



USAID | **SERBIA**
FROM THE AMERICAN PEOPLE

SEMI-ANNUAL PROGRESS REPORT #9

**SUSTAINABLE LOCAL DEVELOPMENT PROJECT
APRIL 1, 2015 – SEPTEMBER 30, 2015**

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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

1. INTRODUCTION

The FY2015 Semi Annual Progress Report #9 covers the April 1, 2015 – September 30, 2015 period of implementation of the Sustainable Local Development Project in Serbia (“Project”). During this period, the Project focused on initiatives that expanded the private sector and created jobs 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.

The Project continues to host short-term technical assistance (STTAs) to work on the SME sectors of denim, footwear and furniture in the South and Southwest of Serbia, and in metal fabrication in central and northern Serbia. These STTAs are tasked with finding buyers for the local enterprises with which they have been working. There are different means of developing these B2B linkages, and in the different sectors, the Project has taken different approaches, as set forth below. With the extension of the Project for another year, the efforts to link buyers to Serbian producers and to build value chains will intensify and focus on best opportunities for achieving impact.

2. PROGRESS DURING Q3 and Q4 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. 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

Project activities in the IMC Area focus on supporting the local tourism industry in reaching a 10 percent increase of purchases from local vendors. To achieve this, the Project awarded the Zlatibor Regional Development Agency (RDA Zlatibor) a grant of approximately \$70,000 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 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 regional mountain resorts of Zlatibor, Zlatare and Tara. Finally, the grant also supported the opening of a local shop where vendors present and sell products. In addition, the grantee developed an online platform for the promotion of these products, along with contacts and maps of the nearest selling/tasting places. While this grant and accompanying activities have now been completed, the Project will look to assist the RDA in finding donors in the future as the Mountain Breakfast concept (explained below) has proven to be high successful, receiving numerous awards.

At the beginning of the reporting period the Project and RDA held workshops to develop a unique menu specific to the three mountain resorts. These events gathered representatives of local associations of hotels and restaurants

and tourist organizations who jointly chose distinctive foods and demonstrated preparation methods representative of each resort. The menu was chosen in May 2015, and encompasses a Mountain Breakfast that consists of specific food items (cheeses, meats etc.) indigenous to each resort area. At the time of writing, the menu is undergoing trademark protection by the Serbian Intellectual Property Office. Simultaneously, the menu is already being promoted by hotels, restaurants, tourist agencies and at tourism fairs. A final version of a cookbook outlining the details for the preparation of meals containing specific local foods, was also completed in June 2015.

In May 2015, as part of efforts to promote the new gastronomic brand, the Project and RDA Zlatibor held a business-to-business (B2B) meeting between local food producers and hotel/restaurant owners. The activity served as a first step in creating a new regional value chain connecting tourist representatives and food producers. The Mountain Breakfast was presented by local suppliers of food products used in the menu. Specifically, twenty producers presented their products and then had an opportunity to directly negotiate with tourism industry representatives. Several businesses deals followed up the B2B events. Agricultural household Aleksandar Ristic signed a small contract with Hotel Mona-Wellness Center for bath and aromatic herbs, teas for consumption and plum vinegar. There are several other ongoing negotiations which the Project will continue to monitor.

Additionally, on May 29, 2015, the Project supported the opening of a local, traditional products shop. The shop was established through the aforementioned grant and will serve local producers, enabling them to present and sell their products. The shop, opened in the Zlatar Resort, will promote and sell 25 products that are certified elements of the Mountain Breakfast. SLDP and the RDA previously engaged a marketing agency to create the logo and overall visual identity for this gastronomic brand.

In June 2015, the Mountain Breakfast Regional Gastronomic Brand was officially unveiled at a Project-and-RDA-organized press conference. The event also presented the quality assurance trademark protecting the Mountain Breakfast as a specific regional gastronomic brand and introduced the brand to representatives of hotels and tourist resorts from other parts of Serbia. Several hotels from Vojvodina have already shown interest in introducing the food to their menus. The Mayors of Prijepolje, Nova Varos and Cajetina; the Project COP as well as the directors of the RDA Zlatibor and the Serbian Tourism Organization attended the event.

In August 2015, the Mountain Breakfast brand was first recognized as a best practice example of the promotion of local food by the National Tourism Organization of Serbia (TOS), who decided to promote this brand throughout Serbia and at the 2015 Milan Expo. The brand and related cookbook are being promoted through a series of cooking events at the Expo, which will showcase specific healthy local ingredients such as cheeses, cheese spreads and buckwheat. The 2015 Milan Expo is being held in Milan, Italy from the beginning of May to the end of October. The 2015 Expo showcases two aspects of food production: traditional cultural values and the use of new technologies. In September 2015, the TOS again recognized the success of the new brand by awarding it the prestigious Tourism Flower award, the highest national award in the field of tourism (see photo to the right). The Mountain Breakfast was recognized under the category "organization or individual who has contributed to the improvement of tourism and raising the quality of tourism services."



In September 2015, the National Tourism Organization of Serbia awarded the Mountain Breakfast brand with the Tourism Flower award, the highest national award in the field of tourism

The Novi Pazar-led IMC Area

Activities in the Novi Pazar-led IMC Area aim to increase exports by 10 percent in Project-supported clusters, namely textile (denim), furniture, footwear, and food-processing. Additionally, in 2015, the Project changed its selling strategy for the furniture, footwear, and denim sectors in the Novi Pazar, Vranje, Nis and Uzice-led IMC Areas¹. Instead of attending trade fairs as was done in 2014, the Project organized inward buyer missions to

¹ As the Project provides assistance to the furniture and footwear sectors across multiple IMC Areas, this section of the Semi-Annual Report presents either the entirety of sector assistance under the Novi Pazar subheading (regardless of what IMC Area this assistance occurred in) or, conversely, provides an

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Serbia in order to bring ready-to-buy buyers from the three sectors to one place. The Project's footwear, furniture, and denim experts brought foreign buyers to Serbia and looked to forge links between the most successful local companies and these foreign firms. Inward buyer missions allow potential buyers to see the products they are interested in by visiting production facilities, thereby shortening the time of negotiation.

- **Denim Sector Assistance:** Previously, to help denim firms improve competitiveness and increase exports, Ms. Margaret Bishop, an international denim expert, assisted firms and the local Novi Pazar Design High School to improve their quality control through a set of trainings. 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 orders from large international buyers. Ms. Bishop also developed a Quality Control (QC) Tracking System to catch common quality defects in fabric, components, assembly and finishing, since Novi Pazar-denim producers do not systematically identify or correct quality issues. The QC Tracking System ensures that both the manufacturers and the school are better equipped to identify defective products and reduce inefficiency. During the summer of 2015, the Project began planning to have additional trainings for high school pupils as it seems that many of the students who were part of the Project's previous interventions were employed immediately after graduation. In the coming period, Ms. Bishop will deliver three one day trainings sessions for Standards, Safety, and Trend Forecasting. Additionally, Ms. Bishop will hold guest lectures on the same topics at the College of Textile-Design, Technology and Management in Belgrade, which has planned to launch an accredited course in the Novi Pazar high school. Trainings will include high school professors to help them teach to the needs of the local employers, and representatives of the companies' denim producers.

The Project previously engaged an international social media specialist for the Russian-speaking market, Ms. Kseniya Sydorkina, who provided recommendations on improving Novi Pazar IMC Area denim manufacturers' online presence on these markets. In June 2015, Ms. Sydorkina visited IMC Area companies and presented a newly created website www.fashionserbia.com. The new website presents six local denim companies (Bros, Brug, Denistar, Maxers, Clasic, and Exact jeans) to the larger Russian-language market. The site offers the latest trends and clothing models from all six businesses, contains a blog section, and allows potential buyers to contact each company.

The Project also previously supported 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. SLDP contributed to the selection of a suitable venue, establishment of the joint brand called the Jeans Factory, and furnishing of the store that reflects the new brand. By mid-September 2015, the store continues to successfully operate at the shopping mall by keeping its monthly sales at approximately \$15,000/month in average, servicing about 400-500 customers per month.

During this reporting period, the Project and denim manufacturers moved 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 (see photo to the right). At the end of June 2015, with Project support, six well-known Novi Pazar denim manufacturers that employ more than 400 workers and export to Russia and regional Western Balkan markets, established a denim association called Pro Denim to jointly use the ozone-based technology for jeans finishing. The ozone technology machine will help expand their exports and ecologically upgrade the IMC Area's denim production. The new, environment-friendly equipment will create a competitive advantage for local jeans producers and allow them to target Western European markets known for ecologically-conscious buyers.



The Project has worked with Novi Pazar-IMC Area denim producers to upgrade their jean finishing techniques in order to become a more ecologically-conscious brand and thus competitive on the global market

In September 2015, the Project's international sales expert Mr. Guy Carpenter met with Novi Pazar IMC Area jeans producers to prepare them for the arrival and utilization of the new, ozone-based jeans finishing equipment. Prior to this visit, to study the best U.S. practices for using ozone in jeans production, Mr. Carpenter and representatives of the Ozone Denim Systems (equipment suppliers) visited a U.S. California-based, facility that uses the same technology to be installed in Novi Pazar. During Mr. Carpenter's subsequent field visit to Serbia, the six IMC area producers forming the Pro-Denim Association learned about the features of the new equipment and how to use it to achieve top results. Additionally, Mr. Carpenter helped Pro-Denim manufacturers select appropriate sales strategies to draw the attention of key potential buyers (primarily from Western Europe) to Novi Pazar as a new sourcing destination. In late September 2015, Mr. Carpenter initiated contacts with potential clients at Premiere Vision Paris, a global trade show for fashion professionals. Mr. Carpenter met with representatives of several denim companies in order to organize an inward buyer's mission to jeans manufacturers in the IMC area. His most significant meeting was with the Purchasing Manager from Vanity Fair (VF). The VF representatives expressed interest in visiting Serbian manufacturers, and the Project will continue efforts to link this international corporation with local businesses in the coming months. As a next step Mr. Carpenter will visit the forthcoming Denim by PremiereVision show in Barcelona later in 2015.

It should be noted that during Mr. Carpenter's visit to Novi Pazar, local producers expressed an interest in using the ozone technology not just in jeans finishing, but also in the treatment of waste water created during denim production. It was agreed that Ozone Denim Systems' representatives organize a visit by a specialist on this topic, to determine the possibility of expanding the use of environmentally-friendly ozone machine in several aspects of jeans production. The Novi Pazar region has a poor record when it comes to implementation of environmental standards, and lacks adequate practices and technology that would benefit both the local businesses and the environment.

- **Furniture Sector Assistance:** To help expand the furniture sector, the Project continued working with international furniture sector expert, Mr. Jeff Baron, who organized several visits to furniture manufacturers by international buyers during the reporting period. See page 9, for a discussion on Vranje-led IMC Area activities.

In September, as part of efforts to increase Serbia's wood products and furniture sectors sales, the Project, in cooperation with the world's largest furniture retailer, IKEA, organized a one day study visit to the Nova DIPO Company in Bosnia. Nova DIPO is a large manufacturer of solid wood chairs made exclusively for IKEA. The study tour provided Serbian furniture entrepreneurs with a look at how a world-class furniture manufacturing company is equipped, organized and managed. The trip further served to introduce representatives of Serbian companies to best practice examples that can be transferred to their own facilities in order to fulfill the quality standards of international retailers like IKEA. The Project previously worked with Serbian furniture companies to introduce them to IKEA's production standards and will now continue efforts to link these companies to bigger international chains.

The Project also organized two inward buyer visits to local furniture producers. First, Schillig, a large German producer of leather upholstered furniture, visited Serbian facilities identified by the Project's international furniture expert as able to meet the requirements of the German business. As a result of the visit, Schillig decided to send a model sofa to Atlas, from the Uzice-led IMC Area, to test their production quality. Once the model is re-created by the Serbian firm, the manufacturers could become long-term suppliers for Schillig. The second foreign buyer, Uploading, visited four furniture factories to assess the Serbian business' capacities. All the Serbian manufacturers satisfied the company's requirements and were added to its list of potential vendors. The Project will continue to monitor the developments related to this deal and to negotiate with potential companies regarding participation in more inward buyers' missions.

- **Footwear Sector Assistance:** The Project has so far had the most success with providing assistance to companies in the Vranje-led IMC Area, see page 8, for additional information on footwear activities.

In the Novi Pazar-led IMC area, the Project worked on organizing an inward buyer's mission for the footwear sector. Project footwear consultant, Mr. Jordan Saliman, reached out to potential foreign buyers, forging links between the foreign companies and the 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.

