



BUSINESS SUPPORT CENTER KOSOVO

IMPACT ASSESSMENT 2010



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1. Introduction

The Business Support Centre Kosovo (BSCK) assists potential entrepreneurs such as unemployed youth, graduate students, and young start-ups in Kosovo in establishing Small and Medium Sized Enterprises (SMEs) and helping them grow their businesses. To achieve this aim BSCK offers practical entrepreneurship training courses, personal consultancy as well as accessible micro-credits for the most promising business ideas. BSCK works with and is supported by the Netherlands Ministry of Foreign Affairs and SPARK, and local partners such as the Municipality of Prishtina, the Ministry of Trade and Industry/SME Agency, the Ministry of Culture, Youth and Sports, the University of Prishtina and representatives of the business community.

In mid 2008 BSCK entered the second phase of operations, or BSCK-II, which is guided by a new project outline describing modified objectives for the period until the end of February 2011. The second phase represents a continuation and expansion of core activities while reacting to lessons learned and new challenges faced by the organization. The two project objectives for BSCK-II as outlined in the SPARK project proposal for 'PSD in the Western Balkans' of June 2008 are:

- Objective 1: BSCK transformed into a self-sustainable local entity including incubator, owned and managed by main local contributing institutions;
- Objective 2: To assist youth to start SMEs, raise their entrepreneurial spirit & improve employability;

This assessment will closely follow the field of activity delineated by these two objectives. This includes an investigation into the impact of BSCK activities on small businesses and their contribution to job and income generation, which are believed to make a crucial contribution to the economic development of the country. The objective of this impact assessment is to identify and analyze the wider changes, direct and indirect, that BSCK activities have effected in the circumstances of beneficiaries, and beyond, within the assessment period. Please note that this assessment does not attempt to comprehensively mirror all outcomes envisioned in the BSCK-II proposal. A complete and more technical analysis of performance against all input, output and outcome indicators is currently being prepared by an external evaluator.¹ The focus of this impact assessment lies on communicating key results to stakeholders, and to identify strengths and weaknesses of the performance and progress of BSCK, also by comparing recent results with those from the previous project period. In doing so, BSCK can follow the process of its actions, decide what aspects of its work need to be enhanced, developed further, or even changed radically.

The time period under assessment runs from January 2009 until early 2010. The incongruence with the BSCK-II project period, which started in the second half of 2008, can be explained by the fact that the next training cycle was not held until the beginning of 2009. In this sense this assessment is a midterm review which covers the results of the first two of four BSCK-II training cycles, namely those of spring 2009 and fall 2009 reaching into early 2010.

¹ Upon publication this evaluation will be available on the SPARK website, at <http://www.spark-online.org/content/view/286/93/>.

Before evaluating BSCK's impact, the methodology used is elaborated upon in Section 2. The context, rationale and logic of the project are discussed in Section 3. The assessment of activities then follows in Section 4. An analysis of the results and recommendations to management are presented in Section 5. A conclusion follows in Section 6.

2. Methodology

This impact assessment report is chiefly based on three pillars of research. The first includes initial desk research utilizing available secondary data such as past proposals, interim reports, external evaluations and other relevant documents. Such sources particularly serve the tasks of recalling and illustrating BSCK objectives, and how these are derived from local needs and translated into actionable strategies. Other available data is used to determine output and outcomes of BSCK activities. This mainly includes a SME database maintained by BSCK on sponsored firms and their progression, and information requested from participants upon inscription into BSCK programs.

The second pillar takes the form of primary data gathered through a phone survey carried out by an independent local consulting company, hereafter referred to as the Survey. During the month of April 2010, the consulting company phoned participants from BSCK training cycles in 2009 (some reaching into early 2010). The questionnaire closely followed the format from the previous year to allow for a comparison between results and to highlight trends. In order to obtain additional insights, the 2009 questionnaire contained several new questions such as 'estimated investment need'. The questionnaire contained largely closed questions so that the results can be drawn up into statistics. A total of 135 participants were contacted in the Survey, representing 75 per cent of all participants in BSCK-II trainings so far. The missing quarter is composed of minority participants who were not contacted. The reason given for this is that in the past the vast majority of these participants have failed to respond.

