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Serbia Enterprise Development Project

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EXECUTIVE SUMMARY

After four years, the United States Agency for International Development (USAID) –supported Serbia Enterprise Development Project (SEDP) implemented by Booz Allen Hamilton (Booz Allen) ended in June, 2007. The primary goal of SEDP was to sustainably move Serbian firms in five primary sectors into new and higher value markets and help them compete there. The sectors were food, apparel, information and communications technology (ICT), pharmaceutical research, and tourism. As a cross-cutting area, SEDP also supported design.

The Project measured its success primarily by exports and the jobs created by those greater exports. Almost \$80 million in new exports are directly and fully attributable to the Project. These figures are linked to specific contracts that SEDP helped obtain. Most SEDP activities were not firm level but had impact across the whole sector. The Project helped drive over \$550 million in exports in the sectors in which it worked. Total jobs driven by from the increased exports are estimated at over 80,000.

Though exports were a primary indicator of whether the project was working, and much export development work was undertaken, SEDP was not an export development project. The Project was designed to increase firms' basic competitiveness, defined by the ability to enter and service target markets. Most activities were focused in that area. Some key elements that help define the Project include:

- Market demand driven. SEDP did not undertake any activities that were not specifically needed by firms in order to sell more in the target markets. SEDP sought to expose firms to the market, and then design programs around the gaps that firms felt needed to be bridged to compete. Program design started from the basic fact that firms that are not selling more, will not add employees or invest.
- Flexible. SEDP maintained broad strategies, and did not focus on particular methodologies. Areas of focus also changed to adapt to a changing environment, as SEDP dropped several major activities and sectors, and added new ones. SEDP drew from the entire spectrum of program types in carrying out its activities: small and medium enterprise (SME) development (business service providers [BSPs] and business centers), firm-level assistance and technical training, vocational training and curriculum development, association building, advocacy/barriers to business, export development, competitiveness (cluster development).
- Market information intensive. The market can naturally under-supply information in isolated markets. Following the sanctions imposed in 1992, Serbia was an extreme case, with natural channels in both directions cut off. Much of SEDP's effort involved reinvigorating and improving the content of information flows between Serbian companies, their target markets, and back again.
- Institutionalization of support. For all technical assistance that SEDP brought, the Project sought to sustainably institutionalize that in appropriate institutions. These institutions included universities, technical schools, associations, and BSPs. Most SEDP curricula and project technical documents are available to the public at www.sedparchive.com.

The Project sought whenever possible to coordinate with other projects, both USAID-supported and those of other donor organizations. Coordination was particularly close with the USAID Community Revitalization through Democratic Action (CRDA) projects in the areas of tourism (destination development) and food (support for the strategy for transition to fresh markets that SEDP drafted with the Ministry of Agriculture). Joint work with the USAID Municipal Economic Growth Activity (MEGA) project included a wireless internet project for Indjija Municipality and a municipal hotel investment analysis and promotion effort. SEDP worked with other donors primarily in conjunction with trade shows.

PROGRESS AGAINST THE TASK ORDER

This section reviews the initial and Cognizant Technical Officer (CTO) -approved objectives for SEDP, both at the Mission strategic and contract level. In instances where the project met the original objectives, the section explains how. In cases where the original objectives were not met, alternate Mission-approved paths and met objectives are detailed. At the end of the period of performance (POP), Booz Allen believes that all original and Mission-approved objectives were met or exceeded. For practical reasons, when objectives were met it was not always possible to collect the exact data and indicators for those objectives. In these cases SEDP, with Mission support, instead collected proxy indicators. When they are relevant, these are discussed below.

Strategic Framework and Performance Measurements

SEDP was conceived and awarded under a Mission strategy that is no longer in place. The main objective under which SEDP was developed is Strategic Objective 1.3 **“Accelerated Development and Growth of Private Enterprises”** The Objective in turn had five Intermediate Results (IR) areas which projects were created to address. The Indicators relevant to SEDP under S.O. 1.3 are:

- Percent change in real GDP (gross domestic product).
- Serbia’s ranking on the World Economic Forum (WEF) Growth Competitiveness Index.

SEDP tracked both of these. The main IR relevant to SEDP is IR 1.3.5. “Micro and SME sectors strengthened through technical and financial assistance.” There is no standard definition of an SME for Serbia or for any other country in the Balkans. The Hungarian definition is less than 250 employees and €8 million in annual revenue. The European Union (EU) definition is higher. By either definition at least 95 percent of the companies SEDP worked with are SMEs.

SEDP tracked exports as a summary proxy indicator for IR 1.3.5. Booz Allen argues that if firms are increasing their exports into competitive markets, they are increasing in “strength.” This indicator was agreed with the Mission. Exports (non-energy) were tracked at the national, sector and sub-sector levels on the basis of the best data available. SEDP also tracked specific export contracts that the project helped facilitate. All three levels are reported in this Final Report. As additional indicators of “strength,” SEDP recorded when it assisted firms in obtaining new financing, and collected survey data on new markets entered by firms. The data in these two areas are less comprehensive than with exports.

Fulfillment of SEDP Contractual Terms

According to the task order, the main objectives were:

“...to increase the rate of economic growth in Serbia through the accelerated development of Serbia’s enterprise sector using a cluster-based, competitiveness methodology.” Also, SEDP will fill a niche between national level policy and enterprise level assistance, and with the coalition of interests will seek to promote growth that is denominated in sales, exports, jobs, and increasing levels of purchasing power and prosperity.”

SEDP achievements are fully consistent with this statement, though not strictly according to definition. SEDP found the “cluster” approach to be overly limiting, both in its tools and impact. With CTO support, the project orientation was changed to work mainly at the sector level. This is consistent with the project’s purpose to provide support mainly below national policy, but above the firm level. As noted herein, exports and jobs are closely tracked. In terms of other goals noted in the above quoted paragraph, “sales” are highly correlated with exports, and “purchasing power” and “prosperity” are closely correlated with exports and jobs.

As stated in the contract, more specific overall goals for SEDP were:

- “Greater incomes for firms and individuals along the marketing chain.”

There are two terms in the above to be clarified here before proceeding. The first is income, which is technically defined as net profits from an accounting perspective. This is not a strong indicator. If a company is expanding rapidly, its net profit may not be growing, especially when accelerated depreciation is allowed as it is in Serbia. Firm income does not say much, as long as it is not consistently negative over time. EBITDA (earnings before interest, taxes, depreciation, and amortization) or cash flows are better indicators. However, these were nearly impossible to extract on an aggregate basis in Serbia. SEDP tracked exports, since these figures are more readily obtained and companies which are not doing better are not selling more into challenging international markets. Greater income and increased exports are highly correlated.

The second term is “marketing chain.” This is not a standard term, so was taken to mean “supply and distribution chain.” SEDP focused on the primary firms in the particular sector. SEDP did not assess whether logistics, retail, raw material, or firms in other parts of the value chain increased performance. If the final product, the exported good, is competitive in target markets and is growing in volume, the whole supply chain is likely working reasonably well and firms along that chain are benefiting.

- “Increases in productivity.”

This is a good indicator. With investment, tracking productivity is one of the best ways of understanding if an economy is on the right track toward higher national income. Unfortunately, measuring productivity requires firm- or sector- level value-added data. This is possible, but would have been extremely costly to do in Serbia during the POP, with questionable accuracy. SEDP management discussed this point with the Mission and highlighted it in the SEDP monitoring and evaluation plan which was submitted to, and reviewed and accepted by the Mission.

- “Higher output of exports.”

As noted, this is one of the main indicators that SEDP tracked. Exports are both an indicator that economic progress is being made, and a proxy that the project is having impact. Jobs and investment do not increase when companies are not selling more, and they do when companies are. No single project component increases exports. Doing so requires work across many fronts, and significant increases require having strong foundations in place. SEDP worked to address these fronts and foundations across multiple areas of activity.

SEDP measured exports in two main ways. The first was through what was called “direct project impact.” These are exports for which SEDP had direct responsibility. Each of these was entered individually into the SEDP Monitoring and Evaluation database with the name of the Serbian company, the contract amount, and the project’s role. Each of these entries can be traced back to individual contracts. The second way was through broad sector data, since most SEDP activities were at the sector level. Most project impact cannot be captured through individual firm contracts.

SEDP did not measure import substitution, except in some specific areas where entries are made in the database. The data requirements to do so were beyond the monitoring and evaluation scope and budget of the project.

- “Job creation.”

SEDP tracked job creation, but mainly as a derivative of export sales growth. SEDP surveyed companies directly about employment increases. The voluntary data, however, are incomplete and likely do not account for the considerable gray market employment in all companies.

The main employment data that SEDP is reporting are derived from net increases in exports. This methodology and the results are laid out in more detail in the quantitative results section. Though the methodology is believed to be the best available for the cost of collection, there were a number of challenges. For example, only employment growth driven by export growth is recorded. Employment growth driven by domestic sales or import substitution is not included. This causes an understatement of results. Also, increased production often leads to some combination of increased employment and increased productivity. The methodology will then tend to overstate the results. The particular effect will depend on the industry. As productivity growth (or what figures are available) has been relatively low compared to export growth, it is believed that employment growth has been the dominant effect of increased exports.

- “Higher revenues of the government.”

SEDP did not track this indicator. Revenues have increased, mainly due to growth in the economy and improved tax collection. The indicator is more appropriate for a VAT or other tax reform project.

- “A corollary result includes expanded trade ties with other SEE (South East Europe) countries through direct linkages between clusters.”

SEDP moved away from the “cluster” terminology and focused on sector wide impacts. An illustration of the increase in these ties for particular firms is included in the section “Export Growth Mapping.” Expanded trade is an important indicator. Market diversification, besides leading to better opportunities in new markets, gets producers away from the risk of any single market.

Economic development arises from an interplay of complex, and often hard to quantify, factors. Reporting mainly on end results (exports), rather than process, ensures that end goals are kept central to program decisions. It is very difficult to prove that process will create end results. On the other hand, processes and their sustainability are the framework for growth. Under SEDP, activities and reporting were kept in balance, ensuring that foundations were developed to sustain the recorded export growth. SEDP foundation-building activities included training and curriculum development, regulatory reforms, market information provision, development of associations, and target market promotion of the country and target sectors. Most of these did not directly lead to greater exports, but were instrumental in building capability. The SEDP database tracked these activities, and they are reported in the monthly and annual reports. An assessment of the main areas of activity is given in the sector sections of this report.

Fulfillment of Specific Program Components as per the Task Order

- “Fully functioning, sustainable, and committed [National Competitiveness] Council representing national level interests of government and the private sector, acting independently from any political affiliation, that provides analysis-based recommendations on policy issues impacting Serbian competitiveness.”

This part of the Contract was not fulfilled. The National Competitiveness Council (NCC) failed to achieve the goals set out for it. A combination of public sector dominance (but not guidance or commitment) of the NCC, a lack of progress on the basic institutional goals by all parties, unclear incentives for participation, low interest from participating parties, and ultimately the fall of the government, all contributed to the failure of the fledgling institution. The government fell before the National Competitiveness Strategy was passed, before a joint NCC/USAID investment committee was established to guide commitment of SEDP resources, and before the NCC was able to consolidate around its goals. The collapse of the government and new elections were identified as primary risks in the SEDP Engagement Plan. However, destabilization to this degree was not anticipated and likely could not have been adequately hedged against anyway.

Later attempts to re-start the NCC in a manner that took account of some of these problems did not succeed due to ongoing incentive and sustainability concerns. Basic incentive and participation factors could still not be worked out *ex ante* to a sufficient extent to justify the costs of another attempt at establishment. SEDP initially contracted considerable resources to support the NCC. However, expenditures were minimized by reallocating resources to higher return areas once collapse was imminent.

SEDP took a step back from the formation of an NCC. The new goal became to create the basic functions outlined for the NCC in ways that would have a stronger chance of being effective and of sustainability. The changes were agreed upon with the CTO. They are discussed in more detail in the Policy and Institutional Development Section of this report.

- “Production and presentation of annual national competitiveness performance reports that benchmark Serbia’s position vis-à-vis other countries in the region and the world on recognized competitiveness indicators. Serbia will increase its WEF rating, rising to the top 50% at the end of the 3-year project.”

As the NCC did not succeed, these reports were not generated. Serbia's WEF rating did not improve significantly over the period of performance. The ranking for 2004 was 89. There was some improvement to 80 in 2005, only to have the ranking drop again to 87 in 2006.

The WEF ratings are largely based on executive opinion. Serbia had not been able to outgrow its perceptual "hangover" of residual risk from the war period as fast as other nations were improving.

- "A national agenda developed and implemented, along with mechanisms for performance measurement/benchmarking and regular updating, that strengthens and enhances Serbian competitiveness."

This national agenda had already been developed by the Ministry of International Economic Relations. It benchmarked reform priorities against base levels and was regularly updated. SEDP did work with the nascent NCC on developing a National Competitiveness Strategy. The Strategy was completed, but was not adopted and could not be implemented in any meaningful manner prior to the demise of the NCC.

- "Increase public/private awareness of the benefits of public-private dialogue on SME development and competitiveness issues."

The conduit for this activity was initially to be the National Competitiveness Council. SEDP found that this dialogue was limited in effectiveness when conducted in a centralized, top-down manner. Lessons were taken from the European Agency for Reconstruction on its very frustrated attempts with its SME advisory council. SEDP instead chose to pursue targeted advocacy campaigns on both broad issues that affected all firms, and specific issues in the different sectors. These are outlined in detail in the Policy and Institutional Development section of this report.

- "May budget up to \$1,000,000 for sub-grants to NGOs (non-governmental organizations) or think tanks providing research."

The initial purpose of the grant program was to provide grants to conduct research that supported a "competitiveness" policy agenda. In reviewing existing research, it was evident that the problems facing Serbian companies were clear enough to move directly into the problem solving and implementation stage. Additional studies on policy issues were anticipated to have a very small marginal impact on the indicators that USAID sought to influence.

Consequently, the sub-grant program was developed to solve problems in the target sectors and for companies. Most grants were initially focused on improving business practices, preparing companies for more competitive markets, and increasing exports. Toward the end of the project, sustainability of technical assistance became increasingly critical. With CTO approval, to support institutionalization of SEDP technical assistance, \$200,000 was allocated to improve curriculum and technical skills in the educational system.

- “Increased public support and understanding of necessary reforms and initiatives for increased competitiveness of the Serbian economy.”

With the demise of the NCC, the primary vehicle to undertake this activity no longer existed. SEDP also believed that undertaking a national awareness campaign on a rather nebulous concept that has multiple meanings would be of limited impact. Instead, with Mission support, SEDP focused its awareness-building activities in more concrete areas related to national competitiveness. The primary target audience varied between firms and the citizenry depending on the topic. Campaigns included building awareness of, for example, the importance of improved design and packaging, better production techniques, more professional communications and firm presentation, and improved knowledge of international markets and Serbia’s successes.

When working on the Labor Law, a national-level policy initiative, building broader public awareness was critical. It was not usually appropriate for SEDP to drive these public campaigns, and on more contentious issues, counterparts were hesitant. Given the experience in the region, it is unlikely that the NCC, had it survived, would have been any less so.

- “A total of 8 clusters shall be fully functioning, and will hit sales, growth, and job targets established in the workplan. Clusters and members’ sales and growth must outpace benchmark national indices.”

As noted above, SEDP did not adhere to the “cluster” concept. Rather than work with small “clusters,” SEDP worked with fewer full sectors and their sub-sectors. For example in food, SEDP worked in processed, frozen and fresh; and in apparel, in contract and branded. As the project expanded, it made more sense to stay in areas of project expertise, than to go into entirely new areas.

1. Food, bulk
2. Food, processed
3. Food, fresh
4. Apparel, contract
5. Apparel, fashion
6. ICT, software development
7. ICT, software solutions and packages
8. Pharma, clinical research
9. Pharma, laboratory and pre-clinical research
10. Tourism, spa destinations
11. Tourism, services for independent travelers
12. Tourism, convention tourism

SEDP initially worked in furniture. However, when results could not be obtained from project activities, this sector was dropped. When compared to other similar industries (with the exclusion of metals and commodity foods such as sugar) the sectors with which SEDP worked experienced 26 percent higher growth than others.

- “Serbia will have positioned itself to compete for FDI [foreign direct investment], and FDI will increase an average of 20 percent year on year over the 3 year period.”

FDI increased 49 percent year on year from 2003 to 2006. SEDP did not play a large role in directly increasing FDI, but did on improving the performance in target sectors. Such higher performance provides the necessary backdrop for a sound investment environment. Good investors are looking for strong companies in strong sectors, not primarily low wages.

- “Specific training courses conducted on topics such as meeting international standards, production technologies, food safety requirements, packaging and labeling, or strategic planning conducted. Also, highly specialized technical assistance and institutional support related to economic policy and other relevant fields to promote competitiveness and enterprise development.”

Many of these were conducted and are listed in the SEDP database. All of the above areas were covered in addition to many others. Most of the main training areas were also institutionalized into new curriculum or permanent training programs. The core areas in which SEDP conducted trainings are listed in the individual sectors sections of this report.

- “Matching grants made to clusters or cluster members for qualifying activities.”

The primary focus of the grants programs was shifted to make matching grants to firms and institutions, as discussed briefly above. These will be highlighted in more detail in the grants section of this report. Again, the concept of the cluster was not central to the program.

- “Product cluster and demand studies for specific markets and/or products completed.”

A number of these were conducted, though sometimes formally and sometimes strictly for internal strategy development purposes. Those that were formalized and do not contain confidential information are posted on the site www.sedparchive.com. Some of these include a tourism product assessment, a survey of EU fresh markets, and a study on add-on software for personal networking sties.

- “A minimum of 10 major meeting events that bring together SMEs, markets and producers to promote cluster development, new product opportunities, and customer service orientation within this cluster.”

Minus again the concept of “cluster,” a minimum of 10 large “all-industry” meetings were held. Prior to each trade show, for example, trainings were conducted for all companies, regardless of whether they were attending, on their respective markets, communications, and sales. At the start of the work in each sector, large group meetings with leading companies were held to discuss what activities they would like to see.

- “Active participation of the Global Trade Network by 75 enterprises, including at least 50 Serbian SMEs.”

The Global Trade Network lost its USAID supported soon after SEDP started. Though some version of it remained, it was not a viable way for companies to obtain new business.

QUANTITATIVE RESULTS SUMMARY

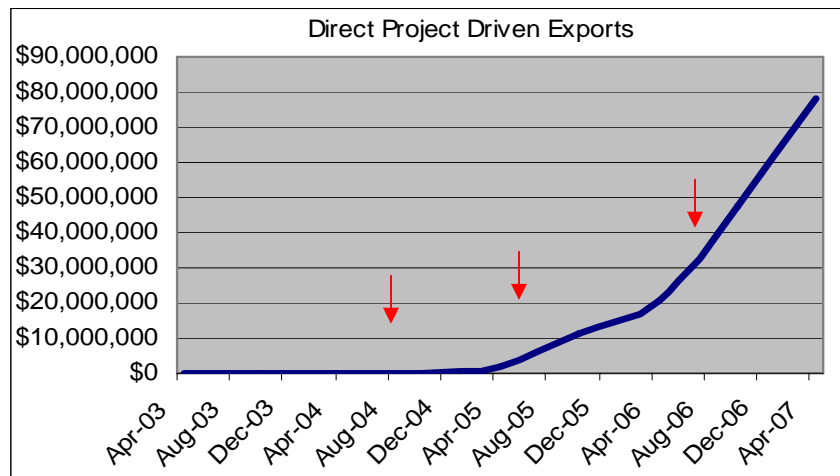
SEDP reports most extensively on exports (goods and services) and job growth. Job growth is derived mainly from export figures due to the difficulty of knowing if domestic sales are from new demand, import substitution, or a displacement of current domestic production. This was discussed with the Mission and it was decided to proceed in this way. The Mission understands that job results are likely under-reported.

Results from both direct project impact and sector impact are shown in the table below. These figures are explained in more detail herein.

	Exports	Jobs
Direct impact	\$77,831,133	9,459
Discounted Future Direct Impact, scenario 1	\$58,971,911	25,209
Discounted Future Direct Impact, scenario 2	\$33,592,223	32,473
Sector Level Export Growth	\$563,516,364	88,297

The basic job reporting methodology used by SEDP is to convert firm and sector level export revenue increases backwards into demand for product, then estimate the number of people needed to produce that extra product. SEDP estimates the labor component of the different products as a percentage of total product cost, then uses this to see how many jobs are created at a particular wage rate. For most sectors, SEDP uses a wage figure of one-and-a-half to two times the average depending on the sector. Jobs were created for the most part in industries and in firms in industries were labor value-added and wages are higher than the average. A spreadsheet showing how all figures were derived follows at the end of this section.

As seen above and to the right, the small firm-level assistance component of the project generates better results than many fully dedicated firm level assistance programs. This is the case across program components. For example, SEDP’s regulatory work has delivered more than many stand alone regulatory projects. Success is driven by program design and has two main sources. First, that all assistance is driven by beneficiary demand, meaning that resources are used as efficiently as possible. Second, all components work together, reinforcing each other. Stand-alone projects solve only one part of a problem. Success is often hampered by factors outside of project control.



The arrows on the above figure indicate where direct project driven exports were when each of the three annual reports were submitted. The long preparatory period and upward trend indicates the need to conduct considerable groundwork prior to realizing strong results. If pressed early on for numbers by the Mission, SEDP could have generated more results initially. However, these would

have been in the lower value commodities that SEDP decided consciously not to focus on. Taking the time to support new and higher value industries that do not rely only on commodity stocks and low cost labor improves wages, productivity figures, and sustainability.

Discounted Future Impact

It should be clear from the graph above that the firms in the target sectors are gaining momentum. It is implausible that at the end of the project, the firms will stop producing results. They have the skills to maintain and grow in the markets they are in, to enter new markets, and to continue to change their product mix and characteristics. Many are developing the capacity to expand and toward the end of SEDP, more and more were using the skills they acquired to develop their own markets. As they succeed, other firms will follow. Furthermore, intangibles such as the reputation that SEDP helped to develop for Serbian products will continue to yield results well into the future. The ongoing, discounted impact of SEDP is projected in the following two scenarios.

Discounted Future Impact, Scenario 1.

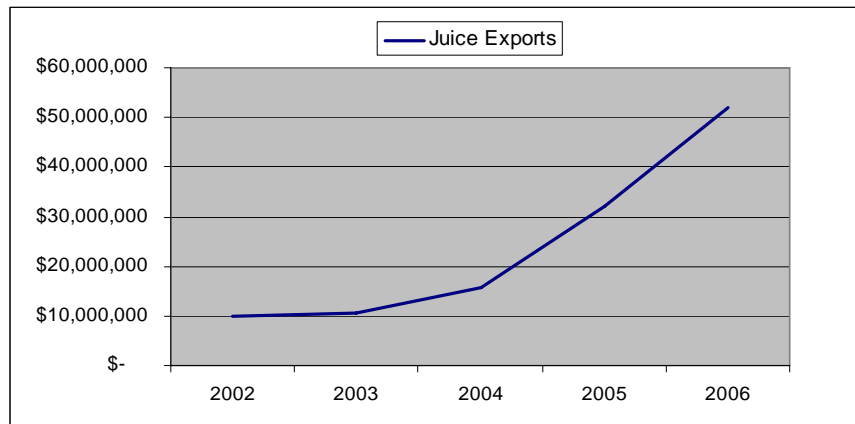
In this low case it is assumed that the firms with which SEDP worked will continue to generate the same level of export sales as they did in 2006. They will use the same skills and contacts which they obtained working with SEDP. It is also assumed that the effects will taper off at a rate of 10 percent per year and disappear completely at the end of year four. Under these assumptions, the sum of the to-date and future impact comes to \$225 million.

Discounted Future Impact, Scenario 2.

Taking the base case above, we now assume that in addition to the same level of sales, the firms generate an additional 15 percent of sales each year. As above, we assume that the effect drops by 10 percent annually and stops completely after four years. In this case, the sum of the to-date and future impact comes to \$290 million.

Fruit and Processed Food

In processed foods, SEDP drove results at the company and broader sector levels. Working with the bulk of the export-capable food processors, SEDP has moved them toward new and more diverse markets. One area illustrative of the integrated approach is preparation for the Fancy Food Show in New York. Nearly a year's worth of



meticulous preparation included product design, marketing, public relations, materials preparation, certifications, and sales planning. The efforts in 2006 led to more than \$13 million in sales. This follows on more than \$4 million from the same show in 2005, and around \$200,000 in 2004, indicating how results accelerate over time.

On the sector level, one of the areas SEDP has worked extensively with is juice. Exports are up more than \$42 million since SEDP support began. The graph above shows the impact of SEDP activity. SEDP estimates the sector can easily reach \$80 million in exports by 2008.

As seen in the graph, the juice sector was flat-lined before SEDP became involved late in 2003. SEDP provided sales and marketing support to almost all of the juice companies, hundreds of market contacts, trade show support, product development support, packaging and labeling support, internet presentations, Hazard Analysis and Critical Control Point (HACCP) certifications (SEDP was the only organization active at the time, involved in 9 out of the first 11 HACCP certifications in Serbia), sector promotion through the World Juice Award, and write-ups in newspapers and trade magazines. As a direct result of SEDP, Serbian juice is exported to new markets in South China, Thailand, Macao, the Persian Gulf, and Singapore.

Using standard methodology and converting to jobs at one-and-a-half times the average wage, in the juice sector SEDP drove the creation of 5,104 jobs since the project began. This does not include work in other processed foods, where attribution is more difficult.

SEDP's main initiative in fruit was the strategy for the transition to fresh markets that SEDP designed and executed with the Ministry of Agriculture. It took two years to lay the ground work and execute most components of the strategy. Strong results were just beginning to show at the project's end. The program is designed to bring farmers out of the low-income trap of producing solely for bulk processing markets. This market is potentially worth tens of millions of dollars a year, with thousands of better-paying jobs. Due to SEDP encouragement and support, a number of early adopters in Serbia have entered fresh markets, investing millions of dollars. Results have begun to show. Last year fresh exports increased 78 percent to \$25 million, albeit from a low base.

Tourism

Four years after beginning support, SEDP helped Serbia improve from nearly no tourism to being a hotspot of Europe. Tourism is one of the fastest-growing sectors of the Serbian economy. Revenues are up \$97 million in 2006, after an \$84 million increase the year before. Total revenues in 2006 exceeded \$400 million. Given the image problems affecting all sectors, the benefits go beyond revenues in tourism alone. People now see Serbia as an increasingly good place to visit and a better place to do business.

For attribution, early in the project only the Tourism Organization of Serbia (TOS) and SEDP promoted the sector. The TOS director for two years in a row wrote to SEDP, thanking the project for instrumental support. Much of the broad promotion of Serbia has been done at least partially by SEDP. Converting the final year's increases in revenues to employment yields a figure of **12,431 jobs** in 2006. Even cutting this in half due to other factors driving tourism, this yields **6,215 jobs**.

On a more micro level, SEDP designed and implemented comprehensive destination improvement programs in two Serbian spa towns, Zlatibor and Vrnjacka Banja. The SEDP attributable increased revenue from tourism was over \$1.8 million in 2006, a significant sum given the size of the towns. Work with these destinations has helped ensure that Serbia, rather than just Belgrade, draws increasing numbers of tourists. SEDP's convention bureau effort has only begun to realize results in 2007, with most impact to be beyond that point. Tens of millions of dollar in revenue could easily be realized from the SEDP-driven establishment of bureaus in Serbia and the City of Belgrade.

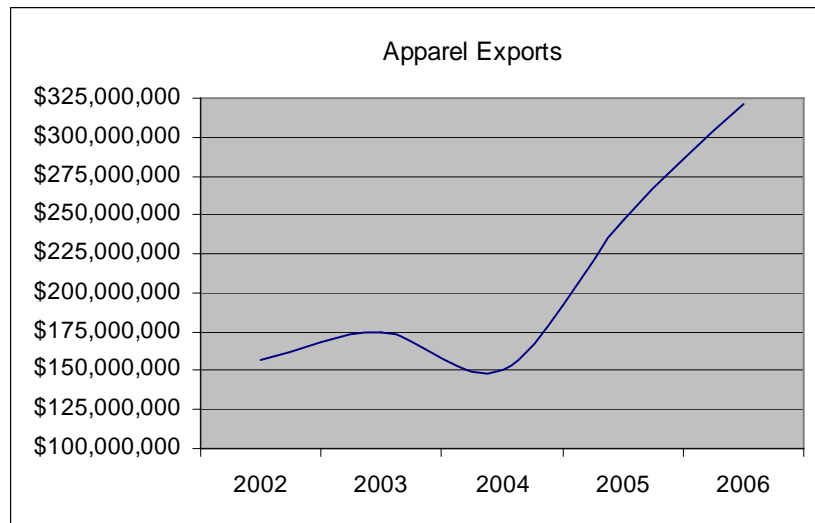
Pharmaceutical Research

The major players in clinical trials have begun investing in Serbia, with the number increasing from three to 25 since SEDP began its activities. In 2006, clinical research registrations increased 100 percent year on year, following a 75 percent increase in 2005. Serbia exceeded 130 trials registered in 2006, at a total estimated value of around \$30 million. Official data are not available, so sector level impact was not recorded. Also, much of the additional value is in import substitution, or the free import of medicines. As such, total attributable direct project impact was estimated at \$8 million. In terms of jobs, 130 trials for 2006 and 7 people per trial plus CRO (Clinical Research Organization) employment, taking multiple trials into account, estimated employment is **several hundred jobs** in 2006 with a monthly wage of **\$2,000**. As an additional though not quantifiable benefit, top doctors are able to supplement their incomes, stemming the brain drain that has left the Serbian health care system near exhaustion.

Apparel

As a direct result of SEDP efforts, Serbian companies are exporting to some of the world's most competitive markets. Results are seen in both the SEDP strategy areas: Serbian-designed and branded apparel, and the contract firms. For the former, Serbian designs are now seen in the EU and the United States (US), for the first time. For the latter, the niche market contracting strategy has begun to pay off.

As can be seen in the chart, Serbian apparel production has recovered from a slump to hit nearly \$325 million in exports in 2006. Note that strong 2005 and 2006 results follow the removal of most quotas on Chinese and other Asian production. The transitions discussed above are showing signs of success. Converting the export growth to jobs gives **7,808 jobs** in 2006, new or preserved. SEDP has been a major driver in this dual transition to new markets.



Information and Communications Technology

ICT was one of the last sectors in which SEDP was involved. The sector is fragmented and companies are small and secretive, making firm-level results difficult to track. Since much of this sector also operates with programmers moving among different shops and payments for offshore services being made offshore, growth can be difficult to measure.

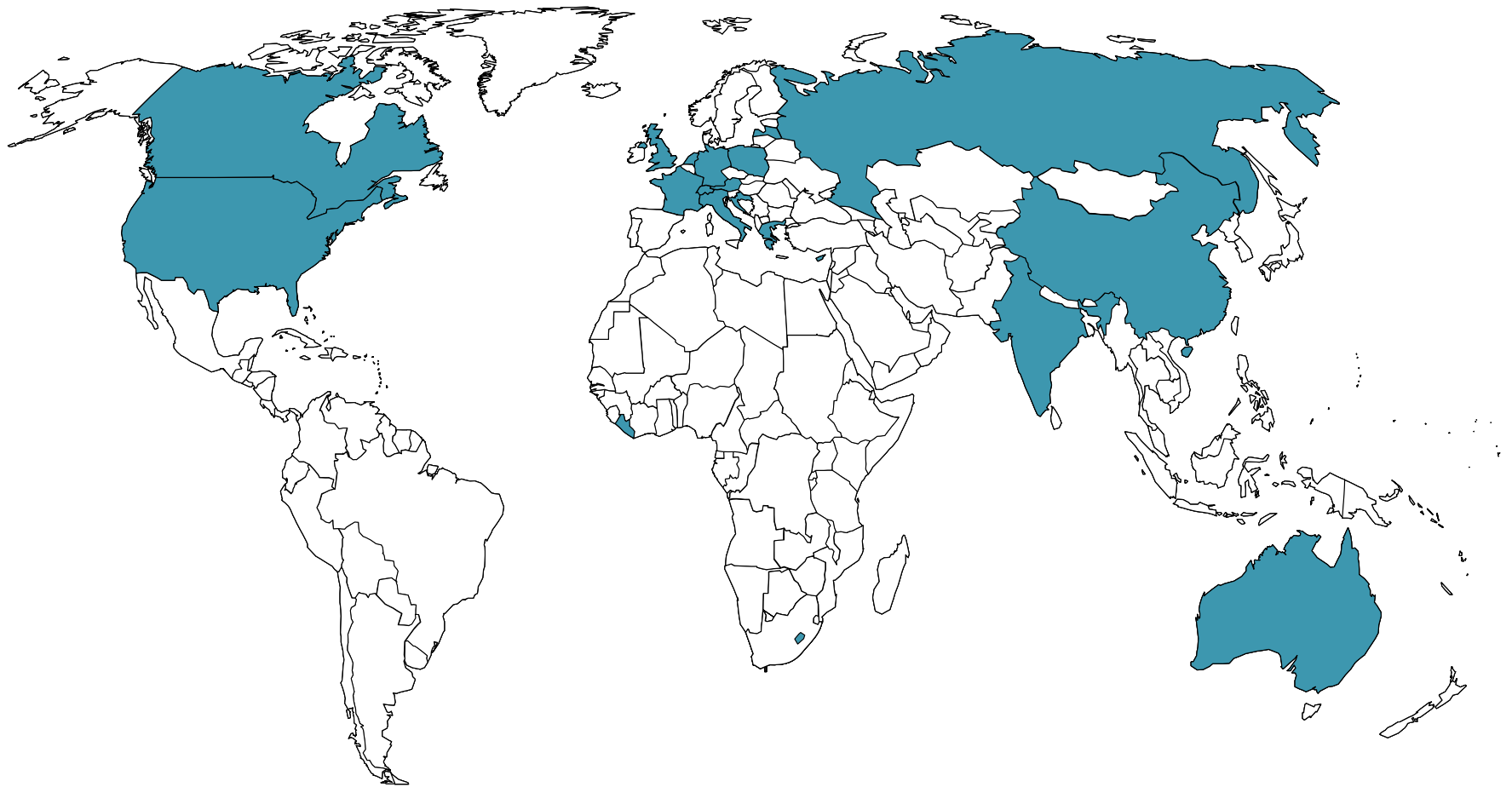
Period of Performance, SEDP

Average gross wage, 2003-2006 average **\$320.00**

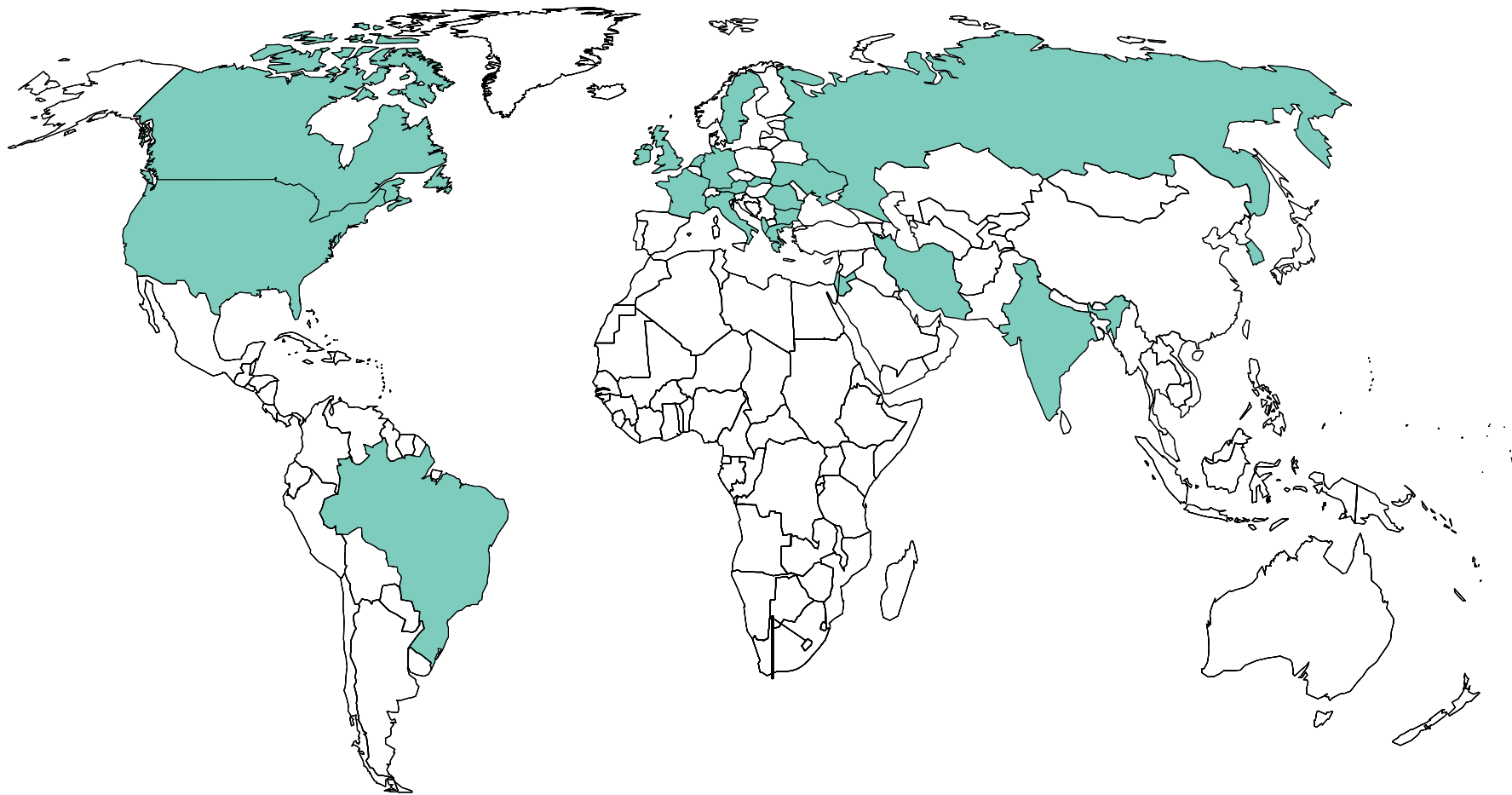
Direct Impact	Wage Dif	Labor Factor	Exports	Jobs
Total	1.5	0.7	\$77,831,133	9,459
Sector or subsector	Wage Dif	Labor Factor	Exports	Jobs
Fruit and Food Processing	1.2	0.7	\$61,000,000	9,266
Juice companies (sector)	1.5	0.7	\$42,000,000	5,104
Tourism	1.3	0.8	\$317,040,909	50,808
ICT	2	0.8	\$39,611,818	4,126
Apparel	1	0.5	\$145,863,636	18,993
			\$563,516,364	88,297

Export Growth Mapping

New Markets for Serbia Food Products due to SEDP Activities
Selected companies: Marni, Zadrugar, Foodland, Nektar



New Markets for Serbian Spas due to SEDP Support
Selected Area, Vrnjacka Banja



SECTOR LEVEL WORK

Breadth of Impact and Sustainability: Education

Two persistent challenges of technical assistance-oriented projects are sustainability and breadth of impact. One reason USAID has begun to move away from firm level projects is that considerable resources can be expended helping only a few firms. As such, SEDP mainly focused its technical assistance on sector-level initiatives. For both firm- and sector-level assistance, SEDP sought to embed the knowledge into other institutions with the incentive to further disseminate it. The main activities embedding permanent technical capabilities into institutions were:

1. Capability Maturity Model Integrated (CMMI), the main set of software development standards. More than 600 slides of the CMMI curriculum were developed with a Booz Allen consultant and a team from two of the largest Serbian universities, Novi Sad and Singidunum. While Belgrade University did not participate in the development effort, it introduced the material into its courses. The curriculum was also distributed to other universities.
2. Negotiations and business communications. Two SEDP consultants designed curriculum and carried out a training program for a total of 11 instructors mainly from 10 different business and law schools. SEDP also worked with an instructor from one of the schools to help coordinate the US Government-funded translation and distribution of a leading textbook.
3. Two courses entitled “Modern Software Development” and “Product Management and Marketing Today” were developed and introduced into the curriculum at Belgrade and Novi Sad Universities. The course materials were also distributed to other universities.
4. Computer-Aided Design - Computer-Aided Manufacturing (CAD-CAM) training center for the apparel sector. SEDP provided deeply discounted, state of the art, CAD-CAM equipment for apparel manufacturing to the two main technical schools. SEDP then trained the teachers on the use of the equipment. In exchange, the schools agreed to allow a group of private trainers and companies to use the classroom for adult education and commercial use in the off hours.
5. Package and label design. Though technically very good, the design departments of Serbian schools were not graduating designers that solved real market-related problems for companies. SEDP engaged a team from Brighton University, United Kingdom (UK) and with the top two design schools in Belgrade, updated their curriculum to train future designers to be more responsive to market needs. SEDP also established a design library for students to have access to design trends from around the world. An SEDP developed website also operates as a forum for companies and designers to work with each other.
6. Apparel efficiency. An SEDP consultant implemented efficiency programs in 22 apparel companies. At the same time he trained a group of university professors and consultants on how to implement the program. These consultants continue to implement it in other companies.
7. Apparel quality control. An SEDP consultant implemented quality control programs in 29 apparel companies. At the same time he trained a group of university professors and consultants on how to implement the program.

8. Tourism training materials. SEDP developed packages of modules in five areas:
 - a. Destination marketing and branding, three modules.
 - b. Customer service and care.
 - c. Greenways development.
 - d. Developing promotional materials for tourism products.
 - e. Using the internet for promotion.

The material can be adapted for both student and firm level trainings. The major tourism service providers and training institutions were provided with the materials.

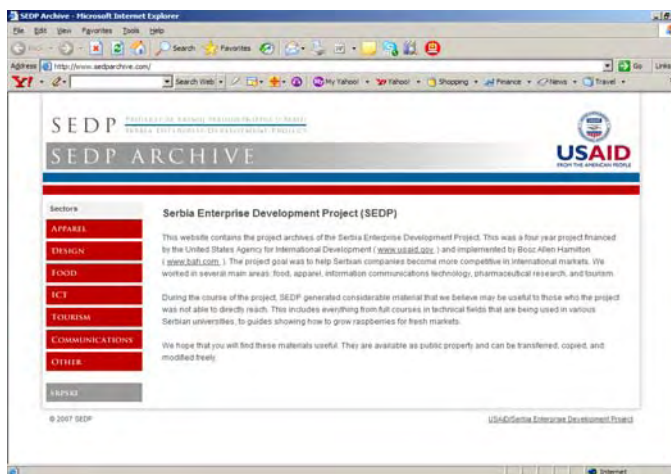
9. Food science. A Purdue University food scientist developed a training and set of materials suitable for a course on food additives. This material was provided to firms and to the agricultural university.
10. SEDP worked initially with the Association of Clinical Research Professionals (ACRP), the leading clinical research organization in the world, to train practitioners in Good Clinical Practices (GCP). Since then the ACRP has trained and certified five Serbian trainers to deliver the material on an ongoing basis. The training program is now fully embedded in the local ACRP chapter. The trainers are being engaged internationally by the ACRP.
11. Digital animation training centers. SEDP established two digital animation training centers using state of the art software and high performance work stations. One is at the Faculty of Architecture, where students will become proficient in backgrounds and rendering. The other is at the Faculty of Applied Arts, where special effects and more traditional animation will be taught. As part of the agreement signed with the schools, they will also offer ongoing, adult education classes to help keep existing animators current in their skills.
12. Smart card training center. Through the matching grant program, SEDP and Singidunum University established a training center for smart card technologies.
13. SEDP also sought to disseminate all technical assistance materials as widely as possible. In addition to the above, the main materials include:
 - Full set of agricultural extension materials developed with Cornell and Michigan State universities. Distributed through the domestic extension service, to planting material providers, and to packing companies.
 - Handbook for developing an off-shore software business, the first in the industry. This was widely distributed in Serbia, Macedonia, and Romania.
 - Sourcing guide for apparel.
 - Tourism service provider tool kit and self-auditing worksheets.
 - Material on retaining and getting the most from design companies, disseminated through brochures and through the website www.dizajnsrbija.org.

Booz Allen believes that such a degree of institutionalization and broad dissemination of technical assistance is very unusual for this type of project. Despite this, two issues remain. First, once the material is turned over to the institutions, control is lost. There is no guarantee that over time integrity will be maintained. Second, dissemination is not as wide as it could be, and more firms could benefit if they had access.

Together SEDP and Singidunum University developed a solution. The University committed to maintaining the site www.sedparhive.com (see screenshot below). This site contains all of the main technical assistance and educational material developed during the period of performance. As the material was posted, SEDP notified parties who may be interested in accessing and using it. For

example, as the CMMI material went up, the other major universities that were not part of the curriculum development program were notified.

The site is part of larger educational cooperation between SEDP and Singidunum. SEDP provided Booz Allen Hamilton's open source online educational platform, Atlas Pro, to Singidunum, and trained the instructors on how to generate online content. Singidunum is now able to offer its range of courses to students who are not able to travel all the time to Belgrade. In the future, the University plans to offer a range of continuing education courses mainly in the technical and managerial fields.



Fruit and Food: Strategies, Activities, and Results

Goal 1: Following removal of sanctions, obtain certification and contacts to allow Serbian frozen fruit producers to diversify markets to get the best pricing and terms possible.

Goal 2: Provide companies with the tools and skills necessary to complete the transition from relying on bulk frozen exports, to fully integrate with higher value processing and fresh markets.

SEDP's work in fruit and food proceeded in two stages. The first stage involved working with the bulk, mainly frozen, processors to get them back into international markets following the sanction years. Though this is a fairly low value-added area with very low farm gate prices, it constituted the majority of Serbian fruit exports and was, and still is, a critical part of the economy. Thousands of farmers had come to rely on these exports for their incomes. SEDP helped the processors to diversify into new markets, smoothing price shocks, and lowering payment risks. SEDP introduced the processors to dozens of new buyers, often helping them sell directly to the end buyer rather than through traders. Margins increased as well as what could be paid at the farm gate. Before SEDP, most Serbian producers had never been to a trade show, though this is simply where business is done in their industry.

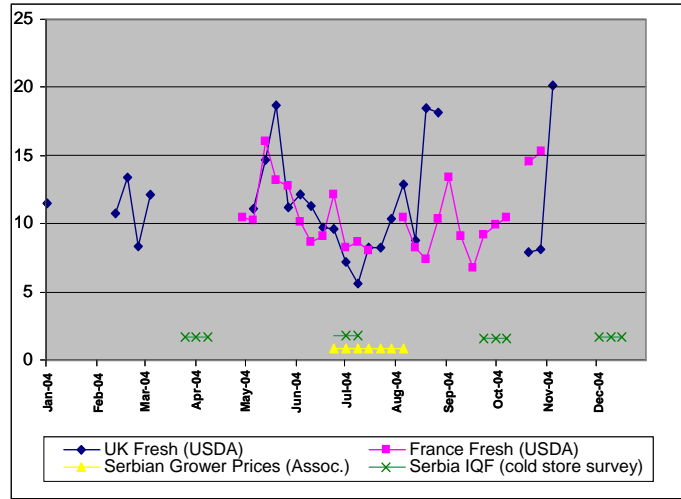
Prior to SEDP, many producers also did not know about or did not comply with the standards of the target markets. In 2003, SEDP with the US Department of Agriculture (USDA) conducted a country wide "road show" to promote HACCP training and certification. Through its educational and grants programs, SEDP was then responsible for the first nine out of 11 HACCP certifications in Serbia. The concept then spread with the training of hundreds of companies and effort organized by other USAID programs and the Ministry of Agriculture. SEDP played a similar role with organic certification, including supporting one of the first certification bodies with a matching grant.

Activities during this first stage were often one-off, but with sustainable results. Once companies better understood the markets and were introduced to new buyers, they maintained and expanded their networks on their own. Similarly, once it was understood that HACCP and organic certification could lead to higher prices, numerous companies applied and became certified. One of the market access and information tools SEDP developed, www.serbianfruit.com will continue to be maintained and promoted by Serbian Investment and Export Promotion Agency (SIEPA). Aggressively marketed at trade shows, many target market buyers have come to identify this site with Serbian products. SEDP began phasing out of the activities related to this first stage around the middle of 2005, though

some residual support has remained. SEDP was confident that the Serbian processors of bulk fruits were getting the best prices and terms they can given the circumstances of their markets.

As noted, there are inherent limits to how much value can be added to products sold into bulk markets. These are sold into basically commodity markets, where suppliers have little negotiating power. Add-ons such as organic certification help, but the markets are still brutally competitive and unstable. Serbia producers get squeezed on the one side by low cost, low labor competitors from Asia, and on the other side, by highly efficient and mechanized production in industrial countries. Lacking either the low-cost labor or the flat lands and long-term financing required for large-scale mechanized production, producing for bulk markets is a losing long-term prospect. The chart below illustrates the price differences between the fresh and processed fruits markets.

Recognizing these realities, SEDP with the Ministry of Agriculture developed a strategy to transition Serbia out of bulk markets and into higher value processing and fresh markets. This strategy, subsequently adopted by the Ministry, centered upon identifying and systematically removing barriers to entry into these new markets. The second stage of SEDP activities and the program’s focus in the food sector during the last two years of programming was on assisting the Ministry in implementing the strategy.



Program activities under the different areas are given below.

Bulk Fruit

SEDP’s campaign to reconnect Serbian producers to international markets had four main components.

1. Market access. SEDP sector advisors connected Serbian companies to numerous new buyers in all major target markets, both by conducting buyer tours of Serbia and through email and phone contacts. This was possible largely due to the SEDP advisors’ knowledge of the main buyers in these markets and their ability to persuade buyers to purchase directly from Serbian companies. SEDP also supported trade shows in which producers were able to better understand both their target markets and competition for the first time. Prior to meeting buyers, SEDP conducted intensive trainings in sales, marketing, public relations (PR), and negotiations.



The site www.serbianfruit.com (pictured above right) was instrumental in bringing new buyers to Serbia for the first time. The site averaged more than a thousand unique visitors from around the world each month. SEDP commissioned a survey of the 43 companies listed on the site. The majority both stated that they received sales inquiries and that they would be willing to pay to be listed.

- HACCP and organic awareness and certification. Many producers could not directly access new markets because they lacked the necessary certifications. SEDP organized an awareness campaign and through its grants program funded nine out of the first 11 HACCP certifications in Serbia. These certifications then encouraged numerous other companies to get certified and other projects such as the USAID CRDA implementers and the Ministry of Agriculture to assist in the financing.
- Market information. SEDP issued a weekly report with translations of articles from the international trade press. These informed Serbian producers of trends, pricing, technologies, and supply shocks related to the main Serbia products in the international markets.
- Target market awareness campaigns. SEDP placed coverage in FoodNews (UK, pictured to the right), FreshPlaza (Netherlands [NL]), AgraFood East Europe (UK), Eurofruit (UK), Fresh Produce Journal (UK), Fruit and Vegetable Markets (UK), World Grower (UK). Due almost exclusively to SEDP, Serbia has come from nowhere Serbia to now be seen as a serious contender in agriculture. This sort of awareness is critical for companies who are considering buying from Serbian producers, but never have.



Fresh Fruit

SEDP activities to implement the strategy for transition to fresh markets are part of a systematic program to address all major barriers to integrating Serbian farmers into fresh markets. A successful transition to fresh markets will only happen over the long-term. However, very early results show millions of dollars in new sales in new markets. These are described in more detail in the results section.

- SEDP initially worked with the Ministry of Agriculture to adopt a transitional strategic framework and work plan, which was then adopted by the Ministry. The activities below are all related to the execution of that strategy. In order to facilitate monitoring of the process, SEDP developed and maintained a donor coordination matrix to track all USAID (mainly CRDA), the Ministry of Agriculture, and other donor activities in support of the strategy.



- New extension materials. Serbian farmers have for decades been producing the same varieties. These all become ripe at the same time, depressing market prices, and are mainly suitable for processing. In order to produce for fresh markets, new varieties and techniques leading to firmer fruit and a longer growing season are required. SEDP, with advisors from Cornell University and Michigan State University extension services, developed a full set of new extension materials. It was time. The last raspberry extension materials were from the late 1970s and focused on the production of a single variety suitable for processing markets. The new materials introduce varieties that are more suitable for fresh markets.

Extensive information is provided on how to prepare land, cultivate, irrigate, fertilize, control disease and pests, harvest, transport, package, and store the new varieties. The publications include:

- Production guides for fresh markets for raspberries, strawberries, red and black currants, blackberries, blueberries, sweet cherries, and peaches.
- Food additive usage.
- Hand hygiene.
- Use of plant growth regulators.
- Fresh produce marketing.
- Apple optimal storage and harvest guidebook (pictured above)
- Farm financial planning workbook for growing new varieties of raspberry.
- Greenhouse production guide (copyrights to Cornell University).

An initial production run of 10,000 of these materials was printed and sent to all agricultural extension stations, planting material providers, universities, and major firms and farmers.

In addition, more intensive advisory support was provided to large “early adopter” cold stores that are making the transition to fresh markets. They in turn work with hundreds of smaller farmers and can efficiently spread the new ideas and techniques. These early adopters are also best positioned to deal with the still complex fresh market logistics.

3. Working with producers and the Ministry of Agriculture to ensure that the new varieties are registered and available.
4. Providing market access, sales, logistics, and trade show support to producers and packing companies seeking to produce for fresh markets. This included a package of media and sales training that was mandatory for all companies attending trade shows, and voluntary for others. The trainings have been filmed and are available for download on www.sedparchive.com.
5. Development and production of a 78-page manual on the marketing of fresh fruits and vegetables. It was written for new exhibitors and covers all the challenges of doing business from Serbia – packaging, logistics, trade media, buyer relations, and visual identity.
6. Development and distribution of a family farm decision-making toolkit for farmers to calculate the costs and benefits of moving to new fresh market varieties of raspberry.
7. Development of a system for price dissemination by short message service (SMS), providing up-to-date information on three Serbian and four international terminal markets. The service was designed by SEDP and then developed by a commercial operator who now runs it on a sustainable basis. The promotional poster is shown to the right.
8. As noted in the section above, on a weekly basis SEDP disseminated global market information on the major crops in Serbia. This also covered fresh markets.

Do najnovijih cena svetlog voća i povrća sada možete da dođete lakše nego ikada!

DOSTUPNO KORISNICIMA SVIH MOBILNIH MREŽA U SRBIJI:

062,063,064,0651

Uključite odgovarajući tarifni paket na broj **2299**

AGROSMS

Kada zadate SMS na 2299, odmah ćete dobiti odgovor sa najnovijim cenama celovrednog povrća i voća na svim važnim tržištima u svih sedam gradova: BEOGRAD, NIŠ, KRALJEVO, PARAĆ, LONČARSKI, ZEMUN I VRSIĆI/ČIKIĆI.

Proizvod	062,063	064,0651
Šargarepa	0,30/kg	0,30/kg
Paradajz	0,30/kg	0,30/kg
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Paradajz	0,30/kg	0,30/kg

AGROSMS 2299

9. Extensive promotion of fresh Serbian fruit in the target markets, resulting in positive and informative coverage in all the major European trade media. SEDP has placed journalistic coverage in FoodNews, (UK), FreshPlaza (NL), AgraFood East Europe (UK), Eurofruit (UK), Fresh Produce Journal (UK), Fruit and Vegetable Markets (UK), World Grower (UK). Due almost exclusively to SEDP, from nowhere Serbia is now seen as a serious contender in fresh markets. Work includes maintenance of the previously mentioned site www.serbianfruit.com, which covers both fresh and processed producers.
10. Technical training for owners of controlled atmosphere chambers, faculty, and extension agents. This is needed to prolong the storage and increase the quality of fruit for fresh markets.
11. Other communications materials include: a strategy brief for the Ministry to use when fielding questions; frequently questioned answers (FAQs) for the call center at the Ministry; fact sheets for journalists; overview of fresh options for growers, and a guide for exporters.

Processed Fruit

SEDP has been working with the processing industry for almost as long as with bulk fruit. The goal was to have more of the Serbian crop processed in-country, rather than sold in bulk for processing elsewhere. Higher level processing was a natural transition for many frozen fruit processors to make in order to add additional value. The main market push was international, but the new packaging, marketing, negotiations, and sales techniques companies learned also helped them compete against imports on domestic markets.

1. Sales and promotional support. This was through the main ways mentioned above: trade media in the target markets; trade contacts, including through www.serbianfruit.com; development of promotional material (see sample to the right); and trade fair support in new markets (regional, EU, US, Asia, Middle East) and for new products (especially organics). Throughout the project, this support was transitioned to SIEPA, which now takes the lead on trade fairs.
2. Package design. SEDP works with both designers and companies to develop better packaging (see www.dizajnsrbija.org). Through a series of seminars and printed materials, companies were guided on how to find the right designer and get the most from them. Designers learned how to meet companies' real business needs and about packaging designs that helps make a sale. To help designers keep current on global trends and practices, SEDP established a design library in a local gallery (Ozone). Designers and students can use the searchable database and bar-coded checkout system to find and use materials. To ensure that the next generation of designers has the skills needed to develop packaging that will help Serbian products sell, SEDP in conjunction with Brighton University developed new curriculum. This has now been implemented in the two main design schools.
3. New products. SEDP was involved in the development of several new products for new markets. The most prominent was the development of the world's first all-fruit raspberry juice, done at the behest of a SEDP advisor. The Fresh and Co. product then went on with



SEDP assistance to win the World Juice Innovation Award for the best new product of 2004. This small Serbian company went against the top juice producers in the world (i.e. Pepsi's Tropicana and Ocean Spray) to win this award. Fresh and Co. was subsequently acquired by the Coca Cola Company.

4. Weekly dissemination of information on global markets and trends (see above).
5. Provision of training and assistance on negotiating contracts. As noted above, this same course is now being taught in nine business and law schools in Serbia.
6. Assistance in obtaining financing for expansion and export.

During the course of the project, SEDP saw considerable results from execution of these strategies. Companies have sold millions of dollars worth of new products into new, higher-value markets. These sales are not one-off, but are the result of successful integration of Serbian companies into new markets. Perhaps more importantly, SEDP activities have changed the long-term behavior and orientation of Serbian companies.

The execution of the fresh and processed market strategies has only begun. These strategies include a set of tasks, described above, that require long-term execution. SEDP has been able to see sound project results by working on setting the groundwork and with early adopters. However, the real impact will be felt as behaviors change in the majority of farmers and small- to medium-scale processors.

The staff at SEDP hope that these initiatives will be continued under the follow-on. If executed well during the longer term, the SEDP processed and fresh market strategies have the potential to radically change the positioning of Serbian agriculture for the better.

Apparel: Strategies, Activities, and Results

Goal: Continue to move Serbian contractors away from low value cut-make-trim work and into more complex but higher value “full package” work and branded apparel, where they can compete over the longer term.

The apparel sector had traditionally provided a large amount of Serbian jobs and exports. Prior to sanctions, Serbian companies produced garments for a wide range of US and Western European companies. Production was mostly conducted on a cut-make-trim (CMT) basis, where the materials are imported and only labor is added before re-export. Though Serbia was able to compete in these markets at the time, it was not high-value work. During the time of the sanctions, the global situation changed radically. With China becoming a major trading powerhouse, mass markets have been swamped with very-low-cost apparel. Serbia struggled to compete over the long run in this market. Jobs and exports dropped and firms put at serious risk.

SEDP worked to move companies out of that market and into areas where they could compete. The SEDP program was designed to wean the companies from the CMT market and move them toward servicing new markets on a “full package” basis. Full package production uses similar core skills to CMT, but adds more value and generates more jobs in-country. Under full package, fabric and trim sourcing, cutting, financing, logistics, and quality control all become the firm's responsibility. Target markets are also different, but trends in the EU fashion companies bode well. Given the rapid changes in fashion and costs of inventory, many companies do not want to submit the many thousand unit minimum orders that are required for Far East sourcing. Sourcing from Serbia gives them reasonable pricing, combined with rapid turn-around time for small batches and quality that can be managed more easily. The main target group was medium-sized apparel companies, with between 50 and 200 employees.

Making the transition requires that Serbian companies obtain new capabilities, while playing up competitive advantages. These include proximity, skilled labor, small flexible plants, and ease of sourcing from regional markets. Each of the areas above were addressed by the SEDP program. The activity was carried out in coordination with German donor agency Deutsche Gesellschaft für Technische Zusammenarbeit GmbH (GTZ) and SIEPA.

The second area where some Serbian companies are able to compete is in locally designed fashion apparel, especially in the region and former CIS (Commonwealth of Independent States). Serbia is extremely fashion conscious and during the sanctions when imports were banned, a number of Serbian companies were able to develop designs that are now world-class.

Program activities are given below.

1. **New markets.** Through trade shows and market contacts, SEDP advisors helped both the contract manufacturers and fashion companies move into new markets. For the contractors, these were mainly in the EU. For the fashion companies, the regional, Russian, and to some degree the US markets were targets. Initial forays into the US market had mixed success. Only one company has been able to sell there consistently, though has done several hundred thousand dollars of business. Another had a fast start and ended up on a trial run in Nordstrom, but was forced to withdraw until production and financial issues were sorted out. That same company, after SEDP support, re-entered the US later where it now sells in the Anthropologie chain of stores.
2. **CAD-CAM Training.** SEDP established two state-of-the-art training centers for CAD-CAM technology at the two main technical schools. The facilities are used for training during the daytime, and then for adult education and by companies after hours. This technology is critical for both full package contracting, where only patterns are received, and for fashion design.
3. **Design and implementation of a program to improve efficiency in the apparel industry through factory set-up and work flow optimization.** The program was implemented in companies at the same time as instructors and consultants were trained to implement the same program in other factories. Actual gains and estimated cost savings are given in the chart below.

Name of Company	Direct Cost Savings	Estimated Company Benefit
Brug	10%	\$21,667
Cetex	30%	\$19,000
Daniel Knitwear	35%	\$110,833
Eminent	6%	\$110,000
Exit	10%	\$31,617
Fratellis	10%	\$69,167
Garman	30%	\$38,050
Jasmil	2%	\$25,333
Javor	30%	\$275,000
Kiko	15%	\$13,750
Konstantinovic	25%	\$17,708
Luna	60%	\$142,900
Martin Vesto	20%	\$15,667
MaxMenus	10%	\$31,517
Mideri	40%	\$92,667
NB	20%	\$13,667
Nesal	10%	\$35,833
Pahuljica	39%	\$55,705

Name of Company	Direct Cost Savings	Estimated Company Benefit
Passage Group	50%	\$142,667
PS Fashion	15%	\$109,475
Sumadija	20%	\$60,000
Trikotaza Ivkovic	30%	\$71,350

4. Design and implementation of a program to improve quality. This is critical for full package production as work is usually for higher-end companies. It also leads to lower levels of waste. The program was implemented in companies at the same time as instructors and consultants were being trained to implement the same program in other factories.

Name of Company	Direct Cost Savings	Estimated Company Benefit
Brug	10%	\$21,667
Casaba	10%	\$10,884
Daniel Knitwear	25%	\$79,167
Ekotex	40%	\$24,667
Elipsa	5%	\$18,750
Eminent	5%	\$91,667
Exit	10%	\$33,617
Garman	30%	\$38,000
Igo Trikotaza	50%	\$7,920
Ilhemtex	15%	\$22,500
ITM	3%	\$24,000
Jagger	10%	\$75,000
Javor	20%	\$183,334
Kika	5%	\$111,667
Kiko	30%	\$27,500
LCD	10%	\$6,167
Leonardo	15%	\$25,500
Luna	50%	\$119,083
MaxMenuisi	10%	\$31,517
Mideri	25%	\$57,920
NB	30%	\$20,500
Nesal	10%	\$35,834
PS Fashion	25%	\$182,460
Stefan	30%	\$43,200
Stig	10%	\$13,667
Sumadija	25%	\$75,000
Tiffany	10%	\$175,000
Trikotaza Ivkovic	30%	\$71,350
Zekstra	3%	\$32,500

5. Development and production of a Sourcing Guide. Sourcing is one of the roles that companies need to take over when moving from CMT to full package production.
6. Financing seminars and assistance. This included sector wide seminars on financing options such as factoring, as well as company level consultations. Though not reported in the results section that focuses on exports, this led to total financing of over \$2 million directly as a result of SEDP activities.
7. Promotion of Serbian apparel through trade show press, development of company promotional and sales material and www.serbianapparel.com. Both fashion and manufacturing companies were represented through the different channels. SEDP also maintained and made available for download, the Directory of Serbian Apparel

Manufacturers (pictured below). More than 800 copies in three languages were downloaded during the course of the project. More than 1,300 trade show catalogues were also downloaded.

8. All aspects of marketing and trade show support. Includes communications material, training, sales assistance, and financial support.
9. Support for the establishment and functioning of the apparel association. This group of around 300 mid-sized manufacturers was established with SEDP support. SEDP supported their training center and advocacy efforts to support customs reform to properly value imported clothing and stop illegal imports.



SEDP's work supporting the sector's transition from CMT to full package was around two and a half years old at the time of SEDP's closing. Partially as a result of this transition, the Serbian apparel industry has recovered from a slump in the early 2000s. With the quotas off China and other low-cost producers, it has been especially critical for Serbian companies to maintain their edge in this new market. SEDP has given them the tools to continue to improve quality, efficiency, turn-around time, and financing and logistics capabilities. If they are able to do so, Serbian companies can likely continue to be competitive in this large industry niche for nearly another decade.

Information and Communications Technology: Strategies, Activities, and Results

Goal: To bring project management skills to international levels while improving Serbian companies' access to international markets.

The basic technical skill of Serbian programmers and software engineers is considered to be very high. Technical universities in Serbia have historically been of better quality than others regionally. Proficiency in English also sets Serbian programmers apart from other countries in the region. Despite these advantages, there has been considerable under-utilization of skilled labor in the sector, and less service export work than there could be.

The under-utilization has been driven by a number of factors. The first is a lack of marketing and sales capability that is suitable for international markets. Companies tended to try to do it all in all markets, rather than specialize. While this may work in a broad and shallow domestic market, the international market seeks deep expertise and experience. Also, most shops are small and were lacking the software development management skills to either develop internally or work on large, integrated software projects.

The size, diversity, and rapid changes in the market and technology platforms made it more difficult to develop a full market transition and integration strategy than with some other sectors. Less cohesion in this sector compared to others also made it a challenge to launch broad initiatives. However, companies are very eager to attend trainings that introduced new ideas and to build those into their approaches and offerings. Much of SEDP's focus was on sales, marketing, and software development management training. SEDP carried out the following activities.

1. Regulatory work. SEDP developed with the industry an ICT “White Paper.” The document outlined and gave the rationale for major legislative and regulatory changes, as prioritized by the industry. SEDP worked with industry leaders to present the paper to all relevant government institutions. Over the course of the next year, a majority of the recommendations were adopted. This was a sector-level effort, supplemented by the business associations.

Also on the regulatory side, SEDP worked with industry leaders and government to establish the authority to administer the “.yu” top level domain. Previously, this had been done on a volunteer basis, but the capacity of this informal setup was falling far behind the needs of an expanding industry. SEDP created the legal and operational structure, and the budget and business plan for the new entity.

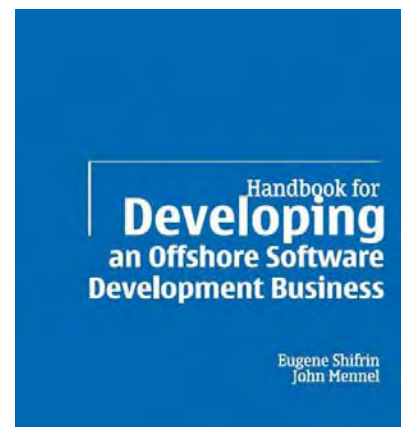
2. Specialized training and curriculum development. Globally, the main set of software development standards revolve around the CMMI developed at the Carnegie Mellon Software Engineering Institute (SEI). Following a very popular series of firm level trainings, SEDP integrated CMMI into the curriculum of three major technical universities and trained consultants on the principles. Two universities (Novi Sad and Singidunum) have been active in developing the curriculum, while Belgrade University will just be using the material. In order to ensure that professors have a sound enough understanding of the material, SEDP trained five faculty members to the intermediate level at an official SEI course in Paris.

SEDP also provided course materials for and trained professors in the delivery of two short courses. These are Modern Software Development and Product Management. The material in both of these courses is new to Serbian universities, but important for addressing the weaknesses identified in the industry. SEDP through its grants program also offered opportunities for professors to increase their skills in particular areas to improve curriculum. Two specialized areas were in massive parallel processing for supercomputer applications and field programmable gate array (FPGA) circuit design. Occasional additional seminars were also given in currently relevant topics, such as Web 2.0.

Curriculum materials for CMMI, Modern Software Development, and Product Management are available at www.sedparchive.com for use by instructors from all institutions.

3. Sales and Marketing Support. SEDP published a “Handbook for Developing an Offshore Outsourcing Business” (pictured to the right). It was written by two SEDP consultants, one of whom is from Booz Allen. The publication is the first of its kind in the industry and has been widely distributed in Serbia, Macedonia, and Romania. Upon its release, workshops were held on the publication and were held before all trade shows. Topics include strategic focus and company positioning, market development, developing leads, follow-up, and closure.

SEDP also conducted a series of “solution selling” seminars for the industry. These very popular trainings gave small Serbian software companies access to the exact same trainings that IBM (International Business Machines Corporation) and HP (Hewlett-Packard) use with their sales staff.



On the same theme, SEDP assisted companies in generating professional marketing materials, and conducted seminars on using media at trade shows and in business communications, and negotiating contracts successfully. The latter trainings, as mentioned above, have been implemented in the curriculum of nine law and business schools in Serbia.

All of these trainings were then followed up on with a series of firm-level consultations. These consultations were tracked over time, with firm management fulfilling certain agreed-upon tasks.

4. **Training Centers.** SEDP set up three training centers in universities that are being used to instruct students in important, cutting-edge areas with high employment potential. Two centers, at the Faculty of Architecture and at the Faculty of Applied Arts, will provide digital animation training. Both schools have also agreed to offer adult education programs to help retrain animators in the latest technologies. The third center was established at Singidunum University to provide training in smart card technologies. This is an area with rapidly expanding demand in Serbia and the region, but previously there were no institutions providing professional training. These are fully self-sustainable centers, contributing high-value skills to the marketplace.
5. **Market Access.** SEDP along with SIEPA and GTZ supported a series of trade shows in the major markets, mainly the EU and Middle East. As with other sectors, these were coupled with intensive sales (see 3. above) and public relations training. Through its grant program, SEDP also supported marketing trips for companies to target markets. These are all documented in the SEDP database.

SEDP also provided direct market contacts, canvassing US and EU venture funded companies to pair them with Serbian software developers. This led to several direct deals, and a number that were pending as of the end of the project. One involved a Serbian company out-performing two Indian companies to win a lucrative bid.

6. One of the main goals that SEDP set out for itself, was to attract a major offshore development center to Serbia. SEDP developed a set of selling propositions and was in touch with Yahoo, Google, Nortel, Luxsoft, Autodesk, and Ericsson among others. Several companies continue to consider Serbia, but as of the end of the project no deals have been confirmed.
7. As part of a multi-donor effort, SEDP developed a concept paper to bring wireless internet access to Indjija municipality in conjunction with a major international operator.

Serbian software firms are very private and independent, and have many of their own distribution channels. Companies are very reluctant to engage in joint marketing activities and to share information on signed contracts, even with SEDP. This, combined with long lead times for new clients to develop business, made firm-level market matching a challenge. Though there were some firm-level activities and successes, most SEDP efforts have been at the broad training and sector levels. Serbian companies were very responsive to trainings of all types. Participation rates were higher than any other sector, with most trainings over-subscribed. Firms were quick to pick up on and apply new techniques. While recordable, firm-level results were not high for SEDP in this sector, overall growth was strong over the POP, indicating an improved ability to compete.

Pharmaceutical Research: Strategy, Activities, and Results

Goal: To make Serbia an internationally recognized center for clinical and pre-clinical research.

Former Yugoslavia was recognized as having a medical system that more resembled that of Western Europe than the centrally planned economies. Years of under-funding, lack of modern regulations, and a poor reputation as a war-torn aggressor nation has accentuated the once vague line between Serbian and richer country medical systems. Though the system suffered from the brain drain of many qualified doctors, much capacity remained in a system that was chronically under-funded. Finding new means to build on existing capability and participate actively in international markets was key to improving the system and stemming any further exodus of capable doctors.

SEDP worked on two tracks to integrate Serbia's medical system into international markets. The first was in helping obtain, carry out, and implement international clinical research contracts. The second was working with Serbian laboratories to help them conduct more outsourcing work. As seen in the results section, results in the first area have been excellent. Efforts during the past year have brought sustained momentum to the clinical research work. SEDP is confident that it will continue to grow until capacity in Serbia is absorbed.

Clinical research is a sector that SEDP is able to say that it effectively created. When SEDP arrived, the regulatory environment did not exist, procedures for registering and conducting clinical trials were not clear, and companies that SEDP polled said they were not comfortable doing business in Serbia. One potential client approached at the time asked whether Serbia had doctors.

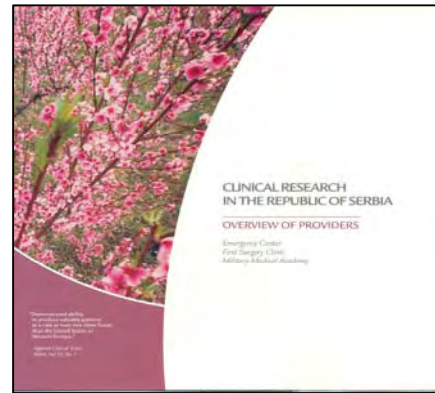
The main activities in this area were:

1. Full institutionalization of a GCP training and certification program. SEDP brought the leading international clinical research association ACRP to Serbia. With SEDP support, five Serbian trainers have now been certified to teach and give exams for ACRP-recognized GCP certification. This program, which is critical for the industry, is now fully sustainable.

As an unknown location for clinical research and an international pariah, Serbia was far from realizing a research boom. This situation made it necessary for researchers in Serbia to show that they had the qualifications necessary to satisfy the international pharmaceutical companies. The ACRP GCP trainings gave Serbia the credibility needed to go to international markets.

2. Establishment of the Serbian ACRP chapter. With more than 150 dues-paying members, the Serbian chapter is now the largest in the world outside of the US. This is arguably the most successful professional association in Serbia. Linkages to the international parent, events and trainings continue to help break international isolation. The Chapter received an award for excellence in business development at the April 2007 ACRP meeting.
3. Provided opportunities for the Certification Exam for Principal Investigators and Clinical Research Associates (Monitors). Serbia was the first country in Central and Eastern Europe to carry out the prestigious ACRP certification exam. Pass rates in Serbia were 89 percent for investigators and 79 percent for monitors compared to the average rate internationally of 60 percent. The ACRP lauded this as the best result ever achieved by a newcomer country.

4. Through a partnership with a European clinical trials company and a German university, SEDP trained and internationally certified 70 unemployed medical doctors to become research monitors. Many have since been placed in the over 20 research offices opened since SEDP support began.
5. Extensive and targeted promotion of Serbian clinical research, including the successful placement of positive news articles in the major industry publications (*Applied Clinical Trials*, *Euro Pharmaceutical Contractor*, *ACRP Monitor*). Materials touting the benefits of research in Serbia (depicted to the right) were distributed to target clients at specialized trade events. The SEDP developed Serbian ACRP website www.acrps Serbia.com provides international firms with all the information they need to conduct research in Serbia.



While SEDP's clinical research program was a great success, the pre-clinical and laboratory side of the project was much less so. SEDP sought to connect Serbian laboratories with outside contracts, taking advantage of specialized expertise and low cost. As such, the project proceeded much more slowly and never evolved beyond two initial exercises, noted here:

6. Assessment of Serbian laboratories to determine immediate market potential for their products and services. After assessing 20 laboratories, SEDP identified a number of opportunities for outsourcing.
7. SEDP supported Ministry of Health efforts to develop new good laboratory practices (GLP) legislation in line with OECD (Office of Environmental Compliance and Documentation) guidelines. Selected Serbian laboratories were to be supported in GLP implementation to assist in commercialization of their services.

Due to a combination of regulatory and laboratory management issues, the potential remains unrealized. The Serbian Ministry of Health failed to pass key legislation or put the bodies in place that were to ensure that Serbian laboratories met international standards. Without these certifications, it is very difficult to sell services into most markets. For those laboratories that sought outside certification, the Ministry was uncooperative in providing the clearances needed to bring samples in and out of the country. In one case, a laboratory that SEDP tried to work with lost two contracts worth several hundred thousand euros annually when the Ministry officials refused to address the issue or even answer their calls. High-level pressure from USAID on the Minister himself failed to resolve the problem. Until these basic regulatory issues are resolved, potential will continue to go unrealized.

Tourism: Strategy, Activities, and Results

Goal: to increase tourism to Serbia in new, high-value niches through improved image and product offering

After the Yugoslav wars and the removal of sanctions, Serbia found itself badly misaligned with the demands of the current international tourism market. An analysis of gaps between where Serbian tourism was and where it needed to be revealed two significant discrepancies. The first was a poor image, as a dangerous and hostile country. The second was that Serbia was directing tourists toward an outmoded product mix, focused on medicinal spas and traditional package tours. To address

these issues, SEDP worked at the sector and destination levels to increase the quality and volume of tourism. Most activities were designed to improve the overall conditions in the sector and especially to provide public goods, rather than to assist individual companies.

1. Working with the TOS to improve Serbia's international image. SEDP worked extensively with TOS on projecting a stronger image abroad. This included development of promotional materials and press books, work at the main trade shows, assistance with major media and familiarization trips, and on visual images. For two years in a row, the head of TOS wrote letters stating that the success would not have been possible without SEDP support.
2. Branding Serbia. During the POP, Serbia maintained an unknown to poor, but improving, image abroad. Historical events and an inconsistent set of images projected from within the country all played a part. At the request of the Tourism Organization of Serbia, SEDP prepared all key materials for a country-branding project. SEDP provided: an analysis of the existing situation and potential for building a country brand; professional survey research in the UK and German target markets on customer perceptions, to provide a foundation for development of the brand; a brand strategy shared with and agreed on with the Ministry, and; a design and communications brief for retaining a creative agency to create a brand.

All these documents were provided to TOS and the Ministry. At the end of SEDP's POP, the tenders had not been issued due to internal government disagreement over control of the project. The new government intends to move more quickly and has access to all documentation.

3. Online accommodations booking system. Prior to SEDP, Serbia was one of the only countries where foreign guests could not book on-line, greatly limiting access to the large and lucrative independent traveler market. SEDP supported a local travel agency in developing a site. SEDP helped on design of the site, improving the business processes, improving functionality, increasing the number of accommodations, and marketing the site internationally.
4. Redesign TOS website. SEDP worked with TOS to create a modern, easy-to-navigate website. The site was designed to improve Serbia's image and promote the country as a new, interesting, attractive tourism destination. As of the end of the project the site was completed and posted in beta form. Former SEDP staff have been in touch with the new head of TOS who has promised to move quickly towards full implementation.
5. Support the publication of English language guide books for Serbia. When SEDP began, there were no English language guidebooks for Serbia. SEDP worked with both international publisher Bradt and local company Komshe to develop two guide books. Support to Komshe included promotion, financial planning, and distribution assistance. Both of these books are now available internationally and in Serbia.
6. Development and delivery of extensive training materials, both self-teaching and for curriculum development. Ensuring that promotional efforts reflect product quality was a major challenge. SEDP conducted activities to improve product quality, both on specific topics and within certain geographical regions. Areas of activity included:
 - a. Training and a resource library for tour guides, designed to help guides transition away from traditional tour guiding and into activities that are in demand in the modern marketplace.
 - b. Destination marketing and branding, 3 modules.

- c. Customer service and care.
- d. Greenways development.
- e. Developing promotional materials for tourism products.
- f. Using the internet for promotion.

The materials were widely distributed and are located for download at www.sedparchive.com.

7. Tourism destination development in spa towns Zlatibor and Vrnjacka Banja. SEDP established industry and public sector working groups in the two towns. The groups with SEDP assistance then designed and implemented destination improvement programs. SEDP provided trainings and implementation assistance, place making, spa association development, trails and greenways, signage, study tour, souvenirs, marketing and branding, web-site and materials development, customer care, business planning, trade shows, and promotion. These were multi-faceted projects to which SEDP also helped draw additional donor support. Results are given in the quantitative results section.
8. Establish Serbian convention bureaus. Serbia lacked a systematic way to promote itself and to handle bids to access the lucrative MICE (meeting, incentives, conferences, and events) market. SEDP engaged an advisor who drafted an establishment plan and budget for both city (Belgrade) and national (TOS) bureaus. This was followed by extensive training for staff and the industry. SEDP also developed a preliminary website www.serbiaconventionbureau.com and supported attendance at the IMEX (Worldwide Exhibition for Incentive Travel, Meetings and Events) convention fair. As of the end of SEDP the City of Belgrade bureau was fully trained. The TOS bureau had a slower start, but the recently appointed head was previously the head of the committee to establish the convention bureaus. It is expected that this activity will move rapidly now and that all USAID investments will be fully utilized.
9. Assist inbound tour operators in servicing the North American Market. Serbian tour operators were unfamiliar with marketing channels and means by which North American tour operators book tours with foreign operators. The training and company-level follow-up were to develop customer care templates and protocols so that in-bound tour operators could better service their foreign customers and obtain more package-tour business.
10. Design and establish a hospitality categorization system harmonized with international standards. The categorization system was not consistent either internally or with international standards. A working system is important for taking the surprises out of travel for international tourists. Setting higher and more consistent standards for four and five-star hotels can also increase investment by owners of facilities wanting these designations.

SEDP engaged with the Ministry of Tourism, Trade and Services to create a new system. SEDP also recommended introducing additional transparency and checks and balances into implementation to decrease the potential for avoiding the standards. The new standards were implemented, but the process recommendations were not adopted by the end of the POP. Following the change in government at the end of the project, the package was delivered to the new Minister in charge of tourism and received a very favorable response.

11. Develop a market-oriented policy framework and law for the spa industry. SEDP assisted the Ministry of Trade, Tourism and Services in both framing out the policy objectives and in working on the draft of the Law. The new law is designed to improve the investment

climate for spas and allow for the transition from strictly medicinal to wellness and dual use facilities that can respond to the needs of the market. It will also lead to the de-monopolization of spa natural resources, allowing new development to occur. The law was resisted by the former Minister. However, the package was delivered to the new Minister who is seeking to implement it rapidly.

12. Analyzed and marketed hotel investment opportunities. The first activity here was the development of a "Hotel Investment Strategy." This documented a range of current and future possible hotel investments in Belgrade, and benchmarked Belgrade against other cities in the region. It was distributed widely to a list of real estate investors and at conferences. The second was the development, with the USAID MEGA project, of a set of "spec" sheets on municipal hotel investments.
13. Developing policy and advocacy campaign for airport taxi reform. The first encounter any business or leisure traveler is likely to have in Belgrade is an aggressive taxi driver who then proceeds to overcharge them. SEDP developed a solution for the Belgrade airport and train station taxi scams and presented it to city and airport officials, TOS, and SIEPA. Discussions are ongoing, but the airport has agreed to implement the first phase of reforms.

Furniture

The Project was initially working in the furniture sector. Activities there included trainings in areas that were identified as important for growth in the target markets, such as wood finishing. SEDP also worked on the regulatory side, preparing a set of new standards for the industry. The main activities though, were related to market development. These included fair attendance, a target market familiarity tour, and connection with buyers in the EU markets.

Throughout the engagement, it was extremely difficult to obtain any attributable results in the sector. Numerous buyer contacts were dropped by the companies. Some also negotiated in bad faith, changing terms after agreements had been made. It was decided that rather than risk the sector's reputation, more work needed to be done preparing the firms for outside markets. Unfortunately, most of them were not sufficiently interested.

At the time of the SEDP activities, furniture companies were divided into two main groups. The first were large, industrial firms making low-quality, mass-produced items mainly out of particle board. These were not well suited for SEDP activities, since there is little differentiation possible in these commodity markets. The main firm in the group, SIMPO, was also not considered an acceptable partner for SEDP by the Embassy.

The second group of firms included smaller, more specialized firms working at a higher level of quality and design. This is where SEDP focused its efforts. Unfortunately, there was little interest here to move outside the close domestic market. Margins abroad were lower. Also, as with the commodity products, there is little differentiation possible in the furniture markets. Designs cannot be kept in-house because copying is rampant and so once initial quality levels are met, price quickly becomes the most important factor.

POLICY AND INSTITUTIONAL DEVELOPMENT

SEDP policy and institutional development activities were initially intended to be undertaken with the National Competitiveness Council. As noted earlier in this report, the NCC failed to sustain itself much past its foundation. Following its demise, SEDP, with Mission agreement, began to look to alternate ways of fulfilling the main functions of the NCC. These two functions were:

- Effective dialogue between the government and the private sector leading to an improved business environment and increased competitiveness (as opposed to lobbying for re-distributive advantage), and;
- Effective promotion of Serbian business and investment opportunities, leading to an improved international perception of Serbian companies and the Serbian business environment.

There are three main arenas within which SEDP pursued these goals: SIEPA; individual, targeted advocacy campaigns; and government communications.

Support to SIEPA

SIEPA is the main institution in Serbia tasked with increasing investment and exports. The institution has investment deal facilitation, export promotion, and communications functions. SEDP mainly supported the latter two. These were most related to SEDP activities and the two goals stated above, and other donors were involved in the former. Export promotion support is mainly covered in the sector sections of this report, reflected in trade show and promotional activities. Improved communications with the international press, investors, and buyers cuts across the investment and export areas. SEDP support included:

1. Provided a series of trainings in public and media relations, including conducting regular desk-side briefings with the head of SIEPA.
2. Developed a new visual identity, including a logo and related materials.
3. Designed and developed a new award-winning website. Before and after homepage screenshots can be seen on the first page of Appendix II.
4. Produced the text and format for a promotional video.
5. Created a press center.
6. Drafted an organization chart, job descriptions, and telephone and correspondence templates, where none previously existed.
7. Provided SIEPA with multiple licenses for the ACT! customer resource management database.

Much of this activity was carried out in mid-2004 to early 2005. Unfortunately, assistance to SIEPA was put on hold during the first quarter of 2005, due to restrictions placed by the US State Department on working with Serbian central government entities. This precluded SEDP's ability to follow-up quickly on these initiatives. More importantly, this hiatus caused a cooling of relations with SIEPA, rendering ongoing support more difficult to execute than in the early period. Nonetheless, these initiatives did help positively to shape SIEPA as an institution and their legacy remains.

As noted before, a major part of support to SIEPA was in the preparation of trade shows. In order to institutionalize the lessons learned on all sides, SEDP and SIEPA drafted a handbook on tradeshow preparation (see <http://www.sedparchive.com/other.html>).

Legal and Advocacy Initiatives

On advocacy SEDP worked on two fronts: with the main business associations (Foreign Investors Council, American Chamber of Commerce, Union of Employers, Association of Shareholder Companies) on broad economic issues, and; with sector-level groups addressing policies that are particular to those sectors. SEDP did not attempt to systematically address all relevant issues. Groups must have very strong incentives to engage in time and political capital consuming advocacy initiative. These were carefully selected as most pressing to the different groups. With both groups, SEDP activities followed two tracks: 1) assisting groups in developing policy positions and advocating those positions, and 2) developing their ongoing capacity to do so. Successful activities included:

- Labor Law. In 2004, a new Labor Law was proposed to overturn the previous progressive one passed with World Bank assistance in 2001. The 2004 draft law was extremely problematic, with many provisions that would damage the business environment. SEDP organized a coalition of the four main business associations to defeat the new law. The initial activity was a partial success, both in terms of the removal of some of the worst provisions, and in terms of getting the associations to speak to the government and the press with one consistent voice. With SEDP support, the coalition followed-up with the Ministry of Labor, leading to passage of a set of amendments and rulings to address nearly all of the major issues with the law.
- Competition Law. The Competition Law came into force in September 2005. Concerned that there were fundamental flaws in the law that could deter foreign investment, SEDP supported the FIC (Foreign Investors Council) in its advocacy campaign. Amendments addressing the concerns were drafted and accepted. Better coordination with the Competition Commission is also helping to improve implementation of the law, and averting some potentially negative effects on investment. Unfortunately, one of the main issues, the low reporting thresholds, was never addressed. Lack of progress here was a clear case of a lack of incentive alignment. No entity in Serbia was concerned about the problem, as it mainly affected future investors.
- Association Law. Advised by SEDP, the business associations successfully lobbied to change the draft Association Law. The draft initially excluded business associations from its realm. This would have made it effectively impossible to establish a business association in Serbia.
- Spa Law Policy Document. At the request of the Ministry of Trade, Tourism and Services, SEDP developed a new framework policy for the spas in Serbia. The aim of the policy was to create an environment conducive to investment, privatization, de-monopolization, and development of the spas. The policy was agreed-upon by the Ministry, and was to be the basis for drafting the Spa Law. The Ministry then lost interest in the project once World Bank funding was secured. After the 2007 elections, a more reform-minded party took control of the Ministry. Former SEDP project staff has provided all documentation and support to advisors to the new Minister, who has agreed to move forward with implementation.
- Hotel Classification Standards. SEDP assisted the Ministry of Trade, Tourism and Services in developing a new, internationally compliant, set of regulations governing categorization of hotels and other forms of accommodation. SEDP also worked to reform the system of implementation, introducing additional transparency and checks and balances into the system to ensure appropriate application of the new standards. These implementation changes stalled with the former Minister. As with the above, former SEDP staff have gained the support of the new Minister in implementing the changes.

- Internet Top Level Domain. With SEDP assistance, a “.yu” Top Level Domain organization Register of National Internet Domain (RNID) was formed in late 2006. The success followed several years of unrealized initiatives to establish an organization for domain registration. SEDP assisted the Establishing Committee in developing the budget and putting into place an appropriate legal form for the organization. The SEDP ICT sector lead was elected Vice-Chair of RNID.
- Apparel Association. SEDP supported a group of 80 apparel companies in forming a textile association, with the aim of improving the business environment and carrying out joint marketing initiatives. The association succeeded in amending the customs regime, making it more difficult for importers to evade taxes and custom duties.
- Information and Communications Technology “White Paper.” The document outlined and gave a rationale for major legislative and regulatory changes, as prioritized by the industry. SEDP worked with industry leaders to draft and present the paper to all relevant government institutions. From 2004, when the paper was drafted, to the end of 2005, a majority of the recommendations were adopted. This was a sector-level effort, supplemented by the main business associations.
- Airport Taxi Corruption. SEDP led a campaign endorsed by multiple donors to improve ground transportation options at the Belgrade Airport. Visitors to Serbia have been immediately accosted by aggressive unlicensed taxi drivers who badly overcharged them. With SIEPA, SEDP approached airport management with a program to improve communications and options. Unfortunately, following agreement on the program and a press release, no action was taken by the airport authorities prior to the end of SEDP. SEDP remains optimistic that the foundations are in place for change.

Though results have been strong with SEDP support, sustainability has been a challenge. Developing economic agents’ cohesion around issues, or in general, has not been easy. In many ways, the observed pattern in Serbia fits well with interest group theory, specifically the issues of trust and “free riding” that plague all organizations. Unfortunately, these basic patterns tend to carry to an extreme in Serbian society. It is not a culture with a high level of cohesiveness and tendency to spontaneously congeal around issues. SEDP was aware of this basic problem early on, as it is broadly consistent with the reasons for the NCC’s failure. It is also consistent with other unsuccessful donor attempts to create associations and broad forums for policy reform such as those promoted by the World Bank, the International Finance Corporation and the European Agency for Reconstruction.

Under these conditions, it does not usually make sense to work to build associations or other permanent forms early on. SEDP believes that the main way to counter this inertia is to show results from efforts, and then build more formal structures over time from that basis. Organizations and individuals that are not familiar with advocacy and its effects need to see those before they will actively participate and commit resources. As the same time, SEDP has been working to build capacity within the leadership of existing, nascent, or potential institutions. Each year of the project, the main leaders were identified and trained in policy paper development and advocacy methods.

Communications in Government

Serbia has had and has retained a very poor international image since the breakup of the former Yugoslavia in the 1990s. This has pernicious effects across economic spheres, including trade, investment, and tourism. SIEPA worked hard with SEDP support to counter this image, but the main source of the trouble has continued to be the broader Government itself. Messages are poorly formed, inconsistent within the government, and seldom is PR anything more than reactive and untargeted.

To help counter these problems, SEDP identified the need for a media monitoring database. Prior to installation of the database, the Government did not have consistent or comprehensive access to what the international media reports on Serbia. Consequently, government entities were unable to create their own media initiatives to counter these reports and to present an image of Serbia that is accurate, balanced, and positive. This is in contrast to Serbia's major trading partners of Western Europe, North America, and Asia, most of which have the advantage of coordinated "media-in/message-out" media operations.

SEDP installed on a pilot basis a state of the art system for use across the government and provided training on its use. By the end of the SEDP POP, a number of key government entities had signed on and were actively using the system to coordinate and more effectively deliver messages. These included, the Office of the Prime Minister, SIEPA, the Ministry of International Economic Relations, and the Ministry of Agriculture.

As part of the communications activity, SEDP also placed an economic diplomacy advisor in the office of the President of the Republic. The advisor's role was several fold. In order to effectively prepare the President for meetings with potential investors, the advisor drafted meeting notes and talking points. These gave the President the background needed to develop relationships with investors and make sure that their main concerns were addressed. The advisor also prepared correspondence from the President to follow up.

A major part of the role was to coordinate activities in the office of the President with those going on in other parts of the governments. At the advisor's behest, a first-ever meeting was held between government agencies controlled by different parties.

As a result of this SEDP-funded pilot project, the office of the President made the role permanent, hiring the advisor after the end of SEDP.

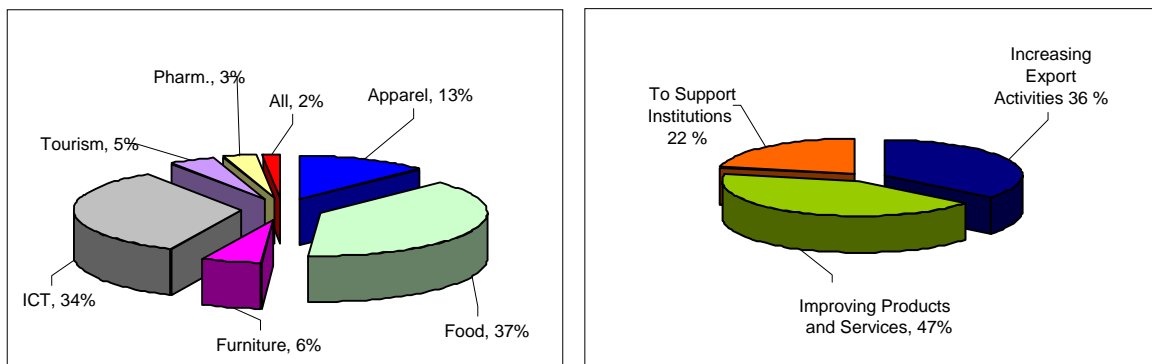
GRANTS PROGRAM

The SEDP grants program was designed to share risks with firms and institutions to seed activities that were important to firm and sector growth. Activities funded were those that SEDP believed otherwise would not have been carried out. The grants were contracted on a full-risk and cost-share basis. For private firms, up to 50 percent of the cost was reimbursed after the completion of the activity and approval of results or outputs. For institutions, between 50 and 100 percent of funding was provided, mainly to improve technical or the educational capacity in the sectors within which SEDP worked. Of the total, 78 percent went to firm-level and 22 percent to institutional grants. The grant program was fully integrated into and supported SEDP’s larger sector strategic goals.

The following table gives a brief overview of the program.

Total funds planned for grants	\$ 1,000,000
Total funds allocated/approved ¹	\$ 1,040,868
Total funds used (reimbursed)	\$ 702,134
Total number of approved applications	124
Number of grants disbursed	114 (of 124 approved applications)
Number of completed activities	197 (of 239 approved within grants)

Grants were divided among the sectors and types of activities as follows:



Within these categories there is considerable diversity. The grant categories and activities are more closely specified below.

1. Increased export and export activities (\$257,450, for 78 activities total)

- a. Fair exhibitions, 44 activities.
- b. Fair visits, 11 activities.
- c. Business visits, 17 activities.
- d. Sales campaigns, 3 activities.
- e. Study tours, 3 activities.

¹ Some unused allocated funds were used later, leading to a larger amount of allocated versus planned funds. Funds expended did not exceed those budgeted.

2. Improved products, services and operations (\$276,270, for 97 activities total)

- a. International quality standards, 26 activities. Seven companies International Standardization Organization (ISO) 9000/9001 certified, nine companies HACCP certified, one company received BRC (British Retail Certificate), four companies received organic certifications, one company ISO 13485 certified, one company received CE certification (Conformité Européenne - European health and safety product label), four companies received training for ISO 9000/90001, ISO 27001, ISO 14000, HACCP, and EFQM (European Foundation for Quality Management).
- b. Management Information System implementation, 5 activities.
- c. New product development, 2 activities.
- d. Improved marketing tools, 47 activities. This included 11 websites created, six websites redesigned, 29 new packages of promotional/sales material, and one grant for market research.
- e. Improved product design, 11 companies improved packaging and label design.
- f. Improved business skills, 6 activities, mainly in marketing and distribution.

3. Support to institutions to benefit sectors (\$168,618, for 22 activities total)

- a. CMMI for Curriculum Development at Belgrade and Novi Sad Universities.
- b. Digital Animation Training Centers established at the Faculty of Architecture and the Faculty of Applied Arts.
- c. Training Center for smart card systems at Singidunum University, Informatics Faculty.
- d. LECTRA CAD/CAM training and continuing education center for textile schools in Leskovac and Arilje.
- e. Curriculum Development in Packaging and Labeling at the Faculty of Applied Arts, and College of Fine and Applied Arts. Study tours to New York and the UK.
- f. 50 new standards developed for the wood industry

MONITORING AND EVALUATION

Monitoring and evaluation during the course of the project remained a great challenge. The program was designed to make major changes in the way companies in targeted sectors performed, not simply generate immediate results. Activities driving sector-level changes consumed most project resources, but impacts were difficult to precisely specify and track. This was both because growth following structural and behavioral change often occurs with a significant time lag, and because many companies are affected that are not and cannot be surveyed by SEDP. Successful advocacy initiatives, many trainings, curriculum development, market information, sector-wide promotional activities, and others all fit into this latter category. Such activities are critical for changes in sector competitiveness, but do not usually have results that are immediate, easily attributable, or easy to document.

The project did not work to create small industry groups that some define as “clusters.” SEDP went back to the original definition of the cluster and worked with broad and often loose groups of companies, suppliers, universities, and government representatives to solve a range of sector-wide problems. Booz Allen believes that such an approach led to broader and more permanent positive changes in sectors. Without such an approach, projects risk never solving broader problems or ever getting beyond a pilot stage. However, monitoring and evaluation efforts are complicated once the group is expanded outside of a very close and easily monitored group. In two sectors, tourism and pharmaceutical research, there was almost no firm level assistance at all.

The above indicates tradeoffs between program design and ease of monitoring and evaluation. Despite the difficulties, Booz Allen believes that the trade-off made is worth the cost. In many donor projects the “public goods” such as information, image, and education, are under-supplied for nearly the same reason they are under-supplied by the private sector. They are simply more difficult to track and attribute results to than are counting trainings or firms assisted. They are also absolutely essential.

SEDP worked to address the above issues to the extent possible, while maintaining what was felt to be optimal program design. The project’s monitoring and evaluation system worked on four levels, and reported on the first and second.

1. **Sector-level data.** SEDP monitored exports, investment, and employment levels in the sectors within which it worked. Data were not perfect, however. It was difficult to disaggregate export data into the particular sub-sectors within which SEDP worked. Some sectors can be losing exports and jobs on a net, aggregated basis, even as sub-sectors are improving. Sometimes only part of a sector can make the transition and improve, especially within the project timeframe. SEDP was initially concerned that apparel sector decline would mask success in the “full package” sub-sector with which the project was working. After some initial sector wide declines, however, the broader sector managed to adopt new markets and techniques.
2. **Direct program impact.** These are by far the most reliable data. SEDP measured and analyzed the program’s direct impact, firm by firm. The impact was explained, justified, and attributed to SEDP in a narrative entry in the database. The figures were multiplied through by an attribution factor that is less than one. The narrative describes SEDP’s role and justifies the attribution level. The figures are accurate and fully verifiable. However, they are also incomplete and badly understate overall program impact. Sector level results are not included, which is where most resources are allocated.

3. **Company-level data.** SEDP conducted regular surveys on the main companies with which it worked. These data were not reported on, but were collected to see the impact on the particular firms that SEDP encountered. This information was mainly used for project management and program fine tuning.
4. **Process indicators.** SEDP tracked a wide range of process indicators for internal project management purposes.

Booz Allen believes that SEDP's monitoring and evaluation system was one of the best in the industry. However, it still was not able to fully resolve the problems described above. For example, the fresh production strategy developed and implemented with the Ministry of Agriculture is beginning to radically change agriculture in Serbia. Similarly, the transition from CMT to "full package" throws a lifeline to apparel manufacturers that are losing their markets to Asian competitors. Results for these activities and others only started to appear toward the end of the project. Along another line, the Tourism Organization of Serbia stated that SEDP support was instrumental in their success in bringing tens of millions of dollars in additional tourism revenue to Serbia. However, SEDP's precise role is impossible to rigorously quantify.

LESSONS LEARNED

The following are some candid thoughts on lessons learned at SEDP. These look both at Mission-level project design, and at project implementation. The lessons learned do not list specific program activities. As will be noted below, it is not possible to specify which of these works outside of a particular situation. Program activities need to be constantly and flexibly adjusted to the context. The below offers what we believe to be an effective conceptual framework for sound program design and implementation. It will not guarantee program success, and in some cases and some countries it will in fact simply be hard to make progress. Following the guidelines below though, we believe will help greatly improve the probability that programming will give solid results, be cost-effective, and be sustainable.

General Design Lessons

1. Different ideas are appropriate for different contexts

Doing private sector development is different from many other types of projects that USAID supports. For example, when building a treasury or a tax system, it is clear where the beginning and endpoints are, and basically it is possible to clearly map the steps in between. Private sector projects, however, have no real beginning, end, and few universal necessary and/or sufficient steps toward progress. However, formulaic program concepts are often still applied across very different contexts.

Certain of these program ideas catch on and are used over and over again in different countries. These include: building associations or associations of associations, trainings and train the trainer programs, business improvement districts, networks, business development centers, etc. Many of these can be good programs, in the right context. Some of them simply cannot be effectively implemented in others. At the same time, there are ideas that have been largely discredited, sometimes because they are poor ideas but sometimes because they were used incorrectly. These may still form a strong basis for programs if the time and situation are right. Programs should maintain flexibility and resist accepting or rejecting program ideas outright. They all need to be analyzed and adapted to context.

SEDP was originally tasked with creating “clusters” and a “National Competitiveness Council,” in line with the trends of the day. The companies did not get practical assistance from the cluster concept, so many finally got frustrated and stopped coming to meetings and returning calls. The NCC never had any real Serbian buy-in past the photo opportunities. In retrospect, these seem like poor programming ideas. At the time, however, clusters and the NCC were considered the way to develop an economy. In some places these ideas may have worked, and may work again. See the first and second SEDP annual reports for a more detailed discussion of the SEDP experience with these concepts.

The solution to program design and implementation may seem trivial, but it is not. The way to design and implement an effective program is to target goals, and then in pursuit of those goals flexibly design programs fully around incentives. Incentives are what drive people to do what they do. There are two main incentives that matter in private sector projects: companies want to make money, while managing risk; politicians want to look good, while managing risk. Understanding incentives requires an understanding of the characteristics, strengths, limitations, culture, politics, and economics of the counterpart and the local environment. It also requires a deep understanding of the larger market and political forces that affect the local environment. Project management needs to spend more time understanding these factors than anything else.

What this means for program design and oversight:

- Focus on identifying problems and solutions, not on identifying activities. Resist putting in a private sector development RFP (request for proposal) or accepting in a proposal that an association, cluster, or business center will be built, or that X number of people will be trained unless it is in the context of the above analysis. These are just different versions of the cluster and NCC errors made above. Only accept them in a work plan after the type of analysis discussed above is done. Programmed into that context they can work. As deliverables themselves, they risk doing nothing.
- All project activities need to be providing something that the implementer can prove companies want and need, not what the donor or implementer thinks they need. That proof needs to involve showing how one of the two incentives above is catered to *in the local environment*. All other activities should be dropped.
- Programs need to be entrepreneurial, market focused, and multi-faceted. Big successes grow out of small successes, they don't just appear. Small successes can appear in unlikely places. Projects need to be initiating large numbers of activities, since many simply will not work out. Strategies and tactics need to be constantly questioned and revised in light of goals and an understanding of incentives.
- Missions need to be realistic about what can be expected from a program. Grand schemes are intellectually appealing, but seldom work. Real success comes from many small successes that reshape the environment. For example, in order to engage in advocacy and PR activities, rather than try to create a very costly NCC that had poor political support, SEDP engaged in numerous industry level activities with smaller, more engaged groups.

These rules may seem simplistic, but they are more often than not ignored in both project design and implementation. Grand and complex schemes dreamed up outside the local context are still the norm.

2. If it is not working, move on

If something is not working, first understand why, then change course or drop it. This is true even if it was a core part of the approach, such as the NCC, the cluster concept, and working with the furniture sector were for SEDP. Force of will may keep a failing program activity from failing while the project exists. However, if the basic incentives are not there to make it work in the environment, it will fail later.

This does not mean that new things should not be tried: they should, and many of them. Activities must, however, be clearly and honestly understood and constantly reevaluated as to why they may or may not work.

3. Don't underestimate the role of information in markets

Without information, incentives don't develop correctly, so markets don't work. Companies need accurate information about their markets, and the markets need accurate information about the companies. This may seem obvious, but information is one of the most underprovided products that projects deliver. Information is a public good. The market failure that causes it to be under-provided by the market also causes it to be under-provided by projects. Part of the problem is that information provision is not glamorous, non-contributors are hard to exclude from the benefits, and if done broadly and effectively, it is hard to trace to precise results.

There are several things that people and companies are supposed to do in private sector projects: go to trainings, develop marketing plans, invest in new technologies, invest in employees, etc. Offering programming outside of the context of market information will not yield results. Even if people attend seminars, they won't apply the concepts later. The risk-return calculus can't be done without adequate market information. Implementers often complain that local people are stubborn or resistant to change, or don't listen to them. More likely, the implementers don't understand the incentive environment and/or have not provided enough information.

For program design and oversight, this means that projects should not be using their limited information resources promoting themselves. Core activities should develop channels of getting market information to companies, and getting information on companies to their customers. Areas include, basic pricing information, industry trends, competitor information, standards and norms, contacts, company presentations including packaging, trade publication placement, and appearances at industry events. This latter area is critical. Companies need to get out and try to sell. The feedback they get from the market is multifaceted and invaluable. Training is no substitute for this, though trainings targeted at succeeding in the markets will be well attended once companies know where they are deficient.

When spending some limited resources on promoting the project, it is important to be sensitive to national norms and be respectful and not patronizing.

4. Know what you are going for

Monitoring and evaluation are essential, both to track results and to manage the project. It is critical to establish early on both what will be monitored and more importantly how it will be measured. These same standards should apply across projects and be audited carefully. If this is not done, it will not be possible to know where money is being best spent.

At the same time, intermediate indicators should be put into place and reported on. These need to be carefully designed to reflect real progress. They may include increases in firm capabilities to compete in markets, such as better communications, increased and sustained buyer contacts, more and better use of market information throughout the sector, product and package redesigns, etc. SEDP saw improvements, but almost no results in the first year and half. It takes time to build real growth. The Serbia Mission recognized this, but not all Missions will take this approach. If SEDP had been under pressure to meet early numbers, the project could have focused fully on export development and pushed many low-value products into markets. Instead, time was taken to transition the sectors into higher value markets.

Data have limits. Much of what SEDP has done is build sector-level public goods, such as information, new curricula, and improvements in the business environment. Economic growth is difficult to directly attribute to these efforts, but these public goods will perhaps have the greatest benefit over the long term.

5. Focus on sustainability, not form, and only when it is important

Sustainability is all about incentives and functions, not creating ideal forms according to set models. A function can be sustainable without actually having a home. For example, often donors want to build associations in order to provide certain services to members, such as technical and market information. They assume, often correctly, that they can have an important function. However, given the difficulty of building associations from scratch, especially from the outside, there may be more effective ways to provide the same services. Technical information can often be better provided through a combination of multiple technical schools, value-added resellers, and industry consultants. There are often better incentives for these outlets to provide long-term technical advice than there are for an association. In the same way, linking multiple firms to multiple sources of market

information can be more effective than centralizing it in an association. Sometimes it does make sense to build an association, but the form should follow the function and a careful analysis of how to make that function work.

Sometimes sustainability does not need to be the priority. If the function does not require a sustainable form, that form should not be created. There can be one-off hurdles that need to be surmounted, and not all elements of program design must live past those hurdles. Too much focus on sustainability in those cases can use up scarce resources. For example, in pharmaceutical research much sustainability was built into the educational program, as continuing to offer trained researchers will be important to growth. Promotion of pharmaceutical research, on the other hand, involved surmounting a one-off hurdle necessary to bring attention to Serbia and drive demand initially. Serbia may not continue to promote itself aggressively as a site for clinical research. However, now that the fairly small universe of companies carrying out research internationally have begun working in Serbia and have established offices there, growth will be self-sustaining for as long as there is supply. In a similar vein, SEDP stimulated initial demand and helped set standards for packaging design. Though there is much work still to be done, even without SEDP assistance competition in the market continues to drive new companies to improve their designs.

Program Specific Elements

At the request of the Mission, below are some lessons learned on more specific programming elements:

Sector selection

Sector selection gets much attention and many resources are often spent determining the best sectors in which to work. Whether or not it is necessary to do so depends on Mission priorities. If there are complex factors that need to be balanced, such as regional, gender, poverty reduction, and specific employment maximization needs, then a detailed analysis should be undertaken. If there are simple parameters for program success, such as growth of higher value exports, then such a detailed analysis is probably not needed. In this case, the key is mainly for the chosen sector to exhibit certain characteristics. These should be: growth potential, identification of new higher-value markets, feasible entry into those higher-value markets, existence or feasible development of needed skill sets and investments, and existence of an adequate variety of firms in the industry.

It is also important to know when activities in the sector should be stopped. SEDP withdrew from bulk food once the sub-sector got on its feet. However, the project could have continued to report high exports from that area had it stayed in it, though the difference it was making was no longer as significant.

Distinction between agriculture and other sectors

SEDP treated agriculture the same as any other sector. The activities varied only slightly and probably need to vary more significantly in the future as it becomes important to reach individual farmers.

Sequencing

As per the first section in the lessons learned, there are few absolute rules on sequencing. Successful programming is an iterative process of providing market information and getting companies to markets, and using feedback to develop, fine-tune, and sometimes totally alter programming. Some preparation is advisable before market exposure, but if too much is attempted it will not likely be fully absorbed or used. It may also not be what is needed, which can only be known after feedback is obtained from initial market forays.

Job creation

SEDP activities are predicated on the assumption that companies do not add jobs unless they are selling more. This can be into new or existing markets, but companies must also feel that revenue increases are stable. Selling higher value-added products can also have the same effect, if the value added is in labor. All SEDP activities were focused on increasing revenues or value added.

The initial response most companies will have, in light of increased demand, is likely to try to make more with the same resources. This is an increase in productivity, also a sound program goal. The extent to which productivity or employment increases most will depend on the industry and current capacities.

Return on investments – long-term vs. short-term results and the appropriate timeline for beginning to see results

It is unfortunately not possible to generalize here. On one extreme are cases such as bulk frozen food products. Here, almost all the pieces were in place except HACCP certification and market contacts. Results could come relatively quickly. On the other extreme were areas such as spa tourism and fresh food. In these areas, much groundwork needed to be laid down. In fresh fruits, SEDP only began to see results toward the end, and most results will come far later. It must be the case that the groundwork can be logically and sufficiently linked to increased revenues.

Grants

There are many administrative details of a grant program. There are also many rules that need to be fine-tuned along the way. It is important to maintain some flexibility rather than try to develop a plan for every contingency. On the other hand, there are times when issues will arise and rules need to be clarified and enforced.

There are two main lessons to be taken from SEDP. They may not work for all projects. The first is that grants were reimbursed against receipts after the companies had both laid out the funds and successfully executed the activity. SEDP's grants were to encourage companies to take risks that they otherwise would not have taken. These were mainly related to improving business processes and quality, or to increasing and improving market access. All grants were evaluated on the basis of their helping companies to sell more. The reimbursable method indicates that in fact the companies *could* have afforded to undertake the activity without the grant. However, one of the criteria was that it needed to be ascertained that they *would not* have used scarce resources for that purpose. The reimbursable component also helped screen companies. Grantees were not the poorest companies, as the poorest companies will not likely succeed in new export markets. Marketing and sales are expensive. Pushing lower-level companies out into new markets could have only raised expectations unrealistically.

The second related lesson is that the grants were not used for capital investments. Most of the companies could produce, but did not have markets. Markets come before capital investments. Creating a factory does not create jobs. Only selling more does and that spurs investment. SEDP also did not feel it was appropriate to finance capital investment in companies with taxpayer money that would then compete with existing private investment.

SEDP also developed an institutional component where up to 100 percent of costs could be reimbursed. The target for this component was mainly educational institutions, where funds were used to support new curriculum and training centers in new areas. SEDP believes that this was important for program sustainability and gave good value for money.

Advocacy

Advocacy has become very popular as a program goal. Certainly, some of the activities of which SEDP is most proud were in this area. There are several lessons to be considered based on SEDP's experience. The first is that the creation of organizations (such as associations) with advocacy as their core role should be carefully thought through before beginning. Association building is a common deliverable. Both in Serbia and elsewhere, however, it is very difficult to sustain an effective organizational structure for advocacy through beneficiary contributions. More often than not, these sorts of organizations do not last longer than the donor. When they do, they are often ineffective versions of their former selves.

When they do work, donors should also realize that their primary goal will be to maximize the benefits to their beneficiaries, not the economy, the citizenry, or the taxpayer. The record for successful advocacy organizations is one of increasing protection for their industry, gaining favors and the redistribution of resources from the government, and stripping out regulations that may protect consumers. So, the risks involved in successfully creating one of these organizations may outweigh the benefits when all is said and done. SEDP helped create one association that then promptly began aggressively lobbying the government for protection.

Keeping these points in mind, it may often be better to approach advocacy not as a core program goal, but as a response to needs. When the need for advocacy arises, groups can be organized on an ad hoc basis to respond. If there are associations in place, these can be used and trained to carry on the work. SEDP trained a wide range of participants from many industries, industry associations, and business associations on the development of policy positions and on advocacy techniques.

APPENDIX: SELECTED IMAGES FROM SEDP



SEDP-1 – BEFORE AND AFTER

Serbia Investment and Export Promotion Agency (SIEPA) website

Before SEDP could do any serious sector level export activity, Serbia's export promotion agency needed a complete overhaul. The project provided comprehensive organizational restructuring, foreign media support, image management consultation, and a new focus on customer relations and information services. SEDP helped the client develop this new website. The updated visual identity reflects a younger, more personal organization.



SEDP-2 – Grower education

To compete in European fresh markets, the fruit has to be perfect. Unfortunately, Serbia was still using outdated practices. This apple growers' guide was part of a series of six handbooks that provide the latest information on production and quality control. The series covers everything from making sure apples stay crunchy to reducing mold loss on raspberries.

Produced with Michigan State University, Cornell University, and the Serbian Ministry of Agriculture, the volumes are readily available through more than 40 agricultural extension offices.



SEDP-3 – Export branding

SEDP developed this website for Serbian fruit products. It presents more than 50 companies with fresh, frozen, juice and retail products. The site is now administered by the export promotion agency as a permanent part of their work.

For the visual identity, SEDP wanted the client to challenge people's assumptions about Serbia. The look is clean, organized and elegant. No hard sell. This image of understated professionalism and teamwork was critical in earning the trust of international buyers.



SEDP-4 – Export branding, Serbian Fruit, Berlin

This business directory was for a joint presentation of new exporters of fresh produce.

Helping the government to provide comprehensive trade show support to companies has been essential to linking Serbia to outside markets. The activity was conducted with the Ministry of Agriculture, which is undertaking a long-term plan to position Serbia as a supplier to European fresh markets.



SEDP-5 – Export branding, Serbian Fruit, New York

Die Presse

Fruchtsaftproduzent: Mit serbischen Säften Richtung USA

Von unserer Korrespondentin GERTRAUD ILLMEIER (Die Presse) 16.02.2005

Der Fruchtsaftproduzent Zivojin Djordjevic zählt zu den erfolgreichsten Unternehmern des Landes.



Serbien ist der größte Himbeer-Produzent Europas. | Die Presse (Seidler)

Markenartikel." Wie ein Stück feinsten

The New York Times

ON THE WEB

From Serbia,
A Nectar
Thick
With Berries



Raspberries in a bottle is what you get with Nectar raspberry juice from Serbia, a country where that access to thrive. In fact, the label says there are approximately 400 colored raspberries in the 47-ounce bottle. There is also a pressed apple, added to contribute a little sweetness to the sugar-free juice. And there's it: It is not made from one variety, like a nectar. It can be diluted with water. Load her up with white. Among the other fruits that the company produces is wild cherry (about 30 cherries in 47 ounces) that is sugar-free mixed with vodka. The juice also comes in a 12-ounce size, with three times as much fruit. The bottles are \$1.99 to \$2.49 for the small size, \$4.99 to \$5.49 for the large, at Food Emporium, 17 Avenue and Fairfax.

LIVELY Saturday,



SEDP-7 – Media relations

SEDP trained companies and counterparts in “earned media” strategies – making use of existing news sources to promote the country and the product without the use of paid advertising. A few clippings of coverage directly coordinated by SEDP above, but this was a daily activity.

Do najnižih cena svežeg voća i povrća sada možete doći lakše nego ikada.

DOSTUPNO KORISNICIMA SVIH MOBILNIH MREŽA U SRBIJI:

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Ukucajte na svom mobilnom telefonu odgovarajuću šifru i pošaljite na broj **2299**

* Razvijeno u okviru projekta "Sveže povrće i voće" u okviru projekta "Sustav za dobivanje najnovijih informacija o ceni voća i povrća u Srbiji" Ministarstva poljoprivrede SRB (SRB), Ministarstva poljoprivrede, Šumarskog i šumskog inženjeringa Republike Srbije i Ministarstva poljoprivrede SRB (SRB).

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Kada pošaljete SMS na 2299, odmah ćete dobiti odgovor sa najnovijom cenom odabranog proizvoda na kvantitativnim pijacama u svih sedam gradova: BEOGRADU, NIŠU, KRALJEVIJU, PAROJU, LONDONU, HAMBURGU I ROTTERDAMU.

Jajzde	D. TC. Jajz
Đešnjak	D. TC. Đe
Ronovica	D. TC. Ron
Breškva	D. TC. Bre
Krastašac	D. TC. Kra
Paradajz	D. TC. Par
Paprika	D. TC. Pap
Mahun	D. TC. Mha

CEŠKA: 0 41 000 - POK (poljoprivrede)

SERBIA: odabranoj proizvodni

AGROSMS 2299

Za dodatne informacije obratite se na broj: 011/ 36 96 580, 36 31 878.

SEDP-8 – AGRO-SMS

Fresh produce prices by mobile phone text messaging

Most growers in Serbia don't have computers or internet access, but they do have mobile phones. SEDP developed the Agro-SMS system with the Ministry of Agriculture to provide the latest fresh prices in terminal markets in Europe and within Serbia.

Growers loved it. They'd never had the upper hand in local distribution and they'd never had easy access to European terminal prices.



SEDP-9 – Export Branding

Export branding for Serbian apparel, developed for debut in Russian markets. This activity was conducted with the Serbia Investment and Export Promotion Agency.



SEDP-10 – Public information

Screenshots of television coverage of Serbian apparel in Moscow.

This was a good story. There is tremendous national pride in the apparel industry in Serbia. It was encouraging for people to see how their government had helped create new jobs in this sector.

SEDP worked daily with counterpart ministries and companies to manage coverage like this in local media.



SEDP-11 – Serbia tourism development

Building Serbia as a tourist destination was a tough challenge. USAID originally didn't think this was possible.

SEDP provided the client with hotel investment research, market research to develop the right messages and materials, technical consultation to upgrade spas, and help building a stronger media relations office. Communications focused on "earned media" strategies - building a reputation in existing news media without the use of paid advertising. That brought top reviews in The New York Times, The Observer, BBC World, Lonely Planet and many other media. By 2006, tourism had become one of the fastest growing segments of the economy.

The above images are from a new website that SEDP developed with the National Tourism Organization.

ACRONYMS

ACRP	Association of Clinical Research Professionals
BSP	Business service provider
CAD-CAM	Computer-Aided Design - Computer-Aided Manufacturing
CMMI	Capability Maturity Model Integrated
CMT	Cut-make-trim
CRDA	Community Revitalization through Democratic
CRO	Clinical Research Organization
CTO	Cognizant Technical Officer
EU	European Union
FDI	Foreign direct investment
GCP	Good Clinical Practices
GLP	Good laboratory practices
GTZ	Deutsche Gesellschaft für Technische Zusammenarbeit GmbH
HACCP	Hazard Analysis and Critical Control Point
ICT	Information and communications technology
IR	Intermediate Results
ISO	International Standardization Organization
MEGA	Municipal Economic Growth Activity
NCC	National Competitiveness Council
NL	Netherlands
POP	Period of Performance
PR	Public relations
RNID	Register of National Internet Domain
SEDP	Serbia Enterprise Development Project
SEI	Software Engineering Institute
SIEPA	Serbian Investment and Export Promotion Agency
SME	Small and medium enterprise
SMS	Short message service
TOS	Tourism Organization of Serbia
UK	United Kingdom
US	United States
USAID	United States Agency for International Development
USDA	United States Department of Agriculture
WEF	World Economic Forum