Following initial contacts made at the GDS Trade Fair, Sorba's Shoes, looking for socially and environmentally responsible companies to begin a new shoe line for sale on their website, contacted Project representatives. After the Project recommended Novi Pazar-based Antilop, the owner of Sorba's Shoes, Mr. Eike Vogler, visited Novi Pazar to assess the Serbian company's local facilities and value chain, and to evaluate the shoemaking process. For the first three years Mr. Vogler will order 100 percent of his shoes from Antilop (up to 1000 pairs per month), while in the final two years the German company agreed to produce at least 50 percent of Sorba's Shoes with the local shoemakers.

Also during this reporting period, Mr. Saliman recommended four facilities from Vranje and two from Novi Pazar to be introduced to a representative of French Sole, a successful UK brand specialized and globally recognized in the production of ladies ballet-type shoes. During a four day tour by Katherine Crich, French Sole's chief buyer, meetings were held with Antilop and Bosa Shoes from Novi Pazar as well as four companies in Vranje. Ultimately, French Sole chose to explore a deal with the Vranje-based Stefi Komerc footwear manufacturer (see page 8). Mr. Saliman also met Novi Pazar shoe producers: Bosa, Antilop, Tref, Euroscarpa and Ceco line in mid-September 2015. He updated the companies on development progress with the UK brand French Sole and addressed potential future cooperation with some Novi Pazar producers if French Sole accepts Serbia as a regular sourcing country. After exhibiting at the GDS show in Dusseldorf, three Novi Pazar based factories (Tref, Florida, Euroscarpa) established cooperation with a new client and garnered an initial order of 3,500 pairs of shoes.

- **Food Sector Assistance:** In 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 the Novi Pazar, Tutin, and Sjenica LGs, with funding from the EU PROGRES Program, Czech Development Agency. The RCAD was founded to 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 was not fully operational for the last six months. As the RCAD is now staffed and equipped, the Project finished training and technical assistance for laboratory staff to improve their capacity and prepare the facility for laboratory certification. Local staff can now independently carry out the entire process of accreditation for milk and meat testing services. In addition to accreditation, the focus of SLDP assistance is on improving the skills of RCAD staff to interpret test results and provide customers (farmers and processors) with recommendations to improve their milk and meat quality.

During the summer, the Project, with partner Taurus Agro Consulting, completed a series of trainings for the RCAD to help the Center gain accreditation for milk and meat testing services. The Project, working with Taurus, introduced laboratory employees to: practices and procedures according to ISO lab management standards; protocols for field sampling milk and meat; interpreting techniques for test results; and auditing procedures. By performing microbiological and chemical tests of milk and meat, the laboratory will provide farmers with the information needed to improve the quality and safety of their food. A fully accredited laboratory will be able to provide local farmers and processors with the necessary certificates, thus assisting in the sale of their products. After completing the training, RCAD staff continued to utilize ISO standards independently, while the accreditation process is expected to be completed by January-February 2016. To ensure both a smooth and efficient implementation of accreditation requirements and timely laboratory certification, the Project will provide expert support and make occasional visits to Sjenica from September to December 2015, assisting RCAD staff during the critical phases of the accreditation process.

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, which are plentiful in the Tutin municipality, the Project engaged an expert in the NTFPs industry, Mr. Peter Furth. Previously in 2015, Mr. Furth visited Tutin and recommended ways to expand production and further develop the regional center for the collection and processing of NTFPs. During the reporting period, Mr. Furth developed a final business development plan with recommendations for Tutin to establish a drying processing facility within the municipally owned Agro-Tutin enterprise to be ready for spring 2016. The collection and processing center will be established to function as a type of public-private partnership that would involve local small businesses, collectors of herb and forest fruits, and Tutin municipality. The center shall act as a cooperative

for aggregating wild collected goods, processing them (e.g., cleaning and drying), and selling the semi-processed product to strategic partners, end-product manufacturers. Tutin included the Regional Center for the Collection and Processing of NTFPs in the 2015 municipal program for agriculture development, and allocated approximately \$62,000 for this purpose. The funds are approved by the municipal assembly and earmarked for the construction of infrastructure and a 300 square meter facility, which will accommodate the planned processing and drying operations according to Mr. Furth's recommendations. Tutin has already identified available land for the facility. The plan is to obtain all necessary permits and complete rough construction works of the building by the end of 2015.

During the reporting period, in an effort to leverage funds for this activity from other donors involved in the IMC region, the Project held several meetings with EU PROGRES , an EU-funded economic development program. SLDP proposed that EU PROGRES consider contributing, via a grant, to the purchase and installation of small-scale primary drying and sifting equipment that will partially process the offered product. As the municipality approved the funds for the construction of the collection center facility, we expect that the sources of funding for the equipment will be determined in the first quarter of 2016. The initial processing operation should begin on a relatively small scale, and hopefully be in place during the coming crop season in the spring of 2016.

In the previous reporting period, representative of Agro-Tutin accompanied Mr. Furth at the world's leading trade fair for organic food, the Biofach Organic Food Fair in Nurnberg, Germany. Based on meetings at the fair, there is a significant demand for organic herbs, forest fruits, natural foods, and cosmetic products. The Project will continue to provide support to Agro-Tutin and producers in order to maintain contacts generated during the trade fair, and establish strategic business relations with buyer, that have strong interest in the supply of herb and forest fruits products. Depending on the progress Tutin makes in establishing the center, the Project's assistance in the upcoming period will be directed at providing technical advice and expertise on the requirements and standards for operationalizing the processing facility and equipment, and at supporting development of the center and ensuring that it is operational.

The Nis-led IMC Area

The Project's goal in this IMC Area is to achieve 15 percent increase in sales of processed food products. To reach this aim and add jobs to the region, Nis must develop its agribusiness food processing potential. To assist with these efforts, the Project supported 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. The Leskovac FTP is a private-public partnership (PPP) involving 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 to meet the challenges of the marketplace through application of new technologies. In the previous reporting period, the Project approved a \$90,000 grant to the Leskovac FTP to support the establishment of this pilot plant, including the purchase and installation of equipment. In July 2015, Leskovac FTP successfully completed grant activities that have begun to bear results.

During March/April, the equipment for the Pilot Plant was purchased, and the installation completed. Furthermore, on April 22, 2015, USAID Mission Director Azza El-Abd opened the plant. Food processors previously needed to interrupt the production process in their factories and use large quantities of raw materials to test new products, thus increasing the cost of product development. The pilot plant curbs costs by allowing production of small sequences of test samples. The new facility can now support all stages of product development, from idea generation, through concept development, to the production of small trial samples. An added benefit is 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. The plant will also benefit Faculty students and post-graduates, who will be using the facility for training and demonstration. As part of the grant activity, FTP, with the Leskovac Technology Faculty, developed internship and innovation voucher award programs, both now included in the Faculty's annual curricula. Through the program, students will be able to practice what they learned in the classroom and test their ideas for new products. The programs involved over 70 undergraduate and graduate students, who conducted practical experiments in the newly established pilot plant and production premises of FTP member companies. Seven innovation vouchers were awarded to students with the best ideas for new products and the winning product was included in the FTP joint product line and brand name

- Top Food. Both the internship and the innovation vouchers programs will be expanded to include tourism and catering industry students at the Higher Professional Business School in Leskovac.



During the summer, thanks to a Project grant, the Food Technology Park in Leskovac developed 20 new food products and improved five

In addition, by July 2015, FTP and member companies had developed 20 new products and improved five existing products under an FTP joint brand name - Top Food (see picture on left). Five new contracts have been signed with buyers from Serbia, Bosnia and Herzegovina, Macedonia, and Iraq, with a total value of \$110,000 worth of monthly deliveries. New products were also included in deliveries under existing contracts with old customers from Kosovo, Montenegro, Croatia, and Serbia, worth \$180,000 per month. Contracts with new buyers and sales will increase with the approach of a winter season, since the summer time is the peak season for sales of refreshing drinks and foods (ice cream, fresh fruits, etc). As a result of these activities, the Leskovac FTP has enlarged its membership as five food-processing companies and a Higher Professional Business School have joined the consortium. An

official accession ceremony and contract signing is scheduled for October 2015. The Project will be further supporting FTP management and member companies to fully utilize the pilot plant and assure sustainability of the new product development operations.

During the reporting period, the Project continued to support the development of a Food Processing Support Center in Nis (FPSC). The regional Food Processing Support Centre was established in 2013 by five local governments from the Nis-led IMC Area (encompassing the cities of Nis and Leskovac and municipalities of Merosina, Doljevac and Gadzin Han). The Center aims to improve institutional support and coordination among the IMC Area's key stakeholders, support food processors in identifying new and market-profitable possibilities, and to help agricultural producers adjust their production to better meet the needs of processors and buyers. In addition to the five IMC Area governments, the Center's scope of work was expanded to include three additional municipalities (Svrljig, Razanj, Aleksinac) in the database. This was done because the municipalities showed interest in the activity, and the Center will now be able to offer services to the entire Nis District.

In April 2015, the Project, in partnership with agribusiness consulting company Agrozem Ltd. and the City of Nis Department of Agriculture and Rural Development (DARD), publicly presented and launched a new web-portal, "Grow South" (www.rastjuga.rs). The site, a part of the Food Processing Support Center, will help grow the regional agribusiness sector. The portal serves 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 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 Project will work with the FPSC to ensure full utilization of the features embedded in the web portal and database. The portal will be promoted in the IMC Area and regularly updated and improved by Food Processing Support Center staff. The Project will monitor these developments, and examine the website regularly to provide the administrators with feedback on their performance and their obligation for continuous upgrading.

During the reporting period, the Project and DARD continued activities aimed at establishing a Service Processing Center, more specifically a fruit/vegetable drying center for small-scale farmers in Nis. As research completed in the previous quarter by Project subcontractor SEDEV shows, tree fruits/vegetable are by far the most competitive sector in the area and more attention should be paid to creating value-added products such as dried fruits and vegetables. After finding a suitable location, DARD, which is financing all construction work, selected and hired a contractor for the reconstruction and renovation of the building of the future Service Processing Center, all building permits have been obtained, and the works began in early May. The first phase, which includes enabling of the first floor where the tunnel dryer will be installed, has been completed in full. Tender for the selection of a contractor for the second phase has been completed, and the contract will be signed and works begun in early October 2015. The second phase includes repair works on the old interior walls and installation of new windows and doors on the first floor, followed by concrete works on the second floor and reconstruction of the roof. The deadline for the works in the second phase is 60 days. In May 2015, the Project

published a request for proposals to equip the Center with fruit and vegetable drying equipment and selected the best suppliers. Upon USAID approval and ensured infrastructure requirements for the drying facility by local counterparts, the Project will procure fruit/vegetable drying equipment for the Center. Start of the processing operations is expected for the next harvest season in spring 2016. By that time, the project will work with the FPSC staff to ensure that the concept of the service drying center is applied properly and tender procedures for the selection of users of the service center are in place.

Once equipped, the Center will be leased to a farmer selected through a public competition. The Service Center will allow small-scale farmers to add value to their crops by drying their fruit and vegetables. Since 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 operate their business. The Project will provide technical assistance related to business planning and training in proper drying for users and FPSC technical staff, and will assist the FPSC in approaching farmers' organizations and identifying other prospective markets and buyers for their semi-processed fruits and vegetable products.

The Vranje-led IMC Area

The Project's goal in the Vranje-led IMC Area is to create 1,500 new jobs through inflowing investments. To achieve this, SLDP has assisted the footwear and furniture sectors in the IMC Area. This activity in large part overlaps with the work done in the Novi Pazar-led IMC Area, to a smaller extent the Nis -led IMC Area, and most recently the Uzice-led IMC Area (see the Novi Pazar-led IMC Area section, on page 4-5 for more information).

- **Footwear Sector Assistance:** To help expand the footwear sector, the Project continued working with international footwear sector expert, Mr. Jordan Saliman who, during this reporting period, organized several visits to Serbian shoe manufacturers by international buyers. 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.

Earlier in 2015, the UK-based company French Sole visited Serbian shoe manufacturers. French Sole is a large producer of ballerina-flat shoes for women. The Project introduced French Sole's purchasing manager, Ms. Katherine Crich, to four companies from the Vranje-led IMC Area and two companies from the Novi Pazar-led IMC Area (also see the Novi Pazar-led IMC Area on page 5). As a result of this initial visit and due to the type and quality of its products, as well as its production capacity, Stefi Komerc was selected as the lead candidate for establishing cooperation with this foreign buyer, who is considering expanding its production to Serbia. In late September 2015, Stefi Komerc was invited to London to present sample products to French Sole staff and to discuss the sale of several models (see photo to the right). The British company's executives were satisfied with the quality of the presented samples and agreed to advance negotiations. French Sole will now send detailed technical specification for five selected models, to be completed by Stefi by the end of November. This initial order will serve for French Sole's upcoming presentation of footwear to its wholesale and retail partners from various countries, scheduled for January 2016. At the presentation, specific orders are to be defined for each and every shoe design after which French Sole is expected to distribute work to Stefi Komerc.