The third pillar consists of brief field trips to seven of the sponsored SMEs located in Drenas, Peja and Prishtina undertaken in July 2010. These visits were mainly carried out for the purpose of documenting the current state of enterprise development and maintaining contact with BSCK alumni and thus did not follow a specific methodology. Yet the evidence, impressions and comments 'from the field' are believed to offer an important source of information, even if informally gathered.

A few methodological challenges were encountered. As all the participants in BSCK activities were self-selected, control group monitoring was not possible. It was therefore necessary to largely rely on self-reporting of the BSCK, its partners and participants.

Available data sources cover different time periods. Whereas the SME database for example recorded the status for enterprises and credits at a cut-off date in April 2010, the draft BSCK annual report and draft external evaluation only consider the calendar year 2009. The phone survey recorded the status of respondents in April 2010. The uniting factor in all data is its relation to the participants of the two training cycles undertaken in 2009, the latter of which reached into early 2010. Businesses that were started and registered as a result of the second cycle accordingly developed in 2010 but are counted into the assessment period. The most recent training cycle of spring 2010 is not included in this period.

No definite judgment can be made about the absolute effect for Kosovo's economic development. Participants' income gain after the training/start-up is not recorded in absolute terms nor is the extent of likely multiplier effects known. Given that stimulating economic growth is a key overall objective, it might be sensible to record absolute income gains in the future, if considered feasible.

3. Context, Rationale and Logic

Context

Kosovo has the weakest employment track record in Europe. The World Bank estimated in 2008 that unemployment has climbed to 45 per cent. Across age groups, the highest unemployment is experienced among the youth (15-24 years). Here a staggering 76 per cent are unable to find employment.² This is exacerbated by the fact that over half of Kosovo's population is under 25, and a fifth between the age of 15 and 25. Over 40 per cent of the young unemployed can be considered long-term unemployed, which is perhaps not surprising given that a current estimate suggests that there are 530 registered unemployed persons per job vacancy in the country.³ Unemployment is especially pervasive among young women, who in some age groups experience unemployment rates double that of men. The World Bank attributes the unemployment predicament to a combination of the poor quality of the education system and limited employment opportunities, making it difficult for young people to access and retain jobs. A study for the Kosovo Youth Action Plan found that 95 per cent of youth is worried about their employment.⁴

Unemployment is directly linked to poverty. Half of those unemployed were living in poverty in 2005/2006. Young women and rural youth constitute the majority of all youth who are poor and unemployed simultaneously. Next to promoting female entrepreneurship, this also indicates a general need for interventions to reach beyond the urban population. The requirements for this latter target group differ considerably, recalling that over 90 per cent of the rural population is engaged in agriculture.

Given the extraordinary dimension of the problem, addressing youth unemployment and poverty not only contributes to economic growth in Kosovo but also aids to create an environment conducive to the positive development of the young country's newest generation. Clearly, viable life prospects for the youth will play a crucial role in safeguarding social cohesion and political stability, and to avoid further deterioration of inter-ethnic tensions.

Rationale

There is a clear indication that education is of decisive importance in finding employment. According to the World Bank, around 70 per cent of people with vocational and tertiary education hold salary-

² With half of the youngsters from 15-20 and 70 per cent of the 20-24 year considered participating (in 2004) UNDP, *Kosovo Human Development Report 2006 - Youth: A New Generation for Kosovo*, (Prishtina: UNDP, 2006), p. 59.

³ World Bank, *Kosovo Youth in Jeopardy: Being Young, Unemployed, and Poor in Kosovo*, (Unknown: World Bank, 2008), p. iv.

⁴ Kosovo Ministry of Culture, Youth and Sports, *Kosovo Youth Strategy and Action Plan 2010 – 2012*, (Prishtina: Ministry of Culture Youth and Sports, 2009), P. 27.

paying employment. By comparison, only 27.7 per cent of individuals with secondary education have such jobs, while 41.1 per cent in this group report being unemployed. A further study links education level to faster growth in Kosovo SMEs.⁵ The Employment and Skills Observatory Kosovo therefore fears that “major skills’ deficits and skill mismatches” will undermine Kosovo’s economic growth and potential for competitiveness.⁶

Sluggish demand for labor has however significantly undermined the impact of programs focusing mainly on vocational education and training of youth.⁷ This finding is echoed by a recent UNDP survey, which finds that young unemployed cite a lack of jobs (55 per cent) as well as inadequate educational level (23 per cent) as the reasons for not being able to secure a job. This creates the conundrum that unemployment is a result of both a supply and demand side failure of the labor market. Through providing business and entrepreneurship education while supporting SME creation, BSCK aims to respond to this dual challenge.

