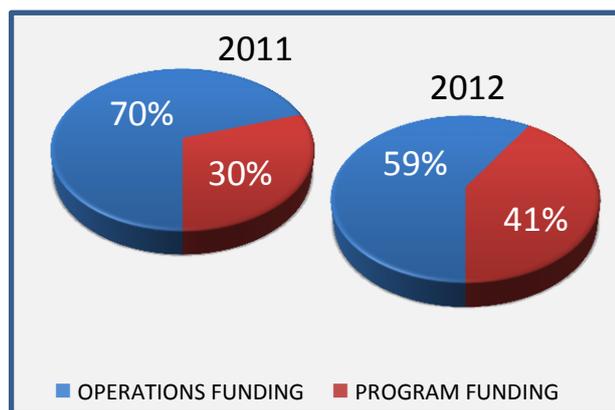
Table 27: JAS NON-USAID DONORS 2011-2012					
#	DONOR	UNRESTRICTED	RESTRICTED	IN-KIND	TOTAL
1	Novi Becej municipality	\$399			
2	JA Turkey	\$599			
3	Smart Collective	\$1,596			
4	JA Norway	\$2,008			
5	Oracle	\$2,394			
6	City of Belgrade	\$3,192			
7	Belgrade Business School	\$3,990			
8	Erste Bank	\$5,320			
9	British Council	\$5,985			
10	Ministry of Youth		\$6,916		
11	Telekom	\$10,640			
12	JA-YE Europe	\$13,300			
13	Delta City			\$26,600	
	TOTAL	\$23,940	\$6,916	\$26,600	\$57,456

In addition to raising more money and increasing the donor base, JA Serbia's growing professionalism is creating efficiencies while maintaining its highly recognized programming quality and program penetration. The year-to-year cost of operations from 2011 to 2012 show significant reductions in overhead as seen in Table 28. This increase in operational efficiency explains how the organization was able to expand the number of students this year while its overall budget remained the same.

Table 28: JAS Management and Cost Controls Operational Savings and Program Investments					
#	CATEGORY	FY11		FY12	
1	Operations (fixed costs)	\$227,480	70%	\$181,595	59%
2	Program	\$97,489	30%	\$126,896	41%
	Total Budget (not including in-kind)	\$324,696		\$308,491	

Figure 21: JUNIOR ACHIEVEMENT SERBIA FUNDING

The management improvements that create a 20 percent drop in overhead need to become part of the organization's fundraising story, especially when cultivating non-restricted funds. Corporations understand why unrestricted funds are necessary but no corporation wants to contribute to inefficiencies. And, it is not just cutting overhead; JAS successfully implemented operational cost controls while increasing its investment in programming by 30 percent. This also was accomplished with one fewer full-time staff member and a 5 percent decrease in the overall budget.



JAS' 2012 budget projection for programming and operational cost is \$308,000³⁴. At present, Junior Achievement has the \$56,339 cash contributions it has raised to date from non-USAID funds signed and commitments for \$86,567 from USAID to augment the budget to bring the total money in hand to \$143,206. USAID's Civil Society program is currently in discussions with JAS to provide about \$63,000 in additional support for the current school year. This would result in total funding by USAID for the current school year of nearly \$150,000. This is a significant decrease from the previous year's \$250,000. Moreover, JAS is working aggressively to transition completely away from any U.S. government funding for the 2012/2013 school year.

Ongoing conversations with three of the donors JA has targeted have a high probability of being secured and counted toward the remaining \$164,794 budget gap.

Table 29 outlines the potential donors and the dollar amounts being discussed.

Table 29: JA BUDGET FUNDRAISING	
1. BUDGET	\$308,000
Secured	\$143,206
Provisionally Secured	
Institute for Sustainable Communities	+\$63,521
Balkan Trust for Democracy	+\$23,743
Societe Generale (bank)	+\$26,600
2. SECURED + POTENTIALLY SECURED	\$257,070
3. REMAINING FUNDRAISING NEEDS (1-2)	\$50,930

With the likelihood that these three sponsorship agreements will be successfully completed, JAS must raise \$51,000 to complete its annual budget. Another group of 14 donors listed in Table 30 has been contacted; nine received concrete proposals and proposals are being prepared for the remaining five. Assuming a 50 percent closure rate on the current prospects listed in Table 30 (a reasonably conservative assumption), and an average \$4,400 unrestricted donor contribution based on gifts given in the first half of current school, JAS seems to have sufficient funds to complete this school year's activities as originally planned.

³⁴ Figure is based on March 2012 exchange rates

To successfully complete the transition from USAID funding during the next school year, the organization will have to continue to realize additional operational efficiencies (for example, by soliciting free office space from one of its corporate donors, a model used by other JA-Europe members) and by increasing the yield on non-USAID funding sources. The Economic Security team has created three scenarios to determine the additional operational efficiencies and fundraising growth JAS would need to accomplish for 2013 to continue its programs and services. In each scenario JAS will need to make some hard decisions on limiting the scope of its activities next year. The aforementioned Business Plan should help them make these decisions, if and when the time comes.

Table 30: JAS TOP FUNDRAISING TARGETS FOR NEXT TWO QUARTERS

SPONSOR	STATUS
Alco Group	Pre-proposal
Banini Foods	Proposal submitted
BUCK	Pre-proposal
Capriolo bicycles	Pre-proposal
City of Subotica	Proposal submitted
Dunav Insurance	Proposal submitted
Gradske pijace (public ent.)	Proposal submitted
Hemofarm Pharmaceuticals	Proposal submitted
MK Commerce	Pre-proposal
Nestle Foods	Proposal submitted
NIS Gasprom Neft	Pre-proposal
ORION Telekom	Proposal submitted
Siemens	Proposal submitted
UniCredit Bank	Proposal submitted

Fundraising: JAS Sustainability Prospects – 2012/2013

In order to maintain operations and program reach, the projected JAS budget need for 2013 JA is around \$270,000.

It is also assumed that additional operational efficiencies will occur shifting resources from overhead to programming.

The following scenarios are based on the assumption that JA receives all funds that are marked as “potentially secured” today and secures another \$50,000 from the current prospects list, as planned.

Table 31: JAS 2012/2013 FUNDRAISING SCENARIOS

Scenario (no USAID-funding)	Anticipated 2013 funds raised	Balance (raised vs. needed)
A. Low - no fundraising growth (same level of funds raised in 2013 as in 2012)	\$160,000	-\$110,000
B. Medium - fundraising growth of 20%	\$190,000	-\$80,000
C. High - fundraising growth consistent with 2011-2012 growth (77%)	\$280,000	\$10,000

A. The Low scenario is based on JA merely raising the same amount of money in 2013 as it projects for 2012. In this case, JA will have some \$160,000 for the entire year.

This amount equals to 60 percent of funds needed for 2013. This potential shortfall has serious implications for the organization and will cause it to adjust operations, staffing and programming significantly in order to continue operations.

Table 32: JAS 2012/2012 LOW FUNDRAISING SCENARIO

Category	FY13 Budget		Available per scenario A.		Difference	
Operations (fixed costs)	\$158,000	59%	\$94,400	59%	\$63,600	-40%
Program	\$112,000	41%	\$65,600	41%	\$46,400	-40%
Total Budget (not including in-kind)	\$270,000		\$160,000		\$110,000	-40%

The negative balance of \$63,600 for operation costs can be partly covered by eliminating its current rental expenses of \$15,000; locating free space from one of the sponsors should be one of JA's priorities in reducing costs. Regardless, the bulk of savings most likely will need to come from reducing personnel costs. This can be accomplished by reducing staffing from six to four positions, or by lowering salaries by some 40 percent and maintaining current staffing (which probably is not realistic), or a combination of the two. With these changes, JA can remain solvent throughout the year under this most challenging scenario.