During September 2015, the Project assisted Stefi Komerc staff to present sample products to representatives of the French Sole shoe company in London and discuss the sale of several models

Additionally, the Czech Company Dovolena, in search of Serbian shoe manufacturers, contacted the Project and was interested in marketing Serbian shoes to Russia. The Project organized a visit to several factories by Dovolena representatives and, after making several sample purchases, Dovolena intended to

present these models at a Russia shoe fair in August 2015. Unfortunately, due to a current downturn in the Russian market, these plans have been postponed until 2016. In the meantime, Dovolena representatives decided to register and begin operations in Serbia. The company is currently in the final stages of obtaining an official business licenses in Serbia. Project representatives are in constant communication with Dovolena, and provide information on the procedures for foreigners to live and work in Serbia, and on the regulations for company registration.

- **Furniture Sector Assistance:** 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. During this reporting period, the Project organized several visits to furniture manufacturers by international buyers. In April, Mr. Baron met with Serbian furniture producers in the Nis and Uzice –led IMC Areas to prepare local manufacturers for international clients. In June, the Project organized an inward buyer visit to local furniture producers. Schillig, a large German producer of leather upholstered furniture, visited Serbian facilities identified by the Project’s international furniture expert as able to meet the requirements of the German business. As a result of the successful visit, Schillig decided to send a model sofa to Atlas, from the Uzice-led IMC Area, to test their production quality. Atlas presented their version of Schillig’s sofa to the German company’s representatives. Schillig representatives were satisfied with the sofa; Atlas has now entered negotiations to become a supplier for the German company. At the time of writing, in September 2015, Atlas has managed to match the price that Schillig expected, and the offer is still under consideration by Schillig with a decision expected in early October 2015.

To help expand the furniture sector, the Project will continue Mr. Baron’s work of strengthening cooperation with IKEA, as well as of providing expertise to furniture companies’ managers and all relevant furniture sector stakeholders (Belgrade Fair, SIEPA, Chamber of Commerce, and University of Belgrade – Faculty of Forestry). In September, the Project, in cooperation with the world’s largest furniture retailer, IKEA, organized a one day study visit to the Nova Dipo Company in Bosnia. Nova DIPO is a large manufacturer of solid wood chairs exclusively for IKEA. The study tour provided Serbian furniture entrepreneurs with a look at how a world-class furniture manufacturing company is equipped, organized and managed. The trip further served to introduce representatives of Serbian companies to best practice examples that can be transferred to their own facilities in order to fulfill the quality standards of international retailers like IKEA.

Additionally, the Project has identified the Belgrade Fair and its annual event, the Furniture Fair, as a leading venue for B2B meetings between furniture manufacturers. During the summer, the Project established cooperation with the Belgrade Fair, and Mr. Baron has begun to guide Fair technical staff in structuring, guiding and launching a B2B concept at the Furniture Fair, scheduled to begin on 10 November 2015. Furniture manufacturers in Serbia need such a venue, while European buyers are looking for a replacement for China, given the complications of buying there and the alarming cost increases caused by the Euro’s fall and China’s internal inflation. A B2B furniture fair concept will enable Serbian furniture producers to find new buyers and explore new markets. Mr. Baron has also assisted Fair staff to contact the Serbian Chamber of Commerce and its offices in Germany, Belgium, Moscow, Italy to promote the Furniture Fair and directly support drafting invitations for potential buyers located in these countries. At the time of writing, the Project has prepared three trainings on “Negotiations and Professional Selling Skills” for Serbian furniture-export oriented companies, mainly, exhibitors at the upcoming Furniture-B2B Fair. The companies have been selected by Mr. Baron and the management of Belgrade Fair. The trainings will take place in October, 2015. The majority of the training sessions will consist of providing real life examples and solutions for potential problems.

In addition, the fair will feature a roundtable discussion about the opportunities that Serbia has and is missing in the production of wood furniture for the international market. EU PROGRES is working with SLDP to organize this roundtable, which will have government officials, municipal mayors and the diplomatic community in attendance to hear expert analyses of the commercial potential and until-now failure of exploiting Serbia’s to make value-added wooden furniture.

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 the Project began working with the Center in 2013, the number of orders completed has increased from 25 in 2013 to 63 in 2014. Additionally, in 2015, the ImPuls Center has garnered \$33,000 in business transactions. It should be noted that the Center has been closed for the past several months while the 3D printer undergoes maintenance. During the summer, recognition of the Center's activities and services came in the form of an invitation to join an expert working group. Namely, the Professor charged with running the Centre was invited to be a member of an expert group which will, through the Horizon 2020 Project, develop a roadmap for implementation of 3D printing technologies in European industry. In the following months she will participate in a series of meetings in Brussels.

In order to improve the competitiveness of SMEs in the IMC Area, the Project has engaged a part-time Business Developer to support widening the customer base that uses the 3D printing services available at the Center. The goal of the Business Developer is to seek out companies that have the potential and need to use 3D printing in their manufacturing processes and to ensure that the facility has the procedures and tools in place to meet this increased demand. During the summer, the Developer organized a visit by a representative of the FIAT Automotive Company, who showed an interest in cooperating with the Center in the production of various spare parts. The Project will continue to monitor and report any development in this potential deal. The Project has also assisted the ImPuls Center to engage an Administrative Assistant. The assistant has been tasked with maintaining a database of all SMEs that have worked with the Center, making the database both a source of information for preparing offers for interested users and a tool for communicating with past users of the Center's services.

Following three Project-organized workshops (in Nis, Novi Sad and Kragujevac) bringing scientific institutions and businesses together in the previous reporting period, the IMPuls Center became a member of the Vojvodina Metal Cluster, expanding its client list by the over 100 members of this Cluster. As a result of this cooperation, the Center and VMC jointly presented their potentials and services at the Forma-Tool Fair in Slovenia in April 2015. At the Fair, 3D Impuls Center established cooperation with the Croatian company Sinel, which specializes in the production and service of machine tools. In May 2015, representatives of eight VMC companies, two secondary vocational schools, and a wood processing cluster visited the 3D Impulse Center as part of Project efforts to expand the Center's client list. The VMC member companies learned about 3D printing and digital technology for the development of new and improvement of existing products. ImPuls Center staff presented the capabilities and potentials of advanced technologies in the field of development and testing, manufacturing of tools and spare parts, as well as size and quality control. The visit gave VMC members a chance to network, exchange ideas, and directly discuss mutual cooperation as well as joint entry to new markets.

The Zrenjanin-led IMC Area

The Project's activities in this IMC Area focus on helping increase vegetable producer sales to food processors by 20 percent. To do so, 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. With Project support, 31 greenhouses were installed at three locations, in Kikinda (12), Novi Becej (4), and Zrenjanin (15).

While tenants successfully completed their first growing seasons in Kikinda and Novi Becej, the 15 incubators located in Zrenjanin continued to deal with delays. Specifically, there were problems with bad infrastructure and no water and power supply, making the greenhouses unusable in the past season. As three greenhouse vegetable growing cycles were missed (the summer, autumn and winter cycles) this delay caused several of the fifteen young tenants to cancel their participation. In November 2014, the Zrenjanin LG announced another competition to fill the unallocated greenhouses. With the selection of substitute tenants in April 2015, the Zrenjanin Government took the necessary steps to resolve the various problems. A water supply network and access road for each greenhouse was set up. Furthermore, an agreement was signed with the power supply company, ensuring

that the greenhouses are fully powered and illuminated. Eleven tenants entered the incubator during this period and began growing tomatoes and lettuce. The remaining four greenhouses were initially flooded due to heavy rains; however, the LG completed drainage of the terrain around the incubator in May 2015, opening the last four greenhouses for production. With the completion of a water drainage network, there is no longer a risk of flooding. Further damage to the greenhouses, such as torn down protective foils in April 2015, was repaired by the City of Zrenjanin. Installation of fences around the complex was completed in June, while storage containers for tools were also installed at the site.

During March/May 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 to 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. Although there were no major problems spotted in Novi Becej and Kikinda, the sustainability of the incubator in Zrenjanin was still under risk at that time. Therefore, it will be a subject of continuous monitoring and corrective measures by the Project's in-house specialist for the remaining period.

After a delayed start, two production cycles have been completed in Zrenjanin greenhouses, resulting in sales of over 15 tons of off-season vegetables, mainly tomatoes, peppers, cucumbers and lettuce, generating about



\$15,000 for young farmers. After initial problems with terrain flooding and the late installation of incubator infrastructure by the local government, 15 greenhouses in Zrenjanin have begun to bear results. With mentoring help from local farmers' association, the young tenants of Zrenjanin greenhouses have mastered greenhouse vegetable production, including cultivation of highly profitable string beans, organic tomatoes and new types of hot peppers. This activity was recently singled out as a best practice example by a media broadcast about agricultural incubators as a way for rural youth to find employment in Serbia (see photo to the left). Simultaneously, in the other two IMC Area greenhouse locations, in Kikinda and Novi Becej, 16 young users continue with successful cultivation and sales of greenhouse vegetables as in the previous year. Three production cycles have been completed generating more than 30 tons of vegetables and \$24,000 of revenues for young farmers. After the first group of incubator tenants finishes the planned 2-years period of incubation in June 2016, the second group will be selected and prepared to enter greenhouses in early autumn of the same year.

Last year, the incubator in Kikinda was set up within the planned agro-industrial zone site, which was not yet completed. Setting up the incubator site and infrastructure triggered the municipality to speed up its search for inflowing investments by finishing the infrastructure and organizing the zone for investments in agribusiness. Recently, the municipality officially opened its fully equipped investment-ready Agro-industrial zone. A public call for investors has been completed, and one investor who fulfilled the criteria has paid a deposit to buy a large plot in the agro-industrial zone to open food a processing factory and employ more than 100 workers. Because the incubator is situated at the plot where new factory will be constructed, the municipality has decided to relocate the greenhouses to another location owned by local government. Kikinda plans to relocate the greenhouses during October/November 2015 after completion of current vegetables production cycle. The greenhouses will then be prepared for the next production season in late winter.

Despite the problems in Zrenjanin, the Horticulture Incubator Program is a good concept for giving young unemployed people an opportunity to learn while promoting the diversification of agricultural production and enhancing the entrepreneurial and practical skills of new young farmers. The Program allows youths to run small farm businesses and grow vegetables in greenhouses and open fields, with a low amount of risk. The Program was also comprised of an educational component that provided trainings and mentorship in entrepreneurship and vegetable growing, and a resource-based component, which provided land, infrastructure, equipment, and

greenhouses. As a result of this success, in August 2015 the Project brought together three local governments, from Kraljevo- and Zrenjanin-led IMC Areas, to disseminate lessons learned and best practices in establishing Youth Horticulture Incubators. A delegation from the City of Cacak met with representatives of Zrenjanin and Novi Becej local governments and visited incubator tenants in the greenhouses set up with Project support. The delegation was interested to see how the Horticulture Incubator Program's best practices could be replicated in the Cacak area.

Simultaneously, the Novi Becej LG presented its plan to set up another similar incubator at a new location. The Zrenjanin LG also has a similar plan to expand the incubator to a few different locations and enable young people who live further away easier access to greenhouses. Both municipalities have presented their incubator projects to the Ministry of Agriculture, which supported the idea and promised support. The Project will continue to monitor the situation and provide assistance upon request.

The Subotica-led IMC Area

The Project's goal in this IMC Area is to help increase the sale of agriculture products from the region by ten percent. To achieve this, the Project delivered equipment to the Subotica Public Health Institute laboratory, upgrading the Institute's capacity and enabling analysis of regional food products. The laboratory now has the equipment and capacities to test for 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 is 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.

During the six month reporting period, the laboratory continued testing to obtain certification of its new services by the Serbian Accreditation Body. The Public Health Institute completed both the third and fourth phases of accreditation testing, with the laboratory examining 39 different pesticides and verifying testing methods on six food products (pepper, strawberry, lettuce, dried beans, mint and honey) for 43 pesticides. The final phase of accreditation testing was completed during the summer, and the Institute submitted a request to the Accreditation Body of Serbia for widening its scope of accreditation for testing methods on the new equipment. After a rigorous evaluation process and several control audits conducted by the Accreditation Body of Serbia during June, the extended accreditation was finally granted to the Institute's laboratory for its new food testing services.

This third-party accreditation now allows the laboratory to apply new testing methods and to perform official residue analysis of a large number of different types of the latest generation of pesticides of food or plant origin. Local farmers and food processors receiving the Institute's certified analysis can use it as official proof that their produce meets export requirements regarding food safety and quality. The new testing services will allow producers to apply for export certificates, increase their sales, and add jobs, contributing to the economic growth of the entire area. For example, a certification body for organic production "Organic Control System," already used the newly accredited services of the Institute's laboratory, to test the products of its customers and enable the sales and export of their organic crops. A local fruit processor as well as a number of cabbage producers were also among the first to obtain the Institute's certified analysis.