BSCK aims to create a demand for labor by contributing to the emergence of a sustainable private sector economy, which rests on a web of horizontally connected firms. In its objectives, BSCK specifically sets out to support the creation and strengthening of small and medium sized enterprises (SMEs). SME promotion has for long been a prominent feature of economic policies in transition economies. SMEs are for example believed to be faster in adapting to and learning from changing macro conditions, and to be more risk prone in introducing new technologies and management techniques. Moreover, SMEs are linked to the creation of a middle-class, foster economic development through the multiplier effect, create economic stability and generate government revenue.⁸

Studies have pointed out that in some Balkan countries SMEs were perceived as an exotic field of activity, difficult to access and not sufficiently reliable to yield a stable income or job.⁹ It could also be said that entrepreneurs in general and in Kosovo in particular operate under conditions of permanent risk and uncertainty that do not provide a friendly and welcoming environment, especially for young and beginning business owners. Yet promoting entrepreneurship in this context is founded in the belief that there is an extensive potential resting within young people given their creativity, energy and openness to new ideas and concepts.¹⁰ In the face of few alternative options and almost no available jobs for the young, promoting entrepreneurship is a very pragmatic response to immediate needs for income generation.

Logic

The business and entrepreneurship trainings offered by BSCK consequently aim to effectuate and catalyze job creation via two ways. First, those participants in business and entrepreneurship

⁵ Durim Hoxha, ‘Entrepreneurship, employment and fast-growing firms in Kosovo’, *World Review of Entrepreneurship, Management and Sust. Development*, Vol. 4, Nos. 2/3, 2008.

⁶ ESOK, *Mainstreaming with Europe: an adult learning strategy for Kosovo (2005 – 2015)*, (Prishtina: ESOK, 2004), p. 7.

⁷ World Bank, *Kosovo Youth*.

⁸ Wojciech Hübner, *SME Development in Countries of Central Asia*, (Vienna: UNIDO, 2000).

⁹ In Serbia, surveys reveal that people connect the SME sector more with the “grey economy” than with legitimate practices. The EU is funding a public campaign, now underway, under the slogan: “Small business, so what?”.

¹⁰ UNDP, *Human Development*, p. 65.

trainings who show the highest potential to successfully execute their business idea (as judged by an expert jury) receive BSCK start-up support, generating jobs for themselves and for others. Second, those participants that do not immediately take up entrepreneurial activity see their business skills and qualifications substantially raised as a result of the training. Their increased employability will enable them to secure stable employment and boost their income.

The curricula of these trainings generally focus on entrepreneurship, core elements of business management such as finance, marketing or strategy, and business plan writing skills. This focus largely reflects the structure of Kosovo's economy. Almost half of all the jobs that young people currently hold are in the sectors trade and services. Three out of four open jobs are offered in the service sector. Only 10 per cent of all jobs held by youth fall into the agricultural sector and only 5 per cent work in industry. This is somewhat surprising given the reliance on agriculture in rural areas cited earlier; unpaid employment in subsistence agriculture may contribute to this apparent paradox.¹¹ These figures differ considerably for young Kosovo Serbs, 39 per cent of whom work in agriculture, compared with only 7.4 per cent of young Kosovo Albanians. Generally speaking, business skill education therefore seems not only to prepare participants for entrepreneurial careers but also caters to the requirements of a job market centered on trade and services on the whole, although differences in rural areas can be expected.

