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# **SEMI-ANNUAL PROGRESS REPORT #6**

**SUSTAINABLE LOCAL DEVELOPMENT PROJECT  
OCTOBER 1, 2013 – MARCH 31, 2014**

**Contract No. AID-169-C-00-11-00102**

**April 15, 2014**

This publication was produced for review by the United States Agency for International Development. It was prepared by Chemonics International Inc.

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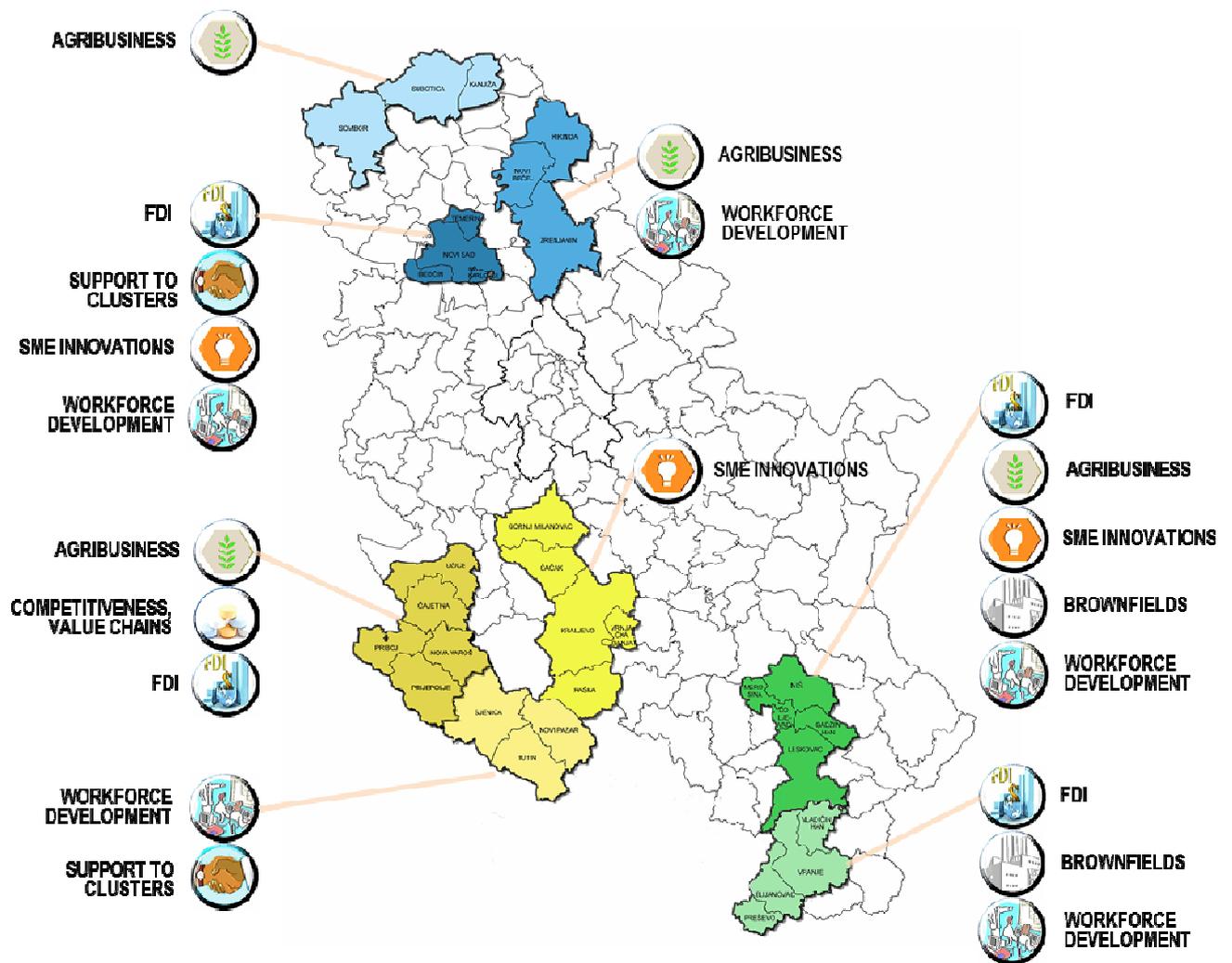
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## ACRONYMS

AYES	Association of Young Entrepreneurs of Serbia
B2B	Business to business
BEE	Business enabling environment
BFC	Business Friendly Certification
BOS	Belgrade Open School
CB	Capacity building
CIP	Capital Investment Planning
CMS	Customer Management Software
CSO	Civil society organization
DARD	Department for Agriculture and Rural Development of the City of Nis
EU	European Union
EU PROGRES	European Partnership with Municipalities
FDI	Foreign direct investment
FTP	Food Technology Park in Leskovac
GDS	Global Destination for Shoes and Accessories Trade Fair
GoS	Government of Serbia
Ha	Hectares
HoReCa	Hotels, Restaurants, and Cafés
IMC	Inter-municipal cooperation
IMCA	Inter-municipal cooperation area
ISDACON	Information System for Coordination of the Development Assistance to the Republic of Serbia
IZ	Industrial Zone
KOMS	Serbian Youth Umbrella Organization
LED	Local economic development
LG	Local Government (applies to a city or a municipality)
LMT	Local Mobile Career Guidance Teams
MAPs	Medicinal and Aromatic Plants
MERD	Ministry of Economy and Regional Development
MEMSP	Ministry for Environment, Mining, and Spatial Planning
MISP	Municipal Infrastructure Support Program
MoE	Ministry of Education
MoF	Ministry of Finance
MPALSG	Ministry of Human and Minority Rights, Public Administration and Local Self Government
MoU	Memorandum of Understanding
MYS	Ministry of Youth and Sport
NALED	National Alliance for Local Economic Development
NAPOR	National Association of Youth Workers
NARD	National Agency for Regional Development
NiCAT	Nis Cluster of Advanced Technologies
NCP	New Criteria Program
NES	National Employment Service
NFE	Non-formal education
NGO	Non-governmental Organization
NTFP	Non-timber forest products
PGI	Protected Geographical Indication
PMP	Performance monitoring plan
PPP	Public-private partnership
PGoV	Provincial Government of Vojvodina
Project	USAID Sustainable Local Development Project
PPF4	Project Preparation Facility 4
PUC	Public Utility Company
RCAD	Regional Center for Agricultural Development in Sjenica
RDA	Regional Development Agency
RSEDP II	Regional Socio-Economic Development Program

SCC	Serbian Chamber of Commerce
SCTM	Standing Conference of Towns and Municipalities
SEDA	Sandzak Economic Development Agency
SEIO	Serbia European Integration Office
SIEPA	Serbian Investment and Export Promotion Agency
SK	Smart Kolektiv
SLAP	System of Long-listed Advanced Infrastructure Projects
SME	Small- and medium-sized enterprise
STP	Cacak Science and Technology Park
STTA	Short-term technical assistance
TA	Technical assistance
VET	Vocational education and training
WG	Working Group
WP	Work plan
YBS	Youth Business Serbia
YO	Youth Office

**Map of Serbia: The Project's assistance in the areas of inter-municipal cooperation**  
 Goal: Add jobs by expanding the private business sector with demand-driven assistance.



Shared themes: agribusiness, FDI attraction, brownfields, support to clusters, SME innovations, workforce development.

## 1. INTRODUCTION

The FY2014 Semi-Annual Progress Report #6 covers the October 1, 2013 – March 31, 2014 period of implementation of the Sustainable Local Development Project in Serbia (“Project”). During this period, the Project focused on initiatives that lead to adding jobs by expanding the private sector in eight inter-municipal cooperation (IMC) areas.

The project partnered with sector specialists to evaluate key sectors with the potential for increased growth. After evaluating the sectors, the specialists provided recommendations that would allow each individual sector to increase their market share. Recommendations included business-to-business (B2B) relationship building, enhanced marketing and market research to identify areas of demand, producing more modern and innovative products, and attracting investment either domestically or through foreign direct investment (FDI). At the same time, the Project brought IMC property assets into productive and revenue-producing modes, selected revenue-producing infrastructure projects for investment platforms, and identified municipal properties ready for investment. Activities promoting vocational training and education, as well as tailored internship activities, were initiated to bring the future work force in line with the needs of businesses.

Some key accomplishments during the past six months are listed below (for a complete overview of PMP indicators see Annex C):

- The number of companies supported by the Project's activities has expanded to 38 enterprises and is expected to rise to 60 by the end of the year. The Project is assisting innovative private companies in the ICT and metal processing sectors in the Novi Sad and Nis-led IMC Areas; working with footwear and textile sector firms as well as strengthening those clusters in the Vranje and Novi Pazar-led IMC Areas; assisting food processing agribusinesses in the Nis -led IMC Area; and helping the food service or Hotels, Restaurants, and Cafés (HoReCa) sector in the Uzice-led IMC Area (for a success story regarding Project support to the textile sector see Annex F).
- Project efforts in Beocin, Doljevac and Vranje have created favorable investment conditions resulting in \$3 million in private investment. As a result of these investments, 80 new jobs have been created. Furthermore, the Project's contribution to infrastructure development has led to \$1.15 million in investments. More importantly, the three partner municipalities have attracted more than \$49 million of expected private investment (with the Project significantly contributing to about half of this sum or \$25 million). 2,105 new jobs are expected as a result of these investments.
- In late 2013, NALED awarded the City of Leskovac with the Business Friendly Certification (BFC). The Project successfully guided Leskovac in fulfilling the certification criteria. At the moment there are 18 local governments in Serbia with valid certification.
- 719 participants, including 314 women, attended the Project's training events during the reporting period. A total of 2,329 participants have attended project-sponsored trainings since project implementation began in 2010.

## 2. PROGRESS DURING Q1 AND Q2 OF FY 2014

### Component 1: Inter-Municipal Cooperation Programming

#### Objective 1.1. Improve IMC economic development by guiding work on specific projects that will add jobs to the territory

##### Activity 1.1.1. Identify and select IMC area projects that advance realization of the goals of the New Criteria Programs (NCPs) in each IMC area

In the past year, USAID approved eight New Criteria Programs (NCPs) identified by the Sustainable Local Development Project Team; one in each of the Project's targeted Inter-Municipal Cooperation (IMC) Areas. During the reporting period, Component 1 activities were aimed at expanding the private sector by raising competitiveness and increasing inflowing investment. Each NCP aims to increase economic growth and is focused on the following themes: agribusiness; SME innovation; FDI attraction; strengthening clusters; brownfield redevelopment; and workforce development. Presented below is a summary of the Project's progress during the reporting period by IMC Area.

### **The Uzice-led IMC Area**

Within the Uzice-led IMC Area, Project activities are focused on supporting the local tourism industry to achieve a 10 percent increase of purchases from local IMC Area-based vendors. To reach this goal, the Project awarded a grant of approximately \$60,000 to the Zlatibor Regional Development Agency (RDA Zlatibor) to determine the possibility of creating a supply chain of local products for the local tourism industry (a complete list of Project grants and subcontracts is available in Annex G).

During FY14 Quarter 2, in February 2014, the RDA Zlatibor completed and presented the final results of a Value Chain Analysis measuring local tourism industry demand for local products and conducting an inventory of products which local producers sell, and what could be offered in the future. The study estimates that only 10 percent of all regional tourism sector purchases come from local suppliers. The main obstacles to increasing local merchandise sales are a lack of standardized products, limited production capacity and uncompetitive pricing compared to industrial products on offer. In order to meet tourism demand and increase local product sales, the report from RDA Zlatibor recommends: improving the quality and overall standardization of local merchandise; aligning the products offered with tourist demand; and increasing production capacities for traditional regional products.

One of the proposed activities in the study is to focus the local industry on producing and promoting the most prosperous regional brands: dry meats, cheeses and honey (both as a health food and for its medicinal wellness application). The study encompassed 100 hotel and restaurant representatives, 100 small and medium sized enterprises, 200 individual agriculture producers and 300 tourists in the Uzice-led IMC area's Zlatibor, Tara and Zlatar tourism regions. The Project and RDA Zlatibor will now identify products and support companies that have the greatest potential to meet the local tourism industry needs. Based on recommendations, the key to improving the regional value chain in the tourism industry is to grow the gastronomic sector of the tourist region. Considering the length of the Project and available resources, specialized food has the biggest potential for entering the local tourism value chain. There is also potential for specialized handicraft items to be sold. In the upcoming period, activities will focus on building connections between local food producers and vendors, as well as manufacturers of local handicraft, with sellers of local products.

### **Joint Investment Promotion (FDI) Coaching Program**

During FY14 Q1 and Q2, the Project concluded the first round of the Joint Investment Promotion Coaching Program. The Coaching Program consisted of workshops aimed at improving the skills of local government officials to attract Foreign Direct Investment (FDI) via best international practices. During the six month reporting period, the Project completed the final two coaching workshops (bringing the total number of workshops held to four) for select Local Economic Development (LED) professionals from the Uzice, Novi Sad, Nis and Vranje-led IMC Areas. The workshops focused on building participants' understanding of basic concepts of FDI, expanding participants' abilities to attract investors by building on their communities' strengths (comparative advantage) and developing specific proposals for investors based on targeted sectors. The trainings also highlighted the importance of FDI attraction as crucial to job creation in Serbian communities. The FDI Program culminated with a study tour to the Czech Republic, one of the most successful Eastern European countries in attracting foreign investors. Twenty-four local economic development practitioners, from thirteen Project partner local governments, participated in the tour (Novi Sad, Nis, Beocin, Temerin, Sremski Karlovci, Nis, Leskovac, Doljevac, Gadzin Han, Vranje, Presevo, Uzice and Priboj as well as the RDA Zlatibor and RDA for Presevo and Bujanovac).

As a follow up activity, the Project organized direct mailing to selected targeted sectors. 200 potential investors in the targeted sectors of automotive, wood, furniture, textiles and metals were selected and will be contacted in the upcoming period. Preparatory activities for the second round of the FDI coaching program began at the end of Q2. The next round will begin on April 23rd and will include four new IMC Areas, the Subotica, Zrenjanin, Novi Pazar and Kraljevo-led Areas as well as the Nis Agricultural Department for support of food processors. The focus of the second round of FDI coaching will be on food processing since a majority of the participating local governments (LGs) support agriculture as a priority sector. The Berman Group is leading the implementation of the FDI Program, while representatives from the Serbian Investment and Export Promotion Agency (SIEPA), the National Alliance for Local Economic Development (NALED), the Standing Conference of Towns and Municipalities, and the German Chamber of Commerce will lead specific coaching sessions and present FDI attraction models.

During the reporting period, the Project also analyzed the potential for developing the Ponikve Airport located in the Uzice-led IMC Area. Despite the fact that this land site requires significant time and resources to become investment-ready, local government officials consider the airport important to regional development. The Project funded a geodetic survey and certified cadaster topographic plan, which were both completed in December 2013. However, due to the requirements of this site, the city is now looking for technical assistance from the Transportation and Traffic Faculty from Belgrade for future development of the Ponikve Airport.

### The Novi Pazar-led IMC Area

The Project's activities in the Novi Pazar-led IMC area target a 10 percent increase of exports in clusters aided by the Project. In 2013, the Project assessed various sectors to determine where assistance would lead to increased sales and expanded operations. The assessment found that support to clusters operating in the textile (denim),

furniture, footwear, and food processing sectors could lead to an increase in exports. As such, the Project has and will be focusing its interventions in these sectors



*Workers at Maxers, one of the denim companies assisted by the Project, creating the latest jean designs*

During FY14 Q1, the Project approved a \$60,000 grant to the Sandzak Economic Development Agency (SEDA), to assist IMC area SMEs by analyzing the potential for and barriers to growth in textile, footwear, furniture and food production in Novi Pazar, Sjenica and Tutin. The final assessment recommends meeting workforce development needs through appropriately matching local educational programs with the labor needs of selected sectors. Together with Project experts, SEDA has begun work on finding and attracting potential buyers, partners, and investors in each of

the four sectors through preparation of sector-specific promotional materials, establishment of business linkages and social media promotion.

The same grant enabled SEDA to hold two trainings for pupils and teachers of the Novi Pazar Vocational Design School. The first training, titled "Basic trends in contemporary fashion design," covered issues such as the role of fashion designers in contemporary fashion, analysis and trends in forecasting fashion, market trends in the fashion industry, new trends in textiles, 3-D forms in textiles, and 3-D printing. The second training taught participants how to design and model textiles in the OptiTex and C-Design programs. These programs enable businesses to develop new clothing models much faster and at lower costs.

At the same time, local businesses in the textile, furniture, footwear and food processing sectors were trained by various short-term experts to improve their marketing, negotiation and sales, and business networking skills in order to target new markets and investors.

- The Project assisted the denim sector in the Novi Pazar-led IMC Area. Short-term expert Margaret Bishop provided recommendations on ways for growing the sector in the region and assisted Novi Pazar business to developed ten marketing plans, including detailed social media plans, tailored for specific markets as agreed upon by Novi Pazar manufacturer and the Project, including Turkey, Ukraine, and the United Arab Emirates. Ms. Bishop also provided social media training for marketing and as a comparative analysis tool for global fashion brands in Serbia, naming the most important competitors, their range of products, and prices and

#### Denim Producers Attend Trade Fair with Project Assistance

As part of IMC Area activities aimed at helping denim companies increase export, the Project supported local businesses to attend the Berlin Bread and Butter Trade Fair, held January 14-16, 2014. Thirteen representatives of the Novi Pazar denim sector, nine businessmen (members of the Asstex textile cluster) and four members of the Novi Pazar Design and Textile School attended the fair. During the three-day fair, participants visited twenty-six company exhibits presenting the comparative advantage of Asstex Cluster members, including competitive pricing, quality, production technology and free trade agreements with Russia, Turkey and the EU.

As a next step, Asstex members will contact companies which showed the greatest interest and organize follow up visits. Already, several companies from Germany and Turkey agreed to send representatives to Novi Pazar to discuss possible cooperation.

Prior to the fair, participants were trained in key aspects of business communication and negotiations, and were shown best practice examples in business-to-business meetings.

quality. A presentation of ‘Ozone,’ a new eco-friendly alternative to stonewashing jeans was organized by Ms. Bishop for interested local companies and the Design School (more details under Component 3). The ‘Ozone’ denim finishing technology decreases the processing costs of jeans and reduces the negative impact on the environment, thus making the final product more accessible and attractive to modern consumers. In the upcoming period the Project is planning to support the establishment of a multi-brand store in Belgrade. During the reporting period, the Project assessed available space in Belgrade for this store and will continue working to enable interested companies to fulfil the organizational and technical capacity to be able to open such a store. The Project also supported textile businesses to attend a trade fair in Germany as described in the textbox on the previous page).