The Institute has also promoted its new testing services to the IMC area agribusinesses involved in the production, processing and distribution of food, and to registered farms with the possibility of using laboratory services at preferential terms. As the local producers are now able to conduct necessary laboratory tests in their vicinity in Subotica, and since the Institute is disseminating information about new testing services, an increase of the number of users and issued export certificates is expected over time. With Project assistance, the Institute will continue to promote its new services, as they are unique to the entire region, including the neighboring Zrenjanin-led IMC Area. Once the new testing equipment has been in operation for a period of time, the Institute, in cooperation with the City of Subotica, will organize a presentation of test results to local farmers and other related stakeholders. The purpose of this is to provide information on contamination levels of produce in the region, including information on the most critical chemicals and most frequently contaminated products. This would bring food products in line with export requirements, and inform farmers how to improve product safety and quality with the proper use of crop chemicals.

During the reporting period, the municipality of Sombor also saw a new investment of approximately \$8.5 million. In April 2015, the Serbian unit of Italian confectionery maker Ferrero Group, Agriser, acquired the

agricultural assets of Sombor-based farming company “Aleksa Santic.” Ferrero plans to invest in hazelnut production by setting up a production center, in cooperation with local producers. Last year, during US Ambassador Michael D. Kirby’s visit to Sombor, local officials emphasized that Ferrero’s interest to invest in the area was boosted by the existence of the Project-established Agriculture Education Center, located in the municipality (see Annex E, Success Stories for more information).

The Novi Sad-led IMC Area

The Project is working to add 1,500 jobs to this IMC Area. To do so, SLDP has continued to work with the Vojvodina Metal Cluster (VMC), a cluster of more than 116 small and medium sized metal producers with access to foreign and local markets. In the previous quarter, 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. 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 response time for customer inquiries from 100 days to a maximum of 10 days. At the time of writing, based on requests received and answered through the CRM, 81 companies have used the program to send 39 business enquiries while nine deals have been completed total. The estimated value of these contracts is approximately \$55,000.

In the six month reporting period, a Project-awarded grant of approximately \$70,000 was completed by the VMC. The activity looked 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 number of new jobs. All three phases of the grant have been completed: the development of an interactive map of VMC members, the procurement of a Computer Numerical Control (CNC) cutting table and the development of a new Cluster-wide product. During the reporting period, the VMC engaged an IT expert who developed an application to present VMC members in detail on the Cluster website. The application has been launched and contains a full repertoire of VMC company profiles (<http://www.vmc.rs/eng/Home>). In April 2015, the Project delivered the CNC table to the VMC. The device provides computer controlled guidance for plasma welding and cutting metal in complex shapes, enabling repeated, exact cuts at a much faster rate than human controlled devices. The VMC estimates that with the new hardware the number of companies utilizing Cluster services will increase by up to three times, while production costs will drop, making VMC services cheaper and more competitive. The Project also supported the VMC in designing a new cluster-wide product: an underground waste container which requires only minimal adjustments for existing garbage trucks to be able to service them (see photo to the right). The container was fully constructed in May 2015, with the Cluster creating and testing three prototypes through mid-June, when the third prototype passed all mechanical and quality tests. During September 2015, the VMC began negotiations for testing the underground containers in real conditions. The Project continues to provide advice on the need to follow environmental requirements with this innovation. Currently, they are close to an agreement with a real-estate developer from Temerin to install containers in a new residential area that is in the final construction phase.



As part of a Project grant, the VMC began testing prototype underground waste containers, which were created during the reporting period. Once installed the containers can be used hands-free and serviced by existing garbage trucks.

To support the expansion of VMC members in finding new markets, the Project has also been working with the Swiss SIPPO Office to assist the organization in implementing a large B2B program. SIPPO is the Swiss export promotion agency, assisting SMEs from Switzerland in their international business ventures. As a result, Mr. Richard Danicic, an expert business developer was engaged 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. During the reporting period, Mr. Danicic’s activities encouraged VMC members to: engage in collective procurement to achieve more favorable terms for members than would be possible for a single company, thus curbing costs, and create innovative products, thus increasing the VMC’s competitiveness on the market. From May to June 2015, Mr. Danicic worked to gain favorable prices for VMC members for re-fueling

official vehicles and procuring cell phone services and IT equipment. All three of these business plans are in the negotiation process, and the Project will report on any developments in the forthcoming period. Apart from working to keep and satisfy existing members, Mr. Danicic has also worked to expand the VMC by promoting the Cluster and gaining new members (see below in the FDI section for more on the Prague Business Forum, which the VMC participated in; also see page 10, in the Kraljevo-led IMC Area, for more information on business-to-science activities).

Foreign Direct Investment (FDI) Attraction Activities

The Project has completed its IMC cross-cutting joint Foreign Direct Investment Attraction Coaching Program with the aim of improving 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 such as learning how to identify, package offers and market industrial zones to potential investors. The Project's 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 contributed by presenting FDI attraction models based on their own experiences – making the program truly valuable to its recipients. During April, May, June and September FDI experts from the Berman Group together with Project representatives conducted mentoring visits to participating municipalities of the second round of the FDI Coaching Program. The visits were provided to Novi Pazar, Sjenica, Tutin, Kraljevo, Cacak, Vrnjacka Banja, Subotica, Kanjiza and Novi Becej. Experts reviewed the LGs' progress in preparing municipal fact sheets and sector overviews and provided consulting support to staff of LED offices. Project experts also evaluated the quality and relevance of investment promotion sections of municipalities' websites and provided feedback to municipal authorities.

As part of the program, the Project-assisted select municipalities moved forward with 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 the necessary documentation to establish IZs. During the reporting period, the Berman Group consultants assessed all three sites, developed pre-feasibility studies in collaboration with LED Offices, and transferred their assessments and development knowledge to the local government representatives. In May and June, pre-feasibility studies with a detailed conceptual design were developed for all three locations owned by the local governments in Kanjiza, Novi Becej and Kraljevo. The goal of the activity was to ensure that LGs know what needs to be done so that these properties can be market-ready for industrial investors. The industrial zone "Izlaz" in Novo Becej is one of the few large, publically-owned sites that can accommodate sizeable strategic investment in Serbia. The zone in Kraljevo is located at the future exit of a planned highway, while the site in Kanjiza is located at the exit of the trans-European highway E-75. Berman Group experts presented their key findings and recommendations to all three local governments.

At the end of May 2015, the Project, in cooperation with the Czech and the Serbian Chambers of Commerce, organized a B2B Forum in Prague for the agro/food processing, textile and metal processing sectors. The forum gave Serbian companies a chance to present their capabilities and connect with Czech firms interested in expanding their operations. Fourteen Serbian businesses attended the event along with representatives of five Local Economic Development Offices (from Kraljevo, Cacak, Subotica, Nis and Vranje). Additionally, representatives of Serbian state-level institutions responsible for attracting investors (the Serbian Import and Export Promotion Agency, Vojvodina Investment Promotion Fund and Serbian Chamber of Commerce) presented the legal reforms currently being undertaken by Serbia, bringing the country in line with European Union (EU) legislation and easing Czech business access to the Serbian market.

As a result of last years' "FDI Investment Tour" to Italy, organized by the Project and Confindustria Serbia, in late August 2015 the Voiprinting Company began production in Novi Sad. Voiprinting is a graphic design and printing company owned by the larger Italian Rotoform printing company. Thus far, Voiprinting has employed twenty new workers with plans to further expand production. Last year, the Project partnered with the Italian business association Confindustria Serbia to organize the Investment Tour for representatives of four Serbian local governments (LG): Nis, Novi Sad, Leskovac and Vranje. These LG representatives visited Venice and Naples and presented their investment potentials to over 40 Italian businesses who are considering expanding some production to Serbia.

In the previous reporting period, 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 limited state resources for investment attraction support. Since a national FDI M&E system is critical to Serbia's planning for and 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. However, as the Serbian Government recently announced, the merger of several organizations to create a new Serbian Development Agency (SDA) the Project has put activities on hold until it becomes clear what agency will exist in the future and what its mandate is (see pages 18-19 in the Component 2 section for more information). Once an agency is formed, the Project will work with the agency, ascertain the types of investment data currently monitored, and begin planning for a national M&E system.

Finally, during the reporting period, the Project developed a catalogue of Serbian investment success stories for five fast-growing sectors: metal/electronics, agriculture/food, construction, information technology and

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- 10-year tax holiday for investments over 8.3 million euro, 100 new jobs
- Strong FDI record - 26 billion euro invested in Serbia since 2000
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- Customs free access to Russia and other countries - market of 800 million customers

Major international companies tell us why they are already here... **FOLLOW THEIR SUCCESS.**

The Project developed and published a catalogue of Serbian investment success stories for fast-growing sectors

textile/leather (see photo to the left). The stories serve as best practice examples of investing in Serbia and promote benefits such as customs free access to markets with over 800 million customers, a skilled workforce, well-developed network of suppliers and ideal location for just-in-time production. The catalog will now be distributed to various Serbian consulates and partners that promote Serbia as an investment location, such as the Serbian Investment and Export Promotion Agency (SIEPA), Vojvodina Investment Promotion Fund (VIP) and National Alliance for Local Economic Development (NALED). Criteria for choosing the most interesting company stories were that the firms saw an increase in revenue of over 10% since their investment and that the business has continued to invest due to favorable conditions in Serbia. The highlighted firms have also added new jobs in their regions and increased exports in their sectors. The ten most successful examples were chosen by the Project, in collaboration with the American, German, and Serbian Chambers of Commerce as well as SIEPA, VIP and NALED.

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 has completed its support to 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. Once found on the SLAP database, each project is listed on the EU or GoS priority list for funding. Listed below are projects that have received financing or have been entered onto the SLAP database.

In the Vranje-led IMC Area:

1. *Environmental protection of the South Morava River.* Based on technical documentation developed by the Project, the 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 €152 million on the construction of a Waste Water Facility; the contract was signed in November 2013. The project has been entered onto the SLAP database.
2. *"Meteris" regional landfill with recycling facilities.* With the assistance of Project experts, a Regional Solid Waste Management Plan was developed. Bujanovic added the transfer station project to the SLAP database in March 2015 as part of this Regional Solid Waste Management Project.
3. *Bunusevac Industrial Zone bypass road.* The Project funded the development of a topographic plan for a bypass road that has been entered onto the SLAP database.

4. *Bunusevac Industrial Zone*. Work continued on this industrial zone, 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 been entered onto the SLAP database.
5. *Cukarka Industrial Zone*. In Presevo, the Project completed a pre-feasibility study for an industrial zone. During the process of developing the pre-feasibility study, the Project discovered that an unsolved land property issue threatens the whole activity. 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. *Water Supply System "Pusta reka."* 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. *Agricultural Educational Center in Sombor*. The Project supported the development and reconstruction of the Center, which was delivered in February 2014. The technical control assessment of project documentation was completed in March 2014. The Agricultural Training Center reconstruction was completed in August 2014, and the Center has been completely furnished and equipped.

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

8. *Beocin Industrial Zone*. 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. *Temerin Industrial Zone*. 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. A notable success during the reporting period was the replication of the Projects inter-municipal cooperation approach to municipalities who are not directly involved with USAID. In April 2015, two Project-partner LG's, Beocin and Sremski Karlovci, invited three other municipalities (Irig, Backa Palanka and Sid) to form a new inter-municipal partnership on their own, modeled on the successful USAID-introduced IMC concept. This new IMC partnerships is tangible proof that Serbian municipalities have realized that they can attract more investment, government and external funding, increase their efficiency, achieve economies of scale and accelerate economic growth by partnering with one another (for more information, see Annex E - Success Stories).

In April 2015, the Project organized a public event to mark the opening of a pilot plant for new food product development at the Food Technology Park (FTP) in Leskovac. USAID/Serbia Mission Director Azza El-Abd participated at the event. Regional and local media covered the event, which highlighted US government support for increased competitiveness of the food processing sector, introduction of innovation and development of new food products.

In June 2015, the Project helped the Zlatibor Regional Development Agency present the quality assurance trademark, protecting a newly created 'Mountain Breakfast' as a specific regional gastronomic brand. The Mountain Breakfast was created with Project support to allow local private food producers to easily connect with the regional tourism industry. Products marked with this brand are used to create unique culinary menus, specific to the Zlatibor, Zlatar and Tara mountain resorts, and will be sold at regional hotels and restaurants. The event also introduced the brand to representatives of hotels and tourist resorts from other parts of Serbia, with some hotels from Vojvodina already showing interest in introducing the food to their menus. The Mayors of Prijepolje, Nova Varos and Cajetina municipalities, as well as the directors of the RDA Zlatibor and the Serbian Tourism Organization attended the event (for more information on the Project's Communication efforts, see Annex D).