Those businesses sponsored by BSCK are accompanied during and after the start-up phase, and are offered preferential credit terms, free business registration and consulting services. The installation of a business incubator, which provides physical and virtual space, common services and consulting for start-up enterprises, is planned to strengthen the viability and development of newly founded and fledgling SMEs. Studies have shown that incubators can significantly reduce the failure rate amongst new business start-ups.¹²

On a conceptual level, BSCK therefore directly engages four out of the eight main obstacles to youth entrepreneurship identified by the ILO:¹³

- ❖ Lack of business connections: Business contacts, suppliers, suitable partners and networks
- ✓ Lack of knowledge of available business support services
- ✓ Lack of tailor made business training and advice for young start-ups
- ✓ Lack of trained counselors, development workers and adequate support agencies
- ❖ Lack of mentoring capacities
- ✓ Lack of workspace and ICT infrastructure
- ❖ Lack of exchange networks, forums and meeting places
- ❖ Lack of other business development services.

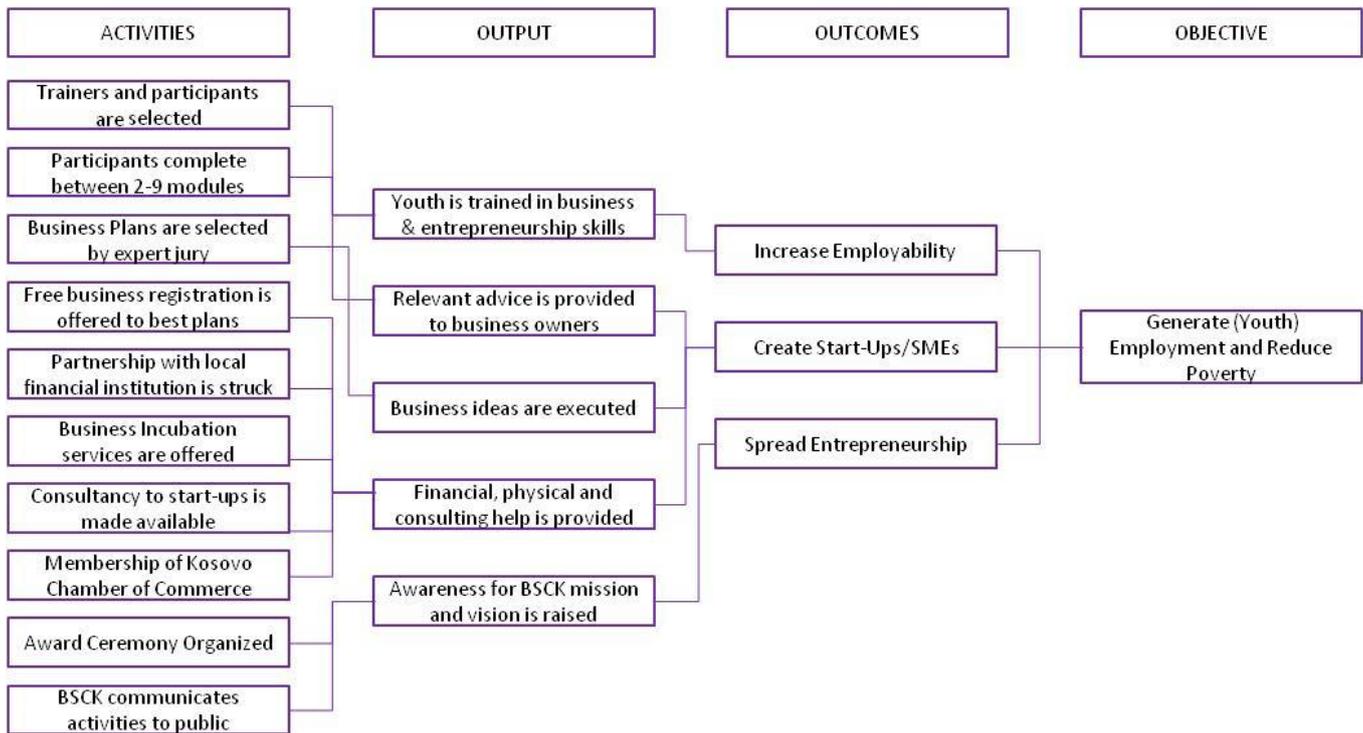
In doing so, BSCK activities are strategically aligned to address the challenges which serve as a rationale for intervention. Figure 1 below depicts the impact-chain of the project.