On the programming side, the negative balance of \$46,400 will force a reduction in the number of competitions within country and abroad by as much as 50 percent. Even though this will not immediately affect the number of schools or students in the JA program, as implementing the curriculum itself in schools is not very expensive, it will have a longer-term negative impact on these numbers as it will lower the program's quality and attractiveness. In this case, some serious strategic decisions will have to be made. For example JA could: focus on regions that are easier to cover; do all competitions, but on a smaller scale; or focus on the most visible ones. These are the difficult decisions to which the business plan should provide answers.

B. The *Medium scenario*, and the most likely one, is that JA continues to successfully implement its fundraising strategies and achieves a 20 percent year-to-year growth from 2010/2011 to 2012/2013. In this case, JA will raise some \$190,000. This covers 70 percent of the projected budgetary needs and while better than the *Low Scenario* it, too, will require important changes in programming and organizational costs.

Table 33: JAS 2012/2012 MEDIUM FUNDRAISING SCENARIO

Category	FY13 Budget		Available per scenario B.		Difference	
Operations (fixed costs)	\$158,000	59%	\$110,000	59%	\$48,000	-30%
Program	\$112,000	41%	\$80,000	41%	\$32,000	-30%
Total Budget (not including in-kind)	\$270,000		\$190,000		\$80,000	-30%

In this case, the negative balance of \$48,000 for operation costs can be covered by eliminating the \$15,000 for office rental; the remaining \$33,000 can be achieved through a 25 percent decrease in personnel costs such as elimination of one position or a cut in salaries.

On the programming side, the negative balance of \$32,000 will come from a combination of reducing competitions in country and abroad by some 35 percent and further cost-savings in the organization of those events. This scenario again will have a negative impact on the program's visibility and reach.

C. The *High scenario* anticipates that during 2013 JA maintains the 77 percent year-to-year fundraising growth as it did from 2011 and 2012. In this case, JA will raise \$280,000, which will be sufficient to cover its planned costs and allow it to keep the same level of operations. Based

on the current economic situation and the number of entirely new prospects in the pipeline. , it is not very likely for JA to reach this growth next year.

Conclusion: Based on the all three scenarios, if JA continues to implement targeted fundraising strategies, the most likely scenario is the second, where JA increases funds raised by 20 percent. With those financial resources, JAS would still have to make and implement difficult strategic decisions to create savings to ensure solvency while it maintains quality programming.

Based on the organization's past fundraising performance and the country's economic environment, though, a 20 percent growth would be a strong achievement and appropriate progress given the size of the organization.

Two Partnerships Strengthened

In this reporting period, the **Ministry of Youth and Sport (MoYS)** has demonstrated its support for entrepreneurial education in Serbia and its recognition of JAS as a leading authority for delivering that education. The Ministry provided a grant last fall to implement *Business Challenge* competitions in four Serbian cities (Nis, Belgrade, Novi Sad and Pozega) between October 2011 and March 2012. Ministry representatives have been actively engaged in the first three competitions completed in this reporting period. This is the first grant JAS has received from the Ministry.

In addition to the financial support from the MoYS, JAS was invited by the **Ministry of Education and Science (MoES)** to participate in the workshop *Analysis of Report on Current Status of Entrepreneurship Education in Serbia*, an effort implemented by the European Commission with support from the European Training Foundation (ETF). All education in Serbia is being graded as part of the EU ascension process; entrepreneurship curriculum is of particular interest to the EU evaluators.

Interestingly, the Ministry of Education used JA Serbia's extra-curricular entrepreneurial education to improve its overall rating by the Commission. Not only did this cooperation strengthen the relationship between the two but JAS' workshop input improved Serbia's overall record for entrepreneurial education with the European institutions at a vital time in the EU membership process.

JAS partnered with MoES to demonstrate that Junior Achievement involvement in more than a third of the country's high schools with entrepreneurship education, materials, practical experiences and local competitions was evidence of the growing penetration of entrepreneurship education in Serbia's primary and secondary schools. Further, JAS' annual teachers' and principals' conferences plus its many national competitions support the Commission's demand for national sharing of entrepreneurial education issues and knowledge.

As a consequence of the strong presence of JA in Serbia's public schools, the EU Commission awarded a "Level 4" (out of 5) preparedness in entrepreneurial education to the current Ministry of Education and Science. Since the Economic Security Project became actively involved in the expansion of JAS programming and professional organizational development in the 2007/2008 school year, partnering with the Ministry of Education has been a top priority. Each year, the program has sought support for expanded entrepreneurial education and more professional credit for JA's teachers toward their annual requirements.

The *Analysis of Report on Current Status of Entrepreneurship Education in Serbia* opens the door for even more formal discussions with a new Serbian government and Minister of Education to include entrepreneurship in the country's public school education. Given the foundation and reputation Junior Achievement Serbia has built, it could serve as a curriculum consultant, educator of teachers or the primary service provider using its highly regarded annual conferences for teachers and principals to meet the EU requirement for ongoing national conversation about entrepreneurship education.

IV. STRATEGIC PARTNERSHIPS

State University in Novi Pazar Career Center

During this reporting period, the Economic Security Project and the State University in Novi Pazar (SUNP) collaborated to establish a Career Center at the SUNP. The Career Center is formed and, even though the formal opening is scheduled for April 19, is already delivering services. To date, the center has developed a work plan and policy manual and held a three-day training in career guidance and information to guide the direction and services of the center. It has also developed an alumni database, initiated partnership with the Sandzak Economic Development Agency (SEDA) to work together to create an internship program and become member of Serbia's state universities career centers network "Akcent." In the coming months, the ES-support Career Center will establish formal cooperation with career centers in Belgrade, Kragujevac and Novi Sad to exchange information and resources. By the end of the school year, the center will offer career information, organize training to improve students' work skills and help them with placements

in local companies. The center also will hold workshops to train students in resume writing, job interviewing skills and other skills to make them more competitive in the job market. Further, the center will build networks between students and the region's private sector, helping youth gain new skills and improve their employability.



Cemal Dolicanin, Dean of SUNP, signs Career Center MoU with USAID ES Project, Dec 6, 2011



The new ES Project-supported Career Center in SUNP prepares the technology to give its students greater access to career planning and job information.

International Organization Coordination

The Economic Security Program again hosted the annual meeting of international agencies working on programming for Serbian youth to identify areas of collaboration and opportunities to create greater impact from donor dollars. The meeting was attended by representatives from all USAID/Serbia programs working on youth issues, the German development agency GIZ (formerly GTZ), the United Nations, the German NGO HELP, and the Ministry of Youth and Sport. The ES project is again talking with the HELP program to extend the cooperation it started in FY 2011 in South Serbia to support youth-owned enterprises with training and micro grants.

SUCCESS STORY: YOUTH OFFICE VRANJE

Youth Employment – the Number One Priority



Vranje's Youth Office (YO) opened in May 2010 against the backdrop of an economic crisis and a severely reduced local budget. But a committed coordinator, a local government investment of \$16,000 despite its dire straits and USAID Economic Security Project support help hundreds of local youth learn about careers and gain work experience.

The ES project was the Vranje Youth Office's first partner. Immediately after the YO was established, the project helped to build its capacities through trainings and targeted technical assistance. In the first few months, the Youth Office was developing the foundations for all future youth activities – Vranje's Local Youth Action Plan adopted in 2011 and a Youth Entrepreneurship Action Plan (YEAP) adopted in 2012.

"The No. 1 priority of the Youth Office is creation of an environment which is supportive for youth employment," said Milica Andjelkovic Jovanovic, YO Coordinator. "This is reflected in both documents we developed with USAID's assistance."

The YO is implementing two YEAP activities: establishing a Youth Career Center for youth no longer in school and opening a Career Guidance Center in Vranje's Secondary School, an activity supported by German donor GIZ. Both will help young people research job and career options. Further, the City of Vranje continues to demonstrate its commitment to supporting youth employment by allocating nearly \$57,000 for two other YEAP activities involving small grants for self-employment capital investments.

"Partnership with USAID's Economic Security Project significantly increased our credibility," said Jovanovic. "Everyone thought that we must be serious if we are cooperating with USAID. This helped us to successfully realize our plans and opened many doors for us. We managed to grow quickly because of the USAID assistance."

In the past 18 months, the Youth Office with only two employees, implemented eight youth employment efforts and worked with more than 30 partners from local and national authorities, donors, civil society organizations and media. More than 200 young people from Vranje have taken part in the Youth Office's activities.

The Youth Office also established the first Volunteer Service in Vranje. It doesn't just encourage young people to support volunteerism but allows them to gain real skills needed to be competitive in the job market. The young volunteers have helped to organize a yearly fall cultural festival "Days of Bora Stankovic" and have served in the City Library and the City Theater. The youth are giving back to their community and building their future at the same time through these YO activities.



Milica Andjelkovic Tripkovic,

Youth Office Coordinator Vranje



YOUTH OFFICE PROFILE: Prijepolje

Proactively Fighting Brain-Drain

A group of young people from Prijepolje with the shared goal of keeping their friends from leaving their home town has, in just a few years, morphed into a vibrant Youth Office leading youth retention and business training in the municipality.

Prijepolje suffers from 46 percent unemployment, the highest in the Zlatibor district and one of the highest in Serbia. Prijepolje also lost 4,500 residents – nearly 11 percent of its population – between 2001 and 2011. Young people leave Prijepolje right after high school in search of a more prosperous future, further education and jobs in bigger cities like Belgrade, Sarajevo or Podgorica and they seldom to return.

“Serbia generally suffers from brain drain but Prijepolje’s brain drain is two times greater than Serbia’s average,” said Prijepolje Youth Office Coordinator Admir Veljovic.

Determined to stop the brain drain, members of the Youth Civil Society Organization “New Vision” started working with local government officials and building networks with other civil society and youth groups in 2007. A year later on April 4 they established the Prijepolje Youth Office (YO) as a department within local government to improve the quality of life of local young people.

While enthusiastic and full of ideas, the group was “young and not very experienced,” said Veljovic, one of the YO’s founders. USAID’s Economic Security Project stepped in at this critical moment, offering skill-building seminars and guiding their excitement into a coherent strategy to support their youth-empowering activities.

“The program provided trainings and technical assistance which enabled us to build our capacities and face challenges like lack of employment opportunities and all the issues unemployment and financial insecurity create,” Veljovic said. “We gained entrepreneurial skills and have begun to appreciate that entrepreneurship is a real option for us.”

Thanks to ES program support, the YO organized training for young people from Prijepolje in basic business skills, preparing business plans, and dealing with business registration and financing issues. The training resulted in the development of six business plans for youth-owned businesses and two already



have produced results. One boutique and one coffee shop were opened, providing jobs to six people. Veljovic called it a “good starting point” that should encourage other young people from Prijepolje to follow in their footsteps. He said the YO plans to continue offering trainings and hopes to work with youth to start production as well as service companies.

“This is the way to stop people from leaving our city,” Veljovic said. “This is the problem that the Youth Office addresses.”

The ES project also helped the office develop a Youth Entrepreneurship Action Plan (YEAP), a strategic document that details specific actions to help develop youth entrepreneurship and employment opportunities in a municipality. Adopted in June 2010, the Youth Office started implementation immediately with two activities – one that trained 15 youth in basic job skills, which resulted in five young people from Prijepolje landing their first jobs. The second activity was a public information strategy in partnership with the local television station to inform all municipal youth on available career training and job search services.



Admir Veljovic,
Youth Office
Coordinator,
Prijepolje

Currently, Veljovic said, 1,500 young people from Prijepolje actively participate in YO activities, such as Volunteer Service and Info Center. The Volunteer Service supported 14 community initiatives such as preparing City and Brodarevo beaches on the Lim River for winter, helping to organize a street basketball tournament and community workshops about culture, ethnic tolerance and fighting against violence. Further, more than 200 young volunteers took part in the Ministry of Environment, Mining and Spatial Planning's "Big Cleaning of Serbia."



Thanks to the YO Info Center, which collects and disseminates information about trainings, youth camps, seminars and internships, since August 2011 about 50 young people from Prijepolje participated in those activities across Europe while more than 150 participated in similar events in Serbia.

The Youth Office continues to work to create an environment that encourages young people to stay in their hometown and contribute to its development. Four new civil society groups recently formed in Prijepolje and the YO has more than 5,000 Facebook friends in a city with 7,200 young people, all pointing toward continued interest in improving conditions for local young people.



YOUTH BUSINESS PROFILE: “Unikat” Bujanovac

Young Entrepreneur Prepares to Take Over Family Business

Enver Ramadani is a 28-year-old English language teacher in Bujanovac high school by day and by night an entrepreneur being groomed to sustain his family business, which has operated for 37 years. USAID’s Economic Security Project is helping Ramadani prepare for a successful transition with a formal business plan and polished management skills.

With the Economic Security project’s support, Ramadani is developing a first-ever business plan for the Bujanovac firm Unikat, which makes custom glass for commercial use as well as for finished doors and windows. His family wants to spin off the glass business for Ramadani to own and operate independently. The company already has purchased a new glass applicator machine, plans to hire five more people and move into a newly built 500-square-meter production facility in a few months.

One of South Serbia’s most prosperous firms, Unikat opened in 1973 with just a small container of glass for shaping and processing. In the 1990s it was among the first to produce thermo isolation glass. Their products cover the full range of modern commercial glass including high-quality thermo glass, reflective glass

Three years ago Unikat expanded to be an exclusive wholesaler of PVC and aluminum doors produced by a company in Turkey. This business line is expanding quickly and the products are used in construction projects from Nis to Presevo. The family believes the time is right to separate the two businesses and have Enver run one.

With that in mind, the ES project helped Ramadani to create a business plan and is working with him to strengthen the managerial skills he needs to implement it. Additionally, to help strengthen his business ties with Turkish business partners, the ES team nominated him for a U.S. Embassy-sponsored program that brought him to the Youth Entrepreneurship Summit in Istanbul in December 2011. He also recently attended the management training for young entrepreneurs offered by the program in February 2012. Ramadani was an active participant and shared with other trainees his experience in Turkey.

“We had a chance to learn about enterprises from Turkey, see how they operate on a daily basis, and hear about their business plans and their strategic approach. Those were valuable lessons,” Ramandani said. “In addition, during our stay in Istanbul we had a chance to meet Joe Biden, Vice President of the United States. This was a great honor for us and another proof of how far our hard work took us.”



With ES project support, new business plan will help a successful leadership transition in glass company Unikat, Bujanovac



YOUTH BUSINESS PROFILE: Pcelarstvo Taskovic, Lebane

Experienced young entrepreneur moves beyond local markets with ES help

Goran Taskovic, 35, owner of the family business Pcelarstvo Taskovic in Lebane learned how to produce honey before he was a teen. He and brother Zoran have spent 25 sometimes turbulent years in the business struggling to move beyond their local markets. With the help of the USAID Economic Security Project, the two Taskovics learned how to make their products stand out from the pack and plan to build on their success to sell their honey in foreign markets.

The Taskovic family produces nearly 20,000 pounds of honey annually and sells nearly all of its forest and clover honey in Belgrade and Vojvodina, for total annual revenue of about \$36,000. The two brothers plan to add 50 beehives to their existing 300 this year and are aiming for 500 by 2015 as they strive to produce enough honey to warrant trying to export. But the honey business wasn't always so sweet for the company. For years, their production was too small to be of interest to wholesalers but too large to sell all of it retail in nearby economically struggling towns. Several times they were on the verge of downsizing production to make just enough for themselves and their friends.

Experts hired by the ES project helped Taskovic improve its marketing material, labeling and packaging with a new visual identity and motto. ES-sponsored trainings also taught the brothers how to target and approach different buyers and possible partners. It was the first organization to support the family business in its 26 years of its existence, which encouraged the Taskovics to target markets such as the United Kingdom and France.

"We attended trade fairs and exhibitions even before USAID, but I believe that now we will get much more out of them because we go there armed with market information, good marketing material, and skills to present our products and our country in the best possible way," said Goran Taskovic. "In our daily business, we can see that the new logo and newly acquired business skills obtained through the ES project make us much more recognizable and successful in making new deals and business connections."

Being able to add an additional employee is key to Goran Taskovic's plans to start producing honey-based cosmetics. The Taskovics plan to attend exhibitions in Nis and Bor this April and the Belgrade Beekeeping Fair, an important honey exhibition, the first week of October. Goran expects to achieve a major breakthrough in sales at this event.

Taskovic's ultimate goal is export. In a pilot project, 20 pounds of Taskovic's honey will be sent to England through other producers who possess the necessary export permits. Taskovic also is trying to reach the French market during 2012 with the help of a fellow villager who lives in France and has connections in the tourism (shops and restaurants) industry. As they test the waters and explore obtaining their own certifications, the brothers hope foreign markets find that their lifelong honey-making experience produces another unique Serbian product prime for exporting.



Goran Taskovic, owner of Pcelarstvo Taskovic



YOUTH BUSINESS PROFILE: Art Studio, Novi Pazar

Detailed business plan gives driven young entrepreneur map for the future

According to the National Agency for Regional Development, only 13 percent of entrepreneurs in Serbia are younger than 35. Adnan Nuhovic, from Novi Pazar, is one of them.

After returning home from his day job, Nuhovic, a 28-year-old part-time student at the University of Novi Pazar Faculty of IT, works late into the night to build his own company into a major software, design and photo business. He's not just following a dream; he's following a well-mapped business plan, made possible through USAID's Economic Security Project.

With 10 years of work experience as a graphic and web designer, photographer and software developer, the Novi Pazar resident could have settled into his job as web administrator and graphic designer at Denistar, one of Novi Pazar's biggest textile companies. Nuhovic, however, has different aspirations. Last year, he realized his dream of owning a business and is determined to keep his small Art Studio venture growing.

The ES program helped Nuhovic create a realistic business plan for Art Studio, which he opened last fall with \$2,000 of his own money. Nuhovic envisions Art Studio becoming a leading Sandzak software and web design business employing 20 workers, mostly young software engineers and web developers, in the next 10 years. He also plans for it to meet the growing needs of Novi Pazar and Sandzak manufacturers by offering the region's first professional photo studio.

Currently, his photo sessions are held in improvised sites within clients' facilities. According to Nuhovic's business plan, he needs to invest \$20,000 in the development of his company: \$9,000 for renovating the upstairs of his family house for new studio space and the remainder for new and more modern equipment. To obtain the equipment, he has applied for aid from HELP, a German NGO that supports sustainable development activities and start-up companies in the Sandzak region.

"To me, the plan is like a guide book. Even if I don't get supported now I know exactly what I have to do and how much it will cost me," Nuhovic said. "I am determined to make a successful and profit-making company."

Nuhovic's time, talent and hard work are beginning to pay off. The company was founded in August 2011, and in the first six months of its existence, it netted \$4,000 revenue through service contracts.

"In a country where the average salary is about \$450, I am proud of this revenue," he said. "One of the most important things I've learned is business planning. The most important thing about doing a business plan is becoming clear on what it will look like when it is finished. The business plan brought me clarity in where I am heading and what's my end step."



YOUTH BUSINESS PROFILE: Triling, Prijepolje

Business training inspires new start-ups

Instead of waiting for a safe government job to open, Erdal Mehonic, 23, took advantage of entrepreneurship training and last year became one of Prijepolje's youngest entrepreneurs.

One in every two young people in Serbia is unemployed and the idea of opening a business to create jobs is not ingrained in the country. According to a new study by the NGO Civic Initiatives in cooperation with local Youth Offices, 40 percent of those age 15 to 30 prefer a safe job, even if poorly paid, over starting a business; only a third would risk becoming an entrepreneur³⁵. Of those interviewed, just 7 percent already have their own business.

Erdal Mehonic is proof that this trend can change. Last year, after the entrepreneurship trainings offered by USAID's Economic Security Project and Prijepolje's Youth Office, he opened Trilling, a mushroom production business. The trainings were part of Prijepolje's Youth Entrepreneurship Action Plan (YEAP), a strategic document that details specific actions to help develop youth entrepreneurship and employment opportunities.

"During the trainings I started to believe that opening and sustaining my own business is possible," Mehonic said. "Lectures from USAID brought positive energy which is generally missing among young people from Prijepolje."

Low labor costs allow Trilling to grow and sell mushrooms for 15 percent less than its competitors. Until he can expand, Mehonic handles most of the work himself; family and part-time workers help when needed. The company exports as much as half of its products -- up to 1,000 packages of mushrooms monthly -- to Montenegro

Being flexible has paid off for Mehonic. He has driven products himself to Podgorica, Montenegro's capital, and accepts small orders as well as large. He's expanded market share by buying and selling other producers mushrooms, something few competitors do. He also has developed a new plan to grow and process mushrooms to expand his capacity. Furthermore, he and another Prijepolje youth plan to invest \$6,000 to buy a machine for the production of phyllo dough for export to Montenegro where it is three times more expensive than in Serbia.



Erdal Mehonic, owner of Triling



"The ES program helped me realize where I am compared to my competitors and what I need to do to compete effectively in the future -- that's where my ideas to expand my product portfolio are coming from," Mehonic said. "I want to be able to offer more to my customers and always be one step ahead of my local and, hopefully, regional competitors."

Mehonic's ambitious plans are a prime example of how motivation and vision, joined with proper business training, enable young people to take charge of their futures and improve Serbia's economy at the same time.

³⁵ The research funded by the Ministry of Youth and Sports was conducted by the NGO Civic Initiatives, in cooperation with Youth Offices of Blace, Prijepolje, Belgrade and Bor. Findings were published March 2012

ANNEXES

PERFORMANCE MONITORING PLAN TABLES

INDICATOR #1 Increase in sales (among top and middle-tier companies assisted)

USAID IR 1.2.1.1 Increased value of sales (by USG assisted entities)

	2008	2009	2010	2011	2012	2013
Target \$						
Target %	5%	10%	10%	10%	10%	
Actual \$						
2012 ES Sample (87)	109,442,951	112,746,525	116,061,465	140,390,560		
2012 Control (129)	84,057,151	66,164,788	63,673,618	73,228,367		
Actual %						
Prior Years' Samples	18%	19%	12%			
2012 ES Sample (87)		3.0%	2.9%	21%		
2012 Control (129)		-21.3%	-3.8%	15%		
Cumulative \$						
2012 ES Sample (87)				30,947,609		
2012 Control (129)				(10,828,784)		
Cumulative %						
2012 ES Sample (87)				28.3%		
2012 Control (129)				-12.9%		
Attributed \$						
2012 ES Sample (87)				45,103,168		
Attributed %						
2012 ES Sample (87)				100%+		

UNIVERSE OF COMPANIES All top and middle-tier companies that have been working with the program at least a year. Excluded from the analysis are those companies that only worked with the project in Year 1 (as Business Plan Competition winners) or were private accommodation owners (tourism sector) assisted in Year 2.

BASELINE Annual sales the year before the project started working with the company.

CALCULATION Weighted average (not arithmetic average) of year-year growth and cumulative growth over life of project.

FREQUENCY Based on a survey of all intensively supported businesses twice per year. Note, to adapt this indicator to companies' own financial reporting cycle, the April report includes data through the end of the previous calendar year (December) and the October report includes only 9 months (of 12) data (January to September).

ATTRIBUTION ESP companies' performance will be compared with that of a control group of businesses with similar profiles in order to derive an "attributed" amount of sales from ESP interventions and, ultimately, a total return of investment. The control survey will be conducted twice – February 2012 and February 2013.

Comments:

- **Prior years' samples** – Despite the project's best efforts, it has not been possible to hold steady the universe of ES companies analyzed to calculate year-on-year sales growth. Earlier years included a number of smaller, faster growing companies that have since stopped working with the program (moreover, the earliest years' sales increase figures were based on comparison with a 2007 sales baseline). In the interim, some companies have gone bankrupt and some that are no longer partici-

pating in program activities are no longer sharing annual sales data. This makes it impossible to simply add all past years' year-on-year sales increase percentages together to arrive at one single "life of project" sales increase figure. Because of this, each year's sales increase figure should be considered separately (the bolded percentage increases) and the cumulative figures (and related attribution) should be calculated only on the basis of the most recent year's project / control group survey and comparison of results between the two.

- **Cumulative \$ and %** -- The cumulative dollar value and percentage increase (or decrease) calculations were performed on a 2008 sales baseline.
- **Attribution \$** -- The dollars attribution calculation is complicated by the fact that the control group of companies experienced sales contraction during the survey period (2008-2011). More significantly, the differential in total sales performance between the ES sample and the control group increased over time (2008 = 30%, 2009 = 70%, 2010 = 85% and 2011 = 92%), with 2011 sales results among ES supported companies nearly double the total sales results of the control group. This makes it impossible to simply subtract the control group's dollar increase (or decrease) from the ES group to arrive at an attribution figure. To compensate for this differential and to account for the control group's negative sales growth, the project took the ES sample 2008 baseline sales figure, applied the annual sales changes (%) of the control group and arrived at a 2011 "theoretical" sales figure of \$95,287,392. This is the total sales realized by ES companies *if* they had experienced the same growth / contraction pattern as the control group. This figure was then subtracted from the actual ES 2011 sales total to arrive at an attributed sales figure of \$45,103,168.
- **Attribution %** -- Because of the aforementioned negative sales growth among the control group during the survey period (2008 to 2011) the project claims that 100% of the current ES supported companies' sales growth of \$30,947,609 plus an additional \$14,155,559 can be attributed to project's support for these companies.

INDICATOR #2 **Jobs created**

Number of jobs created in all assisted companies

	2007	2008	2009	2010	2011	2012	2013
Cumul. Target	150	150	170	157	177	245	
Actual	114	12	9	114	149		
Cumul. Actual	114	126	135	249	398	398	

UNIVERSE OF COMPANIES All top and middle-tier companies that have been working with the program at least a year. Excluded from the analysis are those companies that only worked with the project in Year 1 (as Business Plan Competition winners) or were private accommodation owners (tourism sector) assisted in Year 2.

BASELINE Number of employees the year before the project started working with the company.

CALCULATION Comparison of current aggregate employment of assisted companies vs. baseline.

FREQUENCY Based on a survey of all intensively supported businesses twice per year (March and October).

ATTRIBUTION ESP companies' performance will be compared with that of a control group of businesses with similar profiles.

Comment:

- While the program-supported companies created 263 new jobs from 2009 to 2011, an employment growth rate of nearly 10 percent, the comparative analysis discovered con-

trol companies had to reduce their work forces by about 4 percent during the same three-year period.

- Also note that 2007-2009 jobs figures reflected only BPC winners. 2010 and 2011 jobs data has been revised upward to reflect all 79 companies providing complete data for this metric, as described fully in the Business Impact section

INDICATOR #3 Companies entering new markets

Number of companies entering new markets

	2008	2009	2010	2011	2012	2013
Cumul. Target					88	88
Actual	26	24	13	7	4	
Cumul. Actual	26	50	63	70	74	

UNIVERSE OF COMPANIES All top and middle-tier companies that have been working with the program at least a year. Excluded from the analysis will be those companies that only worked with the project in Year 1 (as Business Plan Competition winners) or were private accommodation owners assisted in Year 2.

BASELINE Zero. A “new market” is defined as a new, sustained sale to a new buyer or buyers in domestic or foreign geographical location(s) outside the company’s home municipality that it wasn’t previously selling into.

CALCULATION Simple addition.

FREQUENCY Collected twice per year (March and September)

ATTRIBUTION Not considered for this indicator.

INDICATOR #4 Exports increased

	2010	2011	2012	2013
Target \$				
Target %				
Actual \$	\$26,300,901	\$34,662,325		
Actual %		32%		
Cumulative \$				
Cumulative %				
Attributed \$				
Attributed %				

UNIVERSE OF COMPANIES	All top and middle-tier companies that have been working with the program at least a year. Excluded from the analysis are those companies that only worked with the project in Year 1 (as Business Plan Competition winners) or were private accommodation owners (tourism sector) assisted in Year 2.
BASELINE	Exports the year before the project started working with the company.
CALCULATION	Aggregate of all companies surveyed.
FREQUENCY	Based on a survey of all intensively supported businesses twice per year (March and September).
ATTRIBUTION	ESP companies' performance will be compared with that of a control group of businesses with similar profiles.

Comment:

These figures reflect data from only 49 ES supported companies supplying complete year-on-year export figures. More needs to be done to complete this data set over the next reporting period to bring the sample size up to the same level of confidence as the sales and jobs data. Nevertheless, the above aggregate findings are consistent with observations of individual firms. That is that export sales increased significantly in 2011 compared with 2010. Moreover, exports as a percent of total sales among the 49 sampled companies increased from 37% to 39%

INDICATOR #5 **Entities meeting international standards (ISO or Halal certification)**

IR 1.2.1.2 Increased number of entities meeting international standards

	2010	2011	2012	2013
Cumul. Target		20	32	
Actual	12	10	0	
Cumul. Actual	12	22	22	

UNIVERSE OF COMPANIES All ESP assisted companies.

BASELINE Number of companies that already possessed international certification prior to ESP assistance.

CALCULATION Simple addition.

FREQUENCY Collected twice per year (March and September).

ATTRIBUTION 100% progress attributed to ESP.

Comment:

In FY2011 Sandzak 8 of 10 companies were ISO Certified, South Serbia 2 of 10 (additional 6 passed pre-certification and all await reinsertion and certification in FY2012). 9 companies are expected to achieve Halal certification in May, bringing the total number of anticipated certified companies in the next quarter to 37.

INDICATOR #6 Businesses with improved management practices

IR 1.2.1.3 Number of Private sector firms with improved management practices, as a result of USG assistance

	2010	2011	2012	2013
Cumul. Target			30	4
Actual	49	39	46	
Cumul. Actual	49	88	134	

DESCRIPTION Management practices include areas like financial management, strategic planning, marketing, or sales. This indicator counts all those businesses receiving USG assistance through ESP in the current year and cumulative number that have received assistance.

UNIVERSE OF COMPANIES All firms that have received any kind of program assistance during the fiscal year.

CALCULATION Simple addition.

FREQUENCY Collected twice per year (March and September).

ATTRIBUTION Not applicable.

INDICATOR #7 Assisted youth finding a job

Number of assisted youth who have found jobs (and derived unemployment rate among targeted population)

	2009	2010	2011	2012	2013
Target	n/a	n/a	n/a	60	30
Actual	129	36	90	*	
Cumul. Actual	129	165	255	*	
Attribution%					

DESCRIPTION Number of young people who have found employment after receiving directly provided training through municipal's through one of two Youth Offices.

METHODOLOGY A survey will be conducted once per year on a statistically significant sample size, not more than 6 months after training intervention.

ATTRIBUTION ESP will attempt to determine attribution when next survey is conducted in Summer '12 for SA#13 by comparison with a GOS reported unemployment rate for comparable age group.

*Comment: All new youth training and assessment of training impact, will take place during the 2nd half of FY2012.

INDICATOR #8 Assisted youth founding a new business

Number of assisted youth who have found a new business

	2009	2010	2011	2012	2013
Target	25	25	25	25	25
Actual	69	35	31	*	
Cumul. Actual	69	104	135	*	
% of trained					

DESCRIPTION Number of young people who have started their own business after receiving ESP assistance through Youth Offices. The business must be legally registered and not working in the gray economy.

CALCULATION [Derived figure. Percentage of youth responding to survey that have found a job applied to the total population of trained youth]

FREQUENCY Once per year (summer).

ATTRIBUTION Not considered for this indicator.

*Comment: All new youth training and assessment of training impact, will take place during the 2nd half of FY2012.

INDICATOR #9 Microenterprises receiving assistance

Number of microenterprises receiving business development assistance from USG sources

	2008	2009	2010	2011	2012	2013
Cumul. Target	200	200	233	240	240	
Cumul. Actual	190	218	220	221	260	

UNIVERSE OF COMPANIES All supported companies (both Business Support and Youth Support).

METHODOLOGY The project is cognizant of USAID's definition of a microenterprise (ref: ADS 219), which includes informal sector and poverty criteria. Because Serbia does not fit the typical profile of a USAID-assistance country, most of the businesses assisted by ESP are neither operating in the grey economy nor are they owned by persons that would meet the country's poverty definition. As such, the project will only apply the size criteria (10 or fewer employees) when determining whether to count a firm as a microenterprise.

FREQUENCY Twice per year (March and September)

INDICATOR#10 Food security private enterprises receiving assistance

IR 1.2.1.5 Number of food security private enterprises receiving USG assistance

	2010	2011	2012	2013
Cumul. Target	38	38	44	
Cumul. Actual	38	38	54	

DESCRIPTION This indicator was designed to incorporate food security private enterprises (for profit), producer organizations, water users associations, women's groups, trade and business associations, and community based organizations (CBOs) receiving USG assistance.

UNIVERSE OF COMPANIES All supported companied (both Business Support and Youth Support) in the Agriculture sector.

FREQUENCY Twice per year (March and September).

CALCULATION Simple addition.

ATRIBUTON Not applicable.

INDICATOR#11 Businesses participating in the formal credit market

Number of USG assisted entities participating in the formal credit market.

	2011	2012	2013
#ES assisted businesses	82		
#ES assisted businesses in credit market	41		
% of total ES assisted businesses	43%		
# control group companies	129		
#control group companies in credit market	46		
% of total control group	36%		

DESCRIPTION	The program will report semi-annually on the number of businesses participating in program activities that are participating in formal credit markets (have either taken out a new loan during the current reporting period, for whatever reason – capital investment or short-term liquidity - or are currently servicing a long-term loan).
UNIVERSE OF COMPANIES	Intensively assisted Business Support companies (middle and top tier).
FREQUENCY	Twice per year (March and September).
ATTRIBUTION	Although no attribution will be claimed (as the project, to date, has not designed and implemented any activities that promote participation in credit markets, although, occasional assistance in this area has been provided on an ad-hoc basis), a comparison will be made with a control group of businesses. Data on this indicator is being provided to USAID as a courtesy to help better inform future programming decisions and is not meant to reflect program impact.

Comment: Indicator data based on ES and Control Group sample analysis. In 2011, from the total of 120 active ES-supported businesses, 41 have used bank loans in 2011. The companies that joined the Project after September 2011 were not included in this analysis.

STAGE OF SOFTWARE INSTALLATION AND CURRENT BENEFITS

Company name	Software Set-up / Departments Managed	Software Benefits
Celik-U	<p>Set-up status Software installed and company staff familiar with its use. Currently waits for 2011 data from bookkeeper so company can enter starting balance before it can use software.</p> <p>Departments managed Finance</p> <p><i>Status-update: Operations and Inventory control is online</i></p>	<p>Improved financial management: Can bring bookkeeping in-house and improve communications between bookkeeping and finance. Plans for better reports and analysis to guide financial decisions.</p> <p>Inventory: Company has started using inventory control for real-time monitoring of stock levels in order to compare them towards customers purchase orders.</p>
Denis	<p>Set-up status Denis is purchasing additional new hardware to support the software. Thus, it has only set up all information related to product lines.</p> <p>Departments managed Retail & Wholesale Sales</p> <p>Status-update: Full usage of software with finance and HR departments on line. Data exchange between wholesale and retail fully established and management can access the real time sales and retail inventory</p>	<p>Links sales data between Novi Pazar and Belgrade facilities: Sales department has remote access to all product lines and their availability to respond to client requests. Currently, the company is able to track this information for both its Novi Pazar and Belgrade locations.</p> <p>Finance: Full automation of their bookkeeping and financial records, including cash-flow, balance sheets and P&L sheets.</p> <p>Inventory: Simplification of their production line introduced fast and reliable stock control in both retail and wholesales warehouses.</p> <p>HR: Salaries and operational charts are being prepared through this module.</p> <p>CRM: Basic structuring of their clients and discount policy is being slowly introduced as the company needs some restructuring to take the full advantage of automation.</p>
Maxers	<p>Set-up status Production, finance and sales, including retail, are fully computerized and are now linked.</p> <p>Departments managed Production, Finance, Retail & Wholesale, Logistics</p> <p><i>Status-updates: HR department is now on line, the software is being used for product labeling and</i></p>	<p>Production efficiencies: With sales and financial information accessible in real time, production managers set priorities and schedules to meet sales and retail outlet orders and delivery schedules.</p> <p>Inventory control: Retail outlets can deliver near real-time sales data informing the warehouse of restocking needs.</p> <p>Decision making and Time savings: Access to information reduces confusion, miscommunica-</p>

Company name	Software Set-up / Departments Managed	Software Benefits
	<p><i>delivering customized reports have been implemented. B2B data exchange engaged with their Bosnian partner and Serbian franchise partners too. The ordering system is also now online and is used for their internal retail orders at the time.</i></p>	<p>tions and wasted effort. Managers are better able to respond to immediate needs and analyze short-term trends and project long-term needs.</p> <p>B2B data exchange enabled real-time information of sales and orders from their franchise and foreign partners. The data-exchange format enables their partners swift and fast data entry and collection.</p> <p>Production labeling system produces various bar code types for domestic and foreign buyers. Implementation of automatic size-table-calculation allows quick printing of various international and specific sizes of cloths they sell.</p>
Mikan	<p>Set-up status Software installed and managers instructed on use; launch is delayed while company orients its new bookkeeper to company operations.</p> <p>Departments managed: Finance</p> <p><i>Status-update: The company struggles to fine capable staff to operate the system. They have recently changed their finance manager and expect to proceed with software implementation as soon as possible.</i></p>	<p>Improved financial management: Can bring bookkeeping in-house and improve communications between bookkeeping and finance. Plans for better reports and analysis to guide financial decisions.</p>
Minex	<p>Set-up status Production and inventory control data is computerized.</p> <p>Departments managed Production & Inventory Control Status-update: New customized production reports implemented to link communications and information between company's two locations</p> <p><i>Status-updates: They have started usage of financial module for basic cash flow and the CRM modul for recording information of agreements and communication with their clients.</i></p>	<p>Overview of inventory and production: With a single view of the manufacturing process, managers are creating efficiencies in production and cost savings with better control of inventory.</p> <p>Unites multiple production locations: Remote access to the new database makes it easier for Minex managers to coordinate all activities between its two production facilities: its headquarters in Vranje and its new Vladicin Han plant.</p> <p>CRM: They are using CRM for recording and sharing information about arrangements and agreements with their customers and suppliers.</p> <p>Financial: Basic cash-flow model has been introduced to their business.</p>
Pegasus	<p>Set-up status Software installed and company staff familiar with its use. Cur-</p>	<p>Improved financial management: Can bring bookkeeping in-house and improve communications between bookkeeping and fi-</p>

Company name	Software Set-up / Departments Managed	Software Benefits
	<p>rently waits for 2011 data from bookkeeper so company can enter starting balance before it can use software.</p> <p>Departments managed: Production, Finance, Wholesale,</p> <p><i>Status-update: The company is waiting for final 2011 financial data</i></p>	<p>nance. Plans for better reports and analysis to guide financial decisions.</p>
Stilex	<p>Set-up status Started January 1, 2012 as software for financial management</p> <p>Departments managed Production, Finance, Wholesale, HR</p> <p><i>Status-update: Operations, Inventory control and HR is now online.</i></p>	<p>Improved financial management: The company started using software January 1, 2012 as its bookkeeping and financial management; it also links production and wholesale with financial information for reporting and analysis.</p> <p>Operations module has been put online together with data exchange with their operations branch in Belgrade.</p> <p>Inventory control enables real-time overview of their stocks in both Prijepolje and Belgrade.</p> <p>HR module is being used to calculate and maintain salary records.</p>
Strela	<p>Set-up status Software installed and managers instructed on use</p> <p>Departments managed: Finance, HR, Operations and Stock</p> <p><i>Status-update: The company moved to a new location and are currently setting up its computer network. They will contact the ES service provider as soon as they finish to link its new plant into the software modules.</i></p>	<p>Purchase operations and stock control: The company is looking forward to using the Field Operators Purchase System that will allow them to collect and process data from their field operators that are buying materials and good from the farmers.</p> <p>The system enables the company to quickly and accurately completed manufacturing preparations.</p>
Tobler	<p>Status-update Financial management is set up and the company has computerized its production specifications and standards for each product.</p> <p>Departments managed Production & Wholesale</p> <p><i>Status-update: Finance and HR departments on line. Wholesale and finance ready to start using system, production will go on line when the new production facility</i></p>	<p>Manufacturing quality control and efficiencies: Production process is linked to the quality standards and specification ensuring quality and cutting time.</p> <p>Greater flexibility in cash management: Financial management can process orders and invoices more quickly, maximizing cash flow.</p>

Company name	Software Set-up / Departments Managed	Software Benefits
<p>Termomont</p>	<p><i>is completed</i></p> <p>Set-up status Company is completing relocation to new production facility. Reviewing future projects to determine when to reconnect computer networks before launching use of software.</p> <p>Departments managed: Production, Finance, Wholesale,</p> <p><i>Status-update: The company has slowed its use software usage is waiting for other business actions to be completed before engaging again in the start-up of the software</i></p>	<p>Management of multiple offices and production analysis Software part of modernization of production along with new facility. Improved monitoring of inventory and time management of equipment and staff for multiple orders.</p>
<p>Tri-B</p>	<p>Status-update Company's inventory, customer and financial information are in a database.</p> <p>Departments managed Retail & Wholesale Sales, Finance and Bookkeeping</p> <p><i>Status-update: Company continues to use features as introduced in the fall, new expansion in use except for simple CRM operations.</i></p>	<p>Improved inventory control: New efficiencies and cost saving realized with better inventory management of both raw materials and finished products.</p> <p>Strengthen customer relations and management of discount offers: Ability to easily view wholesale customer trends allows company to manage and improve current volume discount program for its long-term customers and encourage smaller ones to forecast needs.</p> <p>Up-to-the-minute financial information and reports: The company has been able to bring its bookkeeping operation in-house. New software produces daily cash flow reports and a host of financial reports for trend analysis and short- and long-term decision making.</p>
<p>Turkovic</p>	<p>Set-up status Software installed and company staff familiar with its use. Currently waits for 2011 data from bookkeeper so company can enter starting balance before it can use software.</p> <p>Departments managed: Production, Finance, Wholesale</p> <p><i>Status-update: Due to data failure in their previous software they were forced to retype all data for the 2011 year in order to submit their annual financial reports. Additional 5-days of free training was reintroduced to refresh their first trainings.</i></p>	<p>Improved financial management: Can bring bookkeeping in-house and improve communications between bookkeeping and finance. Plans for better reports and analysis to guide financial decisions.'</p> <p>Workflow analysis: Detail workflow charts have been made and lot of planning of the system ensure that the company will master the software in its full potential within one month.</p>

LETTER FROM EMBASSY ABOUT MOSCOW TRADE FAIR

<p>КОММЕРЧЕСКО-ТЕХНИЧЕСКОЕ БЮРО ПРИ ПОСОЛЬСТВЕ СЕРБИИ В РФ</p> <p>ПРЕДСТАВИТЕЛЬСТВО ТОРГОВО- ПРОМЫШЛЕННОЙ ПАЛАТЫ СЕРБИИ В РФ</p>		<p>COMMERCIAL TECHNICAL AGENCY</p> <p>AT THE EMBASSY OF THE REPUBLIC OF SERBIA IN THE RF</p> <p>BRANCH OFFICE OF THE SERBIAN CHAMBER OF COMMERCE IN THE RF</p>
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USAID Economic Security Project

Market Director

Mr. Ahmet Halilagić

Number: 25

February 14, 2012

Moscow

Information about the visit of the businessmen from Novi Pazar

The representatives of the Association ASSTEX from Novi Pazar visited the Branch Office of the Serbian Chamber of Commerce (hereinafter referred to as PPKS) in Moscow on February 8, 2012.

The delegation consisted of:

1. Ahmet Halilagic, Project Manager for Novi Pazar
2. Redzep Iljazi, Project Manager for Vranje
3. Nusret Coric, the owner of the factory "Menus"
4. Mirsad Hadzimuratovic, the owner of the factory "Mikan"

Mr. Radojica Sretenovic, the representative of PPKS in Moscow, briefly provided the guests with the information about the business and function of the branch office. Then Mr. Ahmet Halilagic, Project Manager from Novi Pazar, introduced his delegation and presented the main conclusions regarding the project realization:

The Association opened the branch office in Moscow, selected a partner in order to sell its products and started the production realization.

As for the Association itself, their opinion of the activity of USAID and ASSTEX is very satisfactory and positive.

During the meeting organized by PPKS, Mrs. Jelica Kurjak, Ambassador of the Republic of Serbia in the RF, received the delegation.

Mr. Redzep Iljazi, Project Manager for Vranje, and the members of the businessmen delegation from Novi Pazar, informed the Ambassador about the achieved results of the recent activities.

Mrs. Jelica Kurjak, Ambassador, praised their work and offered her personal help as well as the help of the Embassy itself in order to promote the activity of the association ASSTEX in the RF, especially in the regions where the proper and fair cooperation and relationship has already achieved (Kursk, Kaluga, Kostroma, Perm, Krasnoyarsk, etc.).

It was agreed that the Embassy of the Republic of Serbia and PPKS should send an official letter to the Serbia Investment and Export Promotion Agency (SIEPA) in order to suggest a support for this project as well as other similar projects aimed at export increase and employment of new workers.

The information written by:

Councilor of the PPKS in the RF

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MEDIA COVERAGE REPORT

Introduction

During the reporting period, September 30, 2011 to March 30, 2012, the Economic Security (ES) Project's Communications Office activities can be divided into three main streams: 1) support of the transition from the Preparedness, Planning and Economic Security Program (PPES) to the Economic Security Project; 2) support of the program's regular communications and promotional activities; and 3) support to client needs and requests.

The Project's FY 2012-2013 Work Plan targeted South Serbia and Sandzak regions for both business support and youth activities; it is a continuation of the program's focus to deliver services and technical assistance that support the revitalization of these two economically depressed regions of Serbia.

Thus, while the project continued its high level of focus on events and activities, the amount of media coverage was less than prior reports because (1) fewer media serve the project's targeted areas; (2) national media outlets are less present in those regions; and, (3) Preparedness and Planning ended its work reducing the size of the program by about 40 percent and, given the high profile of its Ministry of Interior partner, generated just under 60 percent of the national press and feature articles generated by PPES. Trade fair coverage, however, was especially strong in this period. Following five years of implementation, the program's companies are achieving new levels of success during trade fairs and the country's largest media outlets are hungry for positive economic news.

New Web Presentation and New Data Management System

Significant work was accomplished in this reporting period to introduce a new visual identity for the Economic Security Program website and to introduce solutions that make the website an interactive trove of the depth and breadth of the program's innovative approaches to revitalize businesses in South Serbia and Sandzak and reduce youth unemployment problem.

The system allows the client, staff and other stakeholders to access all relevant data on program activities in a user-friendly environment with the data organized chronologically and by location. The new system also allows the client to cross reference data based on a number of criteria including location, income, industry sector, etc. The data that tells the program's success story is accessed through an interactive map or through drop-down, point-and-click menus.

It offers an easier and more user-friendly system of data management on project beneficiaries. The new information system was launched in February 2012.

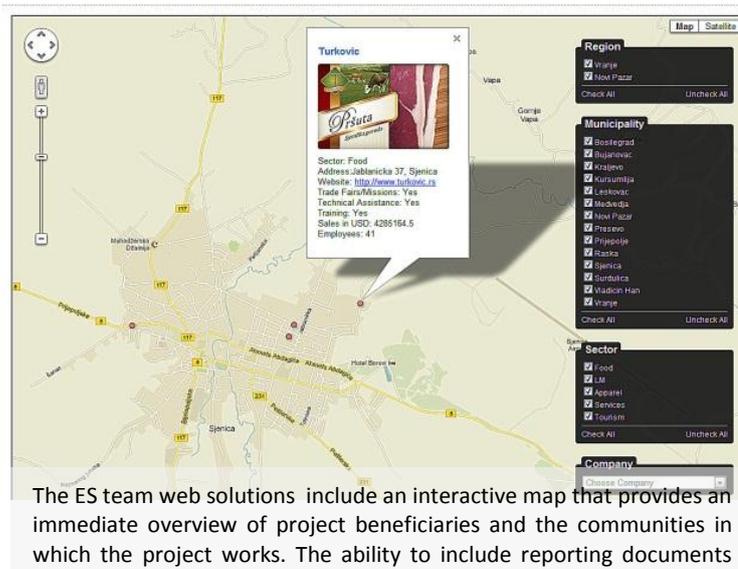
The screenshot displays the USAID Economic Security Project website. The header includes the USAID logo, the project name, and a '50th Anniversary' banner. The main content area features several news articles with images and headlines. On the right side, there is a 'What is Economic Security Project?' section and an 'Upcoming Events' calendar.

Upcoming Events:

Date	Event Title
18/04/2012 10:00 - 10:00	Prosele Boles WOU Brging Ceremony
19/04/2012 10:00 - 10:00	Youth Career Center Opening in Novi Pazar
25/04/2012 12:00 - 16:00/2012 13:00	TIGRA Mission in Kraljevo, Srbija
12/05/2012 12:00 - 16:00/2012 13:00	Novi Sad Agriculture Fair
15/05/2012 10:00 - 10:00	HEMI Certification Event in Novi Sad

Support to Project's Daily activities:

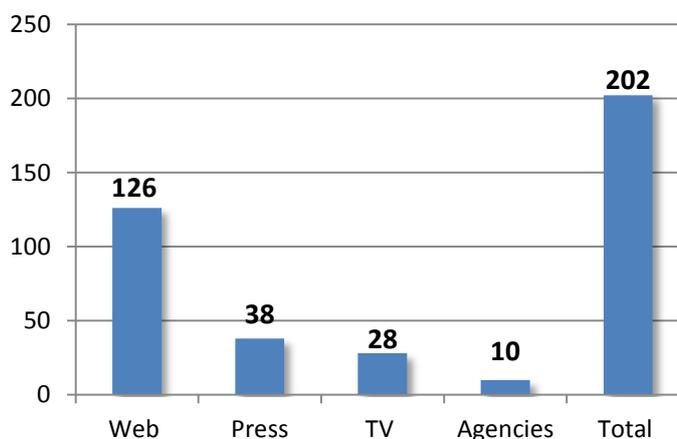
The Communications Office provided ongoing, day-to-day support for Project Officers meeting the information and communications needs of the project and project partners. The Office organized and developed press releases and other materials for 14 events, including eight high-profile events with VIP guests including USAID Deputy Administrator Page Alexander. Support materials included development of 10 press releases and media advisories. The Office distributed press releases in three languages to ensure maximum penetration of messages; press releases were written in Albanian (for VIP events in South Serbia where Albanian is spoken by a sizable community), Serbian and English.



For program partners, the Office provided a variety of support:

- It provided support to the State University in Novi Pazar in the preparation of USAID grant to make the university accessible for students with disabilities.
- The office produced brochures and other professional materials for the trade missions and fairs attended by project-supported companies. The Communications Office produced two promotional leaflets to strengthen performance; they were prepared in Serbian, English and the language of the country in which the fairs were held: Polish and Russian.
- The office also developed and published 44 Web updates on the project's activities.
- The office prepared talking points for 13 events that were used by project officers, beneficiaries and the client when presenting the program's results and impact to the public.

Finally, to better tell stories through pictures for each of the project's internal and external documents, Communications Office staff received training from a professional photographer. This investment should result in higher quality photographic elements throughout the project's range of publications, including this report.



Press Clipping:
Total number of generated media references

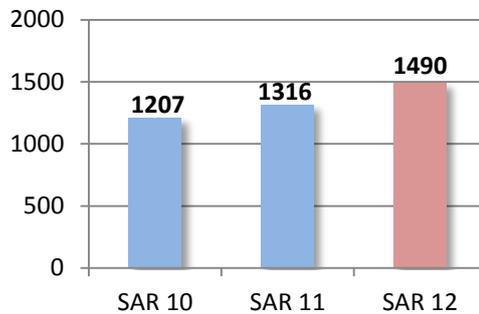
Service to the client: To give the project's internal and external audiences improved and faster access to information and details regarding the program's work and beneficiaries: the Communications Office:

- Updated or created 16 individual business profiles, of the beneficiaries with whom the project works to better understand the businesses’ success and the program’s contribution to that success, the depth of knowledge transfer resulting from its training and technical support, and to provide a set of visually appealing legacy documents of accomplishments and lessons-learned.
- Developed 15 event management documents in preparation of key visibility events.

Communication Goals: During the reporting period, the Communications Office planned to:

- Differentiate the Economic Security Program from other USAID and donor-funded programs;
- Clearly communicate USAID’s message to Serbian public;
- Create tangible and highly visible communications deliverables which USAID and DAI can use to further communicate the results of the work in Serbia.

Web Analysis:
Average number of visitors per SAR



The principle Communications Office activities for the reporting period were to promote and gain high-quality coverage of the project’s activities. These included:

- Continue to highlight the success of the ASSTEX textile cluster in Sandzak in launching a permanent presence in Moscow with plans to expand into other parts of the Russian market. The key activities included the opening of its showroom in Moscow and the trade mission and fair to Moscow.
- Provide communication support for the introduction of South Serbia’s shoe cluster Kostana with activities including new branding materials, trade mission and trade fair.
- Provide information and materials support for the project’s efforts to help its micro, small and medium sized enterprises intensify and access capital funding through innovative financing activities and expanded access to information about how to find and apply for capital.
- Support the program’s activities to further intensify youth entrepreneurship and employment activities in South Serbia and Sandzak, through events and stories related to announcements of new Youth Office and YEAP municipality participation in FY 2012, training and YEAP implementation activities.



Key Media Result

In all of its communications work, the office focused on the strong messages available to the ES program through the evolving success of its partner companies. To differentiate the program’s work, the office emphasizes the accomplishment of major, new market entry achieved by the businesses, important sales revenue gains through trade fairs, creation of subsidiary companies and establishment of a permanent presence in new markets. All of this was achieved by companies from two regions the media know to be depressed. The story is one of Serbian results, as the following highlights demonstrate.

ASSTEX and Moscow Fashion Fair

The press efforts around the denim producers’ exhibition at Russia’s premiere fashion show produced a total of 16 references in the media, the second highest in the reporting period. In addition to the number of references, the Communications Office successfully generated stories through its press releases that delivered the message of pride and optimism around these Serbian companies doing well in the Russian market.

Kostana Shoe Cluster

The unveiling of the new shoe cluster provided significant high-impact communication. Coverage of this story proved to be the strongest during this reporting period both in quality and quantity; it generated national coverage and produced the most media references for the Economic Security Program’s work in this reporting period.

The event even served as a catalyst for the Communications Office to help the nationwide daily “Danas” prepare a feature article on USAID and its economic development efforts, especially its assistance to Serbian small and medium enterprises.



News coverage of the Kostana cluster launch exceeded all expectations with national media coverage generated. Pictured here – full-page article from Danas daily.



U.S. Ambassador in Serbia Mary Warlick (center right) and USAID Mission Director Susan Fritz (Center Left) at the Kostana cluster launch flanked by Kostana owners and managers.

Kostana’s Appearance at Dusseldorf Shoe Fair

Not surprising, Kostana’s travel to Germany to participate in one of the industry’s most important shoe fairs in Europe was the third most successful story during the reporting period.