Ambassador Michael D. Kirby Visits Project Supported Regional Center for Agricultural Development



In August 2015, Ambassador Michael D. Kirby visited the RCAD in Sjenica and the newly established laboratory for testing of milk and meat products. Thanks to SLDP support, the RCAD's staff has been trained to introduce and implement ISO standards, to properly sample milk and meat products at local farms, and to advise farmers on improving the safety and quality of their products. The RCAD is now applying for the accreditation of its food testing services.

Ambassador Kirby said he was pleased with the fact that local farmers will now have the possibility, through the RCAD's services, to prove the quality of their product, obtain necessary food testing certificates, and increase their sales and expand markets.

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 past three years, all 32 partner cities and municipalities have benefited from technical assistance in asset inventorying and management provided by the Project through mentoring, networking, various trainings, and on-the-job support. During the six month reporting period, technical assistance activities in asset management and brownfield development were successfully completed. Almost all local governments have established software databases of real property, while some municipalities have initiated advanced activities in property management (i.e. estimating real-estate value, financial real-estate portfolio analyses, geodetic work necessary for legalization of public assets constructed without permits etc). During the reporting period, the Project successfully lobbied for a two year extension of a municipal property asset registration deadline. The Project and partner Standing Conference of Towns and Municipalities (SCTM) recommended that the Serbian Government allow municipalities to register assets through a simplified procedure which will bypass backlogs at the central level. This move was allowed by the government, which passed changes to a bylaw and extended the deadline for the establishment of asset management evidence for all public entities to 2016, leaving sufficient time for all local governments to complete the registration process.

In partnerships with Development Consulting Group (DCG), brownfield redevelopment activities were also finalized in the past six months. DCG successfully assisted participating LGs to create 15 presentations of these most attractive brownfield locations on their territories. Additionally, DCG launched an internet platform for the promotion of brownfield locations in all 32 Project partner municipalities. 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. While asset management and brownfield activities have been completed, the Project will continue to provide general legal support on request, to local economic development offices in Kraljevo, Nis and Leskovac. The Project will remain open to assisting these LG's and consult on various legal issues, with relevant counterparts in the Government of Serbia (particularly the Ministry for Economy and the Privatization Agency) and commercial courts on bankruptcy issues and other legal matters that might be relevant in the privatization of brownfield companies (i.e. Magnohrom Kraljevo, Pomoravlje Nis, Zdravlje Leskovac etc).

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

In December 2014, the Serbian Parliament adopted amendments to the Law on Planning and Construction, which are to significantly speed-up procedures for issuing construction permits. The law took effect in March 2015; however, very few cities and municipalities have complied with new legal requirements mandating the issuing of construction permits within 28 days of a request. Additionally, during the reporting period, the Ministry for Construction, Transport and Infrastructure prepared a set of complex technical by-laws needed for construction process. To help cities and municipalities comply with these changes, the Project held a series of training for LG employees on implementing these regulations through the establishment of One-Stop-Shops (OSS) for construction licenses, envisioned by the law. OSSs are the cornerstone of the new regulations, allowing investors to communicate with only one public sector agency (in a vast majority of cases local governments) instead of being required to contact dozens of public enterprises and institutions. This allows investor operations to begin within weeks rather than the months it took prior to the new law.

In June, the Project completed two trainings for approximately 55 representatives from 22 Project-partner LG departments for urbanism and construction, to help them understand newly prepared construction permitting secondary regulations (rulebooks) regarding OSS. The two trainings were held in Novi Sad and Nis, and introduced LG representatives to proper implementation of technical documentation rulebooks and ways to simplify the most complex phases of OSS construction permitting procedures regarding water, fire protection, and roads. The trainings were held in cooperation with the SCTM and USAID's Business Enabling Project (BEP) whose representatives presented the latest version of the Investor's Manual/Guidebook on construction procedures. In July, the Project facilitated input from a network of local offices for urbanism and licensing in public hearings on an additional five by-laws for the implementation of the Law on Planning and Construction. The public hearing was open until July 12. The Project provided assistance to Kanjiza, Novi Sad and Leskovac to develop their proposals for refining these by-laws and to submit the proposal to the Ministry's working group. During July and August, several cities and municipalities, Nis, Bujanovac and Presevo, were provided tailor-made technical assistance to adequately implement the Law on Planning and Construction and establish OSSs. Partner cities and municipalities are expected to be in full compliance with Law on Planning and Construction requirements by the end of 2015, significantly shortening permitting procedures.

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 May 2015, the Serbian Ministry of Economy invited Project experts to participate in a new working group to finalize a Draft Law on Investments. The law looks to equalize domestic and foreign investors, curb bureaucracy, create fast-track procedures for investors, and establish new institutions such as a Council for Economic Development and Serbian Development Agency. The first draft of the law was presented on April 14, 2015, following which the Project immediately prepared a comprehensive analysis, pointing out insufficiently clear strategies as well as imprecise provisions. During the summer, the drafting process was removed from the formal working group, and the new draft law has been finished inside the offices of the Prime Minister and Ministry of Economy. Input and comments were very informal, with both the SCTM and the Project not as involved as was originally hoped. The Project expects the Ministry for Economy to proceed with the adoption of the law as soon as possible, and thus to submit the draft in the first autumn parliamentary session. The new law is expected to officially abolish the Serbian Investment and Export Promotion Agency (SIEPA), paving the way for the creation of the abovementioned Serbian Development Agency, which will handle FDI and state privatizations. The Project

is keeping a close eye on this new Development Agency, its authority, structure, make-up and place in the government hierarchy.

Currently, the draft still contains several key problems. For example, the law does not define the criteria for determining the status of local, regional and national investments, while the subsidizing of investments of special importance is done without a public tender. Additionally, the law does not define who proposes membership to the Council for Economic Development. This is particularly troubling as the Council is tasked with granting subsidies for investments of “national importance.” The Project and the National Alliance for Local Economic Development (NALED) have also disputed provisions on the criteria for classification of investments (into three categories - investments of special significance, regional and local). These categories are not clearly defined, leaving decision-making authority up to an ad hoc, case-by-case bargaining process.

Regarding Foreign Direct Investment activities; both the Ministry of Finance and the Ministry of Economy need substantial support and guidance in establishing adequate measures for the promotion of FDI competitiveness and the development of FDI sub-sector strategies. In March 2015, the Government adopted a new 2015-2020 Development Strategy for small and medium-sized enterprises (SMEs), entrepreneurship and competitiveness. One of the six key, strategic pillars is the continued support of export oriented SMEs to access new markets. Once the Serbian Development Agency becomes operational (most likely in November 2015), the Project plans to organize a half-day technical round table for FDI experts engaged by the Agency and also for high and mid-level managers with the Ministry of Economy and Ministry of Finance and provide clear practical guidelines on how to utilize those recommendations.

In mid-August 2015, the Project organized an assessment meeting with the Association of Young Entrepreneurs and discussed modalities and intensity of institutional support to be provided to the Association. In the coming period, the Project will thus assist the Association in preparing a strategic communication plan, which will enable them to make the most of their limited resources and to obtain needed assets and support. Additionally, the Project will provide expert business development advice, allowing the Association to continue to develop the necessary skills that young entrepreneurs need to start and expand their business in national and international markets. Training will be focused on topics such as advocacy networking, social media use, leadership training, membership development, board governance, and financial sustainability.

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

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

During the reporting period, activities on the joint utilization of a jean finishing machine, through a public-private partnership, continued. With Project support, six well-known Novi Pazar-led IMC Area denim manufacturers established a denim association, called Pro Denim, to jointly use an ozone-based technology for jean finishing. The new, environment-friendly equipment will create a competitive advantage for local jeans producers and allow them to target Western European markets, known for ecologically-conscious buyers. In addition to reducing the negative impact on the environment, the ozone technology decreases the processing costs of jeans, making the final product more accessible and attractive to modern consumers. Previously, the Project carried out an assessment of the denim sector in the IMC area, which found that local denim producers could better distinguish themselves with an ecologically-conscious brand on the global jeans market. The Project has since engaged a sales specialist to establish an efficient system for joint usage of the ozone finishing machine among the local manufacturers. The six firms employ more than 400 workers and export to Russia-speaking and regional Western Balkan markets. The Project will continue to work with the manufacturers to develop operating procedures and principles for effective use of the ozone machine over the long term. The Project will advise on the preparation of facilities, recruitment of staff to administer and run the machine, and support development of a set of documents and safety and environmental procedures in line with national legislation.

The Project has also assisted Tutin Municipality to develop a sustainable private-public partnership within the regional center for the collection and processing of NTFPs. During the reporting period, NTFPs industry expert, Mr. Peter Furth, developed a final business development plan with recommendations for Tutin to establish a drying processing facility to be ready for spring 2016. The collection and processing center will be established as a private public partnership (PPP) with local small businesses and collectors of herb and forest fruits, and will act

as a cooperative for aggregating wild collected goods, processing them, and selling to strategic partners (for more details on both PPP activities see pages 3-6, in the Novi Pazar-led IMC Area section).

3. SIGNIFICANT CHALLENGES ENCOUNTERED AND ACTIONS TAKEN

Challenge: The Law on Investment's drafting process has been removed in July from the formal working group set up in the spring, and the new version has been finished inside the offices of the Prime Minister and Ministry of Economy. Working Group members had limited access to information on the drafting process that was organized within the Ministry for Economy.

Action Taken: Jointly with NALED and SCTM, the Project succeeded in providing suggestions and recommendations through informal channels – recommendations were given to the Minister's advisors who succeeded to influence some aspects of the drafting process (i.e. the institutional position of local economic development offices has been restored).

4. HIGHLIGHTS OF ACTIVITIES PLANNED FOR FY2016 Q1

Component 1:

- Continue linking Serbian denim, footwear and furniture sector manufacturers with foreign buyers
- Procurement of Ozone Technology Machine for Novi Pazar Denim Jean Manufacturers

Component 2:

- Continue support of local offices for urbanism and licensing to increase technical capacities of LG staff to adequately manage legal and institutional permitting requirements and organizing workshop on e-licensing in late October or early November 2015;
- Provide support to the Pro-Denim PPP and develop operating procedures and principles for effective use of the ozone machine over the long term

ANNEX A – ACCRUALS (April 1, 2015 – September 30, 2015)

ANNEX B – STATUS OF PMP INDICATORS

This Annex to Semi-Annual Report #9 provides the PMP status of the Project's performance indicators as of September 30, 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

	#	Indicator	target		actual
Impact Level	1	Number of business-sector jobs created in participating municipalities as a result of Project's IMC activities	Y1	-	-
			Y2	-	-
			Y3	300	479
			Y4	700	3,975
			Y5	1,000	1,186
			Y6	-	-
			LOP	2,000	5,640
	2	Dollar value of direct investment, both realized and those that are committed	Y1	-	-
			Y2	-	-
			Y3	\$40M	\$0.00M
			Y4	\$80M	\$218M
			Y5	\$118M	\$241M
			Y6	\$30M	
			LOP	\$268M	\$459M (cumulative to date)
	3	Dollar value of increased revenues of companies in sectors supported by the Project	Y1	-	-
			Y2	-	-
			Y3	-	\$0.00M
			Y4	\$1.3M	\$1.3M
			Y5	\$17.8M	\$17.8M
			Y6	- ¹	-
			LOP	- ²	\$19.1M (cumulative to date)
Outcome / Output Level	4	Number of inter-municipal economic development projects implemented, which meet the critical path milestones	Y1	-	-
			Y2	-	-
			Y3	8	12
			Y4	8	20
			Y5	4	21
			Y6	(7)	
			LOP	20	21
	5	Number of business-friendly municipalities	Y1	2	0
			Y2	-	8
			Y3	10	11
			Y4	5	6
			Y5	0	-
			Y6	-	-
			LOP	17	25
	6	Number of municipalities that have established or improved management practices.	Y1	-	-
			Y2	9	7
			Y3	8	6
			Y4	8	15

¹ Targets for increased business revenues are not set for the FY2016. In previous years, business revenues were counted as part of the overall economic impact of the Project, together with investments.

² For a complete overview of investments, the Project's full Annual Assistance Objectives and Intermediate Results Report for FY2015 was submitted on September 30, 2015.