- The Project worked with the furniture sector. Mr. Jeff Baron, an international furniture sector expert, completed an assessment of local furniture manufacturers in the Novi Pazar and Vranje IMC areas (covering seven municipalities). The goal was to provide recommendations on how to increase the sale of locally manufactured furniture and expand the market for these products. Initial impressions point to a need to increase cooperation among manufacturers, to save on costs of production, improve stock management, and increase trade fair participation. Based on these findings, the Project determined that priority support should be given to manufacturers who can become part of competitor supplier chains. With this in mind, Mr. Baron met with IKEA South East Europe and presented Serbian furniture producers as future suppliers for IKEA. Initial reactions from IKEA are positive. In the upcoming period, Mr. Baron will meet with local companies and identify priorities in cooperation as well as target potential partners among Serbian producers based on IKEA’s stated needs.
- The Project is working with the Novi Pazar-led IMC Area footwear sector (as well as the footwear sector in the Vranje-led IMC Area). At the beginning of FY14 Q1, a footwear expert, Mr. Jordan Saliman, visited manufacturers to assess the quality of their products and determine the possibility of introducing shoes from Serbia to other markets. His key recommendations were that shoe manufacturers should: form clusters to offset costs and gain the ability to produce in bulk; launch a marketing campaign and develop a social media plan; and participate in annual trade shows and fairs where manufacturers can develop links with wholesalers from the US, EU, and Russia. Based on these findings, the Project supported seven shoe companies from the Novi Pazar and Vranje-led IMC Areas to present their products in March at the Global Destination for Shoes and Accessories (GDS) Trade Fair, in Germany, and establish business links with international shoe producers. More than sixty enquires were made by interested companies. Large manufacturers, such as French Sole, requested samples from the Novi Pazar Tref Factory. At the time of this report’s writing Tref was completing sample shoes for French Sole. The German company Birkenstock contacted the Project in order to find a partner to outsource the production of shoe uppers for their world famous sandals. Mr. Saliman is in contact with potential manufacturers for these uppers and will facilitate contact between potential Serbian manufacturers and international buyers during his ongoing consultancy assignment.

The Project also provided assistance to the food sector in the Novi Pazar –led IMC Area. The assistance consisted of various preparatory and consultative activities with representatives of local governments, the Regional Center for Agricultural Development (RCAD) in Sjenica, and SEDA in order to best prepare a scope of work for planned international technical advisors to conduct market assessments of the meat and dairy specialty food products from this region. Special attention was also paid to the herbs and forest fruits sub-sectors due to a public-private partnership (PPP) initiative in Tutin, developed through the Project’s grant to NALED. Tutin has developed a PPP project concept for the establishment of a regional center for the collection and processing of so-called non-timber forest products (NTFPs), such as forest fruits and medicinal and aromatic plants (MAPs).

To assist Tutin in finding private investors for the proposed PPP concept, the Project engaged Mr. Peter Furth, an international expert with more than 35 years of experience in this field. In February, the Mr. Furth completed a comprehensive analysis of NTFPs in the IMC Area, looking at ways to add value to local produce, increase sales and attract new investments. The market assessment findings showed that there is sufficient demand for MAPs and forest fruit products from the IMC Area to economically justify further development of these value chains, and the proposed PPP concept in Tutin. The initial analysis highlighted significant market potential in wild collected rosehips for fruit preserves and the tea industry, juniper berries for spices and essential oils, as well as other medicinal plants and mushrooms for further processing. Mr. Furth concluded that in order to fully meet the market demand, the local supply chain should be better organized and capacities for small scale primary processing increased. Mr. Furth’s final market assessment study will be completed in April and will include

detailed recommendations on how to develop targeted value chains to meet the market demand, as well as ways to develop business relationships with buyers and processors to attract investment.

Finally, during the reporting period there were several field visits to the RCAD in Sjenica to review progress in establishing the Center's laboratory. The RCAD has received the necessary laboratory equipment from the Czech government, but is still waiting for laboratory tables to be provided by the Serbian Office for Sustainable Development of Underdeveloped Areas. As a result of this delay, RCAD plans to employ laboratory staff and begin operations this summer. RCAD will first train the new employees and then begin the process of laboratory accreditation according to European standards. The Center has an instrumental role as a regional agribusiness development service provider in the growth of agricultural value chains, and, as such, the Project is committed to helping the establishment of this product testing laboratory.

### **The Nis-led IMC Area**

The Project's goal in this IMC Area is to achieve 15 percent increase in sales of processed food products. To reach this aim, and add jobs to the region, Nis must develop its agribusiness food processing potential. To assist these efforts, the Project has begun supporting the establishment of a new product development research laboratory at the Food Technology Park (FTP) in Leskovac. To develop cost-effective and technically feasible new products, and meet the challenges of the marketplace, food processors of the FTP need to establish a modern, fully equipped product development research laboratory. During FY14 Q2, the Project received a draft FTP grant proposal which has undergone a preliminary review and evaluation by the Project Grant Evaluation Committee. The Committee has requested additional clarifications of the application and the proposed grant budget. The Project expects that the grant will be approved in May, and the implementation of activities will begin shortly thereafter in FY14 Q3. The product development lab will perform basic research, engage in bench-top formulation development, and manufacture new product samples in small batches.

During the reporting period, the Project supported the development of the Food Processing Support Center in Nis. International expert, Mr. John Cracknell, assisted the agribusiness working group from Nis in establishing a regional Food Processing Support Center (the Center). Mr. Cracknell finalized the concept and organizational model for the Center, developed the Center's action plan and range of services that could be provided to food processing clients and producers, and outlined the training needs of the staff. During FY14 Q2, the Project began planning for subcontracting local service providers to create a database of regional agricultural produce and various sources of information related to farming and food processing, and the development of the Center's web-portal and promotional material for better outreach to agricultural producers. The portal will be designed as a tool to support farmers' linkages with processors and to promote regional produce and processed food in order to expand markets and attract new investments. During the reporting period, the Project developed an RFP for service providers to design the portal. The RFP will be published in April 2014, and the launch of the Center's web portal is planned for September 2014. The Center will be housed on the premises of the Department of Agriculture and Rural Development (DARD) in the City of Nis, while each IMC area partner municipality will have its own local coordinator.

The Project continued working with the Nis Cluster of Advanced Technologies (NiCat), the high technology cluster of businesses, and the Electronic Faculty of the Nis University, by supporting preliminary introductions, presentations and discussions of collaboration that will result in the Faculty becoming a venue for business innovation. In November, the Project supported a best-practice study tour to New York for NiCAT manager Goran Mladenovic. Following the trip, the Project and NiCAT held consultations, based on ideas generated during the study trip, on how to develop a regional business accelerator for South Serbia through which start-ups will seek assistance in innovative techniques to improve their businesses. In late February, the Project approved a \$50,000 grant to NiCAT to launch an ICT Cluster Academy and equip young and unemployed people with the knowledge and skills required by IT sector employers. The Academy will enable students to become more competitive in the labor market and quickly find jobs (see Component 3 for more information, pages 15-16).



*The Nis ICT Cluster Academy was officially launched at the end of the reporting period.*

The Project is supporting the Nis-led IMC Area to grow local businesses through innovation. To assess the possibility of developing linkages between the science/engineering sector and small and medium-sized

enterprises, the Project engaged international expert, Mr. Ewen Peters. The Project is also assisting the Kraljevo and Novi Sad-led IMC Areas (encompassing 14 local governments in total) in developing these linkages.

During the reporting period, Mr. Peters visited Nis-based SMEs, also meeting NiCAT members. The meeting enabled Mr. Peters to gather information on the structure of SMEs, their business models and the preparedness of management to cooperate with scientific research institutions to improve their capacities for innovation. The expert also visited Kraljevo and Cacak-based SMEs that cooperate with the Kraljevo ImPuls Center and the Cacak Science Technological Park, in order to determine SME innovation capacities. Based on these assessments, Mr. Peters will provide recommendations by the end of April for developing a sustainable science-business partnership between the two communities.

To further the Project's focus on increasing innovation business, the Project organized a study tour to the UK in January 2014. Sixteen participants from businesses, clusters and science /technology centers took part in the Innovation Study Tour, where they learned about connecting the academic and business communities in order to enhance business innovation and expand the private sector. The study tour provided an opportunity for participants from the Kraljevo, Nis, and Novi Sad-led IMC Areas to become acquainted with cross-sector and collaborative methodologies for business innovation and gain insight into the best practices in the UK for growing a competitive economy through innovation (for additional information on the study tour see the Kraljevo-led IMC Area section, page 7).

### **The Vranje-led IMC Area**

Project activities in the Vranje-led IMC Area focus on creating 1,500 new jobs through inflowing investments in the four municipalities which encompass the IMC Area.

During the reporting period, through consultations with potential investors it became apparent that the local workforce has insufficient skills to meet investor needs. To bridge this labor gap, the Project is working to develop a feasible workforce training center model. To achieve this, the Project provided a \$63,000 grant to ConfIndustria Serbia, a branch of the largest Italian SME association and one of the biggest investors in the IMC Area. The grant has enabled ConfIndustria to conduct a demand assessment and identify possible models best suited to the labor market needs of present and potential investors in the region. ConfIndustria has completed baseline and demand assessment reports, and developed a questionnaire to Italian and Serbian companies to which 50 companies have replied. Also, in-depth interviews were conducted with eight companies in order to get precise data on labor needs. This assessment will provide a five-year workforce demand forecast in terms of labor training, mobility and flexibility. The study will be completed by the end of April and will allow Vranje to apply for Serbian Government funding to construct a Workforce Development Center. This activity is in accordance with the Ministry of Labor's employment strategy that envisions the formation of workforce training centers across Serbia. The Vranje-led IMC Area has also been an active participant in the FDI Coaching Program, as outlined on page 2 in the FDI Coaching textbox.



*The Project assisted companies which attended the GDS Trade Fair in creating a brochure of their footwear products (see more at the top of the next page)*

The Project also continued supporting the development of the Bunusevac Industrial Zone. Located three kilometers from Vranje, the zone was established through the conversion of a military training facility and a transfer of military land to Vranje. Earlier in the year, the Project funded the development of a topographic plan for a bypass road. During this reporting period, the Project assisted with the preparation of detailed infrastructure designs and preparatory activities, including a geotechnical study and technical analysis with a preliminary cost estimate. A detailed infrastructure design (roads, water supply and fire protection system, sewerage, rain drainage, electricity supply, and telecommunications) has also been developed; while the technical control assessment of the design should be completed in April.

As in the Novi Pazar-led IMC Area, the Project engaged international experts to complete an assessment of local sectors with the potential for growth, namely the furniture and footwear sectors. The furniture expert, Mr. Jeff Baron, provided recommendations on how to increase the sale of locally manufactured furniture and expand the market for these products. Based on his

findings, Mr. Baron will create a set of recommendations for selected companies that agree to examine the possibility of sourcing for IKEA. The recommendations will cover firm-level, and supporting sector-level, managerial and operational changes necessary to meet IKEA's vendor standards. Similarly, the footwear expert, Mr. Jordan Saliman, visited manufacturers to assess the quality of their products and determine the possibility of introducing shoes from Serbia to other markets. Early recommendations focus on the need to form clusters to offset costs and gain the ability to produce in bulk, launch a marketing campaign, and participate in annual trade shows and fairs where manufacturers can develop links with wholesalers in other markets. Following this assessment, the Project enabled seven shoe companies from the Vranje and Novi Pazar-led IMC Areas to present their products in March at the GDS Trade Fair in Germany, and establish business links with international shoe producers. More than sixty enquires were made by interested companies, and the German company Birkenstock contacted the Project in order to find a partner to outsource the production of shoe uppers for their world famous sandals (for more information on both the footwear and furniture activities see the Novi Pazar-led IMC Area section, pages 3 and 4).

### **The Kraljevo-led IMC Area**

Project activities focus on assisting innovation centers, such as the ImPuls Center in Kraljevo and the Technology Park in Cacak, to create 50 innovations that will lead to new SME sales in the marketplace.

The Project continued to support the development of the aforementioned ImPuls Center in Kraljevo and Technology Park in Cacak. In Kraljevo, the Project assisted with the development of the Center's website, launched in November 2013. As a next step, the Project will support development of a monitoring and evaluation scheme to test the impact of the Center's services.

During the reporting period, the Project's innovation expert, Mr. Ewen Peters, visited the ImPuls Center as well as several engineering faculties that have been involved in providing services to private SMEs. The Project assisted in the development of an organizational activity plan for the Cacak Technology Park (CTP), which includes an action plan for the first year of operation and an organizational model of the Park. Mr. Peters visited several SME's, such as Poliplast and Aero East Europe, from Cacak and Kraljevo that have been involved in receiving services from the ImPuls Center to ascertain the level of innovation employed by these firms as well as how ImPuls contributed to their businesses. The final report on innovation, an overview of the current state of SMEs and concrete recommendations to develop a sustainable partnership between the business and science communities should be delivered to the Project by the end of April. Some initial recommendations highlight the need to improve management practices at ImPuls to enable the Center to offer its services to businesses for a profit.

As described above in the section covering the Nis-led IMC Area, sixteen participants from business clusters and science /technology centers took part in a Project organized Innovation Study Tour to the UK in January 2014. During the study tour participants learned about connecting the academic and business communities to enhance business innovation and expand the private sector. The study tour also provided an opportunity for participants from three IMC areas—Kraljevo, Nis and Novi Sad—to become acquainted with cross-sector and collaborative methodologies for business innovation and gain insight into best practices in the UK to growing a competitive economy through innovation. Participants visited several university centers, including Exeter and Coventry, and learned about various approaches these institutions use when engaging large corporations, small and medium enterprises and local businesses.

The study tour also included visits to ten UK small businesses. The businesses outlined their approaches to cooperating with educational institutions and how they utilize their resources for business improvement. Participants also learned about government-supported programs that provided examples of the need for institutional support to plan, coordinate, and successfully realize innovation projects. The aim of the study tour was for participants to learn how cooperation between industry and education can be used to develop practical solutions for businesses in Serbia that are facing innovation challenges. In the near future, the Project will help the participants explore how to implement the UK best practices that were observed during the study tour in their local communities. Some of the initial ideas that have been derived from the study tour involve establishing a Business Club and encouraging partners from the UK, preferably inclusive of the wider network of UK stakeholders, to explore cooperation with Serbian counterparts via a virtual meeting platform during the Danube IT2014 conference in May and possibly a joint IT conference.

## The Zrenjanin-led IMC Area

Project activities in this IMC Area focus on helping increase vegetable producer sales to food processors by 20 percent. During this reporting period, the Project initiated a horticulture incubator project to expand the production of highly profitable vegetables in the region. The activity promotes the diversification of agricultural production and enhances the entrepreneurial and practical skills of new young farmers by allowing them to run small farm businesses and grow vegetables in greenhouses and open fields. The farm incubator program is comprised of two main components: an educational component, which provides trainings and mentorship in entrepreneurship and vegetable growing; and a resource-based component, which provides land, infrastructure, equipment, and greenhouses. The program will reduce the time and cost of establishing farm start-up businesses. The greenhouses should be ready for use in May 2014.

In the six month reporting period, the Project carried out a promotional campaign to present the incubator program to a wide group of unemployed rural youth in targeted IMC municipalities. Eighty-four young people applied for the educational component of the Incubator Program, attending a five-day training program in farm management, business planning, vegetable growing, and marketing. Trainings were delivered by a team of experts through the Serbian Ministry of Sports and Youth, specialists of the regional Agricultural Extension Centers from Zrenjanin and Novi Becej, and a local consultant. The training served to provide participants with sufficient information also enabling participants to choose the most profitable vegetables for cultivation and to develop successful business plans. In the next phase, all training participants were invited to submit business plans and apply for entry into incubators and use of greenhouses for vegetable production. Thirty-five business plans were submitted, and 31 met the selection criteria.



*Young people attending the Project supported farm management, business planning and marketing training program*

As part of technical support to partner municipalities, the Project engaged a local consultant, Mr. Zoran Janjatovic, to conduct onsite analysis of future greenhouse locations. He has provided recommendations to local governments about the minimum requirements needed for the adequate preparation of land for the installment of greenhouses and specific safeguards to be put in place for proper storage and disposal of pesticides and wastes during greenhouse operations. Full technical specifications for the construction, procurement and installation of greenhouses was also developed during FY14 Q2.

Simultaneously, the Project worked on improvements to the Environmental Review Checklist (ERC) for the incubator program based on suggestions and remarks of the USAID Bureau Environmental Office. The final revised ERC was approved by USAID on February 25. Following ERC approval, the Project worked on selecting and contracting service provider for the construction and installation of 31 greenhouses and irrigation equipment at three locations in Kikinda (12), Novi Becej (4), and Zrenjanin (15). The installation of greenhouses will begin in mid-April and be completed by the end of May. The opening of the first incubator is planned for June 2014. In the forthcoming time period, the Project will provide expert advice and support to IMC partners in land and infrastructure preparation for the installment of greenhouses and entry of incubator tenants. The Project will also organize safe pesticide trainings for tenants before they entry the incubators.

## The Subotica-led IMC Area

The Project's Subotica NCP strives to increase the sale of agriculture products from the IMC Area by ten percent. In 2013, the Project initiated several activities that will lead to expansion of the IMC Area's food and agriculture sector through sales growth and job addition.

In anticipation of work on an Agricultural Logistics Center in Kanjiza, the Project assessed and analyzed the production capacities of food production in the region, and performed a market demand analysis on processed food products from the region. The Project also initiated work on the establishment of an agricultural training center in Sombor. Finally, the Project enabled the laboratory expansion of the Public Health Institute in Subotica, improving the Institute's testing capacities, and allowing farmers in the region to test for more varieties of

pesticides present in territorial food production. A study for protection of geographical indications of apples produced on the Subotica-Horgos sands was completed, and the Project will support apple producers and exporters to register, develop and maintain their regional apple brand. As the Ministry of Agriculture has not yet responded to requests for input on the study, in the coming quarter the Project will work with area apple producers and exporters to establish a representative association, which would be an authorized user of Protected Geographical Indication (PGI) certification, and to register, develop and maintain a regional apple brand.

During the reporting period, work on the main design for the reconstruction of the IMC Area Agriculture Education Center's premises in Sombor was completed, allowing renovation work to begin. The subcontractor selected by the Project, System Engineering Team, has developed a full conceptual and detailed design for the reconstruction of the existing facilities into a new functional unit to be used for the education center. Initial designs were completed in December 2013, while an energy efficiency and fire protection design were completed in February 2014. After the completion of reconstruction work, the Project will provide equipment and furniture required for the Center to become fully functional. Before the Project begins procurement procedures, the municipality of Sombor and the regional Agricultural Extension Center will develop the annual curriculum for the training center. The construction, furnishing and curricula development are expected to take approximately four months. The purpose of the IMC Agriculture Education Center will be to enhance the knowledge and skills of farmers and agribusinesses to increase production efficiency and product quality, introduce new crop varieties and apply innovative cultivation technologies. The Center will also have a vocational agriculture education component for young unemployed people to help them acquire farming skills and become registered farming households.

During FY14 Q2, the Project delivered new laboratory equipment to the Subotica Public Health Institute to upgrade the Institute's capacity and enable analysis of regional food products. Until now, the capacities of the



*Laboratory staff testing the newly purchased equipment which will enable the Subotica Public Health Institute to analyze for the presence of pesticides and pollutants*

Institute's laboratory were not sufficient to provide proper food testing and certify that local agricultural products meet strict EU and Russian market requirements. The laboratory was able to perform only a limited number of tests, forcing farmers and food processors in the region to travel several hours to conduct proper testing of their crops, thus increasing the overall cost of their crops. The laboratory now has the equipment and capacities to test for the presence of pesticides and pollutants in line with EU and other market regulations.

The Project also aided the training of laboratory staff in the use of this new equipment. The Institute will closely work with farmers and crop protection specialists to familiarize them with the proper use of crop chemicals and export requirements, enabling increased export to desired markets. The next step is certification of the new laboratory services with the Serbian Accreditation Body. The city of Subotica has agreed to assist the laboratory with the certification process, which will be completed by the end of 2014. The fully equipped and accredited laboratory for food testing and export certification will help farmers and food processors increase export sales of agricultural and food products from the Subotica-led IMC Area. In the meantime, the laboratory will be able to provide only unofficial product testing services.

The idea of creating a business-led PPP Agricultural Logistic Center in Kanjiza continued to be developed with the Project contributing an analysis of food production capacities in the region and performing a market demand analysis of processed food products from the region. The Municipality of Kanjiza then presented their PPP concept to potential investors at the 4th Annual PPP Summit in Belgrade at the end of 2013. The Project will also provide investment attraction assistance to representatives of the Kanjiza Local Economic Development (LED) office as the municipality will participate in the second phase of the FDI Coaching program described on page 2. This activity might lead to a new investor for the Agricultural Logistic Center.

### **The Novi Sad-led IMC Area**

Project activities in this IMC Area target the addition of 1,500 jobs to the region. Apart from IMC specific activities which are described below, the IMC Area took part in the FDI Coaching Program, which is described in

greater detail in the textbox on page 2, as well as the Innovation Study Tour to the UK, a description of which is included in the summary of activities in the Nis and Kraljevo IMC Areas.

During the reporting period, the Project awarded a grant to the Vojvodina Metal Cluster (VMC) for approximately \$100,000 to improve their effectiveness in assisting its members grow by finding new orders and markets, and by innovating to discover more high-value products to offer the market. The VMC consists of more than 116 small and medium sized metal producers with active access to foreign and local markets. The grant, approved in December 2013, assists the Cluster to efficiently supply needed services to its members. Specifically, a major component of the grant will be to procure customer management software (CMS) that will allow Cluster members to connect with potential foreign buyers. The grant also enables the VMC to enhance its service and act as a clearinghouse for orders and expressions of interest from outside buyers who contact the Cluster. The Cluster will be able to facilitate linkages between prospective international buyers and its members by announcing procurement opportunities to members and following up with members who need more details.

During FY14 Q2, the Project presented recommendations to the VMC and member firms for market expansion to increase sales and create new jobs. An international metal fabrication expert, Mr. Alex Reut, presented conclusions of his assessment of local firms and the VMC, highlighting strengths and weaknesses in relation to production capacities and the current market. Recommendations include pooling the resources of regional manufacturers to reach new customers as well as joint participation in tenders. Direct contacts should also be established between the VMC, Novi Sad University and US education institutions, such as Virginia Polytechnic Institute and State University and the University of Virginia, through which joint labs could be established and new research and development opportunities evaluated. Mr. Reut's recommendations about joint US-VMC ventures can be better aligned with the use of the aforementioned CMS, ensuring that prospective client needs are met, allowing the VMC to enter the US market. Next steps include assessing the possibility of future cooperation with US educational institutions and possible VMC participation in conferences and fairs.

During the reporting period, innovation expert, Mr. Ewen Peters, also visited the IMC Area to gather information on the structure of SMEs, their business model and readiness of management to cooperate with scientific research institutions at Novi Sad University to improve the innovation capacity of member companies. In January, Mr. Peters visited Novi Sad-based firms, including RT-RK Computer Based Systems, Execom, and Zesium Mobile, which have collaborated on innovation with the University. The meetings provided Mr. Peters with information on the structure of SMEs, their business models and preparedness of management to cooperate with scientific research institutions. Mr. Peter's final report on innovation will contain concrete recommendations to develop a sustainable partnership between the business and science communities and is expected to be completed by the end of April.

The ICT industry in Novi Sad is one of the most vibrant components of the IMC Area's economy, and perhaps the most advanced ICT sector in Serbia with a tradition of cooperation between the University and the private sector. For example, the Vojvodina ICT Cluster was created with the support of the University of Novi Sad. While many SMEs in the cluster are largely export-oriented, they are restricted in gaining new clients and expanding their businesses due to an insufficient number of available skilled employees. In February 2014, to help bridge this labor gap, the Project approved a \$60,000 grant to the Vojvodina ICT Cluster to launch an ICT Cluster Academy and equip young and unemployed people with the knowledge and skills required by IT sector employers. The Academy will enable students to become more competitive in the labor market and quickly find jobs (see Component 3 for more information on this ICT Academy, as well as the Academy launched in the Nis-led ICM Area).



*The Novi Sad ICT Cluster Academy launching was attended by USAID and Vojvodina Provincial Government officials (see more information regarding media coverage of the event in Annex E, Communications Reports)*

### **Objective 1.2. Sustain IMC capacity to succeed in investment attraction and business growth necessary to enhance regional economic competitiveness**

### **Activity 1.2.1 Support the Programming, Preparation and Implementation of IMC Infrastructure Projects to leverage EU and GoS funding**

Based on NCP economic development activities, the Project is continuing to support IMC infrastructure projects. During the reporting period, coordination was ongoing with the Standing Conference of Towns and Municipalities (SCTM) and the Municipal Infrastructural Support Program (MISP) to enter SLDP-supported infrastructure projects into the System of Long-listed Advanced Infrastructure Projects (SLAP) database. Activities focus on developing the capacity of these projects in order to list them in the SLAP database which allows them to be on the EU or GoS priority list for funding (Information System for Coordination of the Development Assistance to the Republic of Serbia (ISDAICON) database or GoS priorities for funding through state budget). The Project continues to work with the SCTM and MISP to meet all requirements and enter activities into the SLAP database. During the reporting period, on-the-job training was provided to Doljevac and Vranje local officials and staff. Listed below are current projects which have already received financing or have been entered in the SLAP database.

#### **In the Vranje-led IMC Area:**

1. Environmental protection of the South Morava River. Based on technical documentation developed by the Project, EU/Progress purchased effluent meters. Vranje constructed water effluents measurement station and has begun using the meters in Vranjska Banja, while Presevo, Bujanovac, and Vladicin Han have not yet constructed measurement stations. However, Vranje has signed a contract with KfW for €15.2 million on the construction of a Waste Water Facility; the contract was signed in November 2013. The project has been entered into the SLAP database.
2. "Meteris" regional landfill with recycling facilities, developed with the assistance of Project experts, as was a Regional Solid Waste Management Plan. The project has been entered into the SLAP database.
3. The Project funded the development of a topographic plan for an Industrial Zone (IZ) Bunusevac bypass road. The project has been entered into the SLAP database.
4. Work on the IZ Bunusevac continued with the development of a detailed infrastructure design (roads, water supply and fire protection system, sewerage, rain drainage, electricity supply, and telecommunication) was developed. The technical control of the design should be completed in April, when it will be entered into the SLAP database.
5. In Presevo, the Project drafted a pre-feasibility study for an Industrial Zone in Cukarka. The study will be presented to GoS (Ministry of Regional Development and Local Government, Serbian EU Integration Office, Coordination Body for Presevo, Bujanovac and Medvedja) during May 2014. Industrial Zone Presevo will be entered into the SLAP database in June 2014.

#### **In the Nis-led IMC Area:**

6. Reconstruction of regional Water Supply System "Pusta reka" in Doljevac. A feasibility study was completed to help the Doljevac Municipality plan a secure and continuous supply of potable water for the entire population in the prescribed quantity and quality. Based on the study, the municipality will submit a project proposal to the Serbian Government to reconstruct the regional water supply system. Following on-the-job trainings for local officials and staff, this Project has been entered into the SLAP database.

#### **In the Subotica-led IMC Area:**

7. The Project is supporting the preparation of the main design for adapting the Agricultural Educational Center in Sombor. The main design for the Center was delivered in February 2014, and the technical control assessment of project documentation was completed in March 2014. The Agricultural Training Center reconstruction work will begin in April 2014.

#### **The Novi Sad-led IMC Area has two industrial zones that SLDP is working on:**

8. Development of a new industrial zone in Beocin. The Project is supporting the completion of (a) geotechnical report; (b) technical analysis with preliminary cost estimate; and (c) detailed designs for all project components. The geotechnical report and technical analysis with preliminary cost estimate were completed in January 2014, while detailed designs will be developed by May 2014.
9. Development of a new industrial zone in Temerin. A location permit has been issued. Detailed design for an access road for the IZ is ongoing. Project documentation will be developed by September 2014.

## **Objective 1.3: Spread and imbue the institutional and technical knowledge gained through successes of inter-municipal economic development**

### **Activity 1.3.1: Network formation and knowledge distribution on IMC principles and LED professionalism**

During the reporting period, the Project organized three national conferences dealing with substantive economic issues across the IMC Areas. In October 2013, as part of the grant to the New Economy magazine, the Project supported Business Info Group in organizing the 3rd Annual Summit of Mayors and Businessmen. National and local government representatives discussed impediments to economic growth and ways to stimulate job growth in Serbia, with a focus on how to attract investment in local communities. In November 2013, in cooperation with NALED, the Project supported the 4th Annual PPP Summit where eight partner local governments (Nis, Zrenjanin, Raska, Tutin, Prijepolje, Nova Varos, Kanjiza, and Doljevac) presented their PPP concepts to potential investors. The Summit gathered high-level representatives of state and international institutions, business leaders, mayors and experts from Serbia and abroad, who discussed the future of PPPs in Serbia and specific opportunities for funding and implementing public-interest projects in the fields of agriculture, energy, food industry, and tourism. In December 2013, as the last event within the grant to the New Economy magazine, the Project supported Business Info Group to organize a conference titled “New Economy 2014”. The event brought together key economic policy decision makers in 2014. Participants discussed obstacles for economic growth and job creation in Serbia, such as the large public debt, lack of structural reforms in the public sector, and too much state interference in the economy (for more information on the Project’s Communication efforts, see Annex E).

In March and April 2014 the Project, in partnership with the Vojvodina ICT Cluster and Nis Cluster of Advanced Technologies (NiCAT), launched the ICT Cluster Academies in Novi Sad and Nis respectively, aiming to equip young and unemployed people with the knowledge and skills required by IT sector employers. The Provincial Secretary for Economy and Employment participated in the Novi Sad event, while the Nis Mayor launched the ICT Academy in Nis. The Acting USAID Mission Director and the Economic Growth Office Director also took part in the opening ceremonies of the Academies, which received significant regional media coverage, highlighting USAID support for the development of a workforce that matches private sector needs and for bridging the gap between academic and business communities.

## **Component 2: Public Administration Reform**

### **Objective 2.1: Improve capacity of municipalities to effectively manage services and capital investment projects of inter-municipal significance**

#### **Activity 1: Increasing IMC competitiveness through effective asset management**

During this reporting period, the Project provided technical assistance in asset management and brownfield redevelopment in the Novi Pazar, Vranje and Nis-led IMC Areas. In cooperation with local economic development offices in the Nis and Vranje-led IMC Areas, an inventory of brownfield investments for a minimum of fifteen most attractive brownfield projects was completed in January 2014. In February 2014, the Project chose Development Consulting Group (DCG), a local consulting company, to implement investment promotion of selected brownfield locations in the cities of Nis, Vranje and Leskovac, and the municipalities of Gadzin Han, Merosina and Vladicin Han. The assignment includes data collection and analyses of available documents, preparation of business offering packages and on-line advertisements. Furthermore, targeted marketing of at least three brownfield locations will be performed through “business mentorship” with successful companies. A web-based platform of the 15 selected brownfield businesses is also being created to assist in finding potential venture capital. The initial phase of the project, collecting comprehensive analytical information needed for informed investment decisions (i.e., structure of creditors, identification of the creditor’s control over the debtor’s equity etc.), has been completed for three locations in Nis—the Nis Brewery, Jastrebac and Pomoravlje.

During the reporting period, the Project continued providing support to IMC Areas in solving ownership rights issues that obstruct or hinder project implementation and to improve technical skills and capacities of the local administration to adequately provide public services in the areas of legalization, property management and construction permitting. In February 2014, upon request from Presevo municipality, the Project organized a consultative seminar for municipal administration and public enterprises on the implementation of the

Legalization Law. In March 2014, the Project organized on-the-job trainings for asset registration for Vranje and Vranje public utility companies.

Based on a request by the United Nations Office for Project Services (UNOPS) and Bujanovac, the Project continues to provide technical assistance to resolve property and institutional challenges in relation to construction of an Economics Faculty building and establishment of the long-term sustainable relations between Subotica Economics Faculty, the future provider of the educational services, and Bujanovac, as a future building owner. The Economics Faculty is housed on one level of the Bujanovac Cultural Center which has been renovated and modified to meet the needs of the school. In December 2013, the Board of UNOPS and EU PROGRES approved financing for this construction, based on the expectation that proprietary challenges will be resolved soon.

During the reporting period, the Project also provided institutional support to improve asset management skills in Novi Pazar, Tutin and Sjenica. The Project held a two-day workshop on public property inventory (on October 30 and November 1) and provided targeted follow-up assistance after the workshop. The aim of the workshop was to provide concrete technical assistance to the three local governments stuck in burdensome proprietary hurdles that prevented new investments and job generation. The Project will continue to provide support to Novi Pazar, Sjenica, and Tutin, and also build institutional skills needed for creative usage of the municipal assets for investment attraction and job creation.

Additionally, the Project established firm cooperation with UNOPS on reviewing, upgrading and promoting municipal property registration software. The software was developed through the previous phase of the UNOPS project (PROGRES I). After the first phase of implementation in PROGRES/SLDP supported municipalities, the local governments required software fine tuning and adjustments in line with organizational and property type differences in each municipality. The Project provided recommendations for software adjustments that will improve municipal efficiency in property administration.

To help local governments assess the opportunity costs of brownfield redevelopment, the Project reached an agreement with the World Bank office in Serbia to jointly support preparation of financial analysis on opportunity costs of leaving brownfields unused rather than moving them back into the stream of commerce. The World Bank plans to use this analysis as a key background paper for preparing multi-year program assistance to Serbia for the Second Programmatic Public Enterprise Restructuring Development Policy Loan. To carry out this analysis, the Project has awarded the National Alliance for Local Economic Development (NALED) a grant value at approximately \$100,000 to provide a comprehensive calculation of the costs and losses incurred by local governments (LGs) through unsuccessful privatization, identify critical issues for future privatization strategies and recommend which institutional barriers must be removed to successfully sell public companies. The study will be carried out in ten companies; five unsuccessfully privatized firms which are currently undergoing bankruptcy procedures and five successfully privatized companies, which will be selected from the same region. NALED will analyze data on income obtained by LG's resulting from successful privatization, study the effects of direct and indirect subsidies and examine the amount of taxes lost due to unsuccessful privatization.

## **Objective 2.2: Improve capacities of local officials to effectively utilize local economic development mechanisms and tools and advance legal framework that spurs inter-municipal cooperation**

### **Activity 2.2.1: Improving IMC institutional capacities to efficiently utilize LED mechanisms**

As part of a grant to the Standing Conference of Towns and Municipalities (SCTM) the Project has continued to provide distance learning (DL) training modules for LED professionals from all eight IMC Areas. In FY14 Q1, the SCTM completed its web based distance learning platform and DL course on local economic development and made it available to LED practitioners in local administrations. During October and November, e-learning draft materials and lectures from all four modules were prepared, while additional experts were contracted to upgrade the training materials. Additionally, 50 LED practitioners from IMC municipalities were selected to participate in the first round of training, based on a call for applications published in mid-December. The Project's grant to SCTM entered its next phase in FY14 Q2; approximately 80 representatives of LED offices have begun a ten-week training program, lasting from January 2014 – April 2014. The representatives are learning about the legal and institutional framework for LED, investment attraction, private sector development, public-private partnerships and other topics. Distance or e-learning is still a relatively new method of study for local

governments in Serbia that has proven to be an efficient way to share knowledge, enabling participants to study on their own time, while having continuous mentor support and interaction with other study group members through on-line forums.



*SCTM's e-learning platform for LED professionals went online in January 2014*

coordinated with UNOPS and launched immediately after start of the PROGRES II project.

During December 2013, the Project initiated preparatory activities for the establishment of one-stop-shops (OSS) for construction licenses. Project experts engaged in field visits and consultations with cities and municipalities that already have construction license OSSs, or have capacities and political support for their establishment. In the next quarter, the Project will provide technical assistance for upgrading these already established OSSs through signing MoUs with GoS institutions, which still provide inputs/technical requirements with significant delays like Roads of Serbia, Serbia Waters etc. For cities and municipalities that do not have OSSs, the Project will organize mentoring with flagship cities and municipalities, while also providing software for electronic file tracking and support in planning and organizing for the establishment of construction license OSSs. All activities will be

In January, the Project established collaboration with the SCTM local expert team on upgrading institutional and legal foundations for establishment of Business Councils at the local level. Project experts, working together with SCTM, developed model documents for establishing business councils, rules of procedures and training curriculum for LGs. In the next six months, until October 2014, training will be provided to piloted local governments, while business councils will be established and functioning in five local governments.

**Activity 2.2.2: Increasing investment potential of the IMCs by successful completion of the BFC process for at least five local governments**

In Vranje, Kraljevo, Subotica, Novi Sad and Zrenjanin-led IMCs, the Project will continue to support specific municipalities (Bujanovac, Vrnjacka Banja, Kraljevo, Beocin, Novi Becej, Kikinda and Leskovac), which are on the path to receiving Business Friendly Certification (BFC). During this reporting period, Leskovac was awarded BFC. Additionally, NALED evaluated Bujanovac positively; however, the municipality still has to improve several criteria and sub-criteria in order to attain BFC. Vrnjacka Banja has completed all BFC requirements and is now awaiting a verification visit. The Project provided technical assistance to Vrnjacka Banja, helping the municipality conduct a business attitude survey, develop building permitting guidelines and capital investment plans, and improve its municipal web page. In Beocin, technical assistance was provided to develop promotional materials, establish a municipal Economic Development Council, develop a LED strategy implementation plan for 2014, carry out a business attitude survey and distribute promotional materials. In Kraljevo, assistance was provided for preparation of the Sustainable Development Strategy. In Becej, technical assistance was provided in investment brochure preparation, license issuing procedure development, preparation of forms and templates for the urban planning department, conducting a business attitude survey, and improving the municipal web page.

**Activity 2.2.3: Providing technical assistance to national level counterparts in creating and modifying major laws, policies and/or regulations related to inter-municipal economic development**

In close collaboration with USAID's Business Enabling Project (BEP), SLDP prepared a set of recommendations to be included in the new Law on Spatial Planning and Construction, supported by the Ministry for Construction and Urbanism. A public discussion on the draft law was organized from November 21 – December 12, during which time the Project presented suggestions to the Ministry and working group on improvements to the draft. Simultaneously, the Project has begun planning support to interested local governments within the eight inter-municipal partnerships to establish offices for rapid issuance of construction permits (one-stop-shops) through trainings, mentoring support, and sharing of experiences of regional best practices in the area. During the reporting period, the Project was also invited by the EU Delegation in Serbia and SCTM to provide ideas and thoughts for changes to the Law on Public Property aimed to accelerate local government property registration. These ideas are meant to be a starting point for amendments to the Law. So far, only a small number of municipalities have completed the process of entering all their property into the Cadastre of Immovable Property.

Moreover, not a single city or municipality has entered their entire utility infrastructure into the Cadastre of Immovable Property yet.

### **Objective 2.3: Strengthen sustainable local economic development environment through private service delivery (PPPs)**

#### **Activity 2.3.1: Fostering the establishment of sustainable public-private partnerships.**

In implementing the activity in the Kraljevo, Nis, Novi Pazar, Uzice, Subotica, and Zrenjanin-led IMC Areas, the Project finalized its PPP grant with the National Alliance for Local Economic Development (NALED) in March. In this reporting period, as a final activity, NALED prepared a publication on lessons learned in implementation of the project, promoting a wider and much more flexible concept of the public-private partnership in comparison with the Serbian law on PPPs and Concessions. In the meantime, the Project continues to work on future development of some of the project initiatives selected by NALED and will investigate other investment opportunities that would be promoted and developed as feasible, realistic and meaningful PPPs such as the Tutin center for processing of forest fruits (see more on page 4, in the Novi Pazar-led IMC Area section).

During FY14 Q1, the Project, in partnership with NALED, assisted eight local governments (Nis, Zrenjanin, Raska, Tutin, Prijepolje, Nova Varos, Kanjiza and Doljevac) to present their PPP concepts to potential investors at the 4th Annual PPP Summit held in Belgrade. These PPP projects, ranging from a regional agriculture cold storage to a co-generation biomass facility, could attract approximately \$30 million in investments, generating new jobs in local communities. As a final product of the Project's PPP activity with NALED, "Guide to Successful Public-Private Partnerships," published in FY14 Q2. The guide highlights the legal and institutional barriers to successful development of PPP projects and offers recommendations for how to best fund and implement public-interest projects in fields such as agriculture, energy and the food industry. In March 2014, the Project established a strategic partnership with the Serbian Chamber of Commerce (SCC) through the establishment of the PPP center within SCC and organizing a roundtable with PPP experts on possible improvements in legal and institutional considerations for PPPs.



NALED's "Guide to Successful Public-Private Partnerships" was published in February 2014

### **Component 3: Youth Development and Participatory Mechanism**

#### **Objective 3.1: Foster entrepreneurship among youth and create long-term employment for young innovators, first-time job seekers, adolescents and young adults who have acquired labor market needed skills**

##### **Activity 1: Continuing youth skills-building tailored to the labor-market needs in targeted sectors**

During the reporting period, Component 3 continued efforts to build youth skills and improve employment in the private sector. To reach this goal, the Project established cooperation with representatives of the Vojvodina ICT Cluster and NiCAT in the Novi Sad and Nis-led IMC Areas since ICT is one of the fastest growing and most dynamic sectors in Serbia. The Project and these partner organizations identified the need for developing specific skills and competencies that are currently unavailable on the labor market in the Serbian ICT sector. To do so, the Project developed two grants aimed at contributing to education in the field of ICT by using clusters as platforms for promoting employable skills and competencies for these emerging industries. Specifically, the grants support a multi-modular training program tailored to ICT sector needs.

The two grants were approved in late February allowing the Project, in partnership with the aforementioned Vojvodina ICT Cluster and NiCAT, to launch two ICT Cluster Academies aiming to equip young and unemployed people with the knowledge and skills required by ICT sector employers. The Academies will enable students to become more competitive in the labor market and quickly find jobs. Through six-month trainings, specialized courses and internships, the students of the ICT Cluster Academy will be prepared to successfully

begin work in the ICT industry. Mentors from both the Vojvodina ICT and NiCAT Cluster companies will assist these young people to apply their newly acquired knowledge and gain real workplace experience. The Novi Sad ICT Cluster Academy is supported by a grant of approximately \$60,000, and will enable the first class of more than 40 youth to learn IT skills currently unavailable on the labor market, such as programming and software development. The Nis ICT Cluster Academy received a \$50,000 grant, and will allow over 25 youth to learn IT skills. The Project supports the development of a workforce that matches private sector needs and encourages closer cooperation between educational/scientific and business communities.

During FY14 Q1, the Project established a Youth On-the-Job training (OJT) program for job-seeking graduates under the age of 30. The OJT program helps private companies in the manufacturing and service sectors, with five or more employees, to quickly find qualified staff, reducing the time and cost it takes for the selection and recruitment of new employees. Preference was given to companies planning to hire new employees within six months of completion of the training program. Once selected, the Project will provide candidates with 60 percent of the minimum national gross salary during the training. In December, an open call was closed with a total of 68 companies seeking trainees for 321 job positions. After an extended selection period in FY14 Q2, the Project engaged the Cromer Group to implement the selection, pre-training and administration of on-the-job trainees. Participating companies will provide mentors to train the young graduates that are hired. During March, Cromer Group began company visits and developed detailed scopes of work for the required trainee positions. A Preliminary agreement has been made with the National Employment Service (NES) on their role in the outreach and pre-selection of unemployed youth from their database. The official MoU is under consideration by NES, and it is expected to be approved and signed after the appointment of a new Serbian Government during the next quarter.

## **Activity 2: Creating enabling environment for Youth Development and Active Labor Market Measures through building cooperation with relevant institutions**

Based on an expanded MoU with NES, signed in March 2013, the Project focused on the implementation of relevant trainings and support to the implementation of the National Strategy of Career Guidance and Counseling. One of the activities initiated as a result of this MoU is the Labor Skills Gap Assessment, which has been carried out in all eight IMC Areas. This assessment of employer needs and available worker skills was completed at the end of the previous quarter and is available, to interested parties, on the Project's website. These reports aim to assist IMC stakeholders to pursue policies that foster local economic growth and increase employment prospects of targeted youth. Specifically, the Labor Skills Gap Assessment allows Project partner cities and municipalities to base their Employment Action Plans and other strategies and programs on input provided by private companies. The Employers' Survey was carried out during FY14 Q1, and was based on a sample of 9,000 companies in the Republic of Serbia with ten or more employees, and 2,000 micro-companies and entrepreneurs. NES will continue assisting Project partner local governments as the need arises encouraging proactive employment measures in undersupplied workforce sectors.

During the reporting period, the Project, with NES, the Serbian Social Inclusion and Poverty Reduction Team, and the Ministry of Youth and Sport, has begun developing an impact assessment of youth entrepreneurship support measures in Serbia. The assessment will evaluate approaches and methods to reducing high youth unemployment in Serbia in the past three years. The Project team engaged partner institutions in developing a RFP to fulfill all the requirements of such a comprehensive evaluation. While the above-mentioned partners are providing their inputs for the RFP, due to the recent elections the priorities of the new government are as yet undetermined. As a result, further actions on this activity will be determined in the coming period.

In the previous reporting period, in order to create a better business environment for young people wanting to establish their own companies, the Project supported the founding of the Association of Young Entrepreneurs of Serbia (AYES). The Project helped the Association write its statute and assisted in planning for and holding the founding assembly. During November and December, the Project continued supporting AYES through a consultant, Mr. Richard Danicic, who held a business plan development training for interested AYES members and assisted the association in writing a five-year business plan and creating a marketing strategy. Based on this business plan, and paid for by membership money, AYES has employed a part-time executive associate who is preparing a project proposal that will serve as a basis for future Project support. AYES helps young entrepreneurs develop businesses through trainings, mentorship and networking support; provides information on available funding; and advocates for members' interests with policymakers.

**Objective 3.2: Provide schools and vocational education training centers with accredited curriculum tailored to the local resources and needs, so that the strengthened relationship between local governments, schools, and businesses reduces the out-migration of young people.**

**Activity 1: Fostering the dialogue and cooperation between the private and education sectors**

During the reporting period, the Project reviewed and approved a \$60,000 grant to the Belgrade Open School (BOS) to establish and improve dialogue between Vranje, Uzice, and Subotica-led IMC area businesses in targeted industries and pertinent vocational education and training (VET) schools enabling matching between supply and demand on both sides. Simultaneously, VET schools will be assisted in adopting innovative curricula responsive to demands of local and regional businesses, while school capacities in targeted industries will also be improved in order to attract more students and produce a more qualified workforce. Specific grant activities consist of trainings for school, youth office and LED officials to better define needed curricula for schools in their communities; analyzing market needs and current school programs; organizing career workshops to introduce youths to available local labor markets; and developing marketing plans to recruit students. As a final activity based on lessons learned from the grant, BOS will develop a general model for improving cooperation between the private sector and vocational schools. The model will study the roles of all parties involved (schools, companies, local government, pupils, parents, local media, and other entities) and propose ways to improve communication and cooperation.

**Activity 2: Support modernization of training and education for students and teachers relevant to targeted sectors**

To support the modernization of education and trainings for students and teachers the Project provided international technical assistance in the Novi Pazar-led IMC Area denim industry. As described above in the Component 1 Novi Pazar-led IMC Area section, the Project engaged an intentional expert, Ms. Margaret Bishop, who provided recommendations for growing the denim sector in the IMC Area and began providing technical assistance in support of training and education modernization for students in the Novi Pazar area denim industry.

During the reporting period, the Project held several trainings on topics ranging from the use of social media in marketing to jean finishing techniques for selected Novi Pazar Design and Textile Vocational School pupils and teachers, as well as for interested firms from the region. The first trainings focused on how to use social media to build relationships, foster loyalty, and receive immediate customer feedback. Ms. Bishop also held a training on a new eco-friendly alternative to stonewashing called ‘Ozone.’ Previously, she identified waste-water treatment as a key area for improvement and prerequisite for successful export to foreign markets. The “Ozone” denim finishing technology decreases the processing costs of jeans and reduces the negative impact on the environment, thus making the final product more accessible and attractive to modern consumers. In the coming period, Ms. Bishop will enable contacts between the School, interested IMC Area businesses and the manufacturers of the ‘Ozone’ system.



*Novi Pazar Design and Textile Vocational School students take part in a jean finishing techniques training organized by STTA Margaret Bishop*

The Project also assisted the Novi Pazar Design and Textile Vocational School in creating a communications plan to increase school enrollment by ten percent for the next year. The plan entails the creation of an in-school Communications Team which will promote the institution, its program and inform local youths of the availability of new jobs in this sector.

To answer the needs of the local industry, the Project is also working to adapt school curricula to local needs while simultaneously strengthening relationships between local governments, schools, and businesses in order to reduce youth out-migration. In addition to assisting private textile companies as described in the Component 1 section, Ms. Bishop completed research and analysis of Serbian current best practices in textile vocational education curricula. Furthermore, based on Ms. Bishop’s recommendations, the Project engaged another expert,

Ms. Iskra Maksimovic, to develop and implement a pilot model improving the skills gained in vocational schools and teaching pupils practical skills needed by companies. During the reporting period, Ms. Maksimovic completed preliminary field research, data gathering, and began working on guidelines which will serve as instructions for the implementation of the pilot for both schools and companies.

In the upcoming period, the Project will support SEDA in training interested young persons in social media marketing, enabling these youths to assume control of future social media campaigns in order to launch and grow the Novi Pazar denim sector social media presence, both domestically and in Russia.

### **Activity 3: Ensuring recognition of non-formal education and other local services provided to young people in partner LGs.**

At the beginning of the reporting period, to ensure recognition of non-formal education, the Project approved a grant of an approximately \$100,000 to the National Association of Youth Workers (NAPOR) to support their efforts to reduce the gap between young peoples' existing competencies and labor market needs by developing non-formal education (NFE) services in line with employer needs. Non-formal education includes provision of career information, professional development and career counseling. In Serbia, the Ministry of Youth and Sport (MoYS) and NAPOR jointly developed standards that define the skills that youth NFE service providers and Youth Office Coordinators must attain. Through this grant, NAPOR will build the capacities of 26 local youth office (YO) and civil society organization representatives from all eight inter-municipal cooperation (IMC) areas.

Selected youth workers are participating in a comprehensive six-month training course to prepare them to provide NFE services to young people in order to increase employment. The sessions focused on teaching participants to identify labor market demand and synchronize young peoples' skills with currently available jobs. The next training is scheduled for April 2014, while the program itself will end with the awarding of certificates in September 2014. In addition to the YOC trainings, NAPOR will develop a tool for recognizing, on a national level, competencies gained through NFE (see textbox). The ultimate goal is that the GoS officially endorses NFE as an additional method of educating youth and as a way for youth to communicate their entire portfolio of skills and competencies to potential employers.

#### **Developing Non-Formal Education (NFE) Services in Line With Employer Needs**

Within the Project grant to reduce the gap between labor skills and market needs by developing non-formal education (NFE) services in line with employer needs, NAPOR is mapping European best practices and researching the effectiveness of Serbian NFE in giving youths competencies needed to successfully find employment. The research will serve as a valuable tool for the business sector in its recruitment of competent employees, simplifying the assessment process of prospective workers' skills and enabling businesses to make informed decisions when hiring new staff.

NAPOR's strategic partner in this project is the Ministry of Youth and Sport (MoYS), while the Serbian Social Inclusion and Poverty Reduction team has recognized the importance of this study and sponsored the research with the goal of gaining Serbian Government recognition for NFE as an additional way for youth to obtain labor market competencies. Non-formal education includes provision of career information, professional development and career counseling. In Serbia, the Ministry of Youth and Sport (MoYS) and NAPOR jointly developed a mechanism to make competences gained through non-formal educational programs more recognized on the labor market.

### **3. SIGNIFICANT CHALLENGES ENCOUNTERED AND ACTIONS TAKEN**

Challenge: The Ministry of Education has unfortunately requested that certain courses be taken out of the syllabus in the Novi Pazar Design and Textile Vocational School. These are courses that would educate youth in skills needed by Novi Pazar textile businesses.

Action Taken: Once a new government is formed, the Project team plans to initiate dialogue with the new Minister of Education and lobby for any school curricula changes to be made in consultation with the local private sector, thus ensuring that the local supply of labor is in line with the needs of local companies. At the time of reporting, the Project and grantee BOS have already sent a letter to the Ministry asking that courses identified as necessary for the growth of certain industries not be discontinued.

Challenge: A delay in expected legislative reforms which are a prerequisite for launching the necessary technical interventions for local level construction permitting, asset management and public-private partnership project establishment.

Action Taken: In close collaboration with national level stakeholders, the Project will not wait for these laws to be adopted, but will design technical assistance in full compliance with anticipated legislative changes enabling municipalities to immediately start with implementation of the new policies once the new laws are adopted.

Challenge: In FDI attraction, SIEPA has had an uncertain FDI policy and was beset by scandal (charges of conflict of interest made against upper management) thus no one is certain if SIEPA will continue to function, and if so, what its responsibilities may be.

Action Taken: The Project is talking to potential new partners, such as the Serbian Chamber of Commerce, if it becomes apparent that SIEPA will not be able to perform as a reliable partner in activities such as direct mailing and modern marketing.

## 4. HIGHLIGHTS OF ACTIVITIES PLANNED FOR FY2014 Q3

### Component 1:

- Launch of the second round of the FDI Coaching Program for additional four IMC Areas (Novi Pazar, Kraljevo, Subotica and Zrenjanin) and with a focus on attracting investment in the agricultural processing sector
- Tenants enter greenhouses within Zrenjanin-led IMC Area Horticulture Incubator Program
- Support from short-term international advisor Mr. Jeffrey Baron to local furniture producers in Vranje and Novi Pazar -led IMC Areas to enter value chains of big competitors such as IKEA
- Expected grant to the Food Technology Park (FTP) in Leskovac
- Continued support from international advisors in the denim, footwear, metals, and herbs and MAPs sectors

### Component 2:

- Certificate award ceremony for participants of the Project-supported (SCTM implemented) e-learning program for LED Office representatives
- Assistance to 15 brownfield investments in Nis and Vranje-led IMC Areas in finding potential venture capital and portfolio investors through preparation of investment teasers and direct marketing strategies
- Collaboration with Serbian Chamber of Commerce on possible improvements in legal and institutional set up related to PPP
- Supporting piloted LGs to establish offices for rapid issuance of construction permits (one-stop-shops) through trainings, mentoring support, and sharing of experiences of regional best practices in the area

### Component 3:

- ICT Cluster Academies in Novi Sad and Nis begin programs
- On the job training for 240 unemployed youth
- Dialogue between VET schools and employers, including consultative meetings and consultative workshops in Prijepolje, Subotica, Vranje.
- 26 young professionals as part of the NAPOR certification process implement their local and inter-municipal youth projects in 20 SLDP partner cities/ municipalities.