¹¹ World Bank, *Kosovo Youth*, p. 20.

¹² Oyeyemi Adegbite, 'Business Incubators and Small Enterprise Development: The Nigerian Experience', *Small Business Economics*, No. 17, 2001, pp. 157–166.

¹³ Ulrich Schoof, *Stimulating Youth Entrepreneurship: Barriers and incentives to enterprise start-ups by young people*, (Geneva: ILO, 2006), p. 57.

Figure 1: Impact-Chain of BSK Activities



4. Assessment of Impacts

In the following analysis, the two project objectives for BSK-II as stipulated in the proposal are adopted as the relevant yardsticks. It is important to note that both project objectives in fact state several separate objectives in combined form. For the purposes of maintaining analytical clarity, these objectives will therefore be scrutinized separately according to the following order:

- Objective 1: BSK transformed into a self-sustainable local entity including incubator
 - 1.1 Transform the centre into a local legal entity managed by a local board
 - 1.2 Business Incubator installed and operating
 - 1.3 Achieve self-sustainability by the end of the project period
 - 1.4 Achieve full inclusiveness representing Kosovo demographics
- Objective 2: To assist youth to start SMEs, raise their entrepreneurial spirit & improve employability;
 - 2.1 Assist in starting SMEs
 - 2.2 Assist in improving SMEs¹⁴
 - 2.3 Increase employability
 - 2.4 Increase Entrepreneurial Spirit

The different scopes of the two objectives are readily apparent. The first objective sets a yardstick for the development of BSK as an organization and its supporting structures; its scope is mainly

¹⁴ Not explicitly mentioned in proposal but obviously within scope of BSK activities, as will be detailed in section 5.

internal. The second objective relates more closely to the direct activities undertaken towards enacting the mission and vision of BSCK, following the rationale and logic reconstructed above, and to effect changes in its operating environment; its scope is external. It is useful to maintain the distinction of these two dimensions in assessing performance.

4.1 Objective 1: BSCK transformed into a self-sustainable local entity including incubator:

A cornerstone of BSCK-II is for the program to reach comprehensive and sustainable organizational and operational independence before the end of the project period. While there has been substantial progress in transferring ownership and developing new sources of support, other areas, most notably the creation of an incubator, have encountered serious obstacles. Further, it is suggested that, next to financial aspects of sustainability, the acceptance BSCK experiences within its target group and beyond also be considered vital criteria for future viability, and for heuristic indicators to be developed.

4.1.1 Transform the centre into a local legal entity managed by a local board

BSCK became an independent legal entity by registering as a non-profit NGO on 25 June 2009. Legal and administrative oversight is exercised by a Board of Directors and Advisory Board. The Board of Directors is composed of 7 representatives out of which 4 are from public institutions and 3 are private sector representatives. The Advisory board is composed of representatives from Kosovo Chamber of Commerce, NLB Bank, youth organization JADE and the College of International Management Studies. The Boards have since approved the Statute which includes BSCK vision and mission, as well as a sustainability plan, budgets and work plan.

In April 2009, BSCK moved into new premises within the building of the College of International Management Studies (KMSI), at rental rates subsidized by the College for three years.

4.1.2 Business Incubator installed and operating

The installation of an Incubator has not progressed and at present faces significant obstacles. The chief reason for this is that the incubator space originally pledged by the Municipality of Prishtina was claimed by another government institution just after the start of BSCK-II. The Municipality promised 1,000m² of land instead, free of rent for 10 years, and 10,000 EUR co-financing for the incubator building. However, the minimum cost of constructing appropriate facilities have been estimated at 500,000 EUR, which well exceeds the 75,000 EUR planned for in the BSCK budget.¹⁵ It is unlikely that BSCK will be able to raise the necessary funds in the short term. Two alternative initiatives involving other partners have not produced tangible results and no other plans are currently on the table.