#	Indicator	target		actual
		Y5	7	3
		Y6	(16)	
		LOP	32	31
7	Number of Public-Private Partnerships established with Project's support	Y1	-	-
		Y2	1	-
		Y3	2	3
		Y4	2	2
		Y5	2	2
		Y6	-	-
		LOP	7	7
8	Number of youth with increased competitiveness in the labor market	Y1	-	-
		Y2	130	225
		Y3	320	702
		Y4	330	307
		Y5	270	-
		Y6	-	-
		LOP	1,050	1,234
9	Number of major infrastructure inter-municipal projects assisted in the process of applying for the EU and GOS financing	Y1	-	-
		Y2	1	-
		Y3	1	2
		Y4	1	4
		Y5	2	3
		Y6	-	-
		LOP	5	9
10	Number of locally elected and appointed officials, CSO members, media and the business community trained	Y1	-	-
		Y2	955	955
		Y3	250	655
		Y4	300	857
		Y5	250	341
		Y6	-	-
		LOP	1,750	2,808
11	Corporate social responsibility initiatives supported	Y1	-	-
		Y2	-	-
		Y3	-	2
		Y4	2	-
		Y5	2	2
		Y6	-	-
		LOP	4	4
12	Number of initiatives involving dialog between the public, private and civil sectors	Y1	0	-
		Y2	21	21
		Y3	10	12
		Y4	14	13
		Y5	13	18
		Y6	3	
		LOP	61	64

Detailed Report on the Status of Indicators

Indicator	September 2015 target	September 2015 status
1. Number of business-sector jobs created in participating municipalities as a result of the Project's IMC activities	2,000	5,640

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: 1,186 new jobs were created in this reporting period / 5,640 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;
- 713 new jobs as a result of realized investments in the reporting period;
- an employment increase by 386 in 48 firms in business sectors supported by the Project in calendar year of 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, Novi Pazar, Priboj, Merosina and Kanjiza resulted in the employment of 4,612 people, mostly in foreign companies who began their business operations in Serbia since the beginning of the Project. In the reporting period the **number of new employments has increased by 713**. 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.

After surveying firms that receive direct and indirect support from the Project in the food production (TFP 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 calendar year of 2014.**

Indicator	September 2015 target	September 2015 status
2. Direct private and public sector investments into the Project-supported IMC areas	\$ 238 million	\$459,571,783

Definition: The indicator measures all investments undertaken with the Project's support associated with inter-municipal economic development projects and improved local economic development capacities. The investments are based on signed contracts between local governments and investors. 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 of new investments:

Since the beginning of the Project: \$459,571,783, including \$143,370,961 of realized private and public investments (\$124,300,641 from private and \$19,070,320 from public sector), and \$316,200,822 of committed investments, based on new contracts signed between the Project partner municipalities and investors. (See Annex A, investment table, column marked 'committed')

During the reporting period October 2014 – September 2015: \$241,062,177, including \$22,508,322 of realized private and public investments, and \$218,553,855 of newly expected investments (See Annex A, investment table)

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 three-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 are committed and 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.

Details about investments are available in *Annex A of the Report*.

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

August 2015:

- As part of efforts to advance foreign direct investment activities, the Project and Berman Group helped the Kraljevo, Novi Becej and Kanjiza local governments (LGs) develop pre-feasibility studies for three industrial zones (IZ). The studies include detailed conceptual design for all three sites, which are located on well-defined, LG-owned, land with proper documentation. These studies are a vital step in preparing properties for investors, indicating what needs to be done by the LG to make potential IZ sites investor-ready.

June and July 2015:

- At the request of the Serbian Ministry of Economy, the Project's legal expert joined a Working Group to finalize a new Draft Investment Law. The team worked to better define the competencies and responsibilities of key stakeholders and to abolish lengthy investment procedures outlined in the initial draft.
- The Project completed two trainings for 55 representatives from Project-partner LG departments for urbanism and construction, to help them understand and implement newly enacted construction permitting secondary regulations (rulebooks) regarding One-Stop-Shops (OSS). OSS allow investors to communicate with only one public sector agency instead of being required to contact dozens of public enterprises and institutions. This allows investor operations to begin within weeks rather than months. The two trainings were held in Novi Sad and Nis, and introduced LG representatives to proper implementation of technical documentation rulebooks and ways to simplify the most complex phases of OSS construction permitting procedures regarding water, fire protection, and roads.

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 SEEDEV, 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	September 2015 target	September 2015 status
3. Volume of revenues of companies in sectors supported by the Project.	\$ - ³	\$19,159,558

Definition: The indicator measures 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.

Status of business revenues: \$19,159,558 since the beginning of Project implementation / \$17,869,558 in calendar year of 2014 (reported in March 2015).

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 calendar year of 2014 (Serbian fiscal year), if compared with the previous year. Official statistical data for businesses are still not available. A

³In August 2014 the Project proposed that PMP will be revised to have one Economic Impact Indicator, counting both investments and business revenues; with SOW's EOP target of \$238 million as a sum of both investments and increased business revenues..

complete analysis of the revenues of companies in sectors supported by the Project will be provided as soon as data is available from the Agency for Business Registries of the Republic of Serbia. According to some informal information from the Director of Agency for Business Registries and CEVES (who has access to data bases), the delay in publicizing data is caused by the changes in reporting formats for 2014, and data will be available in October or November this year.

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

September 2015:

- The Project organized meeting and presentation of footwear samples between the Vranje-based Stefi Komerc shoe manufacturer and French Sole, a large, UK-based producer of ballerina-flat shoes for women.
- The Subotica Public Health Institute received official accreditation for its new laboratory services, enabling it to issue export certificates to producers and processors looking to access foreign markets.
- Member companies of Technological and Food Processing Park in Leskovac signed five new sales contracts with buyers from Serbia, Bosnia and Herzegovina, Macedonia, and Iraq, with a total value of \$110K worth monthly deliveries. New products were also included in deliveries under existing contracts with old customers from Kosovo, Montenegro, Croatia, and Serbia, worth \$180K per month.
- Novi Pazar IMC area jeans producers were prepared for arrival and utilization of new ozone-based jeans finishing equipment. Six IMC area producers: Brug, Maxers, Classic, Bros, Exact and Denistar Jeans, gathered under the recently established, Project-supported, Pro-Denim association, learned about the new equipment and how to use it to achieve top results.
- Novi Pazar IMC area shoe producers Florida, 4BR Tref and Euroscarpa delivered the first shipment of 3,500 pairs, worth (deleted), under a new contract with a retailer.

August 2015:

- As a result of the 2014 "FDI Investment Tour" to Italy, organized by the Project and Confindustria Serbia, the Voiprinting Company has begun production in Novi Sad. Voiprinting is a graphic design and printing company owned by the larger Italian Rotoform printing company. Thus far, Voiprinting has employed twenty new workers with plans to further expand production.
- After a delayed start, two production cycles have been completed in Zrenjanin greenhouses, resulting in sales of over 15 tons of off-season vegetables, mainly tomatoes, peppers, cucumbers and lettuce, generating the first income for young farmers. Simultaneously, in the other two greenhouse locations, in Kikinda and Novi Becej, 16 young users continue with successful cultivation and sales of greenhouse vegetables as in the previous year. Three production cycles have been completed generating more than 30 tons of vegetables and \$24,000 in revenue for young farmers.

June and July 2015:

- To increase the competitiveness of the Vojvodina Metal Cluster (VMC), the Project helped the Cluster create a new underground container for waste collection. A team, composed of experts from Cluster member companies, developed an underground waste container which utilizes an innovative hydraulic system enabling garbage trucks easier access to service the containers.
- As a final component of Project grant support, the VMC has redesigned its website to provide an interactive map enabling users to efficiently compare products and services, while also facilitating a search for available products, production capacities, standards and delivery times.

- The Project in cooperation with the Czech and the Serbian Chambers of Commerce organized a B2B Forum in Prague for the agro/food processing, textile and metal processing sectors. The forum gave Serbian companies a chance to present their capabilities and connect with Czech firms interested in expanding their operations.

May 2015:

- A traditional products shop opens in the Uzice-led IMC Area, aiming to increase the IMC Area tourism industry's purchases from local vendors and improve the local economy.
- The Project with partner Taurus Agro Consulting completes a four-day training for Regional Center for Agricultural Development (RCAD) staff on the development and application of laboratory protocols for field sampling of milk and meat according to international food safety and quality standards. The RCAD is located in Sjenica, within the Novi Pazar-led IMC Area, and will provide local farmers with certificates proving the quality of these local products, thus assisting in their sale.

April 2015:

- Technology and Food Processing Park (TFP) opens in Leskovac. The Project provided \$90,000 for the establishment of pilot plant, to enable food processors to develop new and improved products in a cost-efficient way. The new facility will support all stages of product development, from idea generation, through concept development, to the production of trial samples in small batches.
- German buyer signs contract with the Novi Pazar-based Antilop shoe company. Sorba's Shoes, a German company looking for socially and environmentally responsible companies to begin a new shoe line for sale on their website, signed a five year contract with Antilop Shoes thanks to Project efforts to link the two businesses.

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.

Indicator	September 2015 target	September 2015 status
4. Number of inter-municipal economic development projects implemented that meet the critical path milestones	20	21

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 21 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
- Project 17. A collection center for herbs and forest fruit products

Novi Sad-led IMC:

- Project 18. Market expansion of Vojvodina Metal Cluster
- Project 19. Investment attraction
- Project 20. ICT Academy

Kraljevo-led IMC:

Project 21: Support to Impuls Center Kraljevo and Technology Park Cacak

Indicator	September 2015 target	September 2015 status
5. 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, 24 Serbian municipalities have valid BFC certificates from NALED, and 7 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	September 2015 target	September 2015 status
6. 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 2015, a total of 31 local governments were assisted in their efforts to improve at least three of the above listed management practices. Gornji Milanovac is the only municipality that has consistently been uninterested in participating in Project activities designed to improve management practices.

Comments and Project's Contribution

An overview of the capacity building activities can be found in *Annex C of the Report*.

Indicator	September 2015 target	September 2015 status
7. 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) A 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.

2) The Project supported the third Horticulture Incubator Program in Zrenjanin-led IMC. After Kikinda and Novi Becej, the production started in 15 greenhouses in Zrenjanin. With assistance from the city government and mentoring help from local farmers' association, the young tenants of Zrenjanin greenhouses have mastered greenhouse vegetable production; including cultivation of highly profitable string beans, organic tomatoes and new types of hot peppers. This activity was recently singled out as a best practice example by media which broadcast a report about agricultural incubators as a way for rural youth to find employment in Serbia.

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.

In March 2015, the Project reported 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). However, this initiative has not met the Project's criteria for grant support and was abandoned as a concept.

Indicator	September 2015 target	September 2015 status
8. 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 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	September 2015 target	September 2015 status
9. 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	September 2015 target	September 2015 status
10. Number of locally elected and appointed officials, CSO members, media and the business community trained	1,750	2,808

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: 341 participants attended the Project's training events (150 female participants) during the reporting period on 14 training events. Since the beginning of Project implementation, total participation in Project-sponsored trainings has been 2,808. Out of that number, 1,241 were female participants (44%).

Comments: The complete training database is available upon request.

Indicator	September 2015 target	March 2015 status
11. 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	September 2015 target	September 2015 status
12. Number of initiatives involving dialog between the public, private and civil sectors	58	64

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: 18 in this reporting period / 64 initiatives since the beginning of Project implementation.

Comments and Project's Contribution

Seven new initiatives are relevant for this reporting period:

1. A Project representative was appointed as a member to the Working Group (WG) for drafting the Law on Investments, jointly with NALED and SCTM, in May (Project facilitates input from local government and business community);
2. In June, the Project participated in drafting by-laws for implementation of the Law on Planning and Construction (facilitating input from business community and business associations).
3. In April and May 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.
4. During May, representatives of nine companies, two secondary vocational schools and wood processing cluster "Agency for Wood ", visited the 3D IMPulse Center in Kraljevo as a part of the recently established cooperation between this research and scientific laboratory and Vojvodina Metal Cluster. The companies had the opportunity to see the benefits of using advanced technologies in the field of development and testing, manufacturing of tools and spare parts, size and quality control.
5. In addition, the FTP and Technological Faculty also designed and implemented innovation vouchers program for undergraduate and graduate students to propose ideas for development of new food products. Call for proposals has been opened for students and five member Committee appointed for this purpose evaluated their new product ideas and selected best seven concepts. Wining students were awarded with vouchers and continued to work with TFP consultants and technologists from TFP member companies on the practical development and test trials of new products in the Pilot Plant. Those found compliant with the market demand and consumer preferences were included in the product line and catalogue of joint TFP Top Food brand.
6. In June, the Project organized presentations of Serbia investment potentials for private and public sector representatives from Czech Republic. The investment

mission was conducted in cooperation with partners from Berman Group and Czech Chamber of Commerce. Serbian delegation comprised of representatives of local authorities (LEDOs from City of Nis, City of Cacak, City of Vranje, City of Kraljevo and City of Subotica), representatives of central level institutions responsible for FDI and export promotion (VIP, SIEPA, Serbian Chamber of Commerce), and representatives of companies from selected sectors: agro/food processing, textile industry, automotive.