**ANNEX A – ACCRUALS (OCTOBER 1, 2013 – MARCH 31, 2014)**

## **ANNEX B – FY14 QUARTER 1 & 2 EVENT & MONITORING PLAN**



## Quarterly Event and Monitoring Plan

### Sustainable Local Development

Second Quarter (January 1- March 31), FY 2014

											January				February				March			
Event Type	Location	Planned Representational Level	Actual Representational Level	Days	Start	End	Monitoring Plan	Monitoring Date	W1	W2	W3	W4	W1	W2	W3	W4	W1	W2	W3	W4		
Novi Pazar-led IMC Area denim producer go to Bread and Butter Trade Fair	Berlin	none	none	3	January 14	January 16																
Standing Conference of Towns and Municipalities, training for mentors - E learning project	Belgrade	none	none	1	January 15	January 15																
Innovation Study Tour for Kraljevo, Novi Sad and Nis-led IMC Area	London	none	none	6	January 19	January 24																
STTA Margaret Bishop marketing training in Novi Pazar Vocational Design School	Novi Pazar	none	none	2	January 20	January 21																
Standing Conference of Towns and Municipalities launch of E-learning platform	Belgrade	none	none	1	January 22	January 22																
National Association of Youth Work Practitioners training in non-formal education (NFE) services to young people to close labor gap. First module	Sremski Karlovci	none	none	5	January 26	January 30																
Meeting with Vranje LED Office to discuss potential cooperation in brownfield revitalization and one-stop shop establishment	Vranje	FO, none	FO	1	February 6	February 6																
Meeting with Leskovac and Merosina LED Office to discuss potential cooperation in brownfield revitalization and one-stop shop establishment	Leskovac and Merosina	none	none	1	February 7	February 7																
Zlatibor Regional Development Agency (RDA) presentation of Value Chain Analysis measuring local tourism industry demand for local products	Nova Varos	COR	COR	1	February 7	February 7																
STTA Iskra Maksimovic meeting with SEDA, Novi Pazar Vocational Design School, businesses in IMC Area to outline communications/social media outreach plans	Novi Pazar	none	none	3	February 18	February 20																
Innovation STTA Ewan Peters, meetings and site visits to Novi Sad -led IMC Area SMEs with the potential to innovate	Novi Sad	none	none	4	February 19	February 22																
STTA presentation to Asstex textile cluster on 'Ozone,' a new eco-friendly alternative to stonewashing	Novi Pazar	none	none	1	February 20	February 20																
Presentation of Innovation Study Tour to USAID and British Council	Belgrade	COR, EGO Director	COR, EGO Director	1	February 28	February 28																
National Association of Youth Work Practitioners training in non-formal education (NFE) services to young people to close labor gap. Second module	Sremski Karlovci	none	none	6	March 1	March 6																
Main Design for Agricultural Training Center Reconstruction handed over	Subotica	none	none	1	March 5	March 5																
Global Destination for Shoes and Accessories (GDS)	Dusseldorf	none	none	3	March 12	March 14																
STTA Peter Furth, Herb and Forest fruit Specialist, site visits to Novi Pazar-led IMC Area	Novi Pazar, Sjenica, Tutin	none	none	12	March 16	March 27																
Training to familiarize Presevo municipal administration on Legalization Law	Presevo	none	none	1	March 17	March 17																
Basic trends in contemporary fashion design training held for Novi Pazar Vocational Design School	Novi Pazar	none	none	2	March 24	March 25																
STTA presentation to Vojvodina Metal Cluster and member firms on how to expand market, increase sales and create new jobs	Temerin	COR, EGO Director	COR, EGO Director	1	March 28	March 28																
Launching of ICT Cluster Academy in Novi Sad	Novi Sad	COR, EGO Director	COR, EGO Director	1	March 28	March 28																

## **ANNEX C – STATUS OF PMP INDICATORS**

## Annex C: Status of Performance Indicators

The Semi-Annual Progress Report #6 provides an overview of the Project's performance indicators for the October 1, 2013 – March 31, 2014 period.

The structure of the PMP for the Sustainable Local Development Project and the current status of indicators are presented in the table below:

Level	Indicator	LOP target	Sep 2014 target	Mar 2014 status
IMPACT	1. Number of business-sector jobs created in participating municipalities as a result of the Project's IMC activities (USAID IR Ind. 2.2.3 Number of Jobs Created in Targeted Regions)	2,000	1,000	<b>545</b>
	2. Volume of business revenues in Project supported sectors (USAID IR Ind. 2.2.1 Value of Annual Revenues of USAID Client Companies in Targeted Regions)	\$120 million	\$60 million	<b>\$ 1.29 million</b>
	3. Direct private and public sector investments into the Project-supported IMC areas	\$120 million	\$60 million	<b>\$ 1.19 million realized, and \$ 24.5 million committed</b>
OUTCOME / OUTPUT	4. Number of inter-municipal economic development projects implemented, which meet the critical path milestones	20	16	<b>20</b>
	5. Number of business friendly municipalities	17	17	<b>18</b>
	6. Number of municipalities that have established or improved management practices	32	25	<b>16</b>
	7. Number of PPPs created in the delivery of public services	7	5	<b>3</b>
	8. Number of youth with increased competitiveness in the labor market (USAID Sub IR 2.2.2.1 Number of Targeted Beneficiaries with Increased Competitive Skills )	1,050	780	<b>974</b>
	9. Number of major infrastructure inter-municipal projects assisted in the process of applying for the EU and GOS financing	5	3	<b>4</b>
	10. Number of locally elected and appointed officials, CSO members, media and the business community trained	1,750	1,500	<b>2,329</b>
	11. Number of corporate social responsibility initiatives supported	4	2	<b>2</b>
	12. Number of initiatives involving dialogue between the public, private and civil sectors	58	45	<b>39</b>
	USAID Sub IR 2.2.1.1 Number of Business Services increased in Targeted Regions	8	8	<b>8</b>
	USAID Sub IR 2.2.2.2 Number of USAID Client SMEs Receiving Capacity Building Assistance to Export (Standard PPR)	N/A	N/A	<b>38</b>

### Comments about the status of indicators:

#### **Indicator 1. Number of business-sector jobs created in participating municipalities as a result of the Project's IMC activities**

Status: 66 new jobs in this reporting period / 545 since the beginning of the Project.

20 young people found jobs during the reporting period as a result of the Project-supported activities within the Youth Development Component. Through CSO Smart Kolektiv, SLDP created internship and entrepreneurship opportunities for young people across the Nis, Novi Sad, Kraljevo and Subotica-led IMC areas (covering 17 municipalities). During the reporting period, the final group of 47 youths completed internships and 20 signed employment contracts. These activities resulted in a total of 499 youths who found employment with the Project's assistance.

As a result of investments in the Municipality of Beocin and the City of Novi Sad, 138 new jobs were created (estimated Project attribution is 45 new jobs).

In four denim sector companies in Novi Pazar, number of employees increased by one in 2013.

Expectations for 2014:

- Based on the committed investments, 2,160 new jobs are expected in the Novi Sad, Vranje and Nis-led IMC areas (estimated level of the Project's attribution is 1,033).
- Information and Communication Technology (ICT) Cluster Academy in Nis and Novi Sad-led IMC areas, aiming to equip at least 50 young and unemployed people with the knowledge and skills required by IT sector employers.
- In 2014, the Project will support approximately 60 companies to expand to new markets, which should increase their revenues and employment.
- It is expected that 321 youths will attend on-the-job training in 68 companies under the project supported from SLDP's grant fund and implemented by Cromer Group. This activity will generate new youth employment.

**Indicator 2. Volume of business revenues in the Project-supported sectors** -- The business revenues of four denim producers in Novi Pazar increased by \$1.29 million in 2013. These results are directly related to the Project's assistance to the targeted business sectors. The Project's contribution and quality of assistance has been highly valued by these companies in an opinion survey about the relevance and quality of the Project's assistance, completed in March 2014.

In 2014 the Project Team expects an increase in business revenues of approximately 60 companies that will receive assistance through the following activities:

- Assistance to denim sector includes STTA work on marketing plans; recommendations for improving production process and for increasing competitiveness; new market research; and participation in the Bread & Butter Fair in Berlin, Germany. The pool of denim producers assisted by the Project consists of 11 companies in the Novi Pazar-led IMC area.
- Assistance to the footwear sectors in the Novi Pazar and Vranje-led IMC areas includes a STTA analysis of the production process quality and competitiveness; B2B links with potential international buyers; and participation in the GDS Fair in Dusseldorf, Germany. At the moment, 10 footwear producers participate in this activity.
- Herbs and forest fruit products in the Novi Pazar-led IMC area: Initial assessment completed by the Project's STTA. Based on recommendations by an international STTA, SLDP will facilitate links with Serbian companies to develop a local supply chain and explore connections with foreign buyers and potential investors.

- Building capacity of Nis Food Processing Support Center and Leskovac Technology and Food Processing Center (FTP) includes web-based database for supply-demand data exchange and support in designing training program. Equipping the testing production line will help companies to develop new products and hopefully expand their scope of products. Food processors that benefit from the activity will be large and small as well as existing and newly arrived businesses. In Leskovac, at least 10 food producers will use FTP services.
- RDA Zlatibor completed a value chain analysis, identified products and services with high marketing potential, and presented their recommendations in February 2014. The next step is forming a pool of 10 Hotel/Restaurant/Cafe (HoReCa) sector companies and 10 local suppliers to work on increasing competitiveness and volume of local purchases.
- The Project provided equipment for an agricultural products quality testing and export certification laboratory in Subotica, and support in establishing a Training Center in Sombor. The Project is also providing technical support to local apple producers to gain a certificate for geographic indication. An increase in sales (export and domestic) of agricultural products is expected in late 2014 and during 2015.
- Analysis of the SME sector in the Kraljevo/Cacak-led IMC area will be performed by the Regional SME Development Center in Krusevac in the spring of 2014, with a goal of identifying regional SMEs which could use Impuls Center services. This activity will contribute to SME innovation and employment of Impuls Center capacities.
- The main goal of the assistance provided to the Vojvodina Metal Cluster is to increase the volume of business opportunities by providing a system that will help VMC member companies understand needs and decrease response time to international inquiries. SLDP engaged an international STTA to conduct an assessment of VMC and member firms on ways to expand their market, increase sales and create new jobs. At the time of reporting twenty firms are undergoing the assessment. If successful, this activity will result in increased volume of purchased products in 2014.

**Indicator 3. Direct private and public sector investments into the Project-supported IMC areas:**

Status:

Investments (€)				# of Jobs as Result of Investment			
Realized		Committed		Created		Expected	
Private	Public	Private	Public	Private	Public	Private	Public
<b>TOTAL:</b>							
\$3,054,630	\$1,154,869	\$49,737,345		138	0	2,160	0
<b>Attributable to the Project:</b>							
\$610,926	\$577,435	\$24,549,929		45	0	1,033	0

Project efforts in Beocin, Doljevac, Novi Sad and Vranje have created favorable investment conditions leading to \$3 million of private investment being realized. As a result of these investments, 138 new jobs have been created. Furthermore, the Project's input to infrastructure development contributed to \$1.15 million in public sector investments in the Industrial Zone in Vranje. More importantly, the three partner municipalities have attracted more than \$49 million in expected private investments (with the Project significantly contributing to about half of this sum, or about \$25 million). 2,160 new jobs are expected as a result of these investments.

In order to estimate the level of Project contribution to investments in partner cities and municipalities, the Project made three categories, each with a proposed percentage of attribution:

- 20% attributable to the Project for investments that took place before the FDI coaching; where municipal LED offices played significant role and where the Project worked on building municipal capacity for LED.
- 50% for investments that took place in the previous one year period, or the investors made commitments by signing land lease or land purchase contracts; where the Project contributed by providing necessary technical documentation for industrial zones; where LED office staff attended FDI coaching; where other indirect support was provided to the sectors of economy where the investments took place.
- 100% for investments that will be realized during and after the Project's direct assistance for increasing municipal FDI capacities (FDI coaching) and targeted sectors, and where the Project's contribution and quality of assistance has been highly valued by municipal LED offices.

In order to obtain municipal LED offices' opinion about the Project's contribution, the Project organized a survey among the LED offices who reported investment results.

Details about individual investment projects and LED offices survey are available upon request.

**Indicator 4. Number of inter-municipal economic development projects implemented, which meet the critical path milestones:** A total of 20 IMC economic development projects are being implemented in eight areas of inter-municipal cooperation.

Vranje-led IMC:

- Project 1. Investment attraction
- Project 2. Increasing sales and exports of footwear sector SMEs

Nis-led IMC:

- Project 3. Building capacity of Nis Food Processing Support Center
- Project 4. Leskovac Technology and Food Processing Center
- Project 5. Investment attraction in Nis-led IMC area
- Project 6. ICT Academy

Uzice-led IMC:

- Project 7. Value chain development between tourism industry buyers and potential vendors in the IMC area
- Project 8. Investment attraction in the IMC area

Subotica-led IMC:

- Project 9. A laboratory for agriculture products in Subotica
- Project 10. An agricultural training center in Sombor
- Project 11. Investment attraction (FY2014)

Zrenjanin-led IMC:

- Project 12. Establishing Agriculture Business Incubator
- Project 13. Investment attraction (FY 2014)

Novi Pazar-led IMC:

- Project 14. Increasing sales and exports of denim sector SMEs
- Project 15. Increasing sales and exports of furniture sector SMEs
- Project 16. Increasing sales and exports of footwear sector SMEs  
(New project opportunity: Herbs and forest fruit products – TBD)

Novi Sad-led IMC:

- Project 17. Market expansion of Vojvodina Metal Cluster
- Project 18. Investment attraction
- Project 19. ICT Academy

Kraljevo-led IMC:

- Project 20: Support to Impuls Center Kraljevo and Technology Park Cacak

**Indicator 5. Number of business friendly municipalities:** 18 municipalities are business-friendly certified; 20 municipalities are assisted by the Project in BFC process; and 12 municipalities have been invited for re-certification. During the reporting period, the Project provided technical assistance and guidance to the City of Leskovac to receive the certificate.

**Indicator 6. Number of municipalities that have established or improved management practices:** During the reporting period, the Project provided training and technical assistance in asset management in Vranje, Presevo, and Nis. The project also prepared an inventory of potential brownfield companies (financial, legal, technical data) to be used as material for investors' teasers and business offering packages in Vranje, Vladicin Han, Gadzin Han, and Doljevac.

**Indicator 7. Number of PPPs created in the delivery of public services:** No new partnerships have been made during this reporting period. A Guide for Developing Successful PPPs has been published by NALED in February 2014, with the Project's support. The Project is recognized by the Serbian Chamber of Commerce as the key technical partner for two PPP-related issues, and requested the Project's assistance with the following: opening of the SCC Center for PPPs and Investment Attraction; and organization of the National PPP Conference, both planned for May 2014.

**Indicator 8. Number of youth with increased competitiveness in the labor market (USAID Sub IR 2.2.2):** During the reporting period, 47 youths successfully completed internships, which adds up to a total of 974 youths since the beginning of the Project (757 youths participated on the Project-supported educational programs, and 217 internships were implemented with the Project support).

**Indicator 9. Number of major infrastructure inter-municipal projects assisted in the process of applying for the EU and GOS financing:** The Project's assistance completed in four; another five projects are being supported by the Project.

SLDP intervention completed:

- Project: Regional Waste Water Treatment South Morava River (Vranje IMC); Based on technical documentation developed by SLDP, EU/Progres purchased effluent meters. Vranje constructed water effluents measurement station and has begun using the meters in Vranjska Banja while Presevo, Bujanovac, and Vladicin Han have not yet constructed measurement stations. However, Vranje signed a contract with KfW (€15, 2 million euros) on the construction of a Waste Water Facility in November 2013. In order to ascertain the necessary capacities of the Waste Water Facility, the Vranje Waterworks Company will use equipment installed in cooperation with SLDP and the EU/PROGRES project. Based on the contract already signed with KfW for the first phase of the project, Vranje will continue to work on the second phase of the waste water treatment project. The project has been entered into the SLAP database.
- Project: Bypass road to the industrial zone Bunusevac, Vranje (Vranje IMC), geodetic survey and cadaster topographic plan was developed by SLDP; first part of SLDP intervention in IZ Bunusevac completed. The Project's assistance contributed to the other activities related to

development of two Industrial Zones in Bunusevac, Vranje. EU PROGRES Program funded detailed regulation plans for this industrial zone where two major investors will build their facilities. The City of Vranje, with assistance from the Government of Serbia, will invest in its infrastructure in accordance with the agreement signed with GEOX shoe factory. The project has been entered into the SLAP database.

- Project: Recycling facilities on “Meteris” regional landfill, Vranje, (Vranje IMC), Regional plan of solid waste management was developed by SLDP. The project has been entered into the SLAP database.
- Project: Reconstruction of Water Supply System “Pusta Reka” Doljevac (Nis IMC). Feasibility Study for Water Supply System was developed with the Project’s assistance. Based on the Study, Municipality will submit project proposal to Serbian government to reconstruct regional water supply system Pusta Reka (project value based on the Study is approximately 8 million euros). The project has been entered into the SLAP database.

#### Ongoing:

- Project: Infrastructure development Industrial zone Bunusevac, Vranje, (Vranje IMC) second part of SLDP intervention in IZ Bunusevac is ongoing. Geotechnical investigations and study, geodetic survey, and a technical analysis with preliminary cost estimate and detailed designs for IZ infrastructure were developed by SLDP until March 2014. Technical control of Project documentation will be finished in the first week of April 2014. The project will be entered into the SLAP database after technical control is completed.
- Project: New Industrial Zone in Temerin (Novi Sad IMC). Feasibility study and design for the Service Road in the New Industrial Zone in Temerin. Status is ongoing; geotechnical report and geodetic survey are completed. Preliminary design and feasibility study development is ongoing and detailed design and design for temporary traffic signaling during the road construction will be developed by September 2014. The project will be entered into the SLAP database in October 2014.
- Project: New industrial zone in Beocin (Novi Sad IMC). The Project is supporting the completion of (a) geotechnical report; (b) technical analysis with preliminary cost estimate; and (c) detailed designs for all project components. Geotechnical report and technical analysis with preliminary cost estimate were done in January 2014 and detailed designs will be developed by May 2014. The project will be entered into the SLAP database in June 2014.
- Project: Industrial zone Cukarka, Presevo (Vranje IMC). Pre-feasibility study for industrial zone Cukarka drafted. Study will be presented to GoS (Ministry of Regional Development and Local Self-government, Serbian EU integration office, Coordination body for Presevo, Bujanovac and Medvedja) during May 2014. Project IZ Cukarka, Presevo, will be entered into the SLAP database in June 2014.
- Project: Agricultural Educational Center in Sombor (Subotica IMC); the Project supported the preparation of the main design for adapting the Inter-municipal Agricultural Educational Center in Sombor. Main design of reconstruction of Agricultural Training Center was delivered during February 2014 and technical control of project documentation was finished in March 2014. Agricultural Training Center reconstruction works will start in April 2014.

Based on Project documentation developed by SLDP, Agricultural Extension Service (funded by Serbian Government) allocated approximately 100,000€ for reconstruction works. Drafting of Annual Training Program of Agricultural Training Center is ongoing. After Training Program is approved by SLDP, the final step in project development is purchasing of equipment.

Based on NCP economic development activities, the Project is continuing to support IMC infrastructure projects. In 2013 the team identified projects that can use the Project's assistance to help them gain access to EU or GOS funding, whether through new NCP activities or jointly with partners such as the European Partnership with Municipalities (EU PROGRES). Coordination and joint efforts are being provided to the Standing Conference of Towns and Municipalities (SCTM) and EU/Municipal Infrastructural Support Program (EU/MISP) to meet all requirements to enter SLDP-supported infrastructure projects into the SLAP database. The main goal of the activity is to increase the maturity of infrastructure projects and get them listed in the SLAP database. This paves the way for these projects to be priority listed for EU or GoS funding (second step could be: ISDACON database or GoS priorities for state budget funding). It is relevant to know that the SLAP and ISDACON databases are now in subordination, SLAP is the first step and ISDACON is the second step for "Strategic Important Projects" for IPA funding. Based on prepared project documentation and dependent on the maturity of the project, local partners could also apply for Serbian state budget funding.

**Indicator 10. Number of locally elected and appointed officials, CSO members, media and the business community trained:** 719 participants attended the Project's training events (314 female participants) during the reporting period. Since the beginning of Project implementation, total participation in Project-sponsored trainings has been 2,329. Out of that number, nearly 45% were female participants. The complete training database is available upon request.

**Indicator 11. Number of corporate social responsibility initiatives supported:** There were no new opportunities to support corporate social responsibility initiatives in this reporting period. The Project will continue looking at such opportunities in the inter-municipal economic development projects and within the Youth Development activities. As stated in the Performance Monitoring Plan (PMP), the Project will look for opportunities where CSR activities are bringing benefits to the implementation of IMC development projects. CSR will not be an isolated stand-alone activity.

**Indicator 12. Number of initiatives involving dialogue between the public, private and civil sectors:** Status: 39 initiatives since the beginning of Project implementation. Six new initiatives in this reporting period:

- NALED Fourth Annual PPP Summit, November 2013
- Third Annual Summit of Mayors and Businessmen (New Economy, Business Info Group), October 2013
- New Economy 2014 (New Economy, Business Info Group), December 2013
- Ozone: New Eco-friendly Alternative to Stone Washing, Public Presentation, Novi Pazar, February 2014
- RDA Zlatibor Local Products Key for Improving Tourism Regional Value Chain, February 2014
- Ten launching events announcing the On-The-Job Training Program in October and November 2013 in Subotica, Sombor, Novi Sad, Zrenjanin, Nis, Leskovac, Vranje, Cacak, Novi Pazar, and Uzice, with representatives of the SME sector, municipal LED offices, National Employment Service, local chambers of commerce and RDAs.

## **ANNEX D – IMC AREA ONE-PAGERS**



## USAID Sustainable Local Development Project

### Inter-Municipal Cooperation Partners

#### SUBOTICA CITY

Population: 140,358  
Unemployment: 23%

Economic Base: agriculture, food processing industry, tertiary sector of the economy, tourism

Ruling Coalition: SNS, SVM, SPS, SPO  
Mayor: Jene Maglai

#### SOMBOR CITY

Population: 85,569  
Unemployment: 26%

Economic Base: agriculture, food processing industry, tourism

Ruling Coalition: DS, DSS, SPS, SVM, LSV  
Mayor: Nemanja Delic

#### KANJIZA MUNICIPALITY

Population: 24,995  
Unemployment: 29%

Economic Base: agriculture

Ruling Coalition: SVM, DS, LSV  
Mayor: Mihaly Nyilas

### Subotica-led Inter-Municipal Cooperation (IMC) Area

The IMC area was formed in November 2011. This year the Sustainable Local Development Project (the Project) began implementation of the following economic program:

#### “Subotica IMC Agribusiness Expansion”

**Goal:** Increase sales (export and domestic) of agricultural products from the Subotica IMC area by 10% by end of June 2015.

The Project and representatives of IMC partner municipalities, signed agreements for the joint implementation of this program that aims to increase domestic sales and exports of agricultural products, and generate new jobs. The Project will assist Subotica in equipping a laboratory that will test food for quality-control, and as needed for export licenses. In Sombor, the Project will support the establishment of a training center for farmers, while Kanjiza will be assisted with a study on supply and demand for setting up a logistic and distribution center for agricultural goods.

In addition, the Project will support producers through the application process for geographical certificates of origin in order to better brand and market their regional produce. This economic program will benefit agricultural producers and processors from the entire IMC area, increasing regional competitiveness, enabling agribusiness expansion, and creating new jobs in the sector.

### UP-TO-DATE PROJECT RESULTS

#### IMC area economic growth activities

- A draft study for protection of geographical indications of apples produced on Subotica-Horgos sand was completed and approved by a working group comprised of apple grower cooperatives and tree fruit extension experts
- Laboratory equipment was purchased for the Subotica Public Health Institute and staff trained to perform complex analysis of regional food products, thus facilitating their export
- A conceptual and detailed design for the reconstruction of the existing facilities for the IMC Agriculture Education Center in Sombor were completed
- With the Project support, NALED assisted Kanjiza to develop a public-private partnership (PPP) action plan for setting up a logistic and distribution center for agricultural goods; and present it to investors; Three public-private partnerships toolkits (for local infrastructure development, energy efficiency and parking services) were prepared and presented; published a Guide for development of successful PPPs
- To increase knowledge and skills of local administrations in managing local economic development and attracting investments, a comprehensive learning program was launched, in cooperation with the Standing Conference of Towns and Municipalities
- Database of investors and brownfield locations was created in Sombor to advance steps to Business Friendly Certification achievement; Sombor was awarded the BFC certificate in 2012.
- “Business Enabling Environment – Brownfield“ training conducted on evaluating potentials of brownfield locations, their prioritization and redevelopment
- Regional Development Agency for Eastern Serbia conducted a national analysis of available non-financial services for small and medium sized enterprises and recommended how they can be standardized and improved
- „Diversification of agricultural production“ study was prepared and its recommendations presented to representatives of IMC agriculture and rural development stakeholders
- Demand and supply analysis completed in support of agriculture producers and food processors
- Eleven young interns employed during the second and third cycles of Project-supported Youth Business Serbia Program
- Also as part of the Youth Business Serbia program, two business start-up ideas received Erste bank’s favorable credit (lower interest rate and no collateral).
- As part of the Project’s On-The-Job Training Program, 15 companies applied to receive 59 youths, with the possibility of employment after a two month training



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# USAID Sustainable Local Development Project

## Inter-Municipal Cooperation Area Partners

### NOVI SAD CITY

Population: 381,388  
Unemployment: 19%

Economic Base: tertiary sector of the economy, processing industry

Ruling Coalition: SNS, SPS, DSS  
Mayor: Milos Vucevic

### SREMSKI KARLOVCI MUNICIPALITY

Population: 8,839  
Unemployment: 48%

Economic Base: agriculture, tertiary sector of the economy

Ruling Coalition: DS, SPS, LSV, URS  
Mayor: Milenko Filipovic

### BEOCIN MUNICIPALITY

Population: 16,086  
Unemployment: 34%

Economic Base: industry, tourism, mining

Ruling Coalition: DS, SPS, LSV  
Mayor: Bogdan Cvejic

### TEMERIN MUNICIPALITY

Population: 28,275  
Unemployment: 31%

Economic Base: industry, craftsmanship, agriculture

Ruling Coalition: DS, SPS, DSVM, DSS-NS, SVM and GG  
"Za prosperitet opštine Temerin"  
Mayor: Vladislav Capik

April 2014

## Novi Sad-led Inter-Municipal Cooperation (IMC) Area

The IMC area was formed in July 2011. This year the Sustainable Local Development Project (the Project) began implementation of the following economic program:

### “Metro Novi Sad: First Place for Business”

**Goal:** Add 1,500 jobs to the IMC area as a result of activities set in motion by the Project by end of June 2015.

The IMC partners identified preparation of existing industrial zones in the area as a priority, and the Project has initiated work on technical documentation and conceptual designs for the sites. In the forthcoming period the Project will primarily focus on investment attraction for these sites. The IMC area also has several attractive brownfield sites that are nonproductive, either due to delays in privatization/bankruptcy process or simple lack of good plans for development. The sites will be analyzed for economic potential and then included in a larger package of other similar sites from other IMC areas to advocate for policy change at the central level.

The IMC area has many small and medium sized metal producers, with active foreign and local markets, however in need of new products and increased operational efficiency. The Project will focus on improving innovation in the sector by encouraging closer cooperation between science and business communities. The Project will also support the development of much needed human resources - ICT specialists and engineers, and on strengthening the linkage between ICT and other sectors in Serbia, such as the metal sector. Both gaps will be addressed through technical assistance and cooperation with the ICT Association, Vojvodina Metal Cluster and Regional Education Center in Novi Sad.

## UP-TO-DATE PROJECT RESULTS

### IMC area economic growth activities

- The Project provided legal advice and support for establishment of partnership between Lafarge and Beocin, to create a new business park on land owned by the municipality, to meet the demand of new investors for adequate business space and generate new jobs in the region
- Created database of investors and brownfield locations in Beocin and Novi Sad in the process of Business Friendly Certification – NALED; Novi Sad was awarded BFC certificate in June 2012
- Four investment attraction workshops were held and a study tour organized for Local Economic Development professionals from the IMC area
- International metal fabrication expert provided recommendations to Vojvodina Metal Cluster members on how to increase sales and reach new markets
- In partnership with the Vojvodina ICT Cluster, launched the ICT Cluster Academy to equip young and unemployed people with the knowledge and skills required by IT sector employers
- “Business Enabling Environment – Brownfield” training conducted on evaluating potentials of brownfield locations, their prioritization and redevelopment
- In cooperation with the Standing Conference of Towns and Municipalities, launched a comprehensive learning program for local economic development officials, aiming to increase their knowledge and skills in managing local economic development and attracting investments
- Regional Development Agency for Eastern Serbia conducted a national analysis of available non-financial services for SMEs and recommended how they can be standardized and improved
- Architectural design prepared for the regional Educational Training Centre for Professional and Working Skills in Novi Sad, to train graduates annually in skills in high business demand
- The Project provided technical assistance to the Municipality of Beocin in process of preparation and adoption of a ten year Local Sustainable Development Strategy
- 25 young interns employed within the Project-supported Youth Business Serbia Program; two business start-up ideas received Erste bank’s favorable credit (lower interest rate and no collateral).
- As part of the Project’s On-The-Job Training Program, 13 companies applied to receive 53 youths, with the possibility of employment after a two month training



# USAID Sustainable Local Development Project

## Inter-Municipal Cooperation Area Partners

### ZRENJANIN CITY

Population: 122,714  
Unemployment: 22%

Economic Base: agriculture, food processing, textile, metal and chemical industry

Ruling Coalition: SNS, SPS  
Mayor: Ivan Bosnjak

### KIKINDA MUNICIPALITY

Population: 59,329  
Unemployment: 27%

Economic Base: agriculture, food processing, metal and chemical industry

Ruling Coalition: SNS, SPS, DSS, SVM  
Mayor: Pavle Markov

### NOVI BECEJ MUNICIPALITY

Population: 23,847  
Unemployment: 40%

Economic Base: agriculture, tourism

Ruling Coalition: LDP, SNS  
Mayor: Sasa Sucurovic

## Zrenjanin-led Inter-Municipal Cooperation (IMC) Area

The IMC area was formed in December 2011. This year the Sustainable Local Development Project (the Project) began implementation of the following economic program:

### “Diversification of Agriculture – New Jobs for Rural Youth”

**Goal:** To increase IMC area production of vegetables ultimately marketed to processors by 20% by end of June 2015.

Even though it has a well-developed agricultural production and food processing industry, IMC area concentrates on processing of grains, which brings less revenue per hectare than vegetable production. The Project will work with existing and potential small producers to help them adapt to production of new, high-value crops - vegetables, in order to create a more diversified product portfolio, increase revenues and support establishment of new agriculture businesses.

Complementing this effort, the Project will support the creation of agriculture incubators, primarily aimed at young and unemployed farmers. These incubators will provide access to land, equipment and infrastructure for farm start-ups. Existing agriculture associations and cooperatives, as well as agricultural extension experts, will support new vegetable producers through counseling and mentoring.

On the processing side, local government, with Project technical assistance, will focus on attraction of domestic and foreign investors in the food processing industry. Additionally, the Project will assist in establishing agricultural working zones in each partner municipality.

## UP-TO-DATE PROJECT RESULTS

### IMC area economic growth activities

- Assistance to RDA Banat in project preparation for EU funds resulted in funding of 225,000 euros approved for project “Education to Easier Employment – E3”
- Developed sustainable farm incubator model for rural youth entrepreneurs and distributed to LED offices in support of economic program activities; launched this farm incubator program and selected 31 prospective greenhouse tenants
- With the Project support, NALED assisted Zrenjanin to develop and present to investors a public-private partnership (PPP) action plan for the modernization of the Rusanda spa center; published a Guide for development of successful PPPs; PPP toolkits for local infrastructure development, energy efficiency and parking services were created and presented at a regional conference in Novi Sad
- To increase knowledge and skills of local administrations in managing local economic development and attracting investments, a comprehensive learning program was launched, in cooperation with the Standing Conference of Towns and Municipalities
- Database of investors and brownfield locations was created in Kikinda and Novi Becej, to advance steps to Business Friendly Certification achievement
- On-the-job training provided to 10 municipal representatives for “Preparation of Terms of Reference for infrastructure projects”
- “Business Enabling Environment – Brownfield” training conducted on evaluating potentials of brownfield locations, their prioritization and redevelopment
- Regional Development Agency for Eastern Serbia conducted a national analysis of available non-financial services for SMEs and recommended how they can be improved
- Four career guidance and counseling trainings held for eighteen youth service providers who started providing services to youth in the Zrenjanin-led IMC area
- To curb unemployment, the Project assisted Youth office from Zrenjanin to publish a “Guide for Future Students”
- As part of the Project's On-The-Job Training Program, five companies applied to receive 9 youths, with the possibility of employment after a two month training



# USAID Sustainable Local Development Project

## Inter-Municipal Cooperation Area Partners

### KRALJEVO CITY

Population: 124,554  
Unemployment : 34%

Economic Base: agriculture, trade, processing industry

Ruling Coalition: SNS, SPS, URS, DSS and GG 'Složno za Kraljevo'  
Mayor: Dragan Jovanovic

### CACAK CITY

Population: 114,809  
Unemployment: 28%

Economic Base: agriculture, industry, trade, tertiary sector of the economy

Ruling Coalition: NS, DSS, SNS, SPS, URS  
Mayor: Vojislav Ilic

### GORNJI MILANOVAC MUNICIPALITY

Population: 44,438  
Unemployment: 23%

Economic Base: industry, mining, manufacturing

Ruling Coalition: SPS, DS  
Mayor: Milisav Mirkovic

### VRNJACKA BANJA MUNICIPALITY

Population: 27,332  
Unemployment: 36%

Economic Base: tourism

Ruling Coalition: SNS, DSS, JS, URS  
Mayor: Boban Djurovic

### RASKA MUNICIPALITY

Population: 24,680  
Unemployment: 42%

Economic Base: agriculture, tourism

Ruling Coalition: SPS, SRS  
Mayor: Jovan Corbic

April 2014

## Kraljevo-led Inter-Municipal Cooperation (IMC) Area

The IMC area was formed in December 2011. This year the Sustainable Local Development Project (the Project) began implementation of the following economic program:

### “Kraljevo IMC Competitiveness through Innovation”

**Goal:** To develop at least 50 innovations that lead to new SME sales in the marketplace by end of June 2015.

This IMC area has experience with promoting SME innovation through the IMPuls center of the Kraljevo Faculty of Mechanical Engineering that helps SMEs design and develop new products. The Project will support these efforts by further development of the relationship between science and business to increase SME competitiveness. SMEs in the metal, textiles, food processing and wood-processing sectors will be assisted to explore new markets and identify product and operational gaps that prevent serving those new markets.

Key Project activities are focused on: 1) Assistance to Technology Center in Cacak to become operational and able to help SMEs innovate and become competitive; 2) Further development of the IMPuls program - introduction of more sustainable and market-based practices to maximize its positive effect on SMEs; and 3) Improving the national innovation policy. In addition, the Project will assist small agricultural producers from the IMC area to better supply the resorts of Kopaonik and Vrnjacka Banja by introducing innovation in crop products and post-harvest technologies.

## UP-TO-DATE PROJECT RESULTS

### IMC area economic growth activities

- IMPuls multi-media laboratory equipped to support entrepreneurs from the region to acquire new skills, improve knowledge, reduce production costs and apply innovation in their production processes; IMPuls website developed with the Project assistance
- To increase knowledge and skills of local administrations in managing local economic development and attracting investments, a comprehensive learning program was launched, in cooperation with the Standing Conference of Towns and Municipalities
- With the Project support, NALED assisted Raska to develop and present to investors a public-private partnership action plan for construction of a recycling yard; Public-private partnerships toolkits for local infrastructure development, energy efficiency and parking services created; published a Guide for development of successful PPPs
- An innovation study tour was organized for participants from business clusters and science/technology centers, to learn of best practices in connecting academic and business communities to enhance business innovation and expand the private sector; The analysis of opportunities for linking R&D institutions with SME sector has been completed
- Created database of investors and brownfield locations in Kraljevo and Vrnjacka Banja to advance steps to BFC achievement
- „Business Enabling Environment – Brownfield“ training conducted on evaluating potentials of brownfield locations, their prioritization and redevelopment
- Regional Development Agency for Eastern Serbia conducted a national analysis of available non-financial services for small and medium sized enterprises and recommended how they can be standardized and improved
- Regional Strategy of Tourism development completed
- Business plan with annual operational plan developed for Technology Park in Cacak
- Eight young interns employed within the Project-supported “Youth Business Serbia” Program; two business start-up ideas received Erste bank’s favorable credit (lower interest rate and no collateral)
- As part of the Project's On-The-Job Training Program, 7 companies applied to receive 58 youths, with the possibility of employment after a two month training



# USAID Sustainable Local Development Project

## Inter-Municipal Cooperation Partners

### UZICE CITY

Population: 78,018  
Unemployment: 21%

Economic Base: metal and machine industry, textile and wood processing industry

Ruling Coalition: DS, SPS, LDP, NS  
Mayor: Saša Milošević

### CAJETINA MUNICIPALITY

Population: 14,726  
Unemployment: 16%

Economic Base: tourism, agriculture, craftsmanship

Ruling Coalition: DSS  
Mayor: Milan Stamatovic

### NOVA VAROS MUNICIPALITY

Population: 16,758  
Unemployment: 47%

Economic Base: tourism, agriculture

Ruling Coalition: SNS, DSS, GG "Novi ljudi za Novu Varoš," NS, SDPS  
Mayor: Dimitrije Paunovic

### PRIJEPOLJE MUNICIPALITY

Population: 36,713  
Unemployment: 51%

Economic Base: textile and wood processing industry, agriculture

Ruling Coalition: SDP, DS, SDA, SRS, DSS  
Mayor: Emir Hasimbegovic

### PRIBOJ MUNICIPALITY

Population: 27,127  
Unemployment: 50%

Economic Base: automotive industry, agriculture, tourism

Ruling Coalition: SNS, DS, SPS, NS, SPO  
Mayor: Lazar Rvovic

## Uzice-led Inter-Municipal Cooperation (IMC) Area

The IMC area was formed in December 2011. This year the Sustainable Local Development Project (the Project) began implementation of the following economic program:

### "Uzice IMC Regional Value Chain"

**Goal:** To increase purchases of IMC area products and services by the Anchor Tourism Industry by 10% by end of June 2015.

As the tourism industry has already been substantial and growing in the region of center of Zlatibor and its neighboring tourist resort areas, the Project will focus on growing the business of diverse SMEs and farmers in the IMC area, to be able to answer the tourism-related demand. The guiding principle of this program is to use the solid tourism industry of the northern municipalities to pull the private sector resources in the southern municipalities to develop. Project assistance will concentrate on value chain development within the dairy, fruit and vegetable, textile, furniture and services sectors.

Additional projects (development of university and investor-attractive land sites) will also be pursued to increase regional competitiveness, increase investments and generate jobs in the region.

## UP-TO-DATE PROJECT RESULTS

### IMC area economic growth activities

- Dairy sector analysis completed and recommendations provided on how to improve dairy production in order to become more competitive in the regional market
- To help equip local youth with skills demanded by regional employers a study was developed to guide the establishment of a University in Uzice
- With the Project support, NALED assisted Prijepolje and Nova Varoš to develop and present to investors a public-private partnership (PPP) action plan for the construction of a regional cold storage and cogeneration biomass heating facility, respectively; PPP toolkits for local infrastructure development, energy efficiency and parking services were developed; published a Guide for development of successful PPPs
- To increase knowledge and skills of local administrations in managing local economic development and attracting investments, a comprehensive learning program was launched, in cooperation with the Standing Conference of Towns and Municipalities
- Four investment attraction workshops were held and a study tour organized for Local Economic Development professionals and the Zlatibor Regional Development Agency (RDA)
- With the Project support, Zlatibor RDA completed a study to determine the possibility of creating a supply chain of local products for the local tourism industry
- A Guide for building permitting created and investor database updated in Nova Varos municipality to advance steps to Business Friendly Certification achievement
- „Business Enabling Environment – Brownfield“ training conducted for evaluating potentials of brownfield locations, their prioritization and redevelopment
- Regional Development Agency for Eastern Serbia completed a national analysis of available non-financial services for SMEs and recommended how they can be improved
- Eight youth teams awarded business start-up grants (€1,200 each) as part of Project-supported CSO “Group 484” activities
- As part of the Project’s On-The-Job Training Program, 8 companies applied to receive 39 youths, with the possibility of employment after a two month training



## USAID Sustainable Local Development Project

### Inter-Municipal Cooperation Area Partners

#### NOVI PAZAR CITY

Population: 117,084  
Unemployment: 53%

Economic Base: textile, road  
construction, trade

Ruling Coalition: SDP, SNP, SNS,  
DSS, NS  
Mayor: Meho Mahmutovic

#### TUTIN MUNICIPALITY

Population: 36,054  
Unemployment: 59%

Economic Base: furniture  
production, trade, agriculture,  
forestry

Ruling Coalition: SDA  
Mayor: Semsudin Kucevic

#### SJENICA MUNICIPALITY

Population: 27,970  
Unemployment: 47%

Economic Base: agriculture,  
textile, food industry

Ruling Coalition: SDA, SDP, DS,  
LDP, SPS, URS  
Mayor: Hazbo Mujovic

### Novi Pazar-led Inter-Municipal Cooperation (IMC) Area

The IMC area was formed in July 2011. This year the Sustainable Local Development Project (the Project) began implementation of the following economic program:

#### “Novi Pazar: Entrepreneurship that Sells”

**Goal:** To increase total exports of assisted sectors by 10% by end of June 2015.

The IMC area is traditionally well known for its commercial and entrepreneurial spirit. The active sectors within the region are textiles, footwear, furniture and husbandry (dairy, meat), consisting of small and medium-sized firms and farms. In order to expand, they need to improve their competitiveness through reduction in operational costs, development of new products and access to new markets.

The Project will apply a sector-wide approach to increase production efficiencies and improve product portfolios. International business experts will be brought to assist in marketing, locating demand and investment. Other technical assistance will be directed to supply-side flaws in the IMC area, including a need for serious workforce development, linked to business needs.

### UP-TO-DATE PROJECT RESULTS

#### IMC area economic growth activities

- In cooperation with the Standing Conference of Towns and Municipalities, launched a comprehensive learning program for LED officials, aiming to increase their knowledge and skills in managing local economic development and attracting investments
- Value Chain Analysis and a Marketing Plan developed with recommendations on how to improve dairy production and increase regional competitiveness
- With the Project support, NALED assisted Tutin to develop and present to investors a public-private partnership (PPP) action plan for the construction of the Forest fruit and medicinal herb collection, processing and sale center; published a Guide for development of successful PPPs; PPP toolkits were created for local infrastructure development, energy efficiency and parking services
- Regional Tourism Development Strategy has been developed
- „Business Enabling Environment – Brownfield“ training conducted on evaluating potentials of brownfield locations, their prioritization and redevelopment
- In Novi Pazar and Sjenica Asset Management Baseline Assessment was conducted and recommendations provided on the next steps
- Baseline assessment of public utility companies (PUC) in Novi Pazar and Sjenica was completed and training provided for introduction of PUC monitoring system
- Project-supported study on regional biomass utilization was developed by SEDA proving large potentials of the Sandzak region for the use of biomass and other renewable energy sources as a tool for the overall regional development and investment attraction
- Provided recommendations for expanding the denim sector and attracting investors; held trainings on topics ranging from the use of social media in marketing to jean finishing techniques and environmentally friendly technologies; Prepared and enabled participation of local producers at a „Bread & Butter“ international denim trade fair
- To increase sales and expand markets for local products, prepared and enabled participation of local manufacturers at a „GDS“ international footwear trade fair
- Four youth teams awarded business start-up grants (€1,200 each) as part of Project supported CSO “Group 484” activities
- As part of the Project's On-The-Job Training Program, 3 companies applied to receive 15 youths, with the possibility of employment after a two month training



# USAID Sustainable Local Development Project

## Inter-Municipal Cooperation Partners

### NIS CITY

Population: 255,479  
Unemployment: 36%

Economic Base: Electronic industry, machine industry, textile, agriculture, transport

Ruling Coalition: SNS, SPS, URS, DSS  
Mayor: Zoran Perisic

### LESKOVAC CITY

Population: 156,252  
Unemployment: 43%

Economic Base: Chemical industry, agriculture, food industry, textile, wood processing industry

Ruling Coalition: SNS, SPS, DSS, URS, SDPS  
Mayor: Goran Cvetanovic

### MEROSINA MUNICIPALITY

Population: 14,812  
Unemployment: 55%

Economic Base: Agriculture

Ruling Coalition: SNS, SPS  
Mayor: Bojan Nesic

### GADZIN HAN MUNICIPALITY

Population: 10,464  
Unemployment: 43%

Economic Base: Agriculture, food industry

Ruling Coalition: SPS, JS, DS  
Mayor: Sasa Djordjevic

### DOLJEVAC MUNICIPALITY

Population: 19,561  
Unemployment: 59%

Economic Base: Agriculture, food processing industry

Ruling Coalition: GG 'Goran Ljubic' part of URS  
Mayor: Goran Ljubic

## Nis-led Inter-Municipal Cooperation (IMC) Area

The IMC area was formed in July 2011. This year the Sustainable Local Development Project (the Project) began the implementation of the following economic program:

### “Grow South”

**Goal:** To increase the Nis IMC's dollar value of processed food products sold, by at least 15% by end of June 2015.

The Project will focus on growing the IMC area food processing sector by expanding the markets and increasing the capacities of existing processors, attracting new processors to the region, and helping producers organize themselves efficiently to meet the demand of region's processors. The Project also performed an analysis of external demand for IMC area processed foods and supply potential to meet regional demand. Following key results of the analysis, the Project is in process of provision of expert's support in assessing the needs and constrains and capacities for applying sustainable model for Food processing support center operation. Project provided analysis of IMC area investment potentials as a precondition for investment attraction activities and is currently implementing FDI coaching program for advancing skills of LED professionals.

Summary of key Project activities include the following: a) Preparing a model for efficient operation of the Food Processing Support Center (to be created by expanding the services of the Department of Agriculture in Nis) and drafting model of cooperative agreements between food producers-processors; b) Creation of an online portal with associated software/mobile applications, for regional business network services outreach; c) Piloting project for realization of cooperative agreements aimed at increased food processing and sales; and d) development of marketing concept for promotion of regional investment potentials, preparation of promotional tools and attracting specific investors, primarily related to food processing

Additionally, the USAID Project provided support (\$43,000) for the development of the Feasibility Study for a regional infrastructure project water supply system “Pusta reka”.

## UP-TO-DATE PROJECT RESULTS

### IMC area economic growth activities

- Regulatory and administrative barriers to business growth in the IMC area analyzed by NALED and 21 recommendations advanced for improvement; Expert assistance provided to Merosina to implement recommendations
- In partnership with the Nis Cluster for Advanced Technologies (NiCAT), launched the ICT Cluster Academy to equip young and unemployed people with the knowledge and skills required by IT sector employers
- In cooperation with the Standing Conference of Towns and Municipalities, launched a comprehensive learning program for local economic development officials, aiming to increase their knowledge and skills in managing local economic development and attracting investments
- Project expert assisted establishment of Food Processing Support Center; finalized the Center's organizational model concept, developed action plan and recommended services for food processing clients; held training on organizing service delivery and promotion
- With the Project support, NALED assisted Nis and Doljevac to develop and present to investors a public-private partnership (PPP) action plan for the construction of a Fruit production and education center and a Pukovac distribution center, respectively; published a Guide for development of successful PPPs; PPP toolkits on local infrastructure development, energy efficiency and parking services completed and presented to local, regional and national stakeholders
- „Business Enabling Environment – Brownfield“ training conducted for evaluating potentials of brownfield locations, their prioritization and redevelopment; most promising locations are selected to receive legal and technical assistance for brownfield redevelopment
- Three Public Utility Companies (PUC) instituted a standardized financial and technical performance reporting to municipalities, with the goal to improve PUC efficiency, thus enabling local governments to focus more on overall economic development and job creation
- Twelve young interns employed within the Project-supported Youth Business Serbia Program; three business start-up ideas received favorable credit (lower interest rate and no collateral)
- As part of the Project's On-The-Job Training Program, 16 companies applied to receive 73 youths, with the possibility of employment after a two month training



# USAID Sustainable Local Development Project

## Inter-Municipal Cooperation Area Partners

### VRANJE CITY

Population: 87,228  
Unemployment: 29%

Economic Base: Textile, furniture producing, leather and shoe industry, machine industry

Ruling Coalition: SPS, SNS  
Mayor: Zoran Antic

### BUJANOVAC MUNICIPALITY

Population: 43,302  
Unemployment: 36%

Economic Base: Agriculture, food processing, wood processing

Ruling Coalition: Democratic Party  
Nagip Arifi, GG 'Stojanca Arsic,'  
DS  
Mayor: Nagip Arifi

### PRESEVO MUNICIPALITY

Population: 34,904  
Unemployment: 47%

Economic Base: Wood processing industry

Ruling Coalition: DPA, DUA, GG  
'Demokratski preporod'  
Mayor: Ragmi Mustafa

### VLADICIN HAN MUNICIPALITY

Population: 23,703  
Unemployment: 52%

Economic Base: Fruit processing, wood processing, production of paper packaging

Ruling Coalition: SNS, SPS, DSS,  
URS  
Mayor: Goran Mladenovic

April 2014

## Vranje-led Inter-Municipal Cooperation (IMC) Area

The IMC area was formed in June 2011. This year the Sustainable Local Development Project (the Project) began the implementation of the following economic program:

### “Invest on Corridor 10”

**Goal:** Create at least 1,500 new jobs in the IMC area through at least five new inflowing investments in green- or brown-field sites by end of June 2015.

IMC area is characterized by high unemployment and a favorable geographic position (proximity to important transport Corridor 10). Combined with a history of success in the shoe, textile and furniture industries (particularly city of Vranje), investment attraction has emerged as the territory's priority.

The Project will supply a full range of necessary technical assistance, including consulting on: a) Work force development and alignment with investor needs; b) Assist in development and implementation of Corridor 10 Investment Marketing Program; c) Industrial zone and brownfield development and d) Technical assistance and training on best practices for managing industrial parks and zones.

Continuing the support for the development of the industrial zone “Bunusevac” in Vranje, the Project will provide approx. \$60,000 for the development of the main technical design for a transport road and associated infrastructure within locations allocated to key investors – shoe and furniture manufacturers.

## UP-TO-DATE RESULTS

### IMC area economic growth activities

- Four investment attraction workshops were held and a study tour organized for Local Economic Development professionals from the IMC area
- In cooperation with the Standing Conference of Towns and Municipalities, launched a comprehensive learning program for local economic development officials, aiming to increase their knowledge and skills in managing local economic development and attracting investments
- Tailored technical assistance provided, allowing Bujanovac to obtain land for a planned economic faculty
- Cadaster topographic plan developed and used for technical design for a bypass road connecting the industrial zone (IZ) “Bunusevac” in Vranje to Corridor 10
- Expert assistance and on-the-job training provided for preparation of cross-border cooperation (CBC) projects (Bulgaria-Serbia); \$235,000 of EU CBC funds was awarded for improvement of competitiveness of regional furniture manufacturers
- 10-year Regional Waste Management Plan for the Pcinja region developed
- Regional Wastewater Treatment System Along the South Morava River: The Project developed technical documentation for the construction of waste water measuring points at sewer outfalls and installment of effluent meters in each IMC municipality
- Completed and presented public-private partnerships (PPP) toolkits for local infrastructure development, energy efficiency and parking services; In partnership with NALED, published a Guide for development of successful PPPs
- Training held on evaluating potentials of brownfield locations, their prioritization and redevelopment; most promising locations are receiving legal and technical assistance for redevelopment
- To increase sales and expand markets for local products, prepared and enabled participation of local manufacturers at a „GDS“ international footwear trade fair
- Three youth teams awarded business start-up grants (€1,200 each) as part of the Project-supported CSO “Group 484” activities
- As part of the Project's On-The-Job Training Program, one company applied to receive 15 youths, with the possibility of employment after a two month training

## **ANNEX E – COMMUNICATIONS REPORT**

## COMMUNICATIONS REPORT

### **Summary:**

*In this reporting period public events were organized with key government and business stakeholders and media was invited to disseminate Project-relevant information, such as progress made and results achieved in implementation of NCPs throughout IMC partner areas. News coverage examples include: Project support for participation of Serbian companies at international trade fairs, presentation of best PPP concepts to potential investors and launch of two ICT Cluster Academies in Novi Sad and Nis IMCA. USAID branding and visibility were ensured by prominent display of USAID logo on all Project-produced materials and through mention of USAID role/support in all media statements. In November 2013 and January 2014 the fourth and fifth, redesigned and refreshed, issues of the Project e-newsletter "Info Buzz" were produced and distributed to over 300 addresses of local and international Project partners. In the reporting period the number of media reports on Project activities increased by 25% compared to the previous six-month period, while the number of visitors of the Project web site rose by 10%.*

### **Public events**

In October 2013, within a grant for New Economy magazine, the Project supported Business Info Group in organizing the 3rd Annual Summit of Mayors and Businessmen. National and local government representatives discussed impediments to economic growth and ways to stimulate job growth in Serbia, with a focus on how to attract investment in local communities. The Serbian Minister of Regional Development emphasized the need for local governments to become efficient service providers for citizens and businesses alike, and to be able to function on their own, consider alternative sources of funding, such as concessions and public-private partnerships, rather than relying on ever decreasing national subsidies and transfers. Members of NALED, the World Bank Country Manager, USAID and over 140 representatives from local administrations, including mayors and heads of Local Economic Development Offices from Project partner municipalities Gadzin Han, Kanjiza, Leskovac, Nis, Novi Pazar, Raska Tutin and Vranje, attended the conference. This event received large media coverage and USAID support for investment attraction was duly highlighted.

In November 2013, in cooperation with NALED, the Project organized the 4th Annual PPP Summit where eight partner local governments (Nis, Zrenjanin, Raska, Tutin, Prijepolje, Nova Varos, Kanjiza and Doljevac) presented their PPP concepts to potential investors. The Summit gathered high representatives of state and international institutions, business leaders, mayors and experts from Serbia and abroad, who discussed specific opportunities for funding and implementing public-interest projects in the fields of agriculture, energy, food industry and tourism. Among others, the Minister of Economy and State Secretary of the Ministry of Finance, as well as the EBRD Director for Serbia, addressed the local government officials and private sector investors and invited them to use PPPs as a win-win model for financing local community development. National media broadcasted the event while regional and local media used the information to promote specific PPP concepts in their own communities.

In December 2013, as the third and last event foreseen within the grant to the New Economy magazine, the Project supported Business Info Group to organize the conference titled "New Economy 2014". The event aimed to bring together decision makers key for creation of economic policy in 2014. Participants discussed barriers for economic growth and higher employment in Serbia, such as the large public debt, lack of structural reforms in the public sector and too much state interference in the economy. At the same time, unused opportunities for economic development were highlighted, including lack of strategic government support for entrepreneurship and expansion of domestic investments (in addition to foreign investment attraction) and more efficient disbursement of already drawn credit lines. The participants included the U.S. and German Ambassadors to Serbia, IMF and World Bank Resident Representatives, the Head of the Economic Section of the EU Delegation to Serbia, as well as the Serbian Minister of Economy and the President of the Fiscal Council. Over 130

representatives of the private sector (general managers of large domestic and international companies) as well as international donor and development community and national and foreign media representatives attended the event.

In March and April 2014 the Project, in partnership with the Vojvodina ICT Cluster and Nis Cluster of Advanced Technologies (NiCAT), launched the ICT Cluster Academies in Novi Sad and Nis, respectively, aiming to equip young and unemployed people with the knowledge and skills required by IT sector employers. Provincial Secretary for Economy and Employment participated at the Novi Sad event, while Nis Mayor launched the ICT Academy in Nis. Acting USAID Mission Director and Economic Growth Office Director also took part in the opening ceremonies, which received significant regional media coverage, highlighting USAID support for the development of a workforce that matches private sector needs and for bridging the gap between academic and business communities.

### The Project Newsletter

In November 2013, the Project published the fourth edition of the e-newsletter “*Info Buzz*” and disseminated it to 305 addresses of local partners (Serbian version of the newsletter titled “*Budite u toku*”) and 44 international stakeholders (English version), with the goal to share information on best practices for job creation and increasing regional competitiveness.

*Info Buzz* #4 was redesigned to present a more modern and sophisticated ‘look’, yet it remained recognizable, so as not to lose the audience already acquired through previous editions of the newsletter. The fourth edition presented articles on: the launch of the Zrenjanin-led IMC Area Agriculture Incubator Program; Project activities focused on expanding exports; Support for PPP establishment; Results of the Project’s internship and entrepreneurship program, as well as establishment of the Association of the Young Entrepreneurs of Serbia. This issue of the *Info Buzz* also brought a success story of one of the Project-supported young entrepreneurs; recommendations from the international textile expert for jeans producers in the Novi Pazar-led IMC area and presented analysis of the Draft Law on Spatial Planning and Construction.



In January 2014, the Project published the fifth edition of the *Info Buzz* and distributed it to local and international stakeholders. This edition of the e-newsletter presented articles on: environmental issues impacting market expansion and job generation in Novi Pazar IMCA; best PPP concepts prepared with the Project support and presented to investors in 2013; asset management issues and how they can be resolved. Presenting the IMC Area-specific news, *Info Buzz* No. 5 brought stories on Project support for apple growers from Subotica-led IMCA, support for Nis-led IMCA to establish a regional food processing support center and assistance to Novi Pazar-led IMCA textile companies to improve their marketing and social media presence. When it comes to youth employment, the e-newsletter presented the new Project’s on-the-job training program and how it will assist private sector companies to gain qualified workers, while at the same time assisting youth to gain valuable workplace experience.

*Info Buzz* also presented to stakeholders the key concepts in the new Draft Labor Law. Additionally, and in order to generate more traffic to the Project website, *Info Buzz* promoted (made available for download) presentations used on Project-supported foreign investment attraction training as well as key documents posted in the Project’s e-IMC Knowledge Center.

### Media relations

The Project shared its main communication messages with all the stakeholders, giving due attention to media outlets. In the reporting period, **305 positive or neutral media reports** were

published/broadcasted/posted, which represents a 25% increase compared to the previous six-month period.

The topics receiving **the most media coverage** from October 2013 to March 2014 were: the Project's On-the-job training program, Public-private partnership support initiative (implemented by NALED), launch of the Project-supported Novi Sad ICT Cluster Academy, the Project's support for diversification of agriculture and creation of new jobs for youth in the Zrenjanin-led IMC area, as well as Project support for participation of Serbian producers at international trade fairs in Germany (denim and shoe industries). Monthly Media Coverage reports are available upon request.

### The Project's web site

In this reporting period, we used our website successfully to share highlights of the Project activities (through the News page), to announce upcoming events (Calendar page), and to share knowledge (through the e-IMC Knowledge Center and Project Stories pages). There are now **141 documents available** to the Project's stakeholders (through the e-IMC Knowledge Center) on the following topics: Inter-municipal cooperation (9), Strengthening Local Government Administration (18), Youth Employment (61), Public Participation (12) and Business Enabling and Strengthening (41).



<http://www.lokalnirazvoj.rs> - <http://www.lokalnirazvoj.rs> [Go to this report](#)

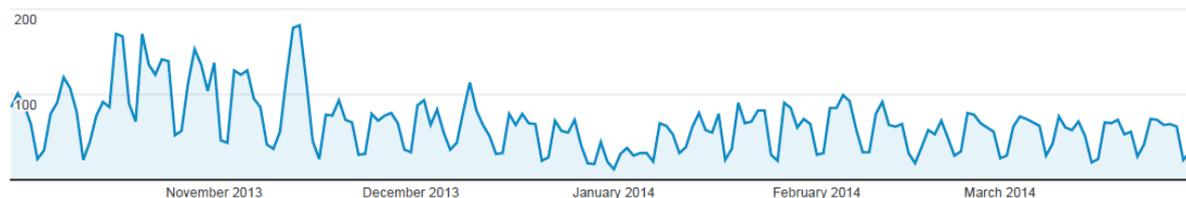
#### Audience Overview

Oct 1, 2013 - Mar 31, 2014

All Visits  
100.00%

Overview

Visits



Visits

12,068



Unique Visitors

8,258



Pageviews

41,451



Pages / Visit

3.43



Avg. Visit Duration

00:03:12



Bounce Rate

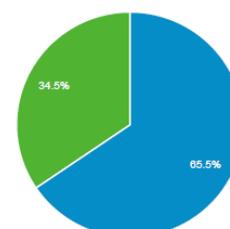
58.49%



% New Visits

65.44%

■ New Visitor ■ Returning Visitor



Overall, **there were 12,068 visits to the Project web site** from October 1<sup>st</sup> 2013 to March 31<sup>st</sup> 2014. Out of the overall visitor number **8,258 visits (65,5%) were from unique (first time) visitors**. These figures represent an increase of traffic of approx. 10%, compared to the previous six-month period. From the overall number of visitors, 24% came directly (by typing in the exact Project web site address), while some 52% of visitors came to the Project site by typing key words (i.e. lokalnirazvoj/local development) in search engines. It is worth noting that approx. 22% of visitors came to the Project site from the referring sites (by initially visiting some other site, and clicking on

the Project web banner there). This is a good indicator of the usefulness of creation and exchange of Project web banner with key Project stakeholders/partners, particularly partner LGs.

Since the web banner promotes the e-IMC Knowledge Center, it is no surprise that this web page <http://www.lokalnirazvoj.rs/imc-knowledge-center.html> (its Serbian version), is among the most viewed pages (i.e. ranks the second (grants page being the 1<sup>st</sup>) in the number of visits among all the pages of the web site.

When it comes to Social Media channels, the Slide Share has proven to be the most useful for target audiences, with over 26,000 views of 56 Power Point presentations posted by the end of the reporting period.

In the forthcoming period, the Project web site will be redesigned and modernized to ensure its user-friendliness and easy access to all the segments of its growing content.

### **Highlights of communication activities planned for FY14 Q1**

- Preparation of the next edition of the Project e-newsletter *Info Buzz*
- Public event, regional-level: Ceremonial hand-over of greenhouses within Zrenjanin-led IMCA economic development program “Diversification of Agriculture – New jobs for rural youth” (to be attended by the USAID Mission Director or Economic Growth Office Director)
- Public event, national level: Certificate award ceremony for participants of the Project-supported (SCTM implemented) e-learning program for LEDO representatives (to be attended by the U.S. Ambassador to Serbia)
- Project web site make-over

## **ANNEX F – SUCCESS STORIES**



# USAID | SERBIA

FROM THE AMERICAN PEOPLE

## USAID helps Serbian denim companies become more competitive

**USAID strengthens inter-municipal cooperation and partnership among the public, private and civil sectors**



Photo: Sustainable Local Development Project

*“Students learned that, just like jeans modeling, finishing can also be very creative. I expect that more of them will now be interested in, one day, getting jobs at local producers who traditionally lack personnel in this production segment”, said Mensur Abdagic, professor at the Novi Pazar Design and Textile vocation school*

***The USAID Sustainable Local Development Project assists municipalities to become more efficient and pool their resources through inter-municipal cooperation (IMC) aimed at accelerating economic growth. Project activities focus on adding jobs and reducing unemployment. Eight IMC partnerships are formed throughout Serbia, serving 32 municipalities, with over 2 million citizens.***

**Telling Our Story**  
U.S. Agency for International Development  
Washington, DC 20523-1000  
<http://stories.usaid.gov>

The City of Novi Pazar in Southwest Serbia was once well known in the whole region for its high quality jeans, made to compete even with global brands like Levis. Today, however, this town and neighboring municipalities constituting the Sandzak region are considered underdeveloped area, with unemployment rates close to 50%, particularly among youth.

Having in mind the region's tradition, USAID decided to help its producers reach new markets and attract global consumers. In June 2013, USAID engaged an international textile expert (and professor at the Fashion Institute of Technology in New York) Margaret Bishop to assess the potential and obstacles for growth of the denim sector in the Novi Pazar area. Having met with local producers, Ms. Bishop confirmed the high quality of local jeans, capacity to offer diverse assortment of products and high commitment of industry stakeholders to succeed in global markets. She recommended that producers introduce fashion forecasting, continue to invest in technology, and build their social media marketing; but also spotlighted waste-water treatment as a key area for improvement.

In December 2013, Ms. Bishop worked with individual companies on developing their marketing plans and held trainings for members of Asstex, the largest textile producers' association in the area, the Design and Textile Vocational School pupils and teachers, and representatives of the Sandzak Regional Development Agency. Participants learned how to use websites and social media such as blogs, Facebook, Twitter, LinkedIn, etc. to build relationships, nurture loyalty, and receive immediate consumer feedback. They also learned about the modern jeans finishing techniques, to enable customization of each product, thus providing added value for consumers, who are then ready to pay a higher price.

*“USAID expert introduced us to the current trends in the denim industry and showed us how to keep up with competition at the global level”* said Mirsad Hadzimuratovic, owner of Mikan d.o.o. and its Bros Jeans® label from Novi Pazar. USAID continues to support producers from Novi Pazar and other regions in Serbia - to become more competitive and reach new markets.



# USAID | SERBIA

FROM THE AMERICAN PEOPLE

## USAID helps Serbian private sector grow

### USAID assists local governments and regions to add jobs by supporting private sector expansion



Photo: Maxers d.o.o.

*"We are now better prepared to meet international buyer demands, both in production for other trade marks and under our own brand", said Almir Nokic, marketing specialist at the "Maxers" jeans company from Novi Pazar*

**The USAID Sustainable Local Development Project assists municipalities to become more efficient and pool their resources through inter-municipal cooperation (IMC) aimed at accelerating economic growth. Project activities focus on adding jobs and reducing unemployment. Eight IMC partnerships are formed throughout Serbia, serving 32 municipalities, with over 2 million citizens.**

**Telling Our Story**  
U.S. Agency for International Development  
Washington, DC 20523-1000  
<http://stories.usaid.gov>

As the latest World Bank report indicates, Serbia is struggling to recover from the impact of the global financial crisis. Unemployment is estimated to be nearly 25%, among the highest in Europe, and foreign investments are down. While the national government tackles macroeconomic issues, USAID is working with local governments and their small and medium-sized enterprises (SMEs) to ensure livelihoods and create jobs in local communities.

In the city of Novi Pazar, in southwest Serbia, USAID works with jeans producers, well known for their entrepreneurial spirit, craftsmanship, and over three-decades of manufacturing experience. These mostly family owned firms can produce high quality products to satisfy even the most sophisticated customers. However, despite enjoying preferential duty rates due to Serbia's favorable international trade agreements, Novi Pazar companies are having difficulty finding their place in the global market.

During 2013, USAID engaged a jeans and fashion industry expert to come to the region, identify comparative advantages of local SMEs and advise them on how to increase their exports and better market their offer to potential investors and corporate buyers. Producers received tailored advice on how to improve operational deficiencies regarding productivity, meeting environmental standards and accessing new markets.

*"USAID assisted us to prepare for and participate in the renowned international "Bread & Butter" trade fair, where we were able to meet the large buyers and find out which styles and designs are 'in vogue', said Almir Nokic, marketing specialist at the "Maxers" jeans company from Novi Pazar.*

With expert assistance for production and marketing improvements, trainings on new finishing techniques and environmentally-friendly technologies, Novi Pazar firms are now equipped with the knowledge and skills to face the fierce market competition, grow their business and create new jobs.

*"We succeeded to increase our revenues by 60% in 2013, and our goals for 2014/15 are even more ambitious", said Almir. USAID continues to support SMEs from Novi Pazar and other regions in Serbia to become more competitive and use their newly acquired knowhow for the benefit of local communities and economies.*

## **ANNEX G– OVERVIEW OF GRANT AWARDS AND SUBCONTRACTS**

**(Deleted)**

## **ANNEX H – STTA CONSULTANTS & DELIVERABLES**

**SUSTAINABLE LOCAL DEVELOPMENT PROJECT STTA DELIVERABLES OCTOBER 1, 2013 - MARCH 31, 2014**

#	EXPERTISE	COMP.	DELIVERABLE	DATES	CONSULTANT NAME
1	Food Processing Expert	1	(1) Action Plan for Nis Food Processing Support Center, (2) Sample MOU for Nis Food Processing Center, (3) Cooperative Agreements between food processors and food producers, (4) Sample Business Plan for a food processing company, (5) Presentations (production vs. marketing, value systems, South Serbia Food Processing Center, value chain analysis), (6) Final Report	08/01/13-11/30/13	John Cracknell
2	Footwear Sector Expert	1	(1) Final Report with evaluation and recommended solutions for market expansion of Serbian footwear sector in Novi Pazar, Vranje, Vladicin Han and Bujanovac, (2) presentations on opportunities for footwear sector in Vranje and Novi Pazar	09/14/13-10/02/13	Jordan Saliman
3	Agribusiness expert	1	1) Supply-side Capacity Analysis to Support the Establishment of an Agribusiness Logistical Center Green Zone Centre in Leskovac; 2) Supply-side Capacity Analysis to Support the Establishment of an Agribusiness Logistical Center in Kanjiza; 3) Study on protection of geographical indication of Apple produced on Suboticko-Horgoska sand.	03/15/13-11/29/13	Senad Hopic
4	Labor Force Expert	3	Eight IMCA Reports on the Current State and Perspectives of the Local Labor markets	08/01/13-12/15/13	Galjina Ognjanova
5	Statistics Expert	3	Preparation of necessary statistical analysis of the data obtained from Labor force gap surveys	08/15/13-08/31/13	Vladimir Vasic
6	Environmental Specialist	1	Preparation of Environmental Review Checklists and Environmental Mitigation and Monitoring Plans for (1) tablishing Agricultural Educational Centre for agricultural producers in Sombor, (2) Laboratory for testing quality of agriculture products and export certification in Subotica, (3) Preparation of the Detailed designs for infrastructure in the Industrial Zone Bunusevac in Vranje, (4) Geodetic survey and preparation of the cadaster topographic plan for the Ponikve Airport Complex, (5) Agriculture Entrepreneurship Incubator in IMC Zrenjanin	07/24/13-10/30/13	Jelena Vujadinovic Colic
7	Agronomist consultant	1	(1) Final Report, (2) Evaluation of training participants, (3) Detailed technical specification for greenhouses, (4) Legal Requirements for safe pesticides handling, storage and disposal, (5) Requirements for land preparation for greenhouses	10/18/13-12/12/13	Zoran Janjatovic
8	Hydro-Engineering and Construction Specialist	2	Analysis of waste water pre-treatment for jeans manufacturing in Novi Pazar	10/01/13-10/31/13	Dragana Vasic
9	Youth Organization Consultant	3	Supporting operational planning and service development of the Association of Young Entrepreneurs of Serbia (AYES)	10/10/13-11/30/13	Richard Danicic
10	Environmental Specialist	2	In support of denim producers in Novi Pazar in introducing world-wide industry waste water treatment standards, the STTA will prepare a position paper analyzing the advice and reports formerly provided to the industry, current state of the manufacturers and how they presently handle waste water, and how to implement measures and actions to correct their current pollution problems.	09/01/13-10/31/13	Davor Kostic
11	Denim Sector Consultant	1	Marketing research, marketing plan development, and training activities with several companies in the jeans cluster in Novi Pazar, Serbia, and the Novi Pazar School for Textile and Leather Design.	12/09/13 - 04/01/14	Margaret Bishop
12	Denim Sector Consultant	1	Research of Denim Ozone Finishing Effects technique and support to Mr. Mensur Abdagic, a teacher at the Technical High School for Textile and Leather, for presentation at the Balkan Textile Forum.	02/25/14-04/01/14	Margaret Bishop
13	SME Innovation Consultant	1	Assist three IMC areas to design and implement a pragmatic system for enlisting their respective science/engineering communities to support local businesses' needs for innovation.	09/19/13-03/10/14	Ewen Peters
14	Berman group-Investment Promotion and Industrial Zone Development Experts	1	Preševo – Industrial Zone Čukarka Pre-feasibility study	01/15/14-03/15/14	Ivo Semerák Tomáš Vlasák
15	Berman group-FDI Coaching Program	1	Four workshops and a study tour to the Czech Republic	06/24/13-03/31/14	Dusan Kulka Tomáš Vlasák