¹⁵ BSCK Sustainability Plan of February 2009

4.1.3 Achieve self-sustainability by the end of the project period

Self-sustainability is primarily defined in financial terms by the proposal, which envisions the “undertaking of other activities, including raising tuition fees from participants, selling services to the wider business community and soliciting support from local institutions”.¹⁶

BSCK raised 5,375 EUR in 2009 by introducing fees of 95 EUR for participation in its School of Entrepreneurship and 25 EUR for partaking in the Business Skills Trainings. While this covers only 10 per cent of training expenses, it is clear that a cost price would be prohibitively high for the vast majority of participants and hence jeopardize key project objectives.

At the same time the BSCK has had some success diversifying its project pipeline and developing new sources of support. This includes a separate 48,589 EUR contract from SPARK, on behalf of UNDP, to assist in the establishment of a Business Advisory Center in Mitrovica. In 2009, BSCK also received a 56,471 USD grant from USAID to carry out a Micro Enterprise Training Programme for youth. It was also mandated to conduct a household survey and case study on agricultural finance with a project budget of 14,000 EUR, working with MDF from the Netherlands and InterCooperation from Switzerland. BSCK plans to continue and to expand its portfolio and to work with several donors.

During February 2009 the BSCK developed a sustainability plan in cooperation with an international expert. The plan particularly emphasized the development of new products such as services for more senior entrepreneurs with more resources, and detailed the creation of the envisioned incubator. It was calculated that an incubator for 35-40 firms could generate annual revenue of 100,000 EUR, but even after three years would struggle to operate at a profit mainly due to high staff costs. The heavy reliance of the sustainability plan on the incubator module of the project has somewhat diminished its relevance for BSCK, at least as long as this part of the project is not moving forward.

The chiefly financial determination of sustainability as laid out in the 2008 project proposal is silent on the level of acceptance the BSCK and its activities receive from its target group and a wider audience. Extrapolating current application levels in fact hinges on a variety of factors. It could for example be argued that criteria such as a reputation for excellence and a perceived capability to add value to the vocational qualification of young Kosovars constitute vital prerequisites to the long-term viability of BSCK. Some indication in this regard, at least from among past participants, is offered by the results of the independent Survey commissioned by BSCK. Of those surveyed, the vast majority (95.7 per cent) of participants would ‘recommend BSCK activities to friends who want to start their own businesses’. The significance of this indicator is evidenced by the fact that personal recommendation is the largest single advertising channel of BSCK. Participants’ support also holds up in comparison with alternative programs targeted at young entrepreneurs, with almost 96 per cent naming BSCK the best in the region (an increase of 11 percentage points over 2008).

¹⁶ SPARK, ‘Enabling Private Sector Development in the Western Balkans’, Project Proposal, 11 June 2008.

4.1.4 Full inclusion of minorities as represented in Kosovo demographics

Engaging minorities has been carried out with some success, but also encountered difficulties, especially in North Mitrovica. Here BSCK has not been unanimously accepted by local youth and promotional material such as posters were constantly torn down in every location they were placed, arguably by some radical groups. Distrust by members of the Serbian community towards BSCK is at least partly rooted in the name of the organization. Kosovo Serbs usually refer to Kosovo as Kosovo and Metohija. When the name Kosovo is used by itself, from a Serbian perspective this is therefore seen as acceptance and support of the independence of Kosovo. For those reasons, BSCK received low interest of Mitrovica youth for a program perceived to 'come from Prishtina/Kosovo', ultimately leading to cancellation of trainings in North Mitrovica. A measure that BSCK undertook is to offer trainings in under the name of SPARK. BSCK for example financed and held such modules and offered consultancy in the northern province of Zvecan near Mitrovica. BSCK is also implementing a Business Advisory Center in South Mitrovica under a contract from UNDP.

BSCK further dealt with this setback in 2009 by initiating a campaign in the enclaves and organized a Business Introduction Training for minorities in 3 locations, Osojane (Peja), Strpce and Vraniste (Dragash), consisting of 2 modules and with the opportunity to submit a business plan. Trainings in Gracanica were first postponed but then held in November 2009. The majority of participants were Kosovo Serbian, but also Gorani and Kosovo Albanians; 44 per cent of participants were of non-Kosovo-Albanian background. Through these measures the total of beneficiaries trained in 2009 took a demographically representative form (that is, 10 per cent of all beneficiaries consisted of minority beneficiaries). In deviation from the original project plan, none of the Board members are from minority backgrounds; non-feasibility has been indicated as a reason.