7. In June, the Uzice-led IMC Area presented the Mountain Breakfast trade mark. They decided to do branding of the local food producers and formally established Quality Consortium. Consortium consists of representatives of local tourist organizations of Uzice, Nova Varos, Prijepolje and Cajetina municipalities; representative of Nova Varos LED office; representatives of Zlatibor HoReCa association, representatives of Regional Tourism Organization and Regional Development Agency. Main role of Consortium was preparation of the General Act for Mountain breakfast guarantee trademark; define the criteria for potential users of the trade mark and control of trade mark users.
8. Business to Science seminar to promote innovation as a way to expand small and medium enterprises (in Kragujevac, June)
9. In June, experts from Berman Group delivered pre-feasibility studies for selected industrial zones (Kraljevo, Kanjiza and Novi Becej). Final documents were presented to the representatives of local authorities. In addition, they were provided with practical know-how to prepare pre-feasibility studies that accord with international standards and transferred deep, as well as hands-on experience leading joint efforts by public and private sector entities to attract strategically suitable inflowing investment, develop industrial zones, prepare necessary promotional and info materials and design and implement effective investment promotion strategies.
10. The City of Cacak delegation visited two Youth Horticultural Incubators in Zrenjanin and Novi Becej in August. Delegation was comprised of representatives of two local agribusinesses interested to see this example of good practice that can be replicated in Cacak area.
11. In this reporting period, the Technology and Food Processing Park (TFP) in Leskovac and Technological Faculty jointly developed and implemented internship program for students of final year within grant activity "Establishment of a Product Development Research Pilot Plant". 71 students who participated in the program have conducted their practice by working in the manufacturing premises of the established Pilot Plant and two TFP member companies.
12. BOS – signing of MoU between GEOX and School for chemistry and technology in Vranje (dialogue between local government officials, business community and citizens)
13. Two Business to Science seminars to promote innovation as a way to expand small and medium enterprises (in Nis and Novi Sad on February and March)
14. NALED – privatization in Serbia case studies presented to representatives of the Serbian Government and business representatives (November 2014)
15. Belgrade International Tourism Fair - Mountain Breakfast Event – February 2015, promoting new local gastronomic brand – public discussion

16. CEVES – March 4, 2015 – presenting the research on private sector competitiveness and growth at Kopaonik Business Forum
17. 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.
18. 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.

ANNEX C – 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

October 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; the Institute was assisted to receive official government accreditation for its new food testing services.
- Detailed designs delivered, reconstruction completed and IMC Area Agriculture Education Center in Sombor opened; This assisted the municipality to attract \$8.5 million investment by Italian confectionary maker Ferrero Group
- 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 brownfields, prioritize and redevelop these sites
- To help Kanjiza attract investors, a pre-feasibility study including detailed conceptual design was prepared for the local industrial zone (IZ); the study indicates what needs to be done by the municipality to make the IZ investor-ready
- 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)



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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

October 2015

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 brownfields, prioritize and redevelop these sites
- The Project enabled Vojvodina Metal Cluster (VMC) members to become more competitive by providing the Cluster with customer relationship management software and modern equipment (CNC plasma cutting table). VMC members can now lower their production cost, connect more efficiently with potential foreign buyers and quickly process inquires from new 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



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 brownfields, prioritize and redevelop these sites; Trainings and Project-organized participation at Global Connect investment fair helped Zrenjanin attract Italian and Russian investments to its industrial zone
- Zrenjanin was also 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
- To help Novi Becej attract investors, a pre-feasibility study including detailed conceptual design was prepared for the local industrial zone (IZ); the study indicates what needs to be done by the municipality to make the IZ investor-ready
- 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”



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

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

- Multimedia laboratory within Kraljevo's 3D printing and innovation center IMPuls furnished to help entrepreneurs acquire new skills, improve knowledge, reduce production costs and apply innovation; With the Project's business development assistance, the number of client orders increased from 25 in 2013 to 63 in 2014
- 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 brownfields, prioritize and redevelop these sites
- To help Kraljevo attract investors, a pre-feasibility study including detailed conceptual design was prepared for the local industrial zone (IZ); the study indicates what needs to be done by the city to make the IZ investor-ready
- 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
- 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)



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 brownfields, prioritize and redevelop these sites
- With Project support, the 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; a specialized local store for home-made food products was also opened in Zlatar and an online platform created to promote the „Mountain breakfast“ concept and products; Serbian Tourism Organization awarded the „Mountain breakfast“ brand with the Tourism Flower the highest national award in the field of tourism
- 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 international shoe and denim trade fairs; denim quality control trainings held and manual published; assisted in opening of a retail store “Jeans factory” in Belgrade, as a joint venture of three Novi Pazar-based companies
- Project experts trained the Regional Center for Agricultural Development (RCAD) staff on development and application of laboratory protocols for field sampling of milk and meat according to international food safety and quality standards. RCAD staff also learned how to interpret test results and provide customers with recommendations to improve milk and meat quality
- 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 brownfields, prioritize and redevelop these sites
- Project assisted Tutin and a local 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
- 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 brownfields, 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
- A pilot plan for new product development was opened at the Food Technology Park in Leskovac, to enable food processors to develop new and improved products in a cost-efficient way, increase their competitiveness and boost sales
- Investor teasers prepared to assist the public sale of the remaining social enterprises
- 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 brownfields, 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 D – COMMUNICATIONS REPORT

COMMUNICATIONS REPORT

Summary:

In the reporting period, the Project highlighted US government support for increased competitiveness of food processing sector, introduction of innovation and development of new food products, as well as connecting local food producers with regional tourism industry. U.S. Ambassador and USAID/Serbia Mission Director National and local government representatives, alongside, 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 cooperation with SIEPA, VIP, AmCham, AHK German Chamber of Commerce, Serbian Chamber of Commerce, NALED and Confindustria Italian Chamber of Commerce, the Project published and prepared an e-version of the FDI Success Stories brochure, targeting new investors in the Metal/Electronics, Agriculture, IT and Textile/Leather industries. In June 2015, the tenth, summer edition of the Project e-newsletter "Info Buzz" was prepared, sharing Project and Project partner achievements, best practices and lessons learnt. The Project continued to have positive media coverage of its activities; while the web site www.lokalnirazvoj.rs remained an important and up-to-date source of Project-relevant information.

Public events

In April 2015, the Project organized a public event to mark the opening of a pilot plant for new food product development at the Food Technology Park (FTP) in Leskovac. USAID/Serbia Mission Director Azza El Abd participated at the event and said: *"The innovations coming out of this research and development facility will increase the food processing sector's competitiveness and boost sales"*. Regional and local media covered the event, which highlighted US government support for increased competitiveness of food processing sector, introduction of innovation and development of new food products.

In June 2015, the Project helped the Zlatibor Regional Development Agency present the quality assurance trademark, protecting the 'Mountain Breakfast' as a specific regional gastronomic brand. The Mountain Breakfast was created with Project support to allow local private food producers to easily connect with the regional tourism industry. The products marked with this brand are used to create unique culinary menus, specific to the Zlatibor, Zlatar and Tara mountain resorts, and will be sold at regional hotels and restaurants. The event also introduced the brand to representatives of hotels and tourist resorts from other parts of Serbia, with some hotels from Vojvodina already showing interest in introducing the food to their menus. The Mayors of Prijepolje, Nova Varos and Cajetina municipalities, as well as the directors of the RDA Zlatibor and the Serbian Tourism Organization attended the event. Serbian Assistant Minister of Tourism spoke at the conference, pointing out that *"the branding of local food and creation of unique gastronomic offers, are the future of the tourism industry."* National, regional and local media covered the event, which highlighted US government support for connecting local food producers with regional tourism industry and branding local food as a way to increase sales and attract more tourists. With Project support the RDA Zlatibor also launched a website (www.planinskidorucak.rrazlatibor.rs) promoting the "Mountain Breakfast" products and a cookbook with region-specific foods. Recognizing the branding of local food as a best practice example, the Tourist Organization of Serbia (TOS) decided to promote this brand throughout Serbia and within the Serbian pavilion at the 2015 Milan Expo international exhibition. In September 2015, TOS awarded the RDA Zlatibor with the prestigious Tourism Flower award, the highest national award in the field of tourism, for the "Mountain Breakfast" brand. The RDA's efforts were recognized under the category *"organization or individual who has contributed to the improvement of tourism and raising the quality of tourism services"*. National and regional media reported on this event and highlighted USAID support for the brand's creation and implementation of the concept.

In August 2015, U.S. Ambassador to Serbia Michael D. Kirby visited the "Zlatarica" specialized shop in Zlatar, where "Mountain Breakfast" branded products are presented and sold. Also in August 2015, the Ambassador visited the Regional Center for Agricultural Development's (RCAD) in Sjenica and its newly established laboratory for testing of milk and meat products. Thanks to Project support, the RCAD's staff

was trained to introduce and implement ISO standards, to properly sample milk and meat products at local farms, and to advise farmers on improving the safety and quality of their products. The Project also trained 30 dairy and livestock farmers and processors on how to improve production practices and meet laboratory standards. During his visit, Ambassador Kirby said he was pleased with the fact that local farmers will now have the possibility, to prove the quality of their products, obtain necessary food-testing certificates, increase their sales and expand markets. Regional and local media covered the visit and emphasized USAID/Project assistance in their reports.

The Project Newsletter

In June 2015, the Project prepared the tenth, summer edition of the e-newsletter “*Info Buzz*” to be disseminated 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, increasing regional competitiveness and investment attraction.

Info Buzz #10 presented articles on: opening of the pilot plant for new food product development in Leskovac; Nis experience in FDI attraction (in form of an interview with the Head of the Nis LED Office) and best practices in Serbian Tourism industry (the “Mountain Breakfast” model). This issue of the *Info Buzz* also presented the key concepts in the new Draft Law on Investments, and showed how municipalities in Vojvodina replicated a successful, Project-introduced, IMC concept. The summer edition additionally presented a story on one of the former Nis ICT Cluster Academy students, who has not only found employment, but also earned a chance and funds to develop her own business ideas at an IT accelerator in Dubai.

The Knowledge Sharing section of the *Info Buzz* enabled access to the new ‘Grow South’ (<http://rastjuga.rs/index.php/en/>) database of South Serbia Food Processing Support Services, aimed at investors, producers, local governments (LG) and donors. A number of documents created by the Project and its partners were also made available in this section of the Project’s e-newsletter, with a goal to improve LG administration services.

Media relations

The Project shared its main communication messages with all the stakeholders, giving due attention to media outlets. In the reporting period, **74 positive or neutral media reports** were published/broadcasted/posted.

The topic receiving **the most media coverage** from April 1st to September 30th 2015 was Project’s support for the development of a regional gastronomic brand in the Uzice-led IMC area, followed by reports on Project assistance for FTP Leskovac new product development pilot plant opening.

It is worth noting that Al Jazeera Balkans and several local media continue to follow the success of Project-supported Youth Horticulture Incubator program. These media outlets broadcasted/published individual stories of young, previously unemployed, tenants of greenhouses, who are now making profit from the sale of high-value, off-season vegetables.

The Project’s web site

In this reporting period, we used our website successfully to share highlights of the Project activities (through the News page), to announce upcoming events (Calendar page), and to share knowledge (through the e-IMC Knowledge Center and Project Stories pages). There are now **222 documents available** to the Project’s stakeholders (through the e-IMC Knowledge Center) on the following topics: Inter-municipal cooperation (9), Local Government Administration Strengthening (38), Youth Employment (71), Public Participation (12) and Business Enabling and Strengthening (92). In the reporting period, a majority of new documents were posted in the ‘Local Government Administration Strengthening’ segment, covering topics such as construction and permitting, private sector expansion and FDI attraction.

Overall, **there were 11,421 visits to the Project web site** from April 1st to September 30th 2015. Out of the overall visitor number - 67% were **from unique (first time) visitors**.

From the overall number of visitors, 33% came directly (by typing in the exact Project web site address), while some 44% of visitors came to the Project site by typing key words (i.e. lokalnirazvoj/local development) in search engines. Approx. 22% 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).



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 web site, 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 FY16 Q1

- Public event, national level (November 2015, at the Belgrade Furniture Fair): Roundtable with key stakeholders and policy makers in the wood furniture sector, to demonstrate the substantial opportunity cost of the lack of state encouragement for the production of wooden furniture
- Public event, regional level (Nov/Dec 2015), Novi Pazar-led IMC Area: Delivery of ozone finishing equipment for denim producers in the IMC area
- Development of Project Success-Stories on FTP Leskovac, and new employments resulting from the Project-organized investment study tour
- Preparation of the autumn/winter edition of the Project e-newsletter *Info Buzz*

ANNEX E – SUCCESS STORIES



USAID | SERBIA

MUNICIPALITIES REPLICATE SUCCESSFUL USAID-INTRODUCED CONCEPT

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



Photo: Dnevnik

Officials from five Vojvodina Province municipalities signed the IMC agreement and agreed to work together on regional development priorities

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.

For years, Inter-Municipal Cooperation (IMC) was not a concept widely accepted or implemented in Serbia. There were several reasons for this. With limited and decreasing state funds, municipalities have been forced to do the same or more with less and were not inclined to share resources with others. Also, one city might receive more central government attention than another for political reasons, contributing to a competitive, rather than cooperative mentality among neighboring communities. The result: local governments failed to recognize the economic benefits of mutual cooperation.

In 2011, recognizing that municipalities could attract more investment, government and external funding, increase their efficiency, achieve economies of scale and accelerate economic growth by partnering with one another, USAID started the Sustainable Local Development Project (SLDP). The goal was to help municipalities work together to improve their economic outlook. With Project assistance, eight IMC partnerships were formed throughout Serbia, serving 32 municipalities, with over 2 million citizens. During the next four years, SLDP assisted IMC partners with extensive training and practical application of local economic development concepts, such as FDI attraction and business retention, promotion of innovation through closer university/private sector collaboration, competitiveness guidance in sectors with growth potential, and integrated work force development and youth labor initiatives. In this way, examples of inter-municipal cooperation took on life.

In April 2015, witnessing the tangible results of this approach, Beocin and Sremski Karlovci, who were part of USAID's Novi Sad-led IMC Area, invited three other municipalities (Irig, Backa Palanka and Sid) to form a new inter-municipal partnership on their own, modeled on the successful USAID-introduced IMC concept. This independent initiative shows how local leaders adopt new innovations and implement lessons learned, enabling USAID to move on to other development efforts.

In the words of Igor Relic, a local government official from Sremski Karlovci: *"Having in mind that the majority of EU accession funds for rural development is set aside for regional initiatives, and our positive experience with the USAID's IMC concept, we have decided to pool our resources and jointly work to overcome shared challenges and take advantage of regional development opportunities."*

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



USAID'S ICT CLUSTER ACADEMY - A LIFE-CHANGING EXPERIENCE

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

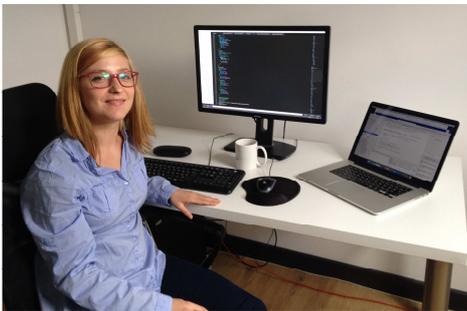


Photo: www.ni-cat.org

Zorana Lazarevic, a music teacher and one of the Nis ICT Cluster Academy graduates, now developing innovative IT software in Dubai, United Arab Emirates, and planning to open her own IT firm in her hometown in Serbia.

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Not long after graduating from the Faculty of Arts in Nis, South Serbia, Zorana Lazarevic realized that she could not make a living as a music teacher. Faced with financial difficulties, she decided to take a risk and switch careers, opting for the promising and fast growing IT sector. On a local online news portal Zorana found out about a USAID-funded six-month training program, the ICT Academy. The course was launched in April 2014 in partnership with the Nis Cluster of Advanced Technologies NiCAT.

Even though Zorana was not sure she would even be accepted to the Academy, she succeeded, became a part of the first generation of ICT Academy students and finishing the program as one of the best graduates. *"It was hard", Zorana admits, "most of my peers had some IT background or previous experience, but I was determined and persevered"*.

She was also among the first to receive a job offer from a local IT company. *"My employer was not interested in my university diploma – the only thing that mattered was how much I know and whether I can successfully apply that knowledge", Zorana remembers.* All these new developments led her to realize that she belongs in the IT world.

In December 2014, Zorana applied with a colleague to take part in a pitching competition for startups organized in Nis by investors from the United Arab Emirates. They presented their innovative idea and were among three teams winning a \$30,000 award, and a chance to develop their gaming network platform with assistance of experienced mentors. At an IT business accelerator in Dubai, Zorana and her colleague will have an opportunity to present their web application to potential partners world-wide.

After the end of the program in Dubai, Zorana plans to return to Nis and is now considering opening her own IT company. *"I have found a new, well paid profession that allows me to work on music projects as well."*

In 2014, USAID launched two ICT Cluster Academies, in Novi Sad and Nis, to give young people the knowledge and skills required by IT sector employers. Of 57 first generation students, over 40% were employed even before the completion of training.

"The key factor for the success of the Academy was a four-month practical training with IT companies, which helped both sides to get to know each other and enabled graduates to adapt to specific employer requirements", said Zorana, who used the Academy to reboot her life.



USAID HELPS LOCAL COMMUNITY ATTRACT LARGE INTERNATIONAL INVESTOR

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



Photo: www.lokalnirazvoj.rs

U.S. Ambassador to Serbia Michael D. Kirby (far right), accompanied by Sombor Mayor Sasa Todorovic (center), visits the Regional Agriculture Education Center on September 24, 2014. The Ambassador invited farmers from the whole region to use the Center, gain new knowledge and practice what they learn. "I trust that this Center... will help farmers increase their domestic sales and exports, and add jobs in the region", said Ambassador Kirby.

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.

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Sombor is a city of 100,000 people, situated in the north of Serbia, bordering Croatia on the west and Hungary on the north. This region is known for its agricultural tradition, arable land and agribusiness potential, given the natural resources and proximity of important markets, such as the European Union.

Since 2013, USAID has been working with Sombor and neighboring Subotica and Kanjiza municipalities to increase the sale and export of agricultural produce. In August 2014, the City of Sombor, the regional Agriculture Extension Service and USAID jointly established the Agriculture Education Center to help farmers acquire new skills and knowledge that increase productivity and product quality. USAID delivered the design for the reconstruction, purchased the necessary teaching equipment and furnished the Center. This modern education facility includes an amphitheater, two classrooms and experimental fields for testing new crops and pesticides. Over 24,000 agricultural households from Sombor, Subotica, Kanjiza, as well as neighboring municipalities benefit from the Center's services. Agricultural producers are now learning how to introduce new crop varieties and apply modern farming technology.

At the same time, in the summer of 2014, Sombor was in the midst of negotiations with the Ferrero Group, one of the global market leaders of the confectionery industry. The Italy-based company was looking to strengthen its presence in the hazelnut market, in order to guarantee and further improve the quality of the raw material that gives a unique taste to its popular products, such as Nutella, Ferrero Rocher and Kinder Bueno.

By April 2015, a decision was reached: Ferrero Group made \$8.8M investment and purchased approximately 700 hectares in Sombor to establish hazelnut production in the next two years. Hazelnuts have a long investment cycle and need several years to bring fruit.

"Ferrero decided to invest in Sombor because of the climate, land quality and location, but also the Agriculture Education Center and our determination to support farmer education", said Mayor Sasa Todorovic. When the deal was announced to the public, in addition to initial 50 new jobs, Ferrero presented its long-term plan to engage, educate and financially assist local farmers to start growing this crop.

In neighboring Subotica, to facilitate export of regional agricultural products, USAID equipped the Public Health Institute's food-testing laboratory with modern equipment for analyzing pesticide residue, food safety and quality. Meanwhile, in Kanjiza, USAID is helping local government to find a private sector partner to establish a logistic and distribution center for agricultural produce.

ANNEX F – OVERVIEW OF GRANT AWARDS AND SUBCONTRACTS

ANNEX G – STTA CONSULTANTS & DELIVERABLES

SUSTAINABLE LOCAL DEVELOPMENT PROJECT STTA DELIVERABLES APRIL 1, 2015 - SEPTEMBER 30, 2015

#	EXPERTISE	COMP.	DELIVERABLE	DATES	CONSULTANT NAME
1	Local consultant for the backstopping support to the management and tenants of youth horticultural incubators	1	Periodical monitoring of the incubator management and young tenants in the greenhouses of horticultural incubators in IMC Zrenjanin-led municipalities; advisory relating to efficient organization of incubator operations, production and marketing of fresh vegetable produce.	02/01/15-05/15/15	Zoran Janjatovic
2	Business Developer Consultant	1	Business development support to IMPULS Center in Kraljevo to increase its capacities to service greater customer demand and to ensure that the Center has adequate procedures and operational tools in place to meet that demand efficiently and sustainably.	11/17/14-05/30/15	Nenad Bozanic
3	FDI success stories outreach and data collection consultant	1	Development of a catalogue with examples of FDI success stories in Serbia for promotion of Serbia's investment potentials.	04/01/14-05/31/15	Jovica Damjanovic
4	Sector Sales Specialist - Consultant	1	Assisting the Project's business sector partners to expand market share through facilitating real sales and creating B2B business relationships.	12/16/14-06/30/15	Tatjana Mrvaljevic
5	Asset Management Specialist and Brownfield Property Specialist	2	Providing support to SLDPs municipalities with implementation of the new legal requirements for issuance of building permits, strengthening the network of urban and construction specialists, enabling policy dialogue with the government and recommending necessary legal framework changes to facilitate implementation of new construction permitting process at the local level.	07/01/14-06/30/15	Dragana Markovic
6	Engineering and Construction Specialist ("Consultant")	2	Participate in two regional workshops on implementation of secondary legislation relating to the new Law on Planning and Construction, organized by SLDP for heads of departments of urbanism and construction and officers for construction licensing, discuss imminent problems in first months of the implementation of the new procedure, present content of the recently prepared Guide For Construction Investors in Serbia and changes to the sectoral laws that relate to the implementation of the new Law on Planning and Construction.	06/01/15-06/09/15	Dragana Cukic
7	Social Marketing Consultant	1	Implementation of social media marketing plan for denim manufacturers in Novi Pazar, including establishment and maintenance of the site/blog presenting NP denim producers to the Russian-speaking market.	Oct 2014 - May 2015	Ksenya Sydorkina
8	Footwear Sector Consultant	1	Preparation of footwear sector producers from IMCs led by Novi Pazar and Vranje to prepare them for in-wards buyers mission, identification of buyers to participate in the in-ward buyers mission, continuation of follow-up activities from previous GDS shows and preparing USAID's PSD project and companies for 2015 GDS show.	mid January 2015 - mid May 2015	Jordan Salliman
9	FDI Consultant	1	Development of a monitoring and evaluation tool for foreign direct investments fit for Serbian policy and institutional context and in line with international best practices. Review of the CEVES report on real sector performance and recommending types of interventions that could be used to address competitiveness needs of various sectors set forth in the report.	January 2015 - Jun 2015	Ewan Peters
10	Investment Promotion Expert	1	Organization of the business mission to Prague, Czech Republic in June 2015 (promotion of municipalities as investment destinations and companies as trade partners).	jun.15	Berman Group
11	Investment Promotion Expert	1	Development of pre-feasibility studies for industrial zones in Kraljevo, Novi Becej and Kanjiza.	March to June 2015	Berman Group
12	Investment Promotion Expert	1	Follow up consulting visits to participating municipalities in the second round of Joint Investment Promotion Coaching program with the focus on food processing (Novi Pazar, Raska, Kraljevo, Vrnjacka Banja and Cacak)	maj.15	Berman Group
13	Medicinal and Aromatic Plants (MAPs) and Forest Fruits Products Market Specialist	1	Technical assistance for establishment of regional center for the collection and processing of herbs and forest fruits in Tutin. Improvement of the value chain for medicinal & aromatic plants, forest fruits, and other products in the Novi Pazar Region.	maj.15	Peter Furth
14	Metal Processing Consultant	1	Project management assistance to the Vojvodina Metal Cluster (VMC) to further the establishment of business transactions between the VMC members and Swiss and European firms.	maj.15	Richard Sinisa Danicic
#	GRANTS		DELIVERABLE	DATES	GRANTEE NAME
1	Grant Agreement No.03IMCDNS03	1	Innovative Cluster-Wide Product	Jun-15	Vojvodina Metal Cluster
2	Grant Agreement No.03IMCDN102	1	Establishment of Product Development Research Center (Pilot Plant)	Jun-15	Technological & Food-processing Park Leskovac
3	Grant Agreement No.03IMCD-003UE	1	Uzice IMC Regional Value Chain - 2 Phase	Jun-15	RDA Zlatibor
#	SUBCONTRACTS		DELIVERABLE	DATES	Subcontractor name
1	Subcontract No. SUB043	1	Training and consulting services to the laboratory staff within the Center for Development of Agriculture in Sjenica in the area of laboratory certification preparation, organization development and entire accreditation process.	May-15	Taurus Agro Consulting
2	Subcontract No. SUB017	1	Preparation of the Feasibility study, Preliminary design, Detailed design and Design for temporary traffic signaling during the road construction for the Service Road in the New Industrial Zone in Temerin.	Jun-15	Geomehanika
3	Subcontract No. SUB040	1	Development of South Serbia agribusiness database and web portal	Apr-15	Agrozem