



USAID | **SERBIA**
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SEMI-ANNUAL PROGRESS REPORT #8

**SUSTAINABLE LOCAL DEVELOPMENT PROJECT
OCTOBER 1, 2014 – MARCH 31, 2015**

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April 15, 2015

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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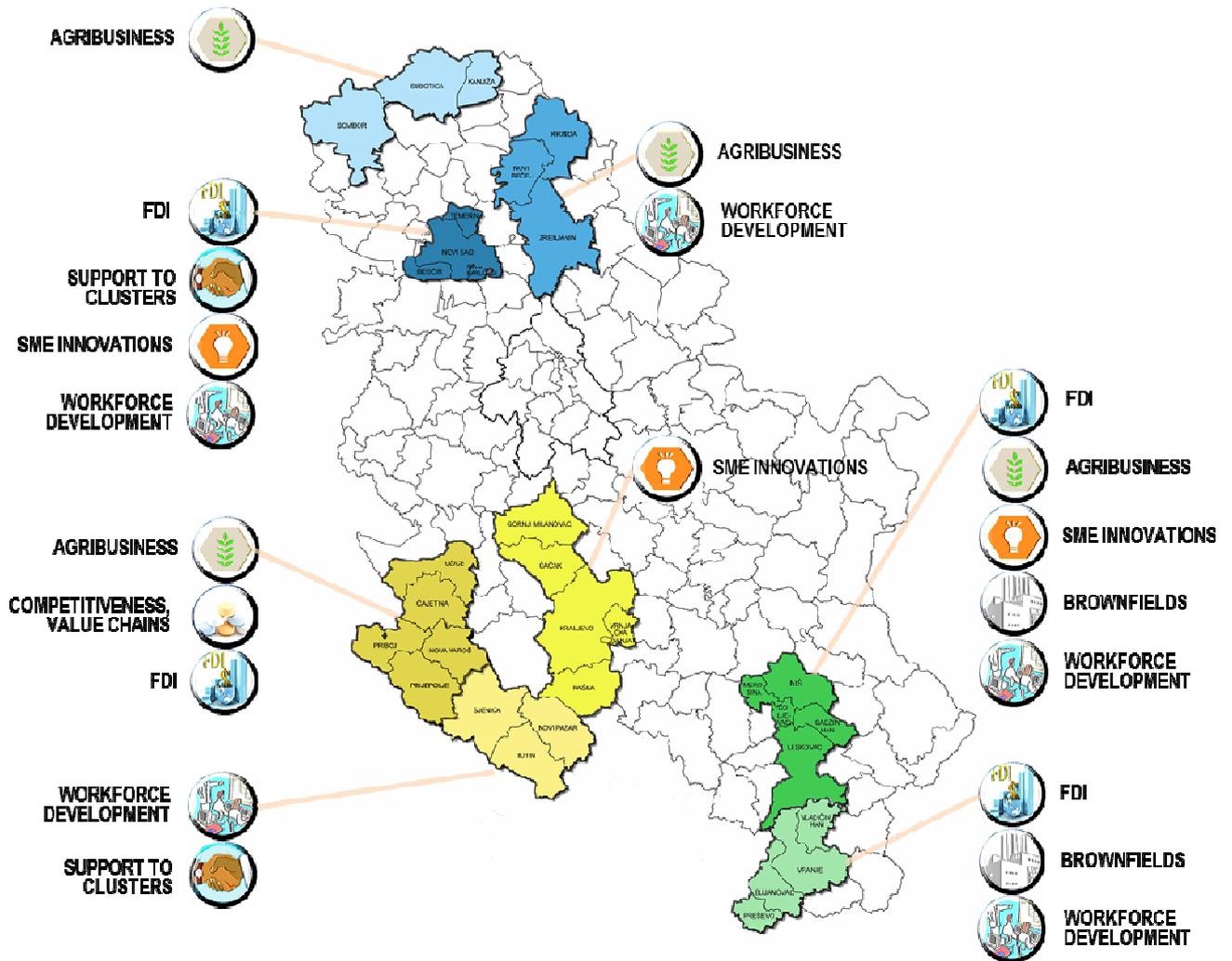
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ACRONYMS

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
VMC	Vojvodina Metal Cluster
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 FY2015 Semi-Annual Progress Report covers the October 1, 2014 – March 31, 2015 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 continued working with sector specialists to evaluate key sectors and provide recommendations that allow each individual sector to increase its 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 both domestically and through foreign direct investment (FDI). At the same time, the Project brought IMC technological and intellectual assets into productive and revenue-generating modes, selected revenue-producing infrastructure projects for investment platforms, and identified municipal properties ready for investors. Activities promoting vocational training, alignment of workforce skills with the needs of businesses, as well as tailored internship activities, were completed in the reporting period.

2. PROGRESS DURING Q1 and Q2 OF FY 2015

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

During the reporting period, Component 1 activities continued to expand the private sector by raising competitiveness and increasing inflowing investment. The goal of each IMC Area development project is to increase economic growth, focusing on the themes of agribusiness, SME innovation, FDI attraction, strengthening clusters, brownfield redevelopment and workforce development.

To advance these efforts, the Center for Advanced Economic Studies (CEVES) completed a Project-commissioned report, in December¹, on competitiveness of Serbian SMEs. Cross-cutting across 32 Project partner municipalities, the report highlights the current state of Serbia’s SME performance across almost all tradable sectors of the Serbian economy, and discusses the prospects of private sector competitive performance in the years to come. The report also examines several key economic vectors and their intersection, pinpointing the competitive strength of different sectors. The ability of Serbian SMEs to perform in competitive markets is fundamental to the growth of the nation's economy. The report concludes that competitive workforce skill and production capacity is one of the key reasons why local SMEs are growing in some, while stagnating in other sectors. The importance of this Report is in its ability to provide Serbia’s policy-makers instrumental insight in and understanding of why certain policy interventions will help SMEs develop in a sustainable way.



On March 4, 2015, US Ambassador Michael D. Kirby opened a presentation of a Project-commissioned report on Serbian SME competitiveness at the Kopaonik Business Forum.

In March 2015, the Project presented the Report at the Kopaonik Business Forum, an annual gathering of Serbia’s economic policy and opinion maker, to government, donor and media representatives. The Project will be working to make the CEVES Report, and the idea of evidence-based analysis,

central to the economic policy calculations of the Serbian Government.

¹ The CEVES Report can be downloaded at - http://www.lokalnirazvoj.rs/upload/BusinessEnablingAndStrengthening/EnAttachment/2014-12/CEVES_Serbia_S_Real_Sector_Performance_Report_Dec_2014.pdf

In this reporting period, the Project continued efforts to grow the local economies of all eight IMC Areas. 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, the Project aims to support the local tourism industry in reaching a 10 percent increase of purchases from local vendors. To achieve this, in November 2014, the Project awarded the Zlatibor Regional Development Agency (RDA Zlatibor) an approximately \$70,000 grant to create and market a local gastronomical brand and to promote this brand through regional tourism agencies, hotels and restaurants. The grant also aims to consolidate local business linkages and connect the anchor tourism industry with specific vendors/producers of local food products and handicrafts. The activity gathers representatives of the Regional Chamber of Commerce, associations of hotels and restaurants, regional tourist organizations and travel agencies to jointly create unique culinary choices specific to the Zlatibor, Zlatar and Tara mountain resorts, located in the IMC area. The grant will also support the opening of a local shop where vendors will present and sell products; in addition, the grantee will develop an online platform for the promotion of various products, along with contacts and maps to the nearest selling/tasting places.

Initial grant implementation focused on meeting key stakeholders and on securing their buy-in for the creation and marketing of a local gastronomical brand. RDA Zlatibor contacted the local tourism organization, LED Offices, hotels and restaurants, private sector representatives within the IMC Area, as well as the Centre for Intellectual Property, to obtain specific branding rights. Through January and February, the RDA has held 10 workshops to develop the unique menus specific to the three mountain resorts. These events gathered representatives (most prominently chefs) of local associations of hotels and restaurants and tourist organizations who jointly chose distinctive foods, and demonstrated preparation methods, that are representative of each resort. Once chosen, in May, the menus (a specific Mountain Breakfast for each resort) will be trademark protected and promoted in hotels, restaurants, tourist agencies and at tourism fairs. The Project and the RDA also engaged a marketing agency to create the logo and overall visual identity for this gastronomic brand. At the end of February 2015, the Project helped the RDA and representatives of regional hotels and tourist organizations introduce the concept of the Mountain Breakfast at the annual Belgrade International Tourism Fair. At the presentation, regional hotel managers, tourism officials, as well as a celebrity food chef, emphasized the value of preserving traditional local meals and food products, while targeting and serving modern consumers, both domestic and foreign.

During the reporting period, a key activity for the sustainability of this brand has been the establishment of the Quality Consortium within the Regional Tourism Organization of Western Serbia. This Consortium is charged with proposing criteria and monitoring proper trademark utilization. The Consortium also drafted a legal document that regulates the terms and conditions for tourism service providers becoming users of the new regional brand. In February and March, with RDA Zlatibor assistance, the Consortium coordinated the final rules for the use of the trademark, graphic design and slogan for the new brand. This material was sent to the Serbian Intellectual Property Office and is in the process of being trademark protected, with approval expected in the next six months. A final version of the cookbook, outlining the details for the preparation of the Mountain Breakfast, as well as the specific local foods to be used, will be completed in May 2015. The marketing agency used to promote the brand has also begun work on the draft menus. The Project will continue to support the branding of local food products in an effort to grow the local, tourism-based, economy and help small local producers sustainably connect with the regional tourism industry.

Foreign Direct Investment (FDI) Attraction Activities

Since the beginning of Project implementation, partner municipalities have attracted over \$131 million in investments, while an additional \$250 million is expected in the future based on contracts signed (see Annex C, Status of Performance Indicators, for more information).

During the reporting period, the Project completed its IMC cross-cutting joint Foreign Direct Investment Attraction Coaching Program whose purpose was to improve local government officials' skills to attract FDI using best international practices. All 32 partner municipalities participated in the two phases of the program that covered topics from learning how to identify potential investors, to how to best package offers for different investors and how to market industrial zones to potential investors. Project partner, the Berman Group led the implementation of the FDI Program, while representatives of the Serbian Investment and Export Promotion Agency (SIEPA), the National Alliance for Local Economic Development (NALED), the Standing Conference of Towns and Municipalities (SCTM), and the German Chamber of Commerce also

contributed by presenting FDI attraction models based on their own experiences – making the program truly valuable to its recipients.

The first phase of the Program ended in 2013, and included municipalities from the Uzice, Novi Sad, Nis and Vranje –led IMC Areas. Completed during the reporting period, the second phase included the additional four Project partner IMC Areas, namely Subotica, Zrenjanin, Novi Pazar and Kraljevo, as well as the Nis Agricultural Department, and thus focused on food processing. In February 2015, at the fourth and final workshop titled "Interacting with Investors," LED Office (LEDO) representatives learned how to negotiate and prepare for investor visits and how to develop tailor-made proposals. Experts from the Czech consulting company Berman Group, SLDP experts, and the head of the Food Technology Park in Leskovac presented the most successful FDI attraction models.

As part of the program, the Project assisted select municipalities move forward plans for the development of industrial zones (IZ). Berman Group experts visited proposed sites in Kraljevo, Novi Becej and Kanjiza as these municipalities already have necessary documentation to establish IZs at these locations. Berman Group consultants will now assess the sites, develop pre-feasibility studies in collaboration with LEDOs, and transfer their assessments and studies development knowledge onto the local government representatives.

At the end of this reporting period, as a result of a July 2014 FDI Tour to Italy carried out in cooperation with Confindustria, SLDP received a letter of intent from the Mista Company. Based in Italy, Mista produces plastic components for the automotive industry and household appliances. This Italian company is looking for a new factory location in Vojvodina to serve clients who are located in Hungary and Poland. After consulting partner LED Offices, the Project organized visits for Mista representatives to locations in Subotica, Zrenjanin and Novi Sad. The visit was a success, as Mista indicated that all three locations meet their expectations. The Project expects a final decision on this facility in the coming period.

In November 2014, the Project supported the participation of seven municipalities at the GlobalConnect Forum in Stuttgart, Germany. LED Office professionals from Nis, Novi Sad, Subotica, Cacak, Leskovac, Vranje, and Zrenjanin, and a Vojvodina Investment Promotion (VIP) Fund representative presented the comparative advantages of their communities to over 20 prospective investors who are considering expanding operations to Serbia. As part of the FDI coaching program, the Project partnered with the German Chamber of Commerce to organize this visit. The GlobalConnect Forum takes place every two years and is a venue for presentations, best-practice examples and podium discussions on international trade, with representatives from over 40 international chambers of commerce and export consultants.

In December 2014, 20 local economic development practitioners and agriculture specialists, from 11 Project partner municipalities, participated in a study tour to the Czech Republic, to learn best practice approaches in attracting foreign investment. The tour focused on food processing investment in a country that has gone through the EU pre-accession process similar to Serbia's. Participants met foreign investors to find out the key factors which influenced their decision to bring their businesses to that particular community

Simultaneously with these training sessions and study tours, the Project helped all 32 partner local governments directly market their investment opportunities to specific investors. In the past year, targeted companies were selected in sectors corresponding to each municipality's competitive advantage. The Project assisted local governments to contact over 140 potential investors from select sectors (electronics and modern technology, food processing, wood processing and furniture, textile, metal and automotive industries) and present the economic and investment opportunities of doing business in Serbia. The Project will continue to monitor the success of these direct marketing efforts.

In February 2015, the Project initiated an assessment of Serbia's FDI Monitoring and Evaluation (M&E) practices part of which is the development of a national investment tracking system. Serbia currently does not possess a unified, updated and central investment M&E mechanism that would maximize the impact of limited state resources available for investment attraction support. As a national FDI M&E system is critical to Serbia's planning, effective management of FDI attraction, and overall sustainable economic development, the Project engaged innovation and competitiveness expert Mr. Ewen Peters to help Serbian institutions develop such a system. During the reporting period, Mr. Peters held two roundtables with representatives of SIEPA, SCC, and VIP Fund to ascertain the types of investment data that these organizations currently monitor. In the coming period, Mr. Peters will deliver training modules and continue meeting with key policymakers and practitioners responsible for developing and improving such as system.

During the six months reporting period, the Project also initiated the development of a catalog of sector success stories to help overcome the skepticism towards Serbia as an investment destination. Together with SIEPA, VIP, NALED, the American, German and Serbian chambers of commerce, and Confindustria which is the association of Italian investors in Serbia, the Project selected 15 most successful examples of investments to Serbia. The FDI success stories catalogue will, among others, present Microsoft, Bosh, Simens, Michelin, Schneider electric, and Ball Packaging investments in Serbia. At



LED Office staff take part in the final FDI training workshop, held February 4-6, 2015

the time of writing, 11 stories have been drafted. The catalog will be completed by the end of April 2015, and will be distributed to various Serbian consulates (for example in Germany, Italy, the Czech Republic etc.) and interested parties that promote Serbia as an investment location.

The Novi Pazar-led IMC Area

The goal of activities in the Novi Pazar-led IMC Area is to achieve a 10 percent increase in exports in Project-supported clusters, namely textile (denim), furniture, footwear, and food-processing². During the reporting period, the Project continued engaging high-caliber international experts in the four sectors with highest capacity to contribute to increased exports.

➤ Denim Sector Assistance:

To help denim firms improve competitiveness and increase exports, Ms. Margaret Bishop, the Project denim expert, held the final quality control training for Novi Pazar IMC Area-based firms and the local vocational school for textile design. Twelve representatives of area jeans makers (production managers and future quality control inspectors) and three teachers from the Novi Pazar Design School learned how to inspect garments for defects, focusing on fabric quality control, stitching and finishing. The overall goal was to introduce uniform quality procedures and standardized products among the multiple companies in the region, enabling them to collaborate in achieving high-volume orders from large international buyers. As a follow up activity, Ms. Bishop produced a Denim Quality Control Training Manual. The Manual outlines steps that quality control inspectors need to take in order to inspect finished garments for defects, evaluate the quality of fabric, the stitching and the finishing. The Manual is a valuable contribution to the overall capacity building efforts of denim manufacturers and staff and students at the Local Vocational Design School in the IMC Area who will be able to use it moving forward. In addition, Novi Pazar-denim producers do not routinely and systematically identify or correct quality issues to improve product quality, reduce garment repairs, increase overall efficiency and decrease production costs. Therefore, to ensure both the manufacturers and the school is better equipped to identify defect products and thus reduce inefficiency, Ms. Bishop developed a spreadsheet for tracking common quality defects in fabric, components, assembly and finishing to be used by final inspectors in recording quality defects. By collecting data on quality defects by type of defect, production batch, and individual operator, a factory manager is able to link quality problems back to specific raw materials and their suppliers, to particular cutting and sewing equipment, and individual workers (especially, the sewing machine operators). This in turn enables the factory manager to correct problems at their onset.

In October 2014, the Project donated a textile color printer, or plotter, to the Vocational Design School. With this piece of equipment, the school staff and students are now able to reproduce images made in software design programs and print them directly onto fabric. The device will allow the school to develop new clothing models much faster and at a lower cost. Students are able to acquire modern design skills with the plotter, which will allow them to find jobs more easily.

Ms. Bishop also previously provided social media training to companies for marketing, and as a comparative analysis tool for global fashion brands in Serbia, naming the most important competitors, prices, and quality. To complement this activity, the Project engaged an international social media specialist for the Russian-speaking market, Ms. Kseniya Sydorkina, who in the previous reporting period visited the IMC Area to assess denim manufacturers' social media skills and provide recommendations on improving their online presence on Russian-speaking markets. Following an analysis of current social marketing efforts, during this reporting period, Ms. Sydorkina developed a blog for Russian speakers, demonstrating to Novi Pazar producers how to establish and maintain social media presence in a key potential export market³. In the next period, Ms. Sydorkina will visit Novi Pazar to present how local companies should continue to maintain social media for the most return on their investments.

² As the Project is providing assistance to the furniture and footwear sectors across various IMC Areas, this section of the Semi-Annual Report presents either the entirety of this sector assistance under the Novi Pazar section (regardless of what IMC Area this assistance occurred in) or, conversely, provides an overview in the Novi Pazar section while additional details can be found under the IMC Area where a majority of activities occurred (as in the case of footwear sector assistance and the Vranje –led IMC Area).

³ To improve local companies' online presence on Russian-speaking markets a Russian language blog was launched by the Project - <https://www.facebook.com/pages/Сделано-в-Сербии-модный-гид/298241363699281>)

In December 2014, with Project support, three Novi Pazar–led IMC Area denim companies, namely the Brug, Classix and Exact Jeans, opened a joint retail store in Belgrade’s ‘Stadion’ Shopping Mall. SLDP contributed through suitable venue selection, establishment of the joint brand called the Jeans Factory, and furnishing the store so that it reflects the new brand. By March 2015, the Jeans Factory denim store that currently employs four sales representatives, has sold jeans to approximately 1,500 customers, for nearly \$35,000. “We are very pleased with the sales in these first several months. They’ve surpassed our expectations. Being able to present our products in this way, in the capital’s demanding market, helps us learn first-hand what modern customers look for,” said Nihad Ugljanin, owner of the Brug company and co-owner of the Jeans Factory store.

In the reporting period, the Project and denim manufacturers have agreed to move forward with the concept of joint utilization of an ozone-finishing machine as a way of distinguishing themselves as an ecologically-conscious brand on a competitive global jeans market. The project sales specialist Mr. Guy Carpenter, helped the denim



The Jean Factory Store opened on December 25, 2014. The design and refurbishment were sponsored by the Project.

manufacturers and the Project establish an efficient and pragmatic system for joint usage of the ozone finishing machine. The newly established denim association called Pro Denim, formed by six well-known Novi Pazar denim manufacturers that employ more than 400 workers and export to Russia and regional Western Balkan markets, will jointly use this innovative ozone-based technology for jeans finishing, helping expand their exports and ecologically upgrade the IMC Area’s denim production. The new, environment-friendly, equipment would create a competitive advantage for local jeans producers and allow them to target Western European and Scandinavian markets, known for ecologically-conscious buyers. In addition to reducing the negative impact on environment, the ‘Ozone’ technology decreases the processing costs of jeans, thus making the final product more accessible and attractive to modern consumers. At the end of the reporting cycle, the Project worked with its home-office procurement department to ensure a competitive procurement process compliant with USAID’s rules and regulations in identifying a supplier for the ozone machine. The request for proposals (RFP) will be issued in early April.

In February 2015, Mr. Carpenter introduced the principles of ‘lean manufacturing’ to Novi Pazar denim producers by demonstrating a management model, called Kanban, developed by Toyota. This system gives producers new alternatives in organizing and managing their production in a more efficient way with the same number of operators and equipment. Mr. Carpenter also provided the local companies with trainings on brand development and expanding sales on existing markets as well as better understanding of cost calculations for their products. The trainings aim to help companies improve their competitiveness and prepare them for new export markets.

- **Furniture Sector Assistance:** To assist the expansion of the furniture sector, the Project continued working with international furniture sector expert, Mr. Jeff Baron who completed a detailed assessment of the furniture sector’s capacity and determined that Project support should focus on manufacturers who can become a part of larger supply chains. After assessing Novi Pazar, Vranje and a Nis -based furniture producer with the greatest potential to become IKEA suppliers, Mr. Baron identified eight companies able to pass IKEA’s strict quality control standards, and to produce large quantities of merchandise. With Project assistance, a Nis-based manufacturer of recliner mechanisms, Tami Trade, presented its production capability to IKEA whose representatives visited the company. As a result of Tami Trade’s presentation, IKEA asked for a sample order at the beginning of the reporting period. The beneficiary is still awaiting IKEA’s feedback, while the Project stands ready to support Tami Trade, and remains dedicated to strengthening relationships between the furniture cluster and IKEA.

Simultaneously, Mr. Baron worked on bringing buyers/retailers to visit Serbian furniture companies as part of the Project efforts to organize an inward buyers mission in May 2015. Thus far, the Italian sourcing company Uploading expressed interest in visiting local furniture companies. Uploading is a subsidiary of the Li & Fung company, the world's biggest sourcing company from Hong Kong, and has expressed interest in cooperating with Tami Trade from Nis. Uploading wishes to purchase recliner mechanisms for beds, and Tami Trade has already sent its quotes. The Project will continue to monitor the developments related to this deal and to negotiate with potential companies on participating in an inward buyers mission.

In November, Mr. Baron selected three Serbian companies from the Project-supported IMC Areas to participate in the "IMM Cologne" (Internationale MöbelMesse) furniture fair, held January 17-22, 2015 in Germany, this year bringing together more than 1,500 exhibitors and over 100,000 visitors. Prior to the fair, the selected companies participated in a three-day workshop organized in cooperation with the Switzerland Global Enterprise (SIPPO), where they'd learned from international consultants about efficient marketing strategies, latest sales trends, international furniture sector best practices and European business etiquette. Following the workshops, representatives of Atlas (Uzice), Gir (Kraljevo), and Tami Trade (Nis) met with potential buyers at the fair, including with some of the leading furniture manufacturers, such as Natuzzi from Italy, Schillig from Germany, and Kuka, which is one of the biggest Chinese furniture producers. All expressed interest in cooperating with Serbian firms as they have continued communication and interest after the fair.

- **Footwear Sector Assistance:** The Project has so far had the most success with providing assistance to the companies in the Vranje-led IMC Area. For additional footwear sector activities see the Vranje -led IMC Area section, on page 10.

During the reporting period, the Project focused its attention to prepare for and organize an inward buyers mission for the footwear sector. Our footwear consultant, Mr. Jordan Saliman, has been reaching out to potential foreign buyers, forging links between the foreign companies and most successful local firms. Simultaneously, Mr. Saliman continued to work with manufacturers and develop sample products for potential buyers, as well as to advance footwear offers and marketing techniques. In February, Mr. Saliman visited Novi Pazar-led IMC Area's shoe companies to identify the best firms for the inward buyers mission based on the companies' performance at the Global Destination for Shoes and Accessories (GDS) Trade Fair, in Germany, in March 2014, and the Tag it! by GDS trade fair in Dusseldorf, Germany, where the Project sponsored a "Serbian Shoes" pavilion in July 2014. In selecting companies to which the Project should present foreign buyers, Mr. Saliman also included the criteria of product quality, production facilities, and production capacity. Mr. Saliman had already started helping Serbian manufacturers prepare their sales pitch for those buyers that he will connect with the local firms. In addition to inwards buyers mission, Mr. Saliman has furthered the cooperation between the Novi Pazar and Vranje-based footwear producers Antilop (Novi Pazar) and Minex (Vranje). The companies joint presentation at the GDS Fair, under the umbrella brand Shoes from Serbia, and discussed mutual businesses interests that resulted in Antilop, the larger company, placing a test order for 120 pairs of shoes from Minex for sales on the Serbian market. Upon receiving Minex's order, Antilop was particularly satisfied with Minex's service and components, and especially with the sewing quality. The two factories will continue to explore new opportunities and a ways of cooperation.

Mr. Saliman continued follow-up activities from last year's GDS fairs by supporting the National Agency for Regional Development (NARD)/ Private Sector Development Project (PSD) prepare their staff and companies for two 2015 GDS fairs. Technical support and training of NARD/PSD representatives included advising the technical staff on grading, product assortment, material and color merchandising by classification of dress, casual and sport footwear. Finally, Mr. Saliman provided a review of quality controls, ensuring that only top quality products are presented at fairs.

- **Food Sector Assistance:** During the reporting period, The Project continued its support for the Regional Center for Agricultural Development (RCAD), established in 2011 in Sjenica as a joint project of Novi Pazar, Tutin, and Sjenica municipalities, with funding from the EU PROGRES Program, Czech Development Agency and partner municipalities. The RCAD provide various consulting services to local farmers and agribusinesses. In 2014, the Czech Development Agency equipped the milk and meat testing laboratory, but the laboratory has not been fully operational until the last six months. As the RCAD is now staffed and equipped, the Project started delivering training and technical assistance for laboratory staff to

improve their capacity and carry out laboratory accreditation independently after the completion of the Project. From March through June 2015, Taurus Agro Consulting, will train RCAD staff on how to develop laboratory practices and procedures according to ISO standard; how to develop protocols for field sampling milk and meat; how to interpret test results and provide recommendations to producers; how to ensure hygiene, etc. Once the training is completed, the RCAD staff will continue to employ the ISO standards, while the accreditation process is expected to be completed by the end of 2015.

Building on last year's supply and demand assessment of the non-timber forest products (NTFPs), such as forest fruits and mushrooms, and medicinal and aromatic herbs, that are available in Tutin municipality, the Project engaged an expert in the NTFPs industry, Mr. Peter Furth. In February and March 2015, Mr. Furth visited Tutin and recommended ways to expand production and further develop the regional center for the collection and processing of NTFPs. Mr. Furth provided public and private stakeholders in the IMC Area with information on available markets and buyer requirements and proposed the most efficient models for organizing NTFP processing. He also presented a draft business development plan to help the IMC Area establish a drying and primary processing facility within the recently founded Agro-Tutin public-private partnership. Mr. Furth further provided guidelines for proper harvesting, drying and handling techniques; as well as a plan for Agro-Tutin to meet organic certification requirements. In the coming period, Mr. Furth will develop a final five-year Strategic Business Development Plan which will help Tutin establish a drying and primary processing facility within the Agro-Tutin enterprise that can be ready for spring 2016.

During the reporting period, a representative of Tutin's LED Office who works on agriculture development attended with Mr. Furth the world's leading trade fair for organic food, the Biofach Organic Food Fair in Nurnberg, Germany, February 11-14, 2015. The Project delegation met with representatives of regional and international firms identified as potential joint-venture partners, investors and buyers, including German, Austrian, Turkish, Macedonian, Kosovo and US-based companies. Tutin representative learned of the latest market trends as well as potential for exports of products originating from the region. Based on the meetings, there is a significant demand for organic herbs and forest fruits, for both natural foods and cosmetic products, as buyers are very interested in new and sustainable sources of long-term supply from pristine areas such as Tutin. As a direct result of the visit to the Biofach Fair, the Project linked the Tutin LED Office and Agro-Tutin with Agroproduct shpk, a Kosovo-based company, interested in buying wild collected NTFPs from the IMC Area. At the end of the reporting period, Tutin representatives visited Agroproduct to learn best-practice models and discuss future cooperation, once production in Tutin begins. Specifically, the meeting focused on supply chain capacities once drying and processing facilities begin operating in Tutin. Agroproduct shpk is processor of organic wild collected medicinal plants and forest fruits and has long-term supply contracts with companies from the EU. The Project will continue to monitor this developing deal and provide support to the LG and Agro-Tutin to maintain contacts generated during the trade fair and organize a sustainable supply chain for these products. Ultimately, these effort will lead to increased production and sales of organic-certified food from the region and attract local and foreign investments in small and mid-scale food processing capacities.

The Nis-led IMC Area

In the last three years, the Nis-led IMC Area has been one of the most successful Project partnerships in attracting new investments, with a total of \$64.4 million of foreign and domestic investments in Merosina, Leskovac and Nis alone, and an additional \$116 million expected in the next one-to three year period, based on contracts signed between investors and the local governments of Nis, Leskovac and Doljevac.

The Project's activities in this IMC Area focus on helping the region achieve a 15 percent increase in sales of processed food products. To reach this goal, the Project is supporting the establishment of a Product Development Research Pilot Plant at the Food Technology Park (FTP) in Leskovac as a way to develop the region's agribusiness food processing potential. In October 2014, the Project approved a \$90,000 grant to the Leskovac FTP to support the establishment of this pilot plant, including equipment purchase and installation. The Leskovac FTP is a private-public partnership (PPP) between seven food processing enterprises, Leskovac, and the Faculty of Food Technology. The food processing members of the FTP wish to develop cost-effective and technically feasible new products and meet the challenges of the marketplace through application of new technologies. The establishment of a fully equipped pilot plant is a key piece of this goal. Once completed, the facility will perform all stages of product development, from idea generation through concept development to production of trial

samples in small batches. Initially the pilot plant will be equipped for the development and improvement of confectionary, bakery and similar product lines, while in the later stages it is envisioned to expand its capacity to other sectors of food processing. To develop new products, food processors need to make samples in large batches, which increase product development costs; a pilot plant curbs costs by allowing production in small test samples. An added benefit will be in the development of a youth workforce, as students and post graduates from the Faculty of Food Technology in Leskovac will use the pilot plant for instructional activities. At the time of this report's writing the equipment has been purchased and installation is ongoing, in time for the opening ceremony of the new plant in mid-April. The FTP has also conducted a market demand survey of target buyers and markets for products developed in the pilot plant, to determine which among them have the highest market potential and which of the current FTP's products need improvements.

During the reporting period, the Project continued supporting the development of a Food Processing Support Center in Nis (FPSC). The Project subcontracted local service provider Agrozem Ltd, an agribusiness consulting company from Nis, to create a database of regional agri-food produce and various sources of information related to farming and food processing, and to develop the Center's web portal and promotional material for better outreach to targeted users. At the end of the reporting period, the portal was publicly presented and launched under the name - *Grow South* (www.rastjuga.rs). The portal provides information about services available to local farmers, food processors, buyers of agri-food products, and potential investors in food processing and agriculture. It is tailored to support links between farmers and buyers and to promote regional food production in order to expand markets and attract new investments. The Agribusiness database and web portal will also support the daily



At the end of the reporting period the Project and the Food Processing Support Center in Nis launched a web-based database of regional agri-food produce.

work of the FPSC's staff, as a focal point in the provision of services to four very important groups of beneficiaries: local farmers, food processors, buyers of agri-food products, and potential investors in food processing. In addition to the five IMC Area governments, the Center's scope of work was expanded as the municipalities of Svrljig, Razanj, and Aleksinac requested to be included in the database.

During this reporting period, the Project and the Department of Agriculture and Rural Development (DARD) made progress towards establishing a Service Processing Center, more specifically a fruit/vegetable drying center for small-scale farmers in Nis. At the beginning of 2015, after initial problems in finding a proper facility that meets the needs for establishing such a service center, DARD located a suitable building and will begin reconstruction works on the facility in May. The first phase, in which the premises for fruit drying operations will be reconstructed, will be finished in mid-

June after which the Project will provide fruit drying equipment for the facility. The beginning of processing operations is expected in late August. The Service Center will allow small-scale farmers to add value to their crops by drying their fruit and vegetables. As farmers in this part of Serbia are reluctant to invest in processing capacities, not only because of a lack of funds, but also due to improper value chain organization, lack of technological knowledge and practices, and poor understanding of the market for processed food, the existence of the Center is an important change in the way they will now be able to operate their business. The users of the Service Center will, with minimal risks, now have an opportunity to conquer the technological barrier and reach more reliable and lucrative markets.

The Project also continued with activities aimed at improving regional business competitiveness. Specifically, the Project held a factoring training in late December. Factoring is a service which gives businesses the ability to charge claims for goods sold or services rendered before the payment due date. The Project, in cooperation with USAID's Business Enabling Project (BEP), held a joint factoring workshop for interested local business from the cities of Nis, Leskovac and Vranje as well as the municipalities of Merosina, Doljevac, Gadzin Han, Presevo, Bujanovac and Vladicin Han. Representatives of the factoring agency 'Jubmes Faktor' as well as the Societe Generale Serbia Bank spoke at the event, attended by over 40 companies from the Nis and Vranje-led IMC Areas. They provided more information about the function of factoring, last year's new Factoring Law and answered questions from attending businesses. As Serbia has a volatile business climate in which small and

medium sized enterprises (SMEs) have a hard time securing payment for their products or services, factoring is particularly useful as it allows companies to increase their liquidity, eases cash flow management and improves credit ratings.

During the reporting period, activities with the Nis Cluster of Advanced Technologies (NiCAT), the high technology cluster of businesses, and the Electronic Faculty of the Nis University, began winding down. Previously, SLDP supported the establishment of an ICT Cluster Academy, run by NiCAT, which enabled students to become more competitive in the labor market and quickly find jobs. In November 2014, the first class of the Academy graduated, ending the Project's involvement with the Academy. By March 2015, out of 22 students, 16 have found employment or have received offers for employment from Nis IT firms (for more details on the ICT Cluster Academy see Component 3 section on pages 21-22). Furthermore, the Nis-led IMC Area is also a part of the Project's cross-cutting ICT and innovation activities which are being implemented in three IMC Areas – Nis, Kraljevo, and Novi Sad. As in the other regions and based on recommendations by innovation expert, Mr. Ewen Peters, the Project organized two workshops (in Nis and Novi Sad) bringing scientific institutions and businesses together emphasizing innovation as a way to expand local SMEs. Over 40 business, science and local government representatives from the Nis-led IMC Area attended the workshop, including: the Nis Cluster of Advanced Technology (NiCAT), the Nis University, banks and local economic development offices. Nis Mayor Zoran Perisic, also in attendance, said that "local government will support businesses through scientific institutions thus increasing SMEs' competitiveness on international markets."

At the end of February 2015, the Project signed an MoU with the University of Nis to establish a regional Local Economic Policy Institute. This Institute will help policy makers and the private sector overcome economic analysis barriers and define interventions to improve competitiveness and investment attraction in the entire District (encompassing the whole IMC Area and an additional three municipalities). Specifically, the Institute will provide direct and tailor-made support to four leading industrial sectors in the area (the automotive, IT, mechanical engineering and agribusiness sectors) and also to assist local and regional policy makers to better understand the needs of these industrial areas. The Institute is being established in cooperation with the University of Nis and will increase the University's research capacities by allowing it to analyze multi-variant statistical as well as micro- and macro-economic data. Over the course of the reporting period, Project staff worked with the University, advising in the completion of technical documents necessary to begin the Institute's registration process. At the end of the reporting period, the Project began the procurement process for IT equipment and macro and micro analysis software needed for economic analysis (for more information on this activity see page 21, in the Component 2 section).

Business Retention and Expansion Training Program

During this reporting period, the Project carried out a Business Retention and Expansion (BRE) Program designed to strengthen the capacities of LED offices to support their local business communities to expand their operations and markets. As with the FDI Attraction Coaching Program, the BRE Program is a cross-cutting activity offered to all 32 partner municipalities. Helping existing businesses survive and grow is a vital economic development strategy, therefore, the BRE training program is designed to train LED offices in all Project municipalities to assist local businesses in thriving and expanding in their communities.

In November, 2014, the Project held the first of four BRE skills trainings for LED practitioners. Representatives of 18 local governments learned about the most important regulations effecting the operations of existing business and how these regulations impact the attraction of new investments. Along with Project experts, USAID Business Enabling Project representatives took part in the workshop and discussed legal frameworks for BRE as well as changes to the Planning and Construction Law. Participants also heard which regulations are under local authority and how LED Offices can help businesses navigate complicated bureaucratic procedures to expand and access government incentives.

A second BRE skills workshop was held in December, 2014. This session was attended by 20 representatives of 17 LGs, who learned the most useful skills and instruments available to LED Offices for supporting the private sector and investors during the establishment and expansion of businesses. Project experts were again joined by colleagues from USAID's BEP and together presented methods for collecting local economic data, analyzing industrial sectors and developing support packages in accordance with private sector needs. Workshop participants also learned how to establish various local government mechanisms to support business and workforce development.

The third BRE skills workshop was held at the end of January, 2015, a total of 21 representatives from 16 LED offices from Project partner cities and municipalities learned how to collect and analyze statistical and macro-economic data about businesses, industries and economic conditions. Specifically, participants learned how to use economic indicators, employment statistics, income statistics, data on greenfield and brownfield companies to promote the comparative advantages of their communities (such as a skilled workforce, professional administrations, fast responses to business

needs).

The final, fourth, training was held in March, 2015. During the final session, 19 representatives from 14 Project partner cities and municipalities used the knowledge gained at the previous workshops and created 'business offering packages' for existing private sector firms in their regions. To develop these packages, LED Office representatives analyzed the comparative advantages of their municipalities and prepared an annual BRE action plan to support their local private sector. Among other things, packages include business connections available to local firms through the LED office and opportunities for subsidized workforce development. The BRE program builds a sustainable dialogue between the private sector and local governments, surpassing the immediate problems of businesses in favor of long-term solutions.

The Vranje-led IMC Area

Activities in the Vranje-led IMC Area focus on creating 1,500 new jobs through inflowing investments in the four municipalities that encompass the IMC Area. To achieve this, SLDP has assisted the footwear and furniture sectors in the Vranje-led IMC Area. This activity in large part overlaps with the work done in the Novi Pazar-led IMC Area, and to a smaller extent the Nis-led IMC Area, additional information can be found on page 6.

- **Footwear Sector Assistance:** In 2014, the Project engaged footwear sector expert, Mr. Jordan Saliman, who assessed the quality of Vranje-led IMC Area shoe products. One of his key recommendations was that shoe producers participate in annual trade shows and fairs where manufacturers can develop links with wholesalers from the US, EU, and Russia. Based on Mr. Saliman's recommendations, shoe producers from both IMC Areas visited two annual fairs. In 2014, footwear makers participated in two Global Destination for Shoes and Accessories (GDS) Trade Fairs in Germany where the Project sponsored a "Serbian Shoes" pavilion. The events allowed footwear manufacturers to establish business links with international shoe producers.

During March 2015, in preparation for the inward buying mission which will bring foreign buyers to Serbia, Mr. Saliman visited Serbian shoemakers to prepare them for these visits. The consultant visited seven Vranje-led IMC Area firms and six Novi Pazar-led IMC Areas shoe companies and presented footwear that potential buyers are looking for. He introduced IMC Area businesses to current shoe material trends and popular footwear models. Mr. Saliman also looked at the overall quality of shoes produced by Serbian companies and chose the best samples to take back to potential international buyers.

During the six month reporting period, the Project also supported the creation of a unique 'Serbian Shoes brand,' including a website with contacts for Serbian shoe companies. The website (www.serbianshoes.com) has proven to be an excellent tool for attracting potential customers interested in Serbian footwear production. In December 2014, through this website, the Czech Company 'Dovolena', in search of Serbian shoe manufacturers, contacted the Project. Dovolena is interested in marketing Serbian shoes to Russia. The Project assessed the interest of Serbian companies and organized a visit to several factories by Dovolena representatives. After visiting four companies, Dovolena bought a total of 11 models that were shipped for trial and a survey of market interest. In March 2015, Dovolena agreed to return for a second visit during the coming period and make another purchase of sample shoes from all four companies. Dovolena intends to present these models at a Russia shoe fair in August 2015 and further plans to launch an outlet center for Serbian shoes in September 2015. Furthermore, in March 2015, an enquiry by a Russian buyer asking for prices for custom made men's shoes was made through the serbianshoes.com website. The Nis-based Kanin Company responded to the request, and is currently preparing a cost projection for the production of classic men's models. The Project will provide assistance if necessary and will continue monitor this developing deal in the coming report period.

During the reporting period, another company, Uab Danbalt from Lithuania (with over 40 retail offices and internet sale), expressed interest in buying several models from Serbian shoe manufacturers. The Lithuania company made the initial connection with Serbian producers at the "Tag it!" by GDS Fair. The Project facilitated links in early 2015 and sent price lists for various shoe models by companies out of the Vranje and Novi Pazar-led IMC Areas. Since then, Danbalt has expressed an interest in visiting various footwear producing facilities but these visits have repeatedly been delayed. In March 2015, the Project received a commitment from the company for a visit to shoe producers to be realized at the end of April 2015, perhaps

as part of the inward buying mission. In the coming period, Project staff will continue to facilitate and monitor this potential deal.

In March 2015, the Project and Mr. Saliman connected several Serbian shoe producers from the IMC Area with the Turkish leather supplier “Adesa Deri,” present on the EU and Chinese markets and working with well-known brands such as Berschka, Mango and Zara. At the time of this report’s writing, negotiations were ongoing. By forging contacts with direct suppliers Serbian businesses will eliminate the middleman, lowering the price of their raw materials, and increasing their competitiveness. Furthermore, by gaining access to leather factories local companies in the Vranje-led IMC Area will be able to offer their customers higher quality products, by virtue of having direct access to a wide assortment of leather. The Project is also assessing the possibility of linking Adesa Deri with Serbian furniture and clothing makers.

As in the Novi Pazar-led IMC Area the Project has continued assistance to the furniture sector through international furniture sector expert, Mr. Jeff Baron. Following a detailed assessment of this sector in both IMC Areas, Mr. Baron determined that priority support should be given to manufacturers who can become a part of larger supply chains, specifically Swedish multinational company IKEA. The Project identified the IMC Area based company “DN” as having the potential to meet IKEA’s minimum social, environmental, and working condition standards. During the reporting period, DN began designing the reconstruction of the ventilation system within their veneer cutting facility to improve the working conditions and dust vacuuming as per IKEA standards. Once this is completed, the Project will work to facilitate a meeting with IKEA representatives (for more information on furniture sector assistance, including a description of Project efforts to send Serbian furniture producers to the “IMM Cologne” furniture fair, see pages 4-5).

The Kraljevo-led IMC Area

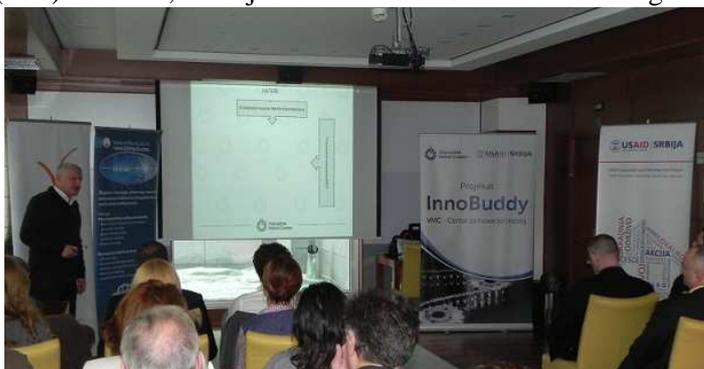
The Project’s work in the Kraljevo-led IMC Area focuses on assisting innovation centers create 50 innovations that will lead to new SME sales in the marketplace. Specifically the Project has targeted helping the ImPuls Business Innovation Center. SLDP has worked with the ImPuls Center, a part of the Faculty of Mechanical Engineering in Kraljevo, to assist SMEs in the region apply innovative solutions and become more competitive. The Center provides 3D scanning and printing services using advanced design technologies for a wide range of manufacturers of metal and plastic products, from factories and industrial designers - to art studios and scientific institutions. Since Project assistance began in 2013, the number of orders completed by the Center has more than doubled from 25 in 2013 to 63 in 2014, while in the first three months of 2015 the number of completed orders has already reached 18. Additionally, in the same time period, the Center has increased its business revenue from \$12,000 to \$23,000, while, in the first three months of 2015, ImPuls has garnered \$17,000 in business transactions.

In order to improve the competitiveness of SMEs in the IMC Area, the Project aims to boost innovation through the ImPuls Center and reduce costs of development. As a result, SLDP has initiated activities to support widening the customer base that uses the abovementioned 3D printing services available at the Center. To better explore the Center’s options, the Project established contacts with a Czech university-based Innovation Support Centre located at the VSB Technological University of Ostrava (ISC). The Innovation Support Centre is experienced in providing technology transfer and technological services to the private sector. In October, the Project supported a best-practice study tour by three representatives of ImPuls to the Czech Republic. Lasting four days, the tour served to introduce the ImPuls Center’s staff to Czech experiences in using 3D printing as a tool for innovation and business growth. The tour included: visits to the Innovation Support Centre in Ostrava, where participants were introduced to models for outsourcing services to businesses; a visit to the Tescoma factory which specializes in kitchenware produced through 3D printing; and a visit to a “3D Printing – Trends, Experience and Business Opportunities” conference, where Impuls staff learned of the latest trends and innovations that can help grow business in 3D printing.

Based on these best practices and recommendations from the Czech team, the Project engaged a part-time Business Developer to actively seek out companies that have the potential and need to use 3D printing in their manufacturing processes. The goal of the Business Developer is to increase the demand for the IMPuls Center’s hi-tech equipment and to ensure that the Center has the procedures and operational tools in place to meet that demand efficiently and sustainably. Thus far, the Developer has assessed the current stage of the ImPuls Center’s organization and level of process management. During February and March 2015, the Business Developer

contacted over 250 relevant companies offering the Center's 3D printing services to these potential customers. He also organized a meeting with the Serbian Chamber of Commerce and agreed to use the Chambers' network to reach out for additional companies, especially in plastic production.

In the six month reporting period, the Project organized two workshops (in Nis and Novi Sad) bringing scientific institutions and businesses together emphasizing innovation as a way to expand local SMEs. This activity builds on recommendations made by innovation and competitiveness expert, Mr. Ewen Peters, who, in 2014, visited the ImPuls Center, as well as several engineering faculties, to ascertain the types of services being provided to SMEs. In February 2015, the Project held the first workshops, in Nis, linking local business representatives with Project partners such as the Kraljevo ImPuls Center, the Vojvodina Metal Cluster, and the Nis Cluster of Advanced Technology in order to encourage competitiveness through closer businesses-to-science collaboration. Participants agreed that advanced technologies can lead the way to increased SME competitiveness and recommended ways to improve cooperation with Serbian scientific institutions, citing a non-existent legal framework for business-to-science support as the main barrier to collaboration. Best practice examples of cooperation between scientific institutions and the business community were also presented by the Vojvodina Informational and Communications Technology (ICT) Cluster, Kraljevo's ImPuls Center and Belgrade University's Center for Technology Transfer. Over 40 business, science and local government representatives attended this workshop, including: the Nis Cluster of Advanced Technology (NiCAT), the Nis University, banks and local economic development offices as well as Nis Mayor Zoran Perisic. In March 2015, a second business-to-science workshop was held in Novi Sad. The event was attended by over 30 representatives of businesses and various university institutions, who agreed with the conclusions of the Nis-based event: that a legal framework conducive to business-to-science support must be created for sustainable cross-sector cooperation. Recommendations for improving business-to-science cooperation collected at this, and the Nis regional meeting, will be presented to relevant decision makers in May. Following the second workshop, the IMPuls Center applied to become a member of the VMC cluster, thereby expanding its client list by the over 100 members of this Cluster. Simultaneously, the Terming Company, a VMC member, has placed a sample order for several 3D printed machine prototypes. Several other VMC firms have shown interest in touring the IMPuls Center's facilities in Kraljevo and potentially submitting orders. Furthermore, as a result of this new business-to-science link, the two organizations are discussing a joint stand at the Forma-Tool Fair in Slovenia in April, 2015.



On March 5, 2015, the Project organized a second business-to-science workshop to emphasize innovation as a way to expand local SMEs.

The Zrenjanin-led IMC Area

The Project focuses on helping increase vegetable producer sales to food processors by 20 percent in this IMC Area. To make this possible, the Project assisted the IMC Area to develop and implement a Horticulture Incubator Program to expand the production of highly profitable vegetables in the region and to reduce the time and cost of establishing farm start-up businesses thus encouraging diversification of regional produce. The initial phase of this Program was completed during the previous quarter. With Project support, 31 greenhouses were installed at three locations, in Kikinda (12), Novi Becej (4), and Zrenjanin (15). During 2014, incubator tenants successfully completed their first growing seasons in Kikinda and Novi Becej, while Zrenjanin continued to deal with delays in starting up its incubators. The Program was comprised of an educational component, which provided trainings and mentorship in entrepreneurship and vegetable growing, and a resource-based component, which provided land, infrastructure, equipment, and greenhouses. 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. Diversification aims to create a larger assortment of agricultural products, increase revenues (especially for individual producers), and encourage the start of new agricultural businesses.

Following a series of trainings held by a team of experts from the Serbian Ministry of Sports and Youth, specialists of the regional Agricultural Extension Centers from Zrenjanin and Novi Becej, and a local consultant, all participants were invited to submit business plans and apply for entry into incubators and use of greenhouses for vegetable production. The top trainees, 31, were offered land, infrastructure, and mentor support to start their own agribusinesses in greenhouses. In Novi Becej, four young farmers generated the first revenues from their sales of tomatoes and peppers at the local markets. In Kikinda, 12 young incubator tenants harvested a total of 15 tons of cornichon cucumbers during the summer season, half of which were sold to a buyer in Germany, the Mamminger Konserven Company a food processor specialized in production of gherkins. During the autumn season young farmers decided to grow high quality cucumbers in greenhouses, which were harvested until the end of November. Incubators in both Kikinda and Novi Becej worked during the winter season when young users planted green lettuce that was harvested and sold during the second half of March 2015.

However, in Zrenjanin, incubator tenants had problems with their 15 greenhouses (bad infrastructure and no water and power supply), which were not made operational in time for the past seasons. During the reporting period, the Zrenjanin Government took the necessary steps to resolve the problems. A water supply network and access roads for each greenhouse have been set up. Furthermore, an agreement was signed with the power supply company and the greenhouse are now fully powered and illuminated. In March 2015, work began on the water drainage network around the greenhouses, as has the instillation of fences around the incubators.

As the three greenhouse vegetable growing cycles have already been missed (summer, autumn and winter cycles) this delay has also caused several of the 15 young tenants selected to enter into the incubator to cancel their participation. The Zrenjanin LG announced in November 2014, another competition call to fill the unallocated greenhouses. Upon the selection of substitutes for users who have given up, the LG has agreed with all 15 incubator tenants to begin production of vegetables in March 2015, when the necessary infrastructure conditions are fulfilled. By the end of this reporting period, 11 tenants have entered incubator and began production of tomato and lettuce. The remaining four greenhouses are still flooded due to heavy rains and when work on the drainage of the terrain is completed, the last four young users will enter the incubator and start production.

Agricultural Competitiveness Development Analysis

In an effort to attract foreign direct investment in the agricultural processing sector, the Project has funded a cross-cutting agricultural competitiveness development analysis for 15 municipalities (the analysis was carried out in the Zrenjanin-led IMC Area as well as the Subotica, Nis and Novi Pazar– led IMC Areas). The Project engaged agribusiness consulting firm "SEDEDEV" to complete the analysis and presented findings and recommendations to local stakeholders. This activity encompasses partner municipalities across four IMC Areas (more specifically four IMC Areas plus another municipality, Raska, from a fifth IMC Area) which all have agriculture as their main economic driver.

The studies analyzed three indicators which have the most influence on the level of competitiveness and attractiveness for investors: existing resources, sector competitiveness and other comparative advantages. The analyses also looked at the role of municipalities in attracting agribusiness investments and recommended ways to create a business environment conducive to agricultural development. For example, the research showed that the competitive advantages of the Novi Pazar-led IMC Area should be based on product quality, rather than on price competitiveness, particularly for traditional dairy and meat added-value products. The analysis will help local governments set up guidelines for strategic planning and agricultural development, improve usage of existing resources and target areas for investments.

During the reporting period, SEDEDEV completed consultations, begun during the summer, with local stakeholders designed to determine the most likely sectors to attract food-processing investors. Following these meetings, SEDEDEV completed the final analysis and in December and January began a regional tour presenting stakeholders in each of the IMC Areas the findings. Four presentations were held, in the Nis, Subotica, Zrenjanin and Novi Pazar –led IMC Areas. Overall, approximately 120 representatives of LED Offices, agriculture departments, farmers' cooperatives, and other agribusinesses attended these three presentations, learning about the sub-sectors and agricultural products that are most likely to attract investors to their communities.

During February and March 2015, the Project provided expert support to incubator management and young incubator tenants in all three municipalities, with a special focus on Zrenjanin to facilitate a smooth start of the delayed incubator operations in this LG. A local consultant conducted periodic field visits to Zrenjanin, Novi Becej and Kikinda to inspect horticultural incubators, monitor the work of the incubator tenants and advise them to ensure efficiency of the incubator operations. The consultant also provided recommendations regarding the potential markets and sales of fresh vegetable products. The Project expects that all three incubator sites will be fully operational, having 31 young people working in greenhouses, by mid-April 2015.

The Subotica-led IMC Area

The Project is working to increase the sale of agriculture products from the region by ten percent in the Subotica-led IMC Area. To achieve this goal, SLDP finalized several activities in the past quarter, which will lead to the expansion of the IMC Area's food and agriculture sector through sales growth and increased employment.

Previously, the Project delivered new equipment to the Subotica Public Health Institute laboratory, upgrading the Institute's capacity and enabling analysis of regional food products. Before getting this new equipment, 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 test 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. Local farmers will no longer have to travel to conduct proper testing of their crops, thus decreasing the cost of analyzing and certifying their food as safe for export. The Institute was also obliged to offer a privileged price for product testing by registered farms, which is 15 percent lower of the stipulated price of the service to other users, for a period of three years.

In the past six months, the laboratory has entered into the process for obtaining certification of its new services by the Serbian Accreditation Body. The Subotica Public Health Institute has faced some difficulties during the third phase of preliminary experimental testing needed to obtain accreditation for the new laboratory. The problem occurred in certain parameters of the laboratory equipment software, thus the staff had to repeat preliminary testing several times until a valid test result would be obtained. In order to resolve this rapidly, the Institute requested assistance from the equipment supplier, the DSP Company, and the Belgrade Public Health Institute whose staff operates on the same equipment. Experts from Belgrade provided additional training and advised Subotica Public Health Institute staff how to overcome these delays. The third phase of accreditation testing has now been completed, and the laboratory experimentally examined 39 different pesticides and their isomers. The fourth phase of accreditation was launched in early February and thus far verification of testing methods on 4 food products (pepper, strawberry, lettuce and dried beans) has been completed for 43 pesticides. Meanwhile, the Subotica Public Health Institute submitted to the Accreditation Body of Serbia its request for extension of the scope of accreditation for testing methods on the new equipment. Control audits from the Accreditation Body of Serbia and the approval of accreditation is expected in the coming period.

The Project has also successfully completed renovation work on the Agriculture Education Center in Sombor. The Project developed the main reconstruction designs for the Center, while the Regional Agricultural Extension Center allocated more than \$120,000 for construction work. Following the completion of the renovation work, the Project also furnished and equipped the Center. The facility enhances the knowledge and skills of more than 24,000 regional farmer households and agribusinesses, teaches trainees how to utilize new crop varieties, and apply innovative cultivation technologies, which increase production efficiency.

Since its establishment in 2014, the Agriculture Education Center has operated successfully. The Agricultural Extension Service developed a framework for the Center's curriculum, enhancing the knowledge and skills of farmers and agribusinesses. The Center also has a vocational agriculture education component for young unemployed people to help them acquire farming skills and become registered farming households. The facility is also used for regional agribusiness related events, organization of workshops, lectures, as well as working groups on local agricultural policies and legislation (budgets, subsidies, etc). In November, the Education Center, together with Vojvodina Provincial Department of Agriculture organized a series of lectures for farmers and agricultural advisors on the topic organic production, processing and marketing of grain. At the end of 2014, the Italian company "Ferrero Group," a global leader in the confectionery industry, expressed an interest in buying a state farm enterprise and directly investing in the large-scale hazelnut plantations in Sombor. Ferrero foresees that educational support to farmers from Sombor on new technologies and methods of growing new hazelnut varieties will be necessary if the company is to utilize local, small scale, hazelnut production in its factories. The Project expects that the successful privatization of two state owned farm companies will occur in 2015 and that the Sombor Education Center will play a role in assisting whichever company begins modernizing these facilities and looking for an educated workforce.

The Novi Sad-led IMC Area

Project activities in the IMC Area aim to add 1,500 jobs to the region. To do so, SLDP has continued to work with the Vojvodina Metal Cluster (VMC), a group of more than 116 small and medium sized metal producers with access to foreign and local markets. Previously, the Project helped the Cluster procure Customer

Relationship Management (CRM) software that allows VMC members to connect with potential foreign buyers and to innovate and discover more high-value products to offer the market. The software was presented by the VMC at a business forum in the previous period and has since gone operational (<http://www.app.vmc.rs/login>). CRM electronically facilitates linkages between prospective international buyers and the VMC by announcing procurement opportunities to Cluster members and following up with members who need more details. VMC members can now connect with potential clients more efficiently, cutting the current average of 100 days response time for customer inquiries to a maximum of 10 days. Based on requests received and answered through the CRM, three VMC companies are now in negotiations with international clients from Italy, Belgium, as well as the United Arab Emirates and Finland. Potential buyers also scheduled their visit to VMC member firms, to initiate export to these markets.

In November 2014, the Project awarded a grant of approximately \$70,000 to the VMC to increase the competitiveness of VMC members by involving them in the production of an innovative, cluster-wide product to increase their sales, exports and create new jobs. The grant consists of three parts: the development of an interactive map of VMC members, the procurement of a CNC cutting table (used for plasma cutting and welding, and, as mentioned above, the development of a new Cluster-wide product. During the reporting period, the VMC engaged an IT expert to develop an application to present VMC members in detail on the Cluster website. At the time of this report's writing the functionality of the application was undergoing tests. The application will be completed in the coming period, containing a full repertoire of VMC company profiles. The purchase of the CNC cutting table was completed at the end of the reporting period, following verification that all technical characteristics from the RFP were fulfilled. The table will be installed at the beginning of April, 2015. Finally, during the reporting period, VMC members began developing a new cluster-wide product: underground waste containers which require only minimal adjustments for exiting garbage trucks to be able to service them. Technical drawings for the containers have been completed, while the first phase of public calls for selection of vendors for purchasing necessary material was also completed. After the Cluster finalizes procurement of material and services, at the beginning of the next period, the development this new product will begin.

To further support the expansion of VMC members in finding new markets the Project has also been cooperating with the Swiss SIPPO Office to assist that organization in implementing a large B2B program. SIPPO is the Swiss export promotion agency, assisting SMEs from Switzerland in their international business ventures. It also links companies, experts and private and public organizations around the world, facilitating efficient promotion of foreign trade. SLDP, VMC, and SIPPO plan to work together on an initiative titled "Network to Network (cluster to cluster) management" as a part of a program to develop industrial subcontracting producers in Serbia for European buyers and manufacturers. At the end of October, 2014, as part of this activity, the Project and SIPPO organized a study tour to Switzerland for representatives of three VMC companies (Agrometa BMR, Narcisus and Tehnolink) as well as a VMC representative. The tour served as a first step in building a relationship between metal firms in Serbia and Europe, and gave VMC firms a look at how to expand and improve Cluster business services based in observed best practices. In order to further support the expansion of VMC members in finding new markets the Project has, in cooperation with SIPPO, engaged an expert to assist in organizing a B2B program. The expert has worked with the VMC to expand business services to Cluster members and achieve Cluster-wide financial sustainability. To be able to propose new services the consultant established direct contacts with each VMC member to encourage constructive criticism and receive feedback about VMC's activities and other services. During the reporting period, 38 companies were visited. The meetings enabled the expert and the Project technical staff to identify progressive, export oriented companies who are willing to unite their efforts and attract new business. At the time of this report's writing, VMC representatives have scheduled a meeting with a delegation from Abu Dabi, for a potentially large purchase order which would require the involvement of several VMC member companies.

The Project continues activities based on recommendations made by innovation and competitiveness expert, Mr. Ewen Peters. In 2014, the Project engaged Mr. Peters, who visited the Novi Sad-led 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. As in the other two IMC Areas where Mr. Peters also performed assessments (Kraljevo and Nis –led IMC Areas), the Project began planning for several workshops to facilitate stronger connections among IMC stakeholders. Specifically, during the reporting period, the Project organized two workshops (in Novi Sad and Nis) bringing scientific institutions and businesses together emphasizing innovation as a way to expand local Small and Medium-sized Enterprises (SME). Participants agreed that advanced technologies can lead the way to increased SME competitiveness and recommended ways to improve cooperation with Serbian scientific institutions, citing a

non-existent legal framework for business-to-science support as the main barrier to collaboration. Best practice examples of cooperation between scientific institutions and the business community were also presented by the Vojvodina Informational and Communications Technology (ICT) Cluster, Kraljevo's ImPuls Center and Belgrade University's Center for Technology Transfer. In Novi Sad, over 30 representatives of businesses and various university institutions attended the workshop, agreeing that an improved legal framework for business-to-science support must be created for sustainable cross-sector cooperation. Recommendations for improving business-to-science cooperation collected at this, and the Nis regional meeting, will be presented to relevant decision makers in May. Furthermore, as a result of the Novi Sad workshop, one of the attendees, the Kraljevo's IMPuls Center, a business innovation and 3D printing facility within Kraljevo's Mechanical Engineering Faculty, applied for and received membership in the VMC (see more details in the Kraljevo-led IMC Area on page 11). This development has led several Cluster members, including the Temering Company, a VMC member, to link with the IMPuls Center and order sample prototypes. We will continue to monitor this newly formed relationship, which can lead to new innovations and is precisely the reason the Project began supporting these business-to-science workshops.

The ICT industry in Novi Sad is one of the most active and growing sectors of the IMC Area's economy with a tradition of cooperation between the University and the private sector. The Vojvodina ICT Cluster was even 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 early 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. During this reporting period the ICT Academy graduated its first class of young ICT professionals. 45 students graduated from the academy, launched by SLDP in partnership with the Vojvodina ICT Cluster. The Academy enabled leading ICT sectors firms to create curricula in line with industry needs. From February through November 2014, the Academy equipped unemployed youth with the knowledge and skills in-demand by the IT industry. Before their training was completed, 12 out of the 45 Academy graduates were employed by private Novi Sad IT firms. (see Component 3 for more information on this ICT Academy, as well as the Academy launched in the Nis-led ICM Area).

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 local economic development activities, the Project is continuing to support IMC infrastructure projects. Coordination has been ongoing with 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 focused on developing the capacity of these projects in order to list them in the SLAP database, allowing them to be listed on the EU or GoS priority list for funding. Listed below are current projects that have already received financing or have been entered onto the SLAP database.

At the time of writing, the Ministry of Economy has appropriated approximately \$1.3 million to 18 cities and municipalities for infrastructural projects aimed at FDI attraction. Out of these 18 local governments, seven cities and municipalities belong to the SLDP's IMC Areas. Those seven LGs have received more \$500,000 for massive infrastructure projects like construction of two power transformer stations in the industrial zone "South" in Vladicin Han, construction of the sewage collector in the Donje Medjurovo IZ in Nis and construction of an electrical power network in the Cukark IZ in Presevo (see number five below). Similar projects will also be financed in Vranje, Novi Sad, Subotica and Novi Becej.

In the last four years Project partner Local Economic Development Offices have received substantial soft skills building through activities such as the FDI Attraction Coaching Program, study tours which included visits to IZ in the Czech Republic, technical assistance on various legal issue, as well as the most recent Business Retention and Expansion training. It should be noted that these activities have increased the capacities of all Project partners in their abilities to attract public funding necessary for core infrastructure development.

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 a 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. That project has been entered onto the SLAP database.

2. “Meteris” regional landfill with recycling facilities was developed with the assistance of Project experts, as was a Regional Solid Waste Management Plan. The project has been entered into the SLAP database. Bujanovic added the transfer station project to the SLAP database in March 2015 as part of this Regional Solid Waste Management Project.
3. The Project funded the development of a topographic plan for a Bunusevac IZ bypass road. That project has been entered onto the SLAP database.
4. Work on the Bunusevac IZ continued with the development of detailed infrastructure designs. Designs of roads, water supply and fire protection system, sewerage, rain drainage, electricity supply, and telecommunication were developed. Project documentation for the IZ was delivered to Vranje on June 5, 2014, and the project has entered onto the SLAP database.
5. In Presevo, the Project completed a pre-feasibility study for the Cukarka Industrial Zone. During the process of developing the pre-feasibility study, the Project discovered that an unsolved land property issue threatens the whole activity. At the time of reporting, the Ministry of Economy has appropriated approximately \$95,000 to the Municipality of Presevo for the construction of a power network to Cukarka IZ. The Project had previously provided legal advice and on-the-job assistance to Presevo on resolving the abovementioned proprietary hurdles related to transfer of the ownership on land from the ‘mesna zajednica’ (sub municipal level of government) to the Municipality of Presevo.

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. The project has been entered onto the SLAP database.

In the Subotica-led IMC Area:

7. The Project is supporting the development of an Agricultural Educational Center in Sombor. The main design for the reconstruction of 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 was completed in August 2014, with the Center has been completely furnished and equipped.

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

8. Development of a new industrial zone in Beocin. The Project is supporting the development of a new industrial zone in Beocin. The geotechnical report and technical analysis with preliminary cost estimate were completed in January 2014, and detailed designs were developed for all project components: roads, water supply system, sewage system, rain drainage, low pressure gas distribution network and telecommunication. The total value of project documentation is \$58,000 and the documentation was developed by SAFEGE engineering company and delivered to the Municipality of Beocin on May 7th. Construction work on the Industrial Zone is eligible for support by Province of Vojvodina or GoS state funds, and the city is actively engaged in soliciting this support. This project was entered into the SLAP database in October 2014.
9. Development of a new industrial zone in Temerin. A location permit has been issued for an access road. The Geotechnical Report and Geodetic Survey were developed, and a preliminary design and feasibility study have been completed and submitted to the Technical Revision Committee of the Vojvodina Province Government. Meanwhile, after three months, the Serbian Ministry of Construction, Transport and Infrastructure provided comments and suggestions that need to be adopted and included in the Preliminary Design and Feasibility Study. A new version of the Study and Preliminary Design were prepared and submitted in December 2014. After final adoption of the new Study and Preliminary Designs, Main design and design of temporary traffic signals were completed at the end of March 2015. The project was entered onto the SLAP database in February 2015.

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 focused on promoting progress made towards goals set with IMC Area partners. Public events were organized to highlight US government support for overcoming the gap between labor market needs and the curricula offered by educational institutions, development of workforce that matches the private sector needs, as well as assistance for successful completion of the privatization process in Serbia. In October 2014, as a result of Project and partner Belgrade Open School (BOS) efforts to improve cooperation between businesses and educational institutions, the Italian shoemakers GEOX and the School for Chemistry and Technology (SCT) in Vranje signed a Memorandum of Understanding. The agreement aligns school curriculum with private sector needs and improves the knowledge and skills of graduating students to better prepare them for the labor market. Local and regional media representatives covered the event, which highlighted US Government support for overcoming the gap between labor market needs and the curricula offered by educational institutions.

In November 2014, in partnership with NALED, the Project organized presentation of the “Privatization in Serbia – Case Study”, to help Serbian government bring the privatization process to successful completion. The study provoked wide media interest as it offered practical examples of both good and bad privatizations.

At the end of November and in December of 2014, the Project organized graduation ceremonies for the first generation of students from the Nis and Novi Sad Cluster Academies. The ceremonies were attended by US Ambassador Michael D. Kirby and USAID Mission Director Azza El Abd (for more information on the Project’s Communication efforts, see Annex E).

In February 2015, The Project helped Zlatibor Regional Development Agency, representatives of regional hotels and tourist organizations introduce a new local gastronomic brand, the Mountain Breakfast, at the annual Belgrade International Tourism Fair. This newly created brand covers unique culinary menus specific to the Zlatibor, Zlatar and Tara mountain resorts, all located within the Uzice-led Inter-Municipal Cooperation (IMC) Area.

In March 2015, as part of the overarching topic "National Strategy for the Economic and Social Development of Serbia 2015-2030," the Project presented its research on private sector competitiveness and growth at the Kopaonik Business Forum. The study titled "Serbia’s Real Sector Performance” was carried out by the Center for Advanced Economic Studies (CEVES), engaged by the Project to determine the exhibited competitiveness of SMEs in Serbia, by size, industry and region. US Ambassador Michael D. Kirby opened the presentation, pointing out that the private sector "must expand to absorb unemployed labor in Serbia.”



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

In the six month reporting period, the Project began winding down technical assistance activities in asset management and brownfield redevelopment to IMC Areas. A major success during the reporting period has been extending the deadline for municipal property asset registration, within the Law on Public Property, for another two years. This extension was granted in October 2014, and will allow municipalities to better organize activities in asset registration and develop consolidated property inventories to be used for economic and business purposes. The Project’s main partner in supporting these changes has been the Standing Conference of Towns and Municipalities (SCTM). As the extended deadline will not, alone, be sufficient in assisting municipalities finalize

the process of asset registration, in December, 2014 the Project and SCTM prepared a set of recommendations for the Serbian Directorate for Property and the Geodetic Authority on how to more efficiently deal with municipal asset registration requests. As a result of the recommendations, the Serbian Government has changed its asset registration policy and will allow municipalities to register assets through a simplified procedure which will bypass backlogs at the central level. Specifically, local governments will no longer be required to enclose registration approvals by the Directorate for Property (this institution has faced the largest backlog of requests). Additionally, in February 2015, the Government passed changes to a bylaw and extended the deadline for the establishment of asset management evidence for all public entities to February 28, 2016, leaving sufficient time for all local governments to complete the registration process. The Project will continue to provide limited assistance to all eight IMC Areas in resolving asset management issues that prevent implementation of economic development projects, mainly in relation to brownfield locations.

During the reporting period, the Project also provided technical assistance in brownfield redevelopment to select IMC Areas. In cooperation with LED offices and staff of bankrupt companies, an inventory of brownfield investments for 15 of the most attractive brownfield sites was completed (within the Nis, Vranje and Kraljevo – led IMC Areas). The Project chose Development Consulting Group (DCG), a local consulting company, to implement investment promotion of selected brownfield locations. Following an open call for cities and municipalities, DCG assisted participating LGs to create 15 presentations of these most attractive brownfield locations in their territories. All 15 brownfield sites actively utilized teasers developed by DCG to generate interest among relevant qualified buyers. As a result, several companies have received letters of interest for acquisitions. At the time of this Report’s writing, the Privatization Agency has reviewed and submitted a privatization proposal for each company, based on a review of the letter of interest, to the Ministry of Economy. The most prominent investors will be selected, and invited to submit full-fledged proposals. At the end of February 2015, as part of brownfield redevelopment activities, DCG launched an internet platform for the promotion of brownfield locations in all 32 Project partner municipalities. Currently, the site encompasses information on brownfields in these municipalities but can be expanded to include data on all brownfield locations in Serbia. The portal (<http://www.brownfieldserbia.com>) serves as an information database of unsold public companies undergoing privatization. It contains all relevant financial and business data about targeted companies, helping potential investors decide where to invest their capital.

At the beginning of the reporting period, the National Alliance for Local Economic Development (NALED) completed a grant to provide a comprehensive calculation of the costs and losses incurred by LGs through unsuccessful privatization. Ten case studies were completed; five focused on unsuccessfully privatized firms currently undergoing bankruptcy procedures and five on similar, but successfully privatized, companies. The five unsuccessful cases have proven to be benchmarks of poorly implemented privatization resulting from a range of bad management decisions to property issues and institutional and legal impediments. Their successful pairs, however, prove that privatization - properly structured with, for example, management chosen from a proper sector background - yields substantial and enduring benefits for the local and national economy. In November, 2014 the Project and NALED held a roundtable presenting the case studies and a set of recommendations on how LGs can participate in resolving key problems related to privatization, including the role of LG and local public utilities in debt restructuring; dealing with redundancies (e.g. active labor market policies at the local level); resolving property related issues, attracting investors, and using fiscal instruments found in the Law on Local Government Funding to facilitate privatization. The findings further indicate that the biggest problems faced by firms undergoing privatization are property issues and dealing with surplus employees. NALED recommends that the Serbian Government urgently adopt laws resolving ownership issues.



NALED presented its Privatization Case Studies at a ceremony held at the Belgrade City Hall on November 3, 2014

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

On December 8, 2014, the Serbian Parliament adopted amendments to the Law on Planning and Construction expected to significantly speed-up procedures for issuing construction permits. To help LGs comply with these changes, the Project began offering assistance in the establishment of one-stop-shops (OSS) for construction licenses, envisioned by the law. OSS's allow investors to communicate with only one public sector agency (at the national, provincial or local level, depending on the governing authority's responsibility for issuing construction permits in a given case) instead of being required to contact dozens of public enterprises and institutions. All public enterprises and institutions (like Srbijasume (Serbian Forestry), Putevi Srbije (Serbian Roads) etc.) are now required to prepare and send technical input for issuing a construction permit within 15 days to an OSS. Specifically, this means that the administration will take on the responsibility for collecting documents and various certificates from different public institutions to make procedures easier for investors. In a vast majority of cases, local government will now act as one-stop-shops.

During this reporting period, the Project and USAID's Business Enabling Project (BEP) held two regional workshops in Nis and Novi Sad to prepare local governments (LG) for the new, unified, construction permitting procedures. The workshops introduced LG representatives to the legislation for opening one-stop-shops, which took effect at the beginning of March. The participants had an opportunity to voice their concerns with the proposed procedures and exchange their experiences with Ministry experts. Municipal representatives received clear guidance on how to incorporate new organizational schemes as well as the roles and responsibilities of newly created positions within the LG. The workshops attracted more than 60 participants, including heads of LG urbanism and construction departments, from all 32 Project partner municipalities. With these workshops, the Project and BEP have better prepared LG representatives to meet imminent legal requirements. One-stop-shops enable new investors to gather all the necessary documents for opening their businesses quickly, allowing operations to begin within weeks rather than the months it took prior to this legislation, which was heavily supported by USAID. Following these regional workshops, in March 2015 the Project established a network of more than 60 staff members and heads of urbanism departments from all 32 partner cities and municipalities. The network is a result of requests made by local government permitting professionals at the workshops. Participating members agreed to a peer-to-peer exchange of best practices, experiences, opinions, model documents etc. dealing with new, unified, permitting procedure. This network is particularly useful in cases where public utility companies must issue documents necessary for obtaining permits. As one utility company often serves multiple municipalities, once a request is made in one municipality, all network members will be aware of how to deal with similar situations in their regions. In one of the first exchanges, the City of Nis Urban Department shared a tariff model for technical requirements issued by local public utility companies. The next round of regional trainings for urban departments in Project municipalities is planned for the last week of May, 2015.

Activity 2.2.2.: Providing technical assistance to national level counterparts in creating and modifying major laws, policies, and/or regulations related to inter-municipal economic development

In this reporting period the main focus of activities has been to assist USAID's Business Enabling Project and the Ministry for Construction, Traffic and Infrastructure to refine and finalize a framework for construction permitting and to test applicability of suggested legal solutions and procedures. During the reporting period, the Project presented the SCTM's Committee for Urbanism three models for local government administration reform that will improve construction permitting. These models are in line with newly reformed construction permitting procedures, introduced by the Law on Urbanism and Construction. The proposed changes envision, for example, having the person charged with monitoring the permitting procedures (registrar) be independent from the department issuing the permits, thus ensuring independent monitoring and transparency in the permitting process. The proposed local administration changes will speed up procedures allowing businesses to begin operating faster. The recommendations were jointly developed with local government representatives at two above-mentioned regional workshops.

In February 2015 Project was approached by SCTM to jointly prepare policy recommendation to the Ministry of State Administration and Local Self – Government to re-introduce an abolished Local Economic Development (LED) responsibility to the new Draft Law on Local Self-Government. The Ministry presented a Draft Law on

Local Self Government in February 2015 with an entirely new concept of municipal responsibilities. The new Draft Law abolishes LED from the list of mandatory responsibilities of the local governments. As a result LED will become an optional, and not mandatory, for local governments. This initially planned change may provoke serious consequences in the organizational structure of municipal administrations, as Local Economic Development Offices will not have any solid legal foundation, stemming from the Law itself, for their existence. As the establishment of the LED Offices was one of the most important legacies of USAID local programming in Serbia, the Project was heavily involved in discussions with members of the Ministry's working groups and Standing Conference of the Cities and Municipalities on how to find solution for this problem. After several rounds of consultations, the Ministry has decided to re-instate the local government LED responsibility once the bill gets into Parliamentary procedures.

Objective 2.3: Strengthen sustainable LED environment through private service delivery (PPPs)

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

In February 2015, the Project supported the establishment of a regional think-tank, Local Economic Policy Institute, founded by the University of Nis, Regional Chamber of Commerce in Nis and representatives of four local leading industrial sectors (the automotive, IT, mechanical engineering and agribusiness sectors). The Project signed an MoU with the University of Nis, outlining the basic steps in the design of this new public-private partnership initiative. As companies that comprise the abovementioned four sectors lack accurate and tailor-made comparative aggregated and disaggregated data for investments, imports, exports, labor, newly established companies, the University of Nis has decided to establish a PPP association with private companies and the Regional Chamber of Commerce in the form of a think tank. The Local Economic Policy Institute will engage more than 100 of the most important companies from the four strategically important sectors in the Nis-led IMC Area. Then, based on monthly financial and other business related data collected from said companies, the Institute will create tailor-made (for member companies), as well as general, strategic analyses, economic forecasts and economic reviews. Additionally, a set of regional sector-based economic indicators will be developed to assist targeted companies to benchmark their potential for growth and export capacities, enabling them to improve their performance in these segments.

Another potential PPP developed during this reporting period has been the establishment of an Association in Novi Pazar to jointly utilize an Ozone jean finishing machine, which most likely will encompass representatives from private sector (six most propulsive companies – jeans producers from Novi Pazar), School for Textile Design in Novi Pazar and municipality of Novi Pazar. The activity will improve the environment while increasing the competitiveness of local denim companies. The Ozone-finishing machine will allow denim companies to enter much more demanding markets that seek goods with environmentally friendly characteristics (see pages 4 and 5, in the Novi Pazar-led IMC Area section, for more information).

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 and 2: Continuing youth skills-building tailored to labor market needs in targeted sectors; and creating an enabling environment for Youth Development and Active Labor Market Measures through building cooperation with relevant institutions

During the six month reporting period, Component 3 completed activities aimed at building youth skills and creating private sector jobs within Serbia's Information and Communications Technology (ICT) sector. To do so, the Project previously established cooperation with two regional IT industry business clusters, the Vojvodina ICT Cluster and the Nis Cluster of Advanced Technologies (NiCAT), in the Novi Sad and Nis-led IMC Areas. The Project assisted the business clusters, via grants of approximately \$50,000 in Nis and \$60,000 in Novi Sad, to establish two ICT Cluster Academies with the aim of equipping unemployed young people with the knowledge and skills in-demand by employers in the growing IT industry. The Academies also enabled leading ICT sectors firms to create curricula in line with industry needs. In addition to learning the particulars of programming and

software development, students applied their knowledge to real-life projects during internships offered by NiCAT and Vojvodina ICT Cluster member companies.

During this reporting period both academies graduated their first generation of students. On November 25, 2014, US Ambassador Michael D. Kirby attended the Nis ICT Cluster Academy graduation ceremony also visiting Ates Soft, a local ICT firm and member of NiCAT. The Ambassador toured Ates Soft, which has already hired one of the ICT Academy graduates. Of the 22 graduating students, 16 are already employed or have received offers for employment from Nis IT firms. The Novi Sad ICT Cluster Academy graduation ceremony was held on December 10, 2014, with USAID Mission Director Azza El-Abd and Vojvodina Provincial Government Vice-President Miroslav Vasin in attendance. Even before their training was completed, 12 out of the 45 graduates of the academy found employment in Novi Sad IT firms. Vice-President Vasin assured attendees that “the Vojvodina Provincial Government will take over the responsibility of supporting the Academy.”



USAID Mission Director Azza El-Abd (center left) and Vojvodina Provincial Government Vice-President Miroslav Vasin (center right) presented Novi Sad ICT Cluster Academy graduates diplomas on December 10, 2014

During the reporting period, Project experts completed their work with the Ministry of Youth and Sport to develop the 2015-2025 National Youth Strategy (NYS) and provide input on the topics of employment and entrepreneurship. The Project is well positioned to share lessons learned on youth employment measures that could improve programing and management of youth projects funded through either domestic or EU sources. At the end of December, the Project shared its concerns with the Ministry about the methodology for the creation of the NYS. Namely, the Project argues that poor research data has informed the content of the Strategy, that there is a lack of clear vision about the role of young people and that this has, in turn, resulted in a low level of youth involvement in the development of the Strategy.

At the end of December 2014, the Association of Young Entrepreneurs of Serbia (AYES) marked one year since its inception. The Association helps young entrepreneurs develop their businesses through trainings, mentorship and networking support, provide information on available funding and advocate for members' interests with policymakers. To mark this one year anniversary, in cooperation with the Dutch based Erasmus Centre of Entrepreneurship, AYES selected the finalists of the "Get in the Ring" program. The activity helps youth-led start-ups connect to knowledge networks and attract funding needed to take the next step in their growth. The winners of the inaugural competition received a space in AYES's business incubator, affording youth-led companies a place to expand their business and develop new ideas.

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 dialogue and cooperation between the private and education sectors

During the reporting period, the Project completed work fostering open and constructive dialogue between the private and education sectors. SLDP previously approved a \$60,000 grant to the Belgrade Open School (BOS) to establish and improve cooperation 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.

Through the grant, BOS organized three consultative workshops between business and education stakeholders in Prijepolje, Subotica and Vranje. The joint workshops gave stakeholders an opportunity to discuss their positions in matters of vocational education and business cooperation. The idea behind the workshops was that such discussion could lead to the improvement of understanding between stakeholders and possibly alleviate misconceptions. BOS previously held two career guidance trainings for representatives of various Vranje and Subotica VET schools, while a final third training was completed in Prijepolje in October. The trainings served to build the skills of local school representatives in innovative curricula responsive to the demands of local and regional businesses, stressing the importance of linking local industries to school capacities in order to create a productive, qualified workforce. As a final product of the grant activity, BOS completed a general guide to improve cooperation between vocational schools and the private sector. The guide presents labor market supply and demand across the three IMC Areas and examines the labor needs of key sectors. The guide further analyzes the roles of all parties involved (schools, companies, local government, pupils, parents, local media, and other entities) and proposes ways to improve communication and cooperation. In November, the publication was handed-over to Prijepolje, Subotica and Vranje school representatives at closing meetings; as Component 3 has completed activities the hope is that such a guide will assist school management throughout Serbia in creating an enrollment policy in accordance with the needs of local and regional labor markets.

In October, as a result of the Project and BOS efforts to improve cooperation between businesses and educational institutions, the Italian shoemakers GEOX and the School for Chemistry and Technology (SCT) in Vranje signed a Memorandum of Understanding. The agreement aligns school curriculum with private sector needs and improves the knowledge and skills of graduating students to better prepare them for the labor market. Specifically, as there is a deficit of footwear leather tailors in the region, BOS linked GEOX, which is building a footwear factory in Vranje, with the SCT to jointly define curricula leading to more skilled students. The Memorandum stipulates that Geox will organize and finance on-the-job trainings for students of the SCT and teach them how to work with leather; conversely, the best students will have an opportunity to get jobs at the new Geox factory after their graduation.

3. SIGNIFICANT CHALLENGES ENCOUNTERED AND ACTIONS TAKEN

Challenge: Although 15 greenhouses were installed as part of the Youth Horticultural Incubators in the Zrenjanin-led IMC Area, they were not operational during 2014. The LG did not carry out its obligations regarding the provision of necessary infrastructure for the greenhouses. Water supply and electricity connections for crop irrigation have not yet been thus greenhouse tenants cannot begin production.

Action Taken: The Project's in-house agribusiness specialist coordinated with Zrenjanin stakeholders and during the reporting period, the Zrenjanin Government took the necessary steps to resolve the problems. A water supply network and access roads for each greenhouse have been set up. An agreement was reached with the power supply company and the greenhouses are now fully powered. In March 2015, work began on the water drainage network around the greenhouses, as has the installation of fences around the incubators.

4. HIGHLIGHTS OF ACTIVITIES PLANNED FOR FY2015 Q3

Component 1:

- Finalizing trainings on the development of an FDI Monitoring and Evaluation tool
- Developing a prefeasibility studies for the Kanjiza, Kraljevo and Novi Becej industrial zones
- Investment road show in Czech Republic
- Inward buyers mission
- Development of new product within the Vojvodina Metal Cluster
- Procurement of the Ozone Technology Machine for Novi Pazar Denim Jean Manufacturers
- Pushing the CEVES Report methodology and conclusions to higher levels of GOS policy-making

Component 2:

- Additional strengthening of the all 8 IMCs in establishing fully fledged one-stop-shop procedures
- Organizing two regional workshops on construction permitting
- Supporting establishment of regional Local Economic Policy Institute in Nis
- Supporting establishment of the Ozone finishing facility in Novi Pazar

ANNEX A – ACCRUALS (October 1, 2014 – March 31, 2015)

ANNEX B – FY15 QUARTER 1 AND 2 EVENT & MONITORING PLAN

Quarterly Event and Monitoring Plan

Sustainable Local Development

First Quarter (October 1- December 31), FY 2015

Event Type	Location	Planned Representational Level	Actual Representational Level	Days	Start	End	Monitoring Plan	Monitoring Date	October				November				December						
									W1	W2	W3	W4	W1	W2	W3	W4	W1	W2	W3	W4			
SEEDEV Workshops on comparative advantages of each IMC and ways to improve agribusiness competitiveness	Nis and Novi Pazar	none	none	2	October 1	October 2			■														
Innovation Study Tour to Czech Republic	Ostrava	none	none	3	October 6	October 8				■													
Belgrade Open School workshop with Vocational Education School	Prijepolje	none	none	2	October 10	October 11				■													
COP meeting with Mayor of Zrenjanin, to discuss Horticulture Incubator Program	Zrenjanin	none	none	1	October 14	October 14					■												
Foreign Direct Investment Coaching Workshop	Zlatibor	none	none	3	October 22	October 24					■												
MoU signing - shoemakers GEOX and the School for Chemistry and Technology to align school curriculum with private sector needs	Vranje	MD	MD	1	October 23	October 23					■												
Attending to Global Connect fair in Stuttgart	Stuttgart	none	none	5	November 2	November 6						■											
NALED presentation of case studies on the returns and losses incurred by local governments through privatization	Belgrade	EGO Director, COR	EGO Director, COR	1	November 3	November 3						■											
Furniture sector STTA Jeff Baron selects potential companies to attend fair in January	Vranje, Novi Pazar and Nis IMC Areas	none	none		November 2	November 13						■	■										
Footwear sector STTA Jordan Saliman visits local firms to assist with market outreach	Vranje and Novi Pazar IMC Areas	none	none		November 8	November 16							■										
First Business Retention and Expansion trainings	Nis	none	none	3	November 17	November 19								■									
FDI Attraction - assessment of industrial properties being offered to investors and review of promotion materials	Subotica, Zrenjanin, Novi Pazar and Kraljevo IMC Areas	none	none	5	November 24	November 28												■					
Nis ICT Cluster Academy Graduation Ceremony	Nis	Ambassador, COR	Ambassador, COR	1	November 25	November 25													■				
Local presentation of final results of SEEDEV's agribusiness competitiveness analysis	Sombor	COR	none	1	November 28	November 28													■				
Denim STTA Margaret Bishop holds final Quality Control Training	Novi Pazar	none	none	4	December 3	December 6														■			
Agribusiness Study Tour to Czech Republic	Olumouc	none	none	5	December 7	December 12															■		
Novi Sad ICT Cluster Academy Graduation Ceremony	Novi Sad	MD, COR	MD, COR	1	December 10	December 10															■		
Local presentation of final results of SEEDEV's agribusiness competitiveness analysis	Kikinda	COR	COR	1	December 15	December 15																■	
Second Business Retention and Expansion training	Andrevlje	none	none	3	December 15	December 17																	■
Local presentation of final results of SEEDEV's agribusiness competitiveness analysis	Nis	COR	none	1	December 22	December 22																	■
Three Novi Pazar-led IMC Area denim companies open joint retail store in Belgrade	Belgrade	none	none	1	December 25	December 25																	■

Quarterly Event and Monitoring Plan

Sustainable Local Development

Second Quarter (January 1- March 31), FY 2015

Quarterly Event and Monitoring Plan																						
Sustainable Local Development																						
Second Quarter (January 1- March 31), FY 2015																						
Event Type	Location	Planned Representational Level	Actual Representational Level	Days	Start	End	Monitoring Plan	Monitoring Date	January				February				March					
									W1	W2	W3	W4	W1	W2	W3	W4	W1	W2	W3	W4		
Factoring workshop for interested local business from the Nis and Vranje –led IMC Areas	Nis	none	none	1	January 9	January 9																
Three companies from Project partner municipalities attended the IMM Cologne furniture fair and participate in three-day workshop organized in cooperation with Switzerland Global Enterprise (SIPPO)	Cologne	none	none	5	January 17	January 22																
Local presentation of final results of SEEDEV's agribusiness competitiveness analysis	Novi Pazar	none	none	1	January 27	January 27																
Third Business Retention and Expansion training	Zlatibor	COR	COR	2	January 29	January 30																
Meetings with SIEPA, SCC with Project competitiveness expert to asses Serbian FDI Monitoring and Evaluation (M&E) practices	Belgrade	none	none	1	January 29	January 29																
Final Foreign Direct Investment Coaching Workshop	Vrnjacka Banja	none	none	2	February 4	February 6																
B2B meeting between successfully privatized companies and brownfield entities to be privatized.	Apatin	none	none	1	February 6	February 6																
Representative of the Tutin Local Economic Development Office attend the Biofach Organic Food Fair	Nurnberg	none	none	4	February 11	February 14																
Project supports promotion of Uzice-led IMC Area Mountain Breakfast at Belgrade Tourism Fair	Belgrade	none	none	5	February 19	February 23																
Regional workshops in Nis to prepare local governments (LG) for new, unified, construction permitting procedures.	Nis	none	none	1	February 23	February 24																
Workshops bringing scientific institutions and businesses together to emphasize innovation as a way to expand local Small and Medium-sized Enterprises (SME)	Nis	none	none	1	February 24	February 24																
Regional workshops in Novi Sad to prepare local governments (LG) for new, unified, construction permitting procedures.	Novi Sad	none	none	1	February 26	February 27																
Presentation on private sector competitiveness and growth at Kopaonik Business Forum	Kopaonik	Ambassador, COR	Ambassador, COR	1	March 4	March 4																
Second workshops bringing scientific institutions and businesses together to emphasize innovation as a way to expand local Small and Medium-sized Enterprises (SME)	Novi Sad	none	none	1	March 5	March 5																
International footwear expert, Mr. Jordan Saliman, visits Serbian shoemakers to prepare local shoe manufacturers for international clients.	Novi Pazar and Vranje	none	none	10	March 9	March 20																
Competitiveness expert Mr. Ewan Peters holds workshops to assess Serbian FDI Monitoring and Evaluation (M&E) practices and develop a national investment tracking system	Belgrade	none	none	2	March 12	March 13																
Final Business Retention and Expansion training	Kovacica	none	none	3	March 16	March 18																

ANNEX C – STATUS OF PMP INDICATORS

This Annex to the Semi-Annual Report #8 provides the PMP status of the Project’s performance indicators as of March 31, 2015. It covers the project implementation for the period of October 1, 2014 – March 31, 2015. The structure of the PMP for the Sustainable Local Development Project and the current status of the indicator are presented in the table below:

Table 1. Status of SLDP Indicators

Level	Indicator	LOP target	March 2015 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	5,013
	2. Economic impact of the Project-supported activities in IMC areas.	\$238 million	\$150.9 million (and \$250 million expected, based on new investment contracts)
	2.a. 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)		\$19.2 million
	2.b. Dollar value of direct investment associated with the inter-municipal economic development projects		\$131.7 million (and \$250 million expected)
OUTCOME / OUTPUT	3. Number of inter-municipal economic development projects implemented, which meet the critical path milestones	20	20
	4. Number of business friendly municipalities	17	25
	5. Number of municipalities that have established or improved management practices	32	31
	6. Number of PPPs created in the delivery of public services	7	7
	7. 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	1,234
	8. Number of major infrastructure inter-municipal projects assisted in the process of applying for the EU and GOS financing	5	9
	9. Number of locally elected and appointed officials, CSO members, media and the business community trained	1,750	2,753
	10. Number of corporate social responsibility initiatives supported	4	4
	11. Number of initiatives involving dialogue between the public, private and civil sectors	58	54
	USAID Sub IR 2.2.1.1 Number of Business Services increased in Targeted Regions	8	8
	USAID Sub IR 2.2.2.2 Number of USAID Client SMEs Receiving Capacity Building Assistance to Export (Standard PPR)	N/A	48

Detailed Report on the Status of Indicators

Indicator	LOP target	March 2015 status
1. Number of business-sector jobs created in participating municipalities as a result of the Project's IMC activities	2,000	5,013

Definition: Business sector jobs created in partner cities/municipalities as a result of Project efforts to develop and implement business opportunities and to engage private and public sectors. The indicator will capture the following:

(a) Jobs created as a result of the private sector investments and jobs created as a result of increased revenues of the private sector, due to Project assistance.

(b) Jobs found by young people assisted by the Project. The Project will provide intensive assistance to approximately 1,050 young people, and it is expected that 450 of them will be hired by the end of Project implementation.

Status: 559 new jobs were created in this reporting period / 5,013 since the beginning of the Project

Comments and Project's contribution in the reporting period:

- an additional 28 youths employed from On-the-Job Trainings completed in 2014;
- 16 employed in member firms of NiCAT and 12 of VOICT after internship programs;
- 31 in the Zrenjanin-led IMC Area agriculture incubators;
- 86 new jobs as a result of realized investments in the reporting period;
- an increase of employment by 386 in 48 firms in business sectors supported by the Project in 2014.

Cromer Group conducted an ex-post research of the status of youth employment six months after completion of the On-the Job training program, and found that in this reporting period additional **28 young people** were employed as a result of the OTJ activity, adding to the total of 84 new jobs created.

As a result of the previously established cooperation with two regional IT industry business clusters, the Vojvodina ICT Cluster and the Nis Cluster of Advanced Technologies (NiCAT), in the Novi Sad and Nis-led IMC Areas, a total of **28 students found new employment**. The comprehensive vocational program was based on ICT companies needs that would bridge the gap between workforce knowledge and employers' needs, and 57 students successfully graduated from the program.

The investments in the cities of Nis, Leskovac, Subotica, Novi Sad and Zrenjanin, and municipalities of Beocin, Doljevac, Novi Becej, Priboj, Merosina and Kanjiza resulted in the employment of 3,985 people, mostly in foreign companies who began their business operations in Serbia. In the reporting period **number of new employments has increased by 86**. This figure is based on the amounts reported by LED offices, and estimated level of attribution of the Project assistance to these local governments' capacities to create business friendly environment, upgrade local services and capacities, learn how to present local business sector and resources, and negotiate investment conditions. For more information about Project's attribution see Indicator 2 below.

After surveying firms that receive direct and indirect support from the Project in the food production (FTP Leskovac), footwear (Novi Pazar and Vranje), furniture (Uzice, Nis), ICT (NiCAT), metal (VMC), and textile/denim (Novi Pazar) sectors, a total of 48 firms reported an increase in the number of employees. An additional **386 new jobs were created in 2014**.

Indicator	LOP target	March 2015 status
2. Economic impact of the Project-supported activities in IMC areas.	\$ 238 million	\$150,9 million (and \$250 million expected, based on new investment contracts)

Definition: This indicator measures the economic impact of the Project’s activities on private sector expansion by presenting the cumulative volume of new direct investments and increased business revenues in sectors assisted by the Project. It will consist of two sub-indicators:

2.a. Volume of revenues of companies in sectors supported by the Project. The indicator will measure the change in annual revenue of businesses in IMC areas, sectors and sub-sectors of economy that participate in and benefit from the Project-supported activities. Businesses are legal entities registered in the Republic of Serbia. They can belong to categories of entrepreneurs, agriculture producers, small and medium enterprises or large enterprises, as defined by local categorization.

2.b. Dollar value of direct investment associated with the inter-municipal economic development projects, undertaken with the Project’s support. Greenfield and Brownfield investment, and investments into expansion of capacities of any parts in value chains supported by the Project will be counted. Both investments from the private and public sectors will be counted.

Status: The economic impact of Project-supported activities since the beginning of implementation is estimated at **\$150.9 million, and another \$250 million is expected**, based on new investment contracts.

2.a. Status of business revenues: \$19,159,558 since the beginning of Project implementation / \$17,869,558 in 2014.

The Project conducted a survey among businesses and business clusters that received support from the Project in late 2013 and during 2014. Data was collected from 48 firms, which reported growth of business revenues by \$17.87 million in 2014, if compared with the previous year. The collected data are based on figures provided by firms and business clusters by email and telephone, and are available in *Table 3, page 14 of Annex C*.

A complete analysis of the revenues of companies in sectors supported by the Project will be provided in June 2015, when data will be available from the Agency for Business Registries of the Republic of Serbia.

2.b. Status of new investments:

Since the beginning of the Project: \$131,727,525 of realized private and public investments (\$112,652,282 from private and \$19,075,243 from public sector);

In addition, investments worth \$250 million are expected, based on contracts signed.

During the reporting period October 2014 – March 2015: \$10,859,963 of realized private and public investments, and 156,562,396 of newly expected investments)

Table 2. Summary of realized and committed investments in the Project's partner municipalities

Investments (€)				# of Jobs as Result of Investment			
Realized		Committed		Created		Expected	
Private	Public	Private	Public	Private	Public	Private	Public
TOTAL, reported by the partner cities and municipalities:							
\$165,134,620	\$19,666,200	\$298,623,250	\$5,274,473	5,439	0	10,957	0
Attributable to the Project – total since the beginning of the Project implementation:							
\$112,652,282	\$19,075,243	\$250,737,539	\$3,471,824	3,985	0	9,180	0
Attributable to the Project – period October 2014 – March 2015							
\$10,826,828	\$33,135	\$155,083,160	\$1,479,237	86	0	1,235	0

Details about individual investments are available in Table 4, on page 16 of this Annex.

Comments and Project's contribution to 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 two-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.

Scope and chronology of the Project's business sector assistance in the reporting period:

March 2015:

- The Project holds business-to-science workshops to promote innovation as a way to expand local small and medium-sized enterprises (SMEs). As a result, the Kraljevo 3D IMPuls Printing Center has become a member of the Vojvodina Metal Cluster (VMC); already some of the over 100 members of the VMC have made sample orders from the IMPuls Center.
- In preparation for an inward buying mission, to be organized in April, the Project's international footwear expert, Mr. Jordan Saliman, visited Serbian shoemakers to prepare local shoe manufacturers for international clients. Mr. Saliman visited six Novi Pazar-led Inter-Municipal Cooperation (IMC) Areas shoe companies and seven Vranje-led IMC Area firms and presented footwear that potential buyers are looking for.
- Final, fourth, Business Retention and Expansion training held. LG representatives summed up knowledge gained at the previous workshops and created 'business offering packages' for existing private sector firms in their regions.
- Project STTA, Mr. Peter Furth, recommends ways to expand production and develop a regional center for the collection and processing of non-timber forest products. A draft business development plan to help Tutin

establish a drying and primary processing facility, within the recently founded Agro-Tutin public-private partnership, also presented.

- Project launches web-portal, “Grow South” (www.rastjuga.rs). The site is a part of the Food Processing Support Center in Nis, and helps grow the regional agribusiness sector by serving as an information database and focal point in the provision of services to local farmers, food processors, buyers of agri-food products, and potential investors.

February 2015:

- Footwear STTA visits shoe manufacturers in the Vranje and Novi Pazar –led IMC Areas to develop sample products for buyers as well as improve footwear offers and marketing techniques for an inward buyers mission.
- To expand export and ecologically upgrade Novi Pazar-led IMC Area’s denim production, Project supports establishment of a new non-profit association ‘PRO-DENIM,’ by six local firms, to enable joint use of innovative ozone-based technology for jeans finishing.
- Project helps partner Zlatibor RDA, representatives of regional hotels and tourist organizations introduce new local gastronomic brand, the “Mountain Breakfast”, at Belgrade International Tourism Fair. The Project assists with the branding of local food products in an effort to grow the local, tourism-based, economy and to help small local producers sustainably connect with the regional tourism industry.
- To assist Novi Pazar-led IMC Area non-timber forest fruit industry expand market, Project supports visit to Biofach Organic Food Fair, in Germany. Participants learned of the latest market trends and confirmed that there is significant demand for organic herbs and forest fruits.

January 2015

- The Project supported three furniture companies in attending the IMM Cologne furniture fair. Prior to the fair, the companies participated in a three-day workshop organized in cooperation with Switzerland Global Enterprise (SIPPO), where international consultants taught participants about efficient marketing strategies, latest sales trends, international furniture sector best practices and European business etiquette.
- After viewing the Project created serbianshoes.com website, the Czech Dovolena Company has bought an initial order of eleven sample shoe models from three footwear producers in Vranje and one in Nis to test these facilities and shoe quality.
- Over 40 companies attend a Project and BEP organized factoring workshop for interested local business from the Nis and Vranje –led IMC Areas. Factoring Agency and Bank representatives provided information about the function of factoring. As Serbia has a volatile business climate factoring allows companies to: increase their liquidity, ease cash flow management and improve credit ratings.
- Through a Project grant, the Zlatibor RDA holds workshops to develop unique culinary menus specific to the Zlatibor, Zlatar and Tara mountain resorts. The activity aims to brand local food products and thus grow the local, tourism-based, economy and help small local producers sustainably connect with the regional tourism industry.

December 2014:

- Third Business Retention and Expansion skills workshop held. LG representatives learned how to collect and analyze statistical and macro-economic data about businesses, industries and economic conditions.
- Project helps three Novi Pazar–led IMC Area denim companies, Brug, Classix and Exact Jeans, to open a joint retail store in Belgrade’s Stadion Shopping Mall.
- The Project, in partnership with the Center for Advanced Economic Studies (CEVES), completes comprehensive study on Serbian private sector performance. The Report measures the potential of Serbia’s various SME sectors to competitively expand. The Report will help policymakers select interventions that can assist the private sector develop sustainably.

November 2014:

- Second Business Retention and Expansion skills workshop held. LG representatives learned the most useful skills and instruments available to LED Offices for supporting the private sector and investors during the establishment and expansion of businesses.

October 2014:

- Project holds the first Business Retention and Expansion skills trainings for LED practitioners. LG learned about the most important regulations effecting the operations of existing business and how these regulations impact the attraction of new investments.

- The Project supported a best-practice study tour by three representatives of Kraljevo's Business Innovation Center "ImPuls" to the Czech Republic. The tour presents the latest trends and innovations that can help ImPuls grow its business in 3D printing.

Scope and chronology of the Project's FDI attraction assistance in the reporting period:

March 2015:

- The Project and consulting company Development Consulting Group launch an internet platform to promote brownfield locations in all 32 Project partner municipalities. The portal (<http://www.brownfieldserbia.com>) contains all relevant financial and business data about targeted companies, helping potential investors decide where to invest their capital.
- The Project holds several roundtables in an effort to develop a national FDI Monitoring and Evaluation (M&E) tracking system. Serbia currently does not possess a unified, updated and central investment M&E mechanism that would maximize the impact of limited state resources available for investment attraction support.

February 2015:

- Final training held within the second round of the FDI Coaching Program. The workshop focuses on negotiating and preparing for investor visits and developing tailor-made proposals.
- The Project, in partnership with agribusiness consulting firm SEDEV, completes agricultural competitiveness analysis of 15 municipalities across four IMC Areas. The studies examine several indicators which have the most influence on the level of competitiveness and attractiveness for investors and helps LGs set up guidelines for strategic planning, improve usage of existing resources and target areas for investments.
- Project supports business-to-business exchange of privatization experiences through meetings between successfully privatized companies and to be privatized brownfield entities.

December 2014:

- The Project supports 20 LED practitioners and agriculture specialists, from 11 partner municipalities, to go on a study tour to the Czech Republic, to learn best practice approaches in attracting foreign investment. Participants met foreign investors to find out the key factors which influenced their decision to bring their businesses to that particular community. Representatives also completed the third FDI attraction workshop, with a special focus on location selection, use of promotion activities to attract investors and creation of customized investment offers.
- Within the FDI Coaching Program, the Project helps all 32 partner local governments market their investment opportunities to investors. Targeted companies from Europe were selected in sectors that correspond to each municipality's competitive advantage. The Project assisted local governments to contact over 140 potential investors from select sectors (electronics and modern technology, food processing, wood processing and furniture, textile, metal and automotive industries) and present the economic and investment opportunities in Serbia.

November 2014:

- As part of the FDI coaching program, the Project supported the participation of seven municipalities at the Global Connect Forum in Stuttgart, Germany. Local Economic Development (LED) Office professionals from Nis, Novi Sad, Subotica, Cacak, Leskovac, Vranje, and Zrenjanin, and a Vojvodina Investment Promotion fund representative presented their communities to investors who are considering expanding operations to Serbia.

October 2014:

- FDI coaching workshop held, attended by Subotica, Zrenjanin, Novi Pazar and Kraljevo -led Inter-Municipal Cooperation (IMC) Areas, as well as the Nis Agricultural Department. The second workshop, titled "Developing Tailor-Made Proposals for Investors," teaches LED office representatives how to attract investors by utilizing their communities' comparative advantages and developing proposals for investors.

Indicator	LOP target	March 2015 status
3. Number of inter-municipal economic development projects implemented that meet the critical path milestones	20	20

Definition: An inter-municipal economic development project is defined as a business opportunity identified and implemented in the Project supported IMC areas that engage the private, public and civil sectors in order to create jobs. (For more on the indicator definition see Revised PMP, dated April 15, 2013)

Status: Within eight New Criteria Programs, there are 20 IMC economic development projects in different stages of implementation.

Comments: The list of IMC economic development projects is as follows:

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	LOP target	March 2015 status
4. Number of business friendly municipalities	17	25

Definition: Number of municipalities with NALED’s business friendly certificate at the end of the project implementation, including the following:

- (a) At least 17 participating local governments assisted in achieving business friendly standards by the Project. This means that the Project provided technical assistance and the LG successfully responded to at least one NALED’s recommendation, resulting in meeting at least one additional BFC criterion.
- (b) At least 17 local governments in Serbia are certified and/or re-certified after the Project completion. Certification and re-certification attained through NALED's Business-Friendly Certification program.

Status: 25 municipalities were assisted by the Project in BFC process since the beginning of the Project implementation.
At the time of reporting, 9 Serbian municipalities have valid BFC certificates from NALED, and 11 municipalities are in the process of certification or re-certification.

Comments and Project’s contribution

The Project provided direct technical assistance for achieving BFC standards and FDI coaching to 25 partner municipalities.

Indicator	LOP target	March 2015 status
5. Number of municipalities that have established or improved management practices.	32	31

Definition: The number of local governments that manage assets more sustainably, practice good governance techniques and have integrated business-related service initiatives into IMC development plans and projects.

In practice, any municipality that made at least three of the following improvements will be counted:

- 1) improved asset management (if a local government replicated Uzice best-practices through mentoring)
- 2) improved management and monitoring of public utility companies
- 3) inventory, prioritization and commercialization of brownfield investments
- 4) improvements made by municipalities in accordance with the BFC standards (if there is at least one improved capacity, measured by the BFC criteria)
- 5) established/supported business related services/procedures (including agribusiness) (if a local government supported the establishment of a mechanism that helps business sector to grow).

Status: By September 2014, a total of 31 local governments were assisted in their efforts to improve at least three of the above listed management practices.

Comments and Project’s Contribution

An overview of the capacity building activities can be found in *Table 5, on page 21 of this Annex.*

Indicator	LOP target	March 2015 status
6. Number of PPPs created in the delivery of public services	7	7

Definition: A Public-Private Partnership (PPP) is a cooperative venture between the public and private sectors that meets clearly defined public needs through an appropriate allocation of responsibilities, resources, risks and rewards among the partners. A PPP must involve some measurable private partner contribution to the cooperative venture in terms of cash contributions, monetized in-kind contributions, and/or non-cash leverage.

Status: Two PPPs initiated in this reporting period / Seven since the beginning of the Project.

Comments and Project's Contribution

1) In February 2015, the Project supported the establishment of a regional think-tank founded by the University of Nis, Regional Chamber of Commerce in Nis and representatives of four local leading industrial sectors (the automotive, IT, mechanical engineering and agro-industrial sectors). The Project signed an MoU with University of Nis, outlining the basic steps in the design of this new public-private partnership initiative. As companies that comprise the abovementioned four sectors lack accurate and tailor-made comparative aggregated and disaggregated data for investments, imports, exports, labor, newly established companies etc., the University of Nis has decided to establish a PPP association with private companies and the Regional Chamber of Commerce in the form of a think tank. The Center for Cooperation with Businesses will engage more than 100 of the most important companies from the four strategically important sectors in the Nis –led IMC Area. Then, based on monthly financial and other business related data collected from said companies, the Center will create tailor-made (for member companies), as well as general, strategic analyses, economic forecasts and economic reviews. Additionally, a set of regional sector-based economic indicators will be developed to assist targeted companies to benchmark their potential for growth and export capacities, enabling them to improve their performance in these segments.

2) Another PPP model developed during this reporting period has been the establishment of an Association in Novi Pazar to jointly utilize an Ozone jean finishing machine, which most likely will encompass representatives from private sector (six most propulsive companies – jeans producers from Novi Pazar), School for Textile Design in Novi Pazar and municipality of Novi Pazar. The activity will improve the environment while increasing the competitiveness of local denim companies. The Ozone-finishing machine will allow denim companies to enter much more demanding markets that seek goods with environmentally friendly characteristics.

Previously, five PPPs were reported: One between the Municipality of Beocin and LaFarge company; two PPPs were established within Youth Development component; two PPPs within the Youth Horticulture Incubator Programs in Zrenjanin-led IMC.

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 (SCC) as the key technical partner for PPP-related issues in 2014. The Project provided assistance opening of the SCC Center for PPPs and Investment Attraction.

Indicator	LOP target	March 2015 status
7. Number of youth with increased competitiveness in the labor market	1,050	1,234

Definition: Young men and women, age 15 to 30, participating in one of the two Project supported activities, aimed at increasing their competitiveness on the labor market:

- (a) a minimum of 250 youth internships piloted and successfully implemented, where at least 30% of targeted interns are involved in the IMC new criteria programs.
- (b) a minimum of 800 youth program participants in Project-supported educational programs.

Status: Since the beginning of the Project, a total of 782 youths participated in the Project-supported educational programs, and 452 internships were implemented with the Project support.

There were no activities related to new training and internship programs for the youth. Cromer Group completed a follow up survey six months after completion of the On-the-job training program, by contacting 166 interns who participated in the program in FY2014, and 84 of them confirmed their employment status in March 2015.

Indicator	LOP target	March 2015 status
8. Number of major infrastructure inter-municipal projects assisted in the process of applying for the EU and GOS financing.	5	9

Definition: A major infrastructure project is defined as "heavy investments, i.e. basic infrastructure, water and waste water systems, solid waste management, or road infrastructure." It also includes business enabling infrastructure, such as brownfields, greenfields, power supply, and gas infrastructure. The Project will provide technical support to at least five such projects on inter-municipal level, in order to improve status of their technical preparedness and increase probability of their financing.

Status: The Project's assistance completed in nine infrastructure inter-municipal projects in the process of applying for EU and GOS financing.

Comments and Project contribution

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 a 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. That project has been entered onto the SLAP database.
2. "Meteris" regional landfill with recycling facilities was developed with the assistance of Project experts, as was a Regional Solid Waste Management Plan. The project has been entered into the SLAP database. Bujanovic added the transfer station project to the SLAP database in March 2015 as part of this Regional Solid Waste Management Project.
3. The Project funded the development of a topographic plan for a Bunusevac IZ bypass road. That project has been entered onto the SLAP database.
4. Work on the Bunusevac IZ continued with the development of detailed infrastructure designs. Designs of roads, water supply and fire protection system, sewerage, rain drainage, electricity supply,

and telecommunication were developed. Project documentation for the IZ was delivered to Vranje on June 5, 2014, and the project has entered onto the SLAP database.

5. In Presevo, the Project completed a pre-feasibility study for the Cukarka Industrial Zone. During the process of developing the pre-feasibility study, the Project discovered that an unsolved land property issue threatens the whole activity. At the time of reporting, the Ministry of Economy has appropriated approximately \$95,000 to the Municipality of Presevo for the construction of a power network to Cukarka IZ. The Project had previously provided legal advice and on-the-job assistance to Presevo on resolving the abovementioned proprietary hurdles related to transfer of the ownership on land from the 'mesna zajednica' (sub municipal level of government) to the Municipality of Presevo.

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. The project has been entered onto the SLAP database.

In the Subotica-led IMC Area:

7. The Project is supporting the development of an Agricultural Educational Center in Sombor. The main design for the reconstruction of 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 was completed in August 2014, with the Center has been completely furnished and equipped.

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

8. Development of a new industrial zone in Beocin. The Project is supporting the development of a new industrial zone in Beocin. The geotechnical report and technical analysis with preliminary cost estimate were completed in January 2014, and detailed designs were developed for all project components: roads, water supply system, sewage system, rain drainage, low pressure gas distribution network and telecommunication. The total value of project documentation is \$58,000 and the documentation was developed by SAFEGE engineering company and delivered to the Municipality of Beocin on May 7th. Construction work on the Industrial Zone is eligible for support by Province of Vojvodina or GoS state funds, and the city is actively engaged in soliciting this support. This project was entered into the SLAP database in October 2014.

9. Development of a new industrial zone in Temerin. A location permit has been issued for an access road. The Geotechnical Report and Geodetic Survey were developed, and a preliminary design and feasibility study have been completed and submitted to the Technical Revision Committee of the Vojvodina Province Government. Meanwhile, after three months, the Serbian Ministry of Construction, Transport and Infrastructure provided comments and suggestions that need to be adopted and included in the Preliminary Design and Feasibility Study. A new version of the Study and Preliminary Design were prepared and submitted in December 2014. After final adoption of the new Study and Preliminary Designs, Main design and design of temporary traffic signals were completed at the end of March 2015. The project was entered onto the SLAP database in February 2015.

Indicator	LOP target	March 2015 status
9. Number of locally elected and appointed officials, CSO members, media and the business community trained	1,750	2,753

Definition: Locally elected and appointed officials, members of CSOs, media and business community participate in any project-sponsored training and/or have their skills/knowledge improved through the technical assistance provided by the Project.

Status: 286 participants attended the Project's training events (121 female participants) during the reporting period on 12 training events. Since the beginning of Project implementation, total participation in Project-sponsored trainings has been 2,753. Out of that number, 1,212 were female participants (44%).

Comments: The complete training database is available upon request.

Indicator	LOP target	March 2015 status
10. Number of corporate social responsibility initiatives supported	4	4

Definition: Number of CSR initiatives supported, demonstrating a sustainable mechanism(s) to monitor and improve local business environment.

Corporate Social Responsibility (CSR) is a company's sense of responsibility towards the community and environment (both ecological and social) in which it operates. The goal of CSR is to embrace responsibility for the company's actions and encourage a positive impact through its activities on the environment, consumers, employees, communities, stakeholders and all other members of the public sphere who may also be considered as stakeholders. Companies express this citizenship through, for example (1) their waste and pollution education processes and (2) by contributing educational and social programs.

Status: Two CSR initiatives completed in this reporting period / four CSR initiatives completed since the beginning of the Project's implementation.

Comments and Project's contribution in FY2015

The concept of ICT Academy was successfully piloted in Nis and Novi Sad ICT Clusters, where member companies invested resources into educational base for young interns and trainees, as well as their company membership dues for the two business associations, the Vojvodina ICT Cluster and the Nis Cluster of Advanced Technologies (NiCAT). These two CSR initiatives resulted with 57 students successfully graduated from the program, and 28 of them found new employment.

Indicator	LOP target	March 2015 status
11. Number of initiatives involving dialog between the public, private and civil sectors	58	54

Definition: This indicator measures initiatives to dialogue with the public, including those not oriented towards job creation. However, as this is an important indicator of LG transparency and accountability the Project will continue to report and follow significant attempts to dialogue with the public (conferences, public hearings etc.). There is a challenge in capturing all initiatives to dialogue with the public, for example in-office visits are very hard to gather due to limited Project and LG resources.

Status: 8 in this reporting period / 54 initiatives since the beginning of Project implementation.

Comments and Project's Contribution

Seven new initiatives are relevant for this reporting period:

1. BOS – signing of MoU between GEOX and School for chemistry and technology in Vranje (dialogue between local government officials, business community and citizens)
2. Two Business to Science seminars to promote innovation as a way to expand small and medium enterprises (in Nis and Novi Sad on February 28 and March 5)
3. NALED – privatization in Serbia case studies presented to representatives of the Serbian Government and business representatives (November 3, 2014)
4. Belgrade International Tourism Fair - Mountain Breakfast Event – February 20 2015, promoting new local gastronomic brand – public discussion
5. CEVES – March 4, 2015 – presenting the research on private sector competitiveness and growth at Kopaonik Business Forum
6. Agriculture Education Center in Sombor, which was opened in September 2014, gathers agriculture producers, support service experts and representatives of local government on various issues.
7. In February 2015, the Project supported the establishment of a regional think-tank founded by the University of Nis, Regional Chamber of Commerce in Nis and representatives of four local leading industrial sectors (the automotive, IT, mechanical engineering and agro-industrial sectors).
8. In March 2015, the Project supported several roundtables in an effort to develop a national FDI Monitoring and Evaluation (M&E) tracking system. Serbia currently does not possess a unified, updated and central investment M&E mechanism that would maximize the impact of limited state resources available for investment attraction support. Policymakers and practitioners, including representatives of the Serbian Chamber of Commerce, Serbian Investment and Export Promotion Agency and Vojvodina Investment Promotion Fund, took part in the workshops.

**Table 4. Overview of Investments in the Project Partner Cities and Municipalities
(and Level of the Project's attribution)**

**Table 5. Overview of Capacity Improvements in Project-assisted Local Governments
in the period January 2011 – March 2015
(PMP Indicator #5)**

Capacity improvement City/ municipality	1. improved <u>asset management</u>	2. improved <u>management and monitoring of public utility companies</u>	3. better managed inventory, prioritization and commercialization <u>of brownfield investments</u>	4. improvements made by municipalities in accordance with the <u>BFC standards</u> (if there is at least one improved capacity, measured by the BFC criteria)	5. <u>established/supported business related services/procedures (including agribusiness)</u> (if a local government supported the establishment of a mechanism that helps business sector to grow).
Vranje	Based on mayor's proposal/request, organized initial training for asset management – as a result, WG for property registering finally has started to work	Within the framework of the asset management training, organizes on-the-job consultation on new legal requirements for establishment of the PUC's evidence on assets.	Prepared inventory of the potential brownfield companies (financial, legal, technical data) to be used as a material for investors' teasers and business offering packages Prepared detailed economic/ financial analyses on unsuccessful privatization of the Vranje Company "Zavarivac" within grant that was provided to NALED.	FDI coaching improved municipal capacity for targeted marketing.	Strengthened capacities of the LEDO and municipal officials in investment attraction and retention – through SCTM training and distance learning training.
Bujanovac	Provided support in resolving legal deficiencies in assigning land lot for construction of the Economics Faculty (financed through EU grant)	Within the framework of the asset management training, organized on-the-job consultation on new legal requirements for establishment of the PUC's evidence on assets.	On-going support in marketization of the "Vrelo Prohorovo" Bujanovac Spa	Support provided in data basis development, investment brochure preparation, changing web page structure, improving technique for distribution of investment promotion materials and establishment of the one-stop shop for construction permitting. Bujanovac successfully passed evaluation phase in BFC in July 2013. FDI coaching improved municipal capacity for targeted marketing	Strengthened capacities of the LEDO and municipal officials in investment attraction and retention – through SCTM training and distance learning training
Preševo	Based on request from Presevo municipal administration provided training for implementation of the Law and Rulebook on Legalization – as a result, municipal administration more efficiently provide legalization services to businesses and citizens	Within the framework of the asset management training, organized on-the-job consultation on new legal requirements for establishment of the PUC's evidence on assets	Established web site which will serve for marketization and promotion of all interesting brownfield projects in all 32 cities and municipalities.	FDI coaching improved municipal capacity for targeted marketing	Strengthened capacities of the LEDO and municipal officials in investment attraction and retention – through SCTM training and distance learning training Support to Presevo LEDO to initiate policy activity and change Law on pastures in order to allow for establishment of the new industrial

Capacity improvement City/ municipality	1. improved <u>asset management</u>	2. improved <u>management and monitoring of public utility companies</u>	3. better managed inventory, prioritization and commercialization <u>of brownfield investments</u>	4. improvements made by municipalities in accordance with the <u>BFC standards</u> (if there is at least one improved capacity, measured by the BFC criteria)	5. <u>established/supported business related services/procedures (including agribusiness)</u> (if a local government supported the establishment of a mechanism that helps business sector to grow).
					zone in Presevo.
Vladičin Han	Resolving proprietary issues in providing land lot for German investor (led bulbs); mentored by Uzice in introducing modern asset management practices	Within the framework of the asset management training, organized on-the-job consultation on new legal requirements for establishment of the PUC's evidence on assets.	On-going technical assistance in resolving proprietary issues / obstacles to marketization of the brownfield projects Prepared inventory of the potential brownfield companies (financial, legal, technical data) to be used as a material for investors' teasers and business offering packages	SCTM provides support to LEDO (TA within SLD grant) to improve quality of the databases (greenfield, brownfield), promotional materials and techniques for targeting potential investors and strategies for communication with existing businesses.	Strengthened capacities of the LEDO and municipal officials in investment attraction and retention – through SCTM training and distance learning training
Niš	Analyses of the opportunities for new investments on land lots used by three companies in financial difficulties Support to establishment of the production/educative grapefruit center in a form of PPP	TA provided - management practices aligned with new regulatory framework (quarterly reporting, performance indicators, and more transparency and clearer criteria for subsidizing PUCs).	For three brownfield projects action plans developed, most important institutional and legal issues resolved and process of promotion and marketization initiated.	FDI coaching improved municipal capacity for targeted marketing	Strengthened capacities of the LEDO and municipal officials in investment attraction and retention – through SCTM training and distance learning training; Supported by NALED in development of the PPP project initiative (establishment of the Fruit Growing Regional Research and Development Center)
Leskovac	Analyses of the opportunities for new investments on land lots used by three companies in financial difficulties		Teasers provided for three companies and/or part of the companies in Leskovac (Nevena, agricultural land in Nevena and Danilo Boskovic).	Support provided in preparing presentation for BFC verification visit. Leskovac was awarded BFC in march 2014.	Strengthened capacities of the LEDO and municipal officials in investment attraction and retention – through SCTM training and distance learning training
Gadžin Han	Support in institutional set-up for property inventorying; mentored by Uzice in introducing modern asset management practices	TA provided - management practices aligned with new regulatory framework (quarterly reporting, performance indicators, and more transparency and clearer criteria for subsidizing PUCs).	Prepared inventory of the potential brownfield companies (financial, legal, technical data) to be used as a material for investors' teasers and business offering packages.		Strengthened capacities of the LEDO and municipal officials in investment attraction and retention – through SCTM training and distance learning training
Doljevac	Support for institutional set-up for	TA provided - management practices	Prepared inventory of the potential	FDI coaching improved municipal	Strengthened capacities of the LEDO

Capacity improvement City/ municipality	1. improved <u>asset management</u>	2. improved <u>management and monitoring of public utility companies</u>	3. better managed inventory, prioritization and commercialization <u>of brownfield investments</u>	4. improvements made by municipalities in accordance with the <u>BFC standards</u> (if there is at least one improved capacity, measured by the BFC criteria)	5. <u>established/supported business related services/procedures (including agribusiness)</u> (if a local government supported the establishment of a mechanism that helps business sector to grow).
	property inventorying. Support to establishment of the Agricultural/Greenmarket Center in Pukovac as a potential PPP	aligned with new regulatory framework (quarterly reporting, performance indicators, and more transparency and clearer criteria for subsidizing PUCs).	brownfield companies (financial, legal, technical data) to be used as a material for investors' teasers and business offering packages.	capacity for targeted marketing	and municipal officials in investment attraction and retention – through SCTM training and distance learning training; Supported by NALED in development of the PPP project initiative (Regional Market Center)
Merošina	Support for institutional set-up for property inventorying; mentored by Uzice in introducing modern asset management practices	TA provided - management practices aligned with new regulatory framework (quarterly reporting, performance indicators, and more transparency and clearer criteria for subsidizing PUCs).	On-going technical assistance in resolving proprietary issues / obstacles to marketization of the brownfield projects	SCTM provides support to LEDO (TA within SLD grant) to improve quality of the promotional materials and techniques for targeting potential investors. FDI coaching improved municipal capacity for targeted marketing.	Strengthened capacities of the LEDO and municipal officials in investment attraction and retention – through SCTM training and distance learning training
Novi Sad	Support for institutional set-up for property inventorying.	TA provided - management practices aligned with new regulatory framework (quarterly reporting, performance indicators, and more transparency and clearer criteria for subsidizing PUCs).		SCTM provides support to LEDO (TA within SLD grant) to adequately identify and implement PPP projects. FDI coaching improved municipal capacity for targeted marketing.	Strengthened capacities of the LEDO and municipal officials in investment attraction and retention – through SCTM training and distance learning training
Temerin	Support to establishment of the one-stop-shops in line with new legal requirements (training and on-the-job consultations provided)			FDI coaching improved municipal capacity for targeted marketing.	Strengthened capacities of the LEDO and municipal officials in investment attraction and retention – through SCTM training and distance learning training
Beočin	Initial support for institutional set-up for property inventorying.			Support provided in data basis development and preparing Business Attitude Survey. FDI coaching improved municipal capacity for targeted marketing	Strengthened capacities of the LEDO and municipal officials in investment attraction and retention – through SCTM training and distance learning training On-going support in implementation of the IZ (PPP with Lafarge) – resolving proprietary issues and development of the planning

Capacity improvement	1. improved <u>asset management</u>	2. improved <u>management and monitoring of public utility companies</u>	3. better managed inventory, prioritization and commercialization <u>of brownfield investments</u>	4. improvements made by municipalities in accordance with the <u>BFC standards</u> (if there is at least one improved capacity, measured by the BFC criteria)	5. <u>established/supported business related services/procedures (including agribusiness)</u> (if a local government supported the establishment of a mechanism that helps business sector to grow).
City/ municipality					documents
S. Karlovci	Support to establishment of the one-stop-shops in line with new legal requirements (training and on-the-job consultations provided)			FDI coaching improved municipal capacity for targeted marketing.	Strengthened capacities of the LEDO and municipal officials in investment attraction and retention – through SCTM training and distance learning training
Novi Pazar	Support for institutional set-up for property inventorying; mentored by Uzice in introducing modern asset management practices	TA provided - management practices aligned with new regulatory framework (quarterly reporting, performance indicators, and more transparency and clearer criteria for subsidizing PUCs).	On-going technical assistance in resolving proprietary issues / obstacles to marketization of the brownfield projects	SCTM provides support to LEDO (TA within SLD grant) to improve quality of the databases (workforce, companies, available greenfield and brownfield locations), promotional materials and techniques for targeting potential investors	Strengthened capacities of the LEDO and municipal officials in investment attraction and retention – through SCTM training and distance learning training, Support to City to efficiently address imminent waste water challenge with denim producers (pre-treatment facility installation)
Sjenica	Support for institutional set-up for property inventorying	TA provided - management practices aligned with new regulatory framework (quarterly reporting, performance indicators, and more transparency and clearer criteria for subsidizing PUCs).		SCTM provides support to LEDO (TA within SLD grant) to improve quality of the promotional materials and techniques for targeting potential investors	Strengthened capacities of the LEDO and municipal officials in investment attraction and retention – through SCTM training and distance learning training
Tutin	Support for institutional set-up for property inventorying	TA provided - management practices aligned with new regulatory framework (quarterly reporting, performance indicators, and more transparency and clearer criteria for subsidizing PUCs).		Strengthening capacities of the Tutin to apply for BFC was made through first phase of the PPP project developed by NALED.	Strengthened capacities of the LEDO and municipal officials in investment attraction and retention – through SCTM training and distance learning training Supported by NALED in development of the PPP project initiative (purchasing, processing and packaging of the forest fruit, mushrooms and medical herbs)
Kraljevo	Support for institutional set-up for property inventorying	TA provided - management practices aligned with new regulatory	Teasers provided for two companies and/or part of the companies in	Support provided in data basis development, facilitation of the	Strengthened capacities of the LEDO and municipal officials in investment

Capacity improvement City/ municipality	1. improved <u>asset management</u>	2. improved <u>management and monitoring of public utility companies</u>	3. better managed inventory, prioritization and commercialization <u>of brownfield investments</u>	4. improvements made by municipalities in accordance with the <u>BFC standards</u> (if there is at least one improved capacity, measured by the BFC criteria)	5. <u>established/supported business related services/procedures (including agribusiness)</u> (if a local government supported the establishment of a mechanism that helps business sector to grow).
	<p>Analyses of the opportunities for new investments on land lots used by two companies in financial difficulties.</p> <p>Analyses on establishment of the PPP in attraction of the private investor to the private location Riccone Outlet Owned by private company but strategically important for City.</p>	<p>framework (quarterly reporting, performance indicators, and more transparency and clearer criteria for subsidizing PUCs).</p>	<p>Kraljevo (Magnohrom and also Socially owned Matarusla banja SPA)</p>	<p>process of adoption of the strategic document (City Economic Development Strategy), changing web page structure, and improving techniques for distribution of investment promotion materials.</p>	<p>attraction and retention – through SCTM training and distance learning training</p>
Čačak	<p>Analyses of the opportunities for new investments on land lots used by two companies in financial difficulties.</p> <p>Analyses on establishment of the PPP in attraction of the private investor to the private location Riccone Outlet Owned by private company but strategically important for City.</p>		<p>Teasers provided for two companies and/or part of the companies in Cacak – Riccone and Tehnos.</p> <p>Prepared analyses on successful privatization of the Mining Rudnik within the brownfield project implemented by NALED.</p>	<p>Through work with brownfields City acquires new skills and practices in marketization of the brownfield companies.</p>	<p>Strengthened capacities of the LEDO and municipal officials in investment attraction and retention – through SCTM training and distance learning training</p>
G. Milanovac					<p>Strengthened capacities of the LEDO and municipal officials in investment attraction and retention – through SCTM training and distance learning training</p>
V.Banja	<p>Support for institutional set-up for property inventorying.</p>			<p>Support provided in data basis development, facilitation of the process of adoption of the strategic</p>	<p>Strengthened capacities of the LEDO and municipal officials in investment attraction and retention – through</p>

Capacity improvement City/ municipality	1. improved <u>asset management</u>	2. improved <u>management and monitoring of public utility companies</u>	3. better managed inventory, prioritization and commercialization <u>of brownfield investments</u>	4. improvements made by municipalities in accordance with the <u>BFC standards</u> (if there is at least one improved capacity, measured by the BFC criteria)	5. <u>established/supported business related services/procedures (including agribusiness)</u> (if a local government supported the establishment of a mechanism that helps business sector to grow).
				document (City Economic Development Strategy), changing web page structure, and improving technique for distribution of investment promotion materials.	SCTM training and distance learning training
Raška		Potential PPP project on recycling yard has been supported with analyses of the financial, operational and technical preconditions for establishment of the project and benefits for both sides.	Analyses of the opportunities for new investments on land lots used by two companies in financial difficulties.		Strengthened capacities of the LEDO and municipal officials in investment attraction and retention – through SCTM training and distance learning training Supported by NALED in development of the PPP project initiative (Recycling Yard)
Užice	Facilitated role of the Uzice as an asset management mentor for group of SLD municipalities	Jointly with SCTM TA provided - management practices aligned with new regulatory framework (quarterly reporting, performance indicators, and more transparency and clearer criteria for subsidizing PUCs).		SCTM provides support to LEDO (TA within SLD grant) to improve HR strategy and to analyze technical capacities of the LEDO with recommendations for improvements	Strengthened capacities of the LEDO and municipal officials in investment attraction and retention – through SCTM training and distance learning training
Čajetina	Facilitated role of the Uzice as an asset management mentor for group of SLD municipalities			SCTM provides support to LEDO (TA within SLD grant) to improve quality of the promotional materials and techniques for targeting potential investors	Strengthened capacities of the LEDO and municipal officials in investment attraction and retention – through SCTM training and distance learning training
N.Varoš	Facilitated role of the Uzice as an asset management mentor for group of SLD municipalities.	TA provided - management practices aligned with new regulatory framework (quarterly reporting, performance indicators, and more transparency and clearer criteria for subsidizing PUCs). Potential PPP project on co-generation has been supported with			Strengthened capacities of the LEDO and municipal officials in investment attraction and retention – through SCTM training and distance learning training Supported by NALED in development of the PPP project initiative (Biomass Co-Generation Project)

Capacity improvement City/ municipality	1. improved <u>asset management</u>	2. improved <u>management and monitoring of public utility companies</u>	3. better managed inventory, prioritization and commercialization <u>of brownfield investments</u>	4. improvements made by municipalities in accordance with the <u>BFC standards</u> (if there is at least one improved capacity, measured by the BFC criteria)	5. <u>established/supported business related services/procedures (including agribusiness)</u> (if a local government supported the establishment of a mechanism that helps business sector to grow).
		analyses of the financial, operational and technical preconditions for establishment of the project and benefits for both sides.			
Prijepolje	Facilitated role of the Uzice as an asset management mentor for group of SLD municipalities.	TA provided - management practices aligned with new regulatory framework (quarterly reporting, performance indicators, and more transparency and clearer criteria for subsidizing PUCs).	Potential PPP brownfield project aimed to attract strategic investor in the area of management of the regional cool storages/chambers has been supported with analyses of the financial, operational and technical preconditions for establishment of the new company and benefits for both sides.		Strengthened capacities of the LEDO and municipal officials in investment attraction and retention – through SCTM training and distance learning training Supported by NALED in development of the PPP project initiative (Regional Cooling Chamber)
Priboj	Facilitated role of the Uzice as an asset management mentor for group of SLD municipalities	TA provided - management practices aligned with new regulatory framework (quarterly reporting, performance indicators, and more transparency and clearer criteria for subsidizing PUCs).	International STTA provided in marketization of the largest brownfield potentials.	SCTM provides support to LEDO (TA within SLD grant) to improve quality of the promotional materials and techniques for targeting potential investors	Strengthened capacities of the LEDO and municipal officials in investment attraction and retention – through SCTM training and distance learning training
Subotica	Facilitated role of the Uzice as an asset management mentor for group of SLD municipalities		Support to revitalization of the former military barracks Kosta Nadj in Subotica (provided legal assessment and action plan for negotiation with RoS Property Directorate)		Strengthened capacities of the LEDO and municipal officials in investment attraction and retention – through SCTM training and distance learning training
Sombor	Facilitated role of the Uzice as an asset management mentor for group of SLD municipalities.			Support to establishment of the one-stop-shops in line with new legal requirements (training and on-the-job consultations provided)	Strengthened capacities of the LEDO and municipal officials in investment attraction and retention – through SCTM training and distance learning training
Kanjiža	Facilitated role of the Uzice as an asset management mentor for		Initial meetings held and LEDOs become acquainted with	Initial assistance to Kanjiza.	Strengthened capacities of the LEDO and municipal officials in investment

Capacity improvement City/ municipality	1. improved <u>asset management</u>	2. improved <u>management and monitoring of public utility companies</u>	3. better managed inventory, prioritization and commercialization <u>of brownfield investments</u>	4. improvements made by municipalities in accordance with the <u>BFC standards</u> (if there is at least one improved capacity, measured by the BFC criteria)	5. <u>established/supported business related services/procedures (including agribusiness)</u> (if a local government supported the establishment of a mechanism that helps business sector to grow).
	group of SLD municipalities.		mechanisms needed for preparing opportunities for new investments on land lots and brownfield companies in financial difficulties.		attraction and retention – through SCTM training and distance learning training Supported by NALED in development of the PPP project initiative (Agro-industrial Logistic Center)
Zrenjanin	Mentored by Uzice in introducing modern asset management practices; supported by NALED in development of the PPP project initiative (Terra Panonica) In addition to, prepared analyses of the unsuccessful privatization of the pharmaceutical company Jugoremedija (NALED's grant) with recommendations for improvements.	Prepared analyses on possibilities for PPP investment in Banja/Spa Rusanda which also highlights basic deficiencies and suggest venues for improvement in utility sector which is needed for investment.	Initial meetings held and LEDOs become acquainted with mechanisms needed for preparing opportunities for new investments on land lots and brownfield companies in financial difficulties.	SCTM provides support to LEDO (TA within SLD grant) to improve quality of the promotional materials and techniques for targeting potential investors	Strengthened capacities of the LEDO and municipal officials in investment attraction and retention – through SCTM training and distance learning training
Kikinda	Mentored by Uzice in introducing modern asset management practices		Initial meetings held and LEDOs become acquainted with mechanisms needed for preparing opportunities for new investments on land lots and brownfield companies in financial difficulties.	Project provides support to LEDO (TA within SLD grant) to improve quality of the promotional materials and techniques for targeting potential investors	Strengthened capacities of the LEDO and municipal officials in investment attraction and retention – through SCTM training and distance learning training
Novi Bečej	Initial support in property registration and introducing modern asset management practices		Initial meetings held and LEDOs become acquainted with mechanisms needed for preparing opportunities for new investments on land lots and brownfield companies in financial difficulties.	Project provides support to LEDO (TA within SLD grant) to improve quality of the promotional materials and techniques for targeting potential investors	Strengthened capacities of the LEDO and municipal officials in investment attraction and retention – through SCTM training and distance learning training

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: SNS, SPO, SPS, LSV,SDP
Mayor: Sasa Todorovic

KANJIZA MUNICIPALITY

Population: 24,995
Unemployment: 29%

Economic Base: agriculture

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

March 2015

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

- To facilitate export of regional food products, laboratory equipment was purchased for the Subotica Public Health Institute and staff trained to perform complex analysis of pesticide residue and food quality
- Detailed designs delivered, reconstruction completed and IMC Area Agriculture Education Center in Sombor opened
- Kanjiza was assisted 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; PPP toolkits (for local infrastructure development, energy efficiency and parking services) were prepared; a Guide for development of successful PPPs was published
- Local Economic Development (LED) practitioners learned how to present local potentials and attract Foreign Direct Investments; retain and grow existing businesses; manage LED; evaluate potentials of brownfield locations, prioritize and redevelop these sites
- The Project carried out agricultural competitiveness analysis as tool for attracting food processing investors; The analysis recommends how to identify and use local competitive advantages; and improve areas with most potential for investments
- 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.
- Published guide to improve cooperation between vocational schools and private sector; it examines labor market supply and demand and labor needs of key sectors
- Eleven 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)



USAID
FROM THE AMERICAN PEOPLE

SERBIA

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, SNS
Mayor: Milenko Filipovic

BEOCIN MUNICIPALITY

Population: 16,086
Unemployment: 34%

Economic Base: industry, tourism, mining

Ruling Coalition: SNS, SPS, DSS
Mayor: Milan Sodic

TEMERIN MUNICIPALITY

Population: 28,275
Unemployment: 31%

Economic Base: industry, craftsmanship, agriculture

Ruling Coalition: SNS, SPS, DSVM
Mayor: Djuro Ziga

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
- Local Economic Development (LED) practitioners learned how to present local potentials and attract Foreign Direct Investments; retain and grow existing businesses; manage LED; evaluate potentials of brownfield locations, prioritize and redevelop these sites
- International metal fabrication expert provided recommendations to Vojvodina Metal Cluster (VMC) members on how to increase sales and reach new markets; The Project purchased customer relationship management software to allow VMC members to connect with potential foreign buyers and decrease the time it takes process inquires from clients
- ICT Cluster Academy launched in Novi Sad to equip young and unemployed people with the knowledge and skills required by IT sector employers; 45 graduates completed the first year with over 25 percent already employed
- Architectural design prepared for the regional Educational Training Centre for Professional and Working Skills in Novi Sad, to train graduates in skills in high business demand
- 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)
- Following participation in the Project's two-month On-The-Job Training Program, 15 youths have been employed

March 2015



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: Cedimir Janjic

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”
- Over 60 unemployed youth were trained in farm management, while 31 began vegetable production in greenhouses provided for best training participants; thus far over 20 tons of produce is sold on the local market or exported
- Local Economic Development (LED) practitioners learned how to present local potentials and attract Foreign Direct Investments; retain and grow existing businesses; manage LED; evaluate potentials of brownfield locations, prioritize and redevelop these sites
- The Project carried out agricultural competitiveness analysis as tool for attracting food processing investors; The analysis recommends how to identify and use local competitive advantages; and improve areas with most potential for investments
- Zrenjanin was assisted to develop and present to investors a public-private partnership (PPP) action plan for the modernization of the Rusanda spa center; a Guide for development of successful PPPs was published; PPP toolkits for local infrastructure development, energy efficiency and parking services were created
- Database of investors and brownfield locations was created in Kikinda and Novi Becej, to advance steps to Business Friendly Certification achievement
- 10 municipal representatives were trained to prepare Terms of Reference for infrastructure projects
- 18 youth service providers were trained in career guidance and counseling and started providing services to youth in the Zrenjanin-led IMC area
- To curb unemployment, Youth office from Zrenjanin was assisted to publish a “Guide for Future Students”



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SERBIA

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, NS, DSS and
GG 'Složno za Kraljevo'
Mayor: Tomislav Ilic

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, SNS
Mayor: Ignjat Rakitic

March 2015

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
- Study Tour organized to Czech Republic to introduce IMPuls Center staff to Czech experiences in using 3D printing as a tool for innovation and business growth
- Representatives of furniture companies from the IMC area learned about efficient marketing strategies, latest sales trends, international furniture sector best practices and participated at international IMM Cologne furniture fair
- Local Economic Development (LED) practitioners learned how to present local potentials and attract Foreign Direct Investments; retain and grow existing businesses; manage LED; evaluate potentials of brownfield locations, prioritize and redevelop these sites
- An innovation study tour was organized for business clusters and science/technology centers. Participants learned of best practices in connecting academic and business communities to enhance business innovation and expand the private sector; completed analysis of opportunities for linking R&D institutions with SME sector
- Investor teasers prepared to assist the public sale of the remaining social enterprises
- Raska was assisted to develop and present to investors a public-private partnership (PPP) action plan for construction of a recycling yard; PPP toolkits for local infrastructure development, energy efficiency and parking services were created; a Guide for development of successful PPPs was published
- Created database of investors and brownfield locations in Kraljevo and Vrnjacka Banja to advance steps to BFC achievement
- Regional Strategy of Tourism development was completed
- Eight young interns were 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)
- Following participation in the Project’s two-month On-The-Job Training Program, 30 youths have been employed



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: SNS, SPS, DSS, NS
Mayor: Tihomir Petković

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

- Representatives of furniture companies from the IMC area learned about efficient marketing strategies, latest sales trends, international furniture sector best practices and participated at international IMM Cologne furniture fair
- Local Economic Development (LED) practitioners and the Zlatibor Regional Development Agency (RDA) representatives learned how to present local potentials and attract Foreign Direct Investments; retain and grow existing businesses; manage LED; evaluate potentials of brownfield locations, prioritize and redevelop these sites
- With the Project support, Zlatibor RDA developed and launched a local gastronomic brand „Mountain breakfast“ to grow the local, tourism-based, economy and help local producers sustainably connect with the regional tourism industry
- To help equip local youth with skills demanded by regional employers a study was developed to guide the establishment of a University in Uzice
- Prijepolje and Nova Varoš were assisted 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
- A Guide for building permitting was created and investor database updated in Nova Varos municipality to advance steps to Business Friendly Certification achievement
- Eight youth teams awarded business start-up grants (€1,200 each) as part of Project-supported CSO "Group 484" activities
- Published guide to improve cooperation between vocational schools and private sector; it examines labor market supply and demand and labor needs of key sectors
- After participation in the Project's two-month On-The-Job Training Program, six youths have been employed



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

- Provided recommendations for expanding the denim sector and attracting investors; trained local producers on topics ranging from the use of social media in marketing to jean finishing techniques and environmentally friendly technologies; denim and shoe producers improved their production, assortment and marketing and participated at "GDS," "Tag it!" and "Bread and Butter" international shoe and denim trade fairs; denim quality control trainings held and manual published; assisted opening of retail store "Jeans factory", as a joint venture of three Novi Pazar-based companies, in Belgrade
- Local Economic Development (LED) practitioners learned how to present local potentials and attract Foreign Direct Investments; retain and grow existing businesses; manage LED; evaluate potentials of brownfield locations, prioritize and redevelop these sites
- Project assisted municipality of Tutin and its newly established company for agribusiness development to establish links with investors and buyers at the Biofach Organic Food Fair
- Value Chain Analysis and a Marketing Plan was developed with recommendations on how to improve dairy production and increase regional competitiveness
- Tutin was assisted 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; a Guide for development of successful PPPs was published; PPP toolkits were created for local infrastructure development, energy efficiency and parking services
- The Project carried out agricultural competitiveness analysis as tool for attracting food processing investors; The analysis recommends how to identify and use local competitive advantages; and improve areas with most potential for investments
- In partnership with SEDA, sector brochures published to promote local companies and attract investors in the textile, furniture, footwear and food industry
- To support workforce development purchased 3D modeling software and plotter for the Novi Pazar Design and Textile Vocational School
- Four youth teams were awarded business start-up grants (€1,200 each) as part of Project supported CSO "Group 484" activities



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. An analysis of IMC area investment potentials was also organized, as a precondition for investment attraction activities.

Summary of key Project activities include the following: a) Preparing a model for efficient operation of the Food Processing Support Center 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

- Local Economic Development (LED) practitioners learned how to present local potentials and attract Foreign Direct Investments; retain and grow existing businesses; manage LED; evaluate potentials of brownfield locations, prioritize and redevelop these sites
- This IMC area is by far the leading IMC region in attracting new investments in the last three years: A total of \$64.4 million of foreign and domestic investments were completed in Merosina, Leskovac and Nis, while additional \$116 million are expected in the next one-to-three year period, based on contracts signed between investors and local governments of Nis, Leskovac and Doljevac
- 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
- ICT Cluster Academy was launched in Nis, to equip young and unemployed people with the knowledge and skills required by IT sector employers; 24 graduates completed the first year with over 50 percent already employed
- Project assisted in the establishment of the Food Processing Support Center; a new web-portal “Grow South” is launched to help grow the regional agribusiness sector
- Investor teasers prepared to assist the public sale of the remaining social enterprises
- The Project carried out agricultural competitiveness analysis as tool for attracting food processing investors; The analysis recommends how to identify and use local competitive advantages; and improve areas with most potential for investments
- Representatives of furniture companies from the IMC area learned about efficient marketing strategies, latest sales trends, international furniture sector best practices and participated at international IMM Cologne furniture fair
- Nis and Doljevac were assisted to develop and present to investors public-private partnership (PPP) action plans; published a Guide for development of successful PPPs; PPP toolkits (local infrastructure development, energy efficiency, parking services) completed
- Twelve young interns employed within the Project-supported Youth Business Serbia Program; three business start-up ideas received favorable credit
- After participation in the Project's two-month On-The-Job Training Program, 16 youths have been employed



USAID Sustainable Local Development Project

Vranje-led Inter-Municipal Cooperation (IMC) Area

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: Branislav Tosic

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

- Tailored technical assistance provided, allowing Bujanovac to obtain land for a planned economic faculty
- Shoe producers improved their production, assortment and marketing and participated at "GDS" and "Tag It!" international shoe trade fairs
- Detailed Infrastructure Development Designs, as well as Cadaster topographic plan for a new regional industrial zone “Bunusevac” delivered, enabling further development of the IZ and attracting new investors
- 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
- Regulatory and administrative barriers to business growth in the IMC area analyzed by NALED and 21 recommendations advanced for improvement; Expert assistance provided to Vladicin Han to implement recommendations
- Local Economic Development (LED) practitioners learned how to present local potentials and attract Foreign Direct Investments; retain and grow existing businesses; manage LED; evaluate potentials of brownfield locations, prioritize and redevelop these sites
- Investor teasers prepared to assist the public sale of the remaining social enterprises
- 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; 10-year Regional Waste Management Plan for the Pcinja region was also developed
- 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
- Italian shoemaker GEOX and local vocational school sign MoU aligning school curriculum with private sector needs thus improving students' skills for the labor market; Published guide to improve cooperation between vocational schools and private sector
- Three youth teams awarded business start-up grants (€1,200 each) as part of the Project-supported CSO “Group 484” activities

ANNEX E – COMMUNICATIONS REPORT

Summary:

In the reporting period, Project-supported public events were organized to highlight US government support for private sector growth, improved cooperation between businesses and educational institutions, successful completion of the privatization process in Serbia, as well as overcoming the gap between labor market needs and formal education curricula. National and local government representatives, alongside US Ambassador to Serbia and USAID/Serbia Mission Director, took part in the events which received significant media coverage. 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 December 2014 and March 2015, the autumn and winter editions of the Project e-newsletter “Info Buzz” were produced and distributed to over 300 addresses of local and international Project partners, sharing Project achievements, best practices and lessons learnt. The Project continued to have positive media coverage of its activities; while the website www.lokalnirazvoj.rs remained an important and up-to-date source of Project-relevant information.

Public events

In October 2014, as a result of Project and partner Belgrade Open School (BOS) efforts to improve cooperation between businesses and educational institutions, the Italian shoemakers GEOX and the School for Chemistry and Technology (SCT) in Vranje signed a Memorandum of Understanding. The agreement aligns school curriculum with private sector needs and improves the knowledge and skills of graduating students to better prepare them for the labor market. Vranje Mayor, USAID/Serbia Mission Director Azza El Abd, and BOS Executive Director witnessed the signing. Ms. El-Abd said that USAID is working to “*help schools enroll a sufficient number of pupils needed by the private sector and ensure that students gain applicable knowledge and skills to successfully meet employers’ requirements or start their own business.*” Local and regional media representatives covered the event which highlighted US government support for overcoming the gap between labor market needs and the curricula offered by educational institutions.

In November, in partnership with NALED, the Project organized presentation of the “Privatization in Serbia – Case Study”, to help Serbian government bring the privatization process to successful completion. The study provoked wide media interest as it offered real-life examples of both good and bad privatizations. Media articles focused on steps to be taken to avoid mistakes made in the previous period and on recommendations stemming from the best-practice examples outlined in the report.

Also in November 2014, in cooperation with the Nis Cluster of Advanced Technologies (NiCAT), the Project organized a graduation ceremony for the first generation of ICT Cluster Academy students. US Ambassador Michael D. Kirby addressed the guests and media. He recognized the success and the quality of the Academy’s program noting that “*for any country facing high levels of unemployment, it is vital to ensure that qualified candidates are available when valuable new job openings are created.*” The Mayor of Nis also attended the event. The Academy enabled leading ICT sectors firms to create curricula in line with industry needs and equipped unemployed young people with the knowledge and skills in-demand by employers in the growing IT industry.

In December 2014, USAID Mission Director, alongside Vice-President of the Vojvodina Provincial government attended the Novi Sad ICT Cluster Academy graduation ceremony. At the event, Ms. Azza El Abd stated: “*I am confident that today’s graduates are the first of many ICT Academy generations to come*”. Vice-President Vasin expressed his thanks for USAID’s support to the first generation of graduates, adding that “*from now on the Vojvodina Provincial Government will take over the responsibility of supporting the Academy*”. Local and regional media covered the event and published/broadcasted a number of positive media reports.

In February 2015, The Project helped Zlatibor Regional Development Agency, representatives of regional hotels and tourist organizations introduce a new local gastronomic brand, the Mountain Breakfast, at the annual Belgrade International Tourism Fair. This newly created brand covers unique culinary menus specific to the Zlatibor, Zlatar and Tara mountain resorts, all located within the Uzice-

led Inter-Municipal Cooperation (IMC) Area. At the presentation, regional hotel managers, tourism officials, as well as a celebrity food chef, emphasized the value of preserving traditional local meals and food products, while targeting and serving modern consumers, both domestic and foreign. The 37th Belgrade Tourism Fair was held February 19-22, 2015, and is the largest tourism event in Serbia and Southeast Europe gathering more than 1,100 exhibitors from over 50 countries. This year saw a record-breaking number of visitors: over 65,000 guests from the ex-Yugoslavia region and wider have come to see the tourism offer of Serbia and other countries presented at the Fair. National Radio Television Serbia reported in its main news program on the “Mountain Breakfast” as one of the highlights of the Fair, recognizing a high demand for distinctive local gastronomic offers. SLDP assists with the branding of local food products in an effort to grow the local, tourism-based, economy and to help small local producers connect with the regional tourism industry.

In March 2015, as part of the overarching topic "National Strategy for the Economic and Social Development of Serbia 2015-2030," SLDP presented its research on private sector competitiveness and growth at the Kopaonik Business Forum. The study titled "Serbia's Real Sector Performance" was carried out by the Center for Advanced Economic Studies (CEVES), engaged by the Project to determine the exhibited competitiveness of SMEs in Serbia, by size, industry and region. US Ambassador Kirby opened the presentation, pointing out that the private sector "*must expand to absorb unemployed labor in Serbia.*" The research and its recommendations were presented to media, government and donor representatives. Serbian Association of Economists and the Serbian Association of Corporate Directors organize the Kopaonik Business Forum annually, under the patronage of the Prime Minister of the Republic of Serbia. The 22nd Forum was held March 2-5, 2015 and gathered more than 600 participants, respectable scholars, government representatives, international finance institutions, diplomatic officials, business practitioners, and media.

The Project Newsletter

In December 2014, the Project published the eight edition of the e-newsletter “*Info Buzz*” and disseminated it to 312 addresses of local partners (Serbian version of the newsletter titled “*Budite u toku*”) and 35 international stakeholders (English version), with the goal to share information on best practices for job creation and increasing regional competitiveness.

Info Buzz #8 presented articles on: Foreign buyers’ first orders for Novi Pazar jeans; FDI attraction assistance for partner municipalities looking to expand their food processing sectors; establishment of the regional agriculture education center in Sombor; and improved cooperation between vocational schools and the private sector (BOS grant). This issue of the *InfoBuzz* also highlighted the results of the Project’s On-the-Job training program, and brought a story on one of the Youth horticulture Incubator tenants, to showcase this program’s success.

In this edition of the *Info Buzz*, the Project shared with the readers a CEVES report on Serbia’s real sector performance – exhibited competitiveness by size, industry and region, to help them get insight into how local SME’s are faring in the global market.

Additionally, and in order to generate more traffic to the Project website, the *Info Buzz* promoted (made available for download) key documents posted in the Project’s e-IMC Knowledge Center, such as NALED’s Case study on privatization in Serbia, and Investor teasers prepared to assist in the sales of the remaining social enterprises.

In March 2015, the winter edition of the *Info Buzz* was distributed to Project stakeholders. It allowed readers to find out how a joint retail store in Belgrade increased denim producers’ sales and improve their market outreach. *Info Buzz* #9 also showed what Serbian furniture companies learned at the Internationale MöbelMesse (IMM) trade fair in Cologne. Project-supported agriculture competitiveness analysis was also presented, as a tool for helping local governments improve usage of existing resources and attract new investments.

Another story brought news on a new local gastronomic brand created for the Zlatibor, Tara and Zlatar resorts, in an effort to grow the local, tourism-based, economy. Readers also found out how Project helped prepare local governments for new, unified, construction permitting procedures, and how SLDP assisted young people to use their newly gained knowledge and skills to find jobs in the fast growing IT industry.

The Knowledge Sharing section of the *Info Buzz* enabled access to the new ‘Brownfields in Serbia’ database (www.brownfieldserbia.com) and invited readers to learn of new Project stories, this time from interns and mentors who participated in the Project-supported On-the-Job-Training Program.

Media relations

The Project shared its main communication messages with all the stakeholders, giving due attention to media outlets. In the reporting period, **160 positive or neutral media reports** were published/broadcasted/posted.

The topic receiving **the most media coverage** from October 1st 2014 to March 31st 2015 was the Project’s support for the NALED-implemented case study on privatization in Serbia (39 reports); followed by stories on ICT Academies in Nis and Novi Sad (26 reports) and articles on Project assistance for branding of local food products in the Uzice-led IMC Area (20 reports). Media Coverage Reports, covering the entire six months reporting period, are available upon request.

In March 2015, an interview with Project’s international footwear expert was organized for the national Radio Television Serbia. This interview will be complemented with statements from the representatives of local shoe companies from Novi Pazar and Nis-led IMC areas working with the Project expert. Once all the video material is filmed and edited (in April 2015), the whole story will be broadcasted in the national most watched news program “Dnevnik 2”. This targeted approach to media relations will be used more in the future, as the Project now has many ‘lessons learned’ to share with the general public, other private sector firms working in SLDP sectors, as well as decision-makers.

The Project’s website

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 **198 documents available** to the Project’s stakeholders (through the e-IMC Knowledge Center) on the following topics: Inter-municipal cooperation (9), Local Government Administration (18), Youth Employment (70), Public Participation (12) and Business Enabling and Strengthening (89). In the reporting period, a majority of new documents were posted in the ‘Business Enabling and Strengthening’ segment, including 15 local and one overall agriculture competitiveness analysis (SEEDDEV) and 15 Investor Teasers prepared to assist with the sales of remaining public companies (brownfields) in Project partner’ municipalities.

Overall, **there were 6,024 visits to the Project website** from October 1st to March 31st 2015. Out of the overall visitor number - 60% were **from unique (first time) visitors**.

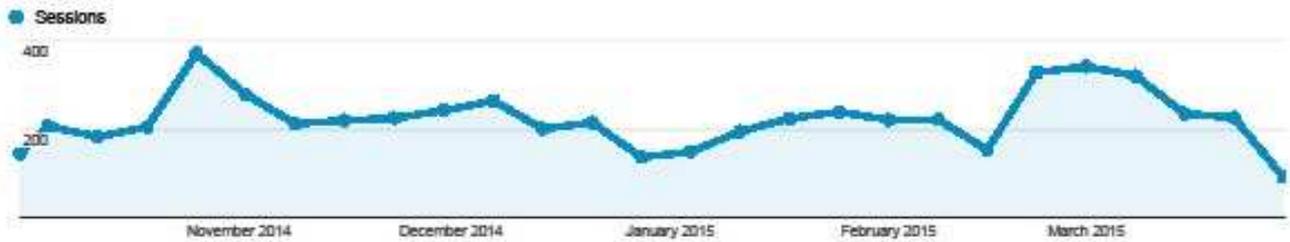
From the overall number of visitors, 34% came directly (by typing in the exact Project website address), while some 38% of visitors came to the Project site by typing key words (i.e. lokalnirazvoj/local development) in search engines. Approx. 26% of visitors came to the Project site from the referring sites (by initially visiting some other site, and clicking on the Project-related link there).

Audience Overview

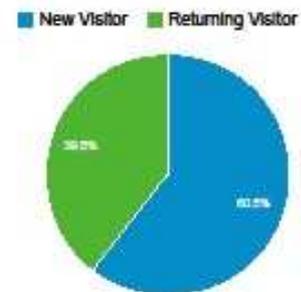
Oct 1, 2014 - Mar 31, 2015


All Sessions
 100.00%

Overview



Sessions 6,024	Users 3,805	Pageviews 18,823
Pages / Session 3.12	Avg. Session Duration 00:02:45	Bounce Rate 51.59%
% New Sessions 60.49%		



The e-IMC Knowledge Center web page <http://www.lokalnirazvoj.rs/imc-knowledge-center.html> (its Serbian version), as well as “Project stories” page <http://lokalnirazvoj.rs/sr/projektne-pri%C4%8De> (its Serbian version) are among the most viewed pages of the website, following the most sought-after “Tenders” page. New documents posted in the e-Knowledge Center as well as Project stories are continuously promoted via the Project’s e-newsletter “*Info Buzz*”.

Highlights of communication activities planned for FY15 Q2

- Organizing media interviews for national and regional media with key Project’s international sector experts
- Preparation of the spring edition of the Project e-newsletter *Info Buzz*
- Public event, regional level (Nis-led IMC area, Leskovac): Opening of the pilot plant for production of small samples of confectionary products (within the grant to the FTP Leskovac to stimulate innovation and new product development)
- Public event, national level (Belgrade): Project closing conference – presentation of Project’s lessons learned and key expert findings to decision makers

ANNEX F – SUCCESS STORIES



USAID | SERBIA

FROM THE AMERICAN PEOPLE

Employment Through Knowledge

USAID assists local governments and regions to add jobs by growing the private sector and attracting new investments

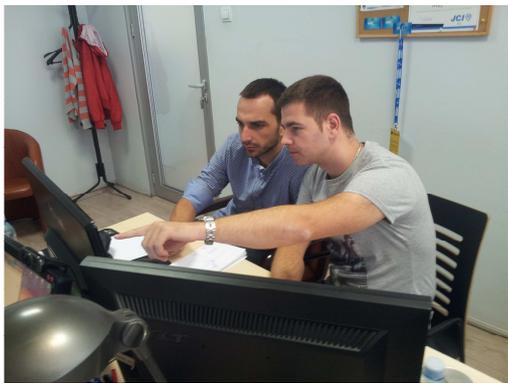


Photo: Nis Cluster of Advanced Technologies

"I did my internship with a company that had just begun an interesting project for a Swiss client. I was assigned an experienced mentor, and began to work immediately, said Bozidar Zecevic, Nis ICT Academy graduate, now employed at Ates Soft.

The USAID Sustainable Local Development Project helps municipalities 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. There are 8 IMC partnerships 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>

It seems counterintuitive: There is staggering unemployment in Serbia; and yet, when companies are looking to hire - they cannot find enough qualified candidates. The reason is a mismatch between the skills required by employers and the knowledge acquired in the formal educational system. This gap is particularly visible in the fast growing ICT industry, which is facing a severe lack of skilled young specialists.

In April 2014, to assist young people to quickly find employment, and to help companies find a qualified workforce, USAID supported the establishment of two ICT Cluster Academies, one in South Serbia, in Nis, and the other in Vojvodina Province, in Novi Sad. To create an adequate curriculum, USAID partnered with the Nis Cluster of Advanced Technologies (NiCAT) and Vojvodina ICT Cluster. During a six-month training program, 65 unemployed young people acquired skills in demand in the labor market preparing them for jobs in the IT industry. The program also included intensive practical work with NiCAT and Vojvodina ICT Cluster member companies.

"In addition to learning the particulars of programming and software development, we were able to apply our knowledge to real-life projects during the internships", said Bozidar Zecevic, one of the Nis ICT Academy graduates, now a Junior PHP Developer at the Ates Soft company in Nis.

With a tailor-made curriculum, it was no wonder that, even before the training was completed, more than 50 percent of the Nis ICT graduates and over 25 percent of Vojvodina's Academy trainees had already found employment in local IT firms.

Vojvodina's Provincial Government recognized the importance of complementing formal education with more specialized programs, designed by industry experts, and has committed to continue funding future generations of the Novi Sad ICT Academy. Simultaneously, in Nis, NiCAT concentrated on expanding their business network and attracting foreign investors to Nis, a once thriving regional center of the electronics industry. To educate and prepare the workforce tailored to the particular needs of future employers in a growing IT sector, NiCAT will continue to sustain the work of the Nis ICT Academy.

These two pilot programs, in the North and South of Serbia, now serve as best practice models, for other industries and regions to follow.



New Brand Reaches New Consumers

USAID assists local governments and regions to add jobs by growing the private sector and attracting new investments



Photo: USAID/SLDP

"Competition is tough. Our store is just across from C&A and H&M, but we have a competitive advantage of local sourcing and renowned manufacturing tradition", said Nihad Ugljanin, one of the Jeans Factory co-owners.

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Jeans manufacturers from Novi Pazar in Southwest Serbia were once well known in the whole region for their craftsmanship and high quality denim, made to compete even with global brands like Levis. Today, however, the town and neighboring municipalities are considered underdeveloped area, with an unemployment rates close to 50% and a stagnating private sector.

Having in mind the region's tradition, USAID decided to help local manufacturers, small and medium-sized family businesses, reach new markets and attract global consumers. In 2013, to increase sales and improve market outreach, USAID engaged an international textile expert (and professor at the Fashion Institute of Technology in New York) who worked with individual companies to teach them how to apply modern jean finishing techniques, improve their marketing, and use social media for sales promotion. Local jeans producers also participated in leading international trade fairs where they learned industry best practices.

Armed with new knowledge and skills, three Novi Pazar area denim companies - [Brug](#), [Classix](#) and [Exact Jeans](#) decided to expand their market and jointly face tough competition in the country's capital – Belgrade. In December 2014 they opened a retail store in the "[Stadium](#)" Shopping Mall. USAID helped producers find a suitable retail space; engaged a professional marketing agency to develop a joint brand, [Jeans Factory](#), and finally to refurbish the store. A modern and unique sales location was thus created, exuding a manufacturing tradition, yet with modern appeal; targeting primarily younger shoppers with a "Remake Yourself" motto.

"We are very pleased with the sales in these first several months. They've surpassed our expectations. Being able to present our products in this way, in the capital's demanding market, helps us learn first-hand what modern customers look for", said Nihad Ugljanin, owner of the Brug company and co-owner of the Jeans Factory store.

USAID continues to work with Novi Pazar region denim producers, now helping them obtain [Ozone jeans-finishing](#) equipment. In addition to reducing the negative impact on the environment, this new technology decreases the processing costs of jeans, thus making the final product more accessible and attractive to modern, ecologically-conscious, consumers.



Cluster Assistance Improves SME Competitiveness

USAID assists local governments and regions to add jobs by growing the private sector and attracting new investments

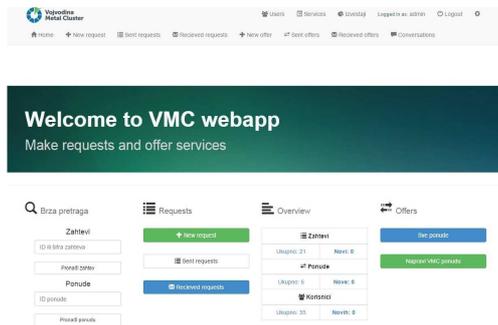


Photo: <http://www.vmc.rs/>

Local and international buyers seeking metal sector products and services can now place their orders 24/7 via web-based software and quickly receive offers, thus improving Vojvodina Metal Cluster members' chances of landing a deal

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One would think that many enquiries by domestic and international customers would be a 'dream come true' for any business cluster. However, even with over 800 client requests per year, the Vojvodina Metal Cluster (VMC) was not able to benefit from buyers' interest for various services offered by cluster members. All requests for offers were processed manually, which took a lot of time, thus slowing down the negotiation process and deterring potential deals.

In 2014, USAID assisted VMC member companies to shorten the time needed to process and answer client requests with tailor-made Customer Relations Management (CRM) software.

"The time needed to successfully respond to requests for offers has decreased from 100 to just 10 days! With the new software we are now more competitive, able to quickly process all buyer enquiries and turn more business opportunities into business deals", said Zoran Pekez, the VMC Manager.

Based on requests received and answered through the CRM, three VMC companies are now in negotiations with international clients from Italy, Belgium, as well as the United Arab Emirates and Finland. Potential buyers also scheduled their visit to VMC member firms, to initiate export to these markets.

In addition to purchasing the CRM software, USAID assisted members of the VMC learn how to implement ISO quality management standards in their operations and enter ISO certification process. USAID experts are now supporting metal producers to improve their Research & Development activities, cut costs and increase their potential to expand to new markets.

Since 2013, to help local SMEs become more competitive, USAID has been working with business clusters in Serbia, to ensure that smaller, often family-owned, businesses are equipped with the knowledge and skills needed for growth. USAID experts helped producers in the IT, footwear, jeans, food processing and metal clusters - introduce innovation, attract new buyers, increase their sales and exports.

ANNEX G – STTA CONSULTANTS & DELIVERABLES

SUSTAINABLE LOCAL DEVELOPMENT PROJECT STTA DELIVERABLES OCTOBER 1, 2014 - MARCH 31, 2015

#	EXPERTISE	COMP.	DELIVERABLE	DATES	CONSULTANT NAME
1	Medicinal and Aromatic Plants (MAPs) and Forest Fruits Products Market Specialist	1	Fair report - Biofach Fair, Germany, February 12-14, 2015 Assessment visits and interviews, power point presentation to the selected Serbian tea and jam producers and exporters that could play significant role in NTFPs value chain development in Tutin.	02/02/15-03/16/15	Peter Furth
2	Denim Sector Consultant	1	Conducting the second round of trainings for sector employees in international standards and methods for quality control inspection of jeanswear. Developing a spreadsheet for tracking common quality defects in fabric, components, assembly, finishing, and embellishment to be used by inspectors in recording quality defects and a catalog of common defects. This assignment was covered by two scopes of work.	12/08/14-12/13/14 01/26/15-02/28/15	Margaret Bishop
3	FDI Attraction coaching	1	Repos on investment promotion trips to Italy in July 2014 and Germany in November 2014	06/15/14-11/06/14	Dusan Kulka
#	GRANTS		DELIVERABLE	DATES	GRANTEE NAME
1	Grant Agreement No.02IMCD-002UE	1	Uzice IMC Regional Value Chain: Local Products - a key for improving regional tourism value chain	December, 2014	RDA Zlatibor
2	Grant Agreement No.03IMCDSER06	1	Serbia's Real Sector Performance : Exhibited Performance by Size, Industry and Region	December, 2014	CEVES
3	Grant Agreement No.02IMCDNS03	3	ICT Cluster Academy: Serbian Case (ICT CASE)	December, 2014	NiCAT
4	Grant Agreement No.02IMCDSER05	2	Effects of Privatisation on Local Government's Fiscal Balance - Case Studies	November, 2014	NALED
5	Grant Agreement No.02IMCDNS03	3	ICT Cluster Academy: Serbian Case (ICT CASE): -Compiled ICT Cluster Academy Program Manual with the curriculum for each module completed. - Standard Procedure developed.	January, 2015	ICT Novi Sad
#	SUBCONTRACTS		DELIVERABLE	DATES	Subcontractor name
1	Subcontract No. 036	1	Business Retention and Extension training program for Local Economic Development Offices in 32 Municipalities	Nov-Dec, 2014	DCG
2	Subcontract No. 038	1	Facilitation of Serbian FDI Mission to Global Connect Conference in Stuttgart in presenting investment opportunities and attracting investments	November, 2014	DE International
3	Subcontract No. 039	1	Opening of a multi brand store for denim producers from Novi Pazar	December, 2014	Mosaic
4	Subcontract No. 035	1	Regional Agricultural Competitiveness Analysis of Serbian Municipalities as Precondition and Tool for FDI Attraction: - a) Combined Agricultural Competitiveness Study of all four target IMC partnerships and 15 municipalities, as described in the SoW - completed. b) 15 individual Agricultural Competitiveness Analysis for each of the targeted 15 municipalities and relevant IMC partnerships, as described in the SoW - completed. c) Appropriate content for development of municipal promotional investment brochures and teasers specific to each of the 15 municipalities - completed. d) Agricultural Competitiveness Analysis presented to stakeholders in four IMC areas (four presentations in total).	February, 2015	SEDEV
5	Subcontract No. 036	2	Prepare and Deliver Business Retention and Extension training program for Local Economic Development Offices in 32 Municipalities: -Preparation, organization and delivery of Data Collection and Analysis Training: Participants Manual, accompanying handouts and presentations training material, participant lists, photos from the training, training evaluation and report; -Preparation, organization and delivery of Preparation of a professional Business Offering Package Training and Preparation of Action Plans Training: Participants Manuals, accompanying handouts and presentations training materials, participants lists, photos from the training, trainings evaluations and reports;	Feb-March, 2015	DCG

ANNEX H – OVERVIEW OF GRANT AWARDS AND SUBCONTRACTS

(Deleted)