4.2 Objective 2: Assist youth to start SMEs, raise their entrepreneurial spirit & improve employability;

As was previously shown, core activities of the BSCK are strategically aligned towards the overarching goal of generating youth employment. As a result, Objective 2 formulates the dual aspiration to both directly assist young people in gaining self-employment and in employing others, as well as to improve indirectly the youth's standing by raising employability and professional qualifications. Objective 2 essentially restates the three objectives of BSCK-I in combined form.¹⁷ To a certain extent this objective neglects the outcomes produced by BSCK activities in reaching young entrepreneurs who have already started their own venture, and who partake in the trainings to gain business skills with the aim to improve their existing operations. In fact, in 2009 more than a fourth of the participants indicated that they currently own a business, increasing to almost a third if included those who previously owned a business.

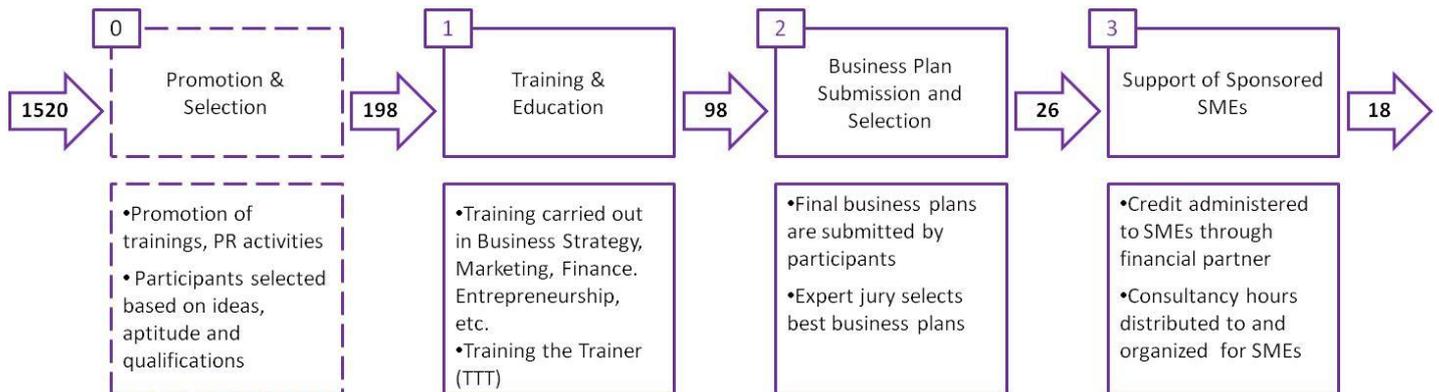
4.2.1 Assist in Starting SMEs

The approach taken by BSCK in assisting potential young entrepreneurs is at the same time comprehensive and selective. It offers participants support in all of the steps of starting their own business, from conception to execution, but in doing so it applies a sequential filtering to disburse

¹⁷ In BSCK-II, 'improving employability' is stated broadly rather than being explicitly linked to curricula development as was the case in BSCK-I.

funds only to the projects considered most viable. The start-up support can therefore be categorized into three successive activities (see Figure 2 below): (1) Training selected participants in business skills and entrepreneurship thus (2) Fostering business plan development, submission and execution an (3) Supporting the best business plans with access to credits and consulting services from external partners. Added to this are special and irregular trainings such as the greenhouse training offered in early 2010. Other outcome-producing activities, e.g. promotion and media appearances which contribute to general entrepreneurial awareness, are more difficult to express in definite terms.

Figure 2: Sequence of assistance in SME creation, number of participants



4.2.1.1 Training & Education

In 2009, a total of 1520 young people with a business idea applied to BSCK. Following interviews and a selection procedure, 198 successfully participated in:

- the School of Entrepreneurship (6-9 weeks of teaching run in Prishtina and Peja);
- the Entrepreneurial Skills and Business Plan Writing course (2 weeks of teaching run in Osojane, Strpce and Dragash);
- the Entrepreneurship and Micro Enterprise Training Program, in cooperation with USAID KPEP (10 weeks of teaching run in Prizren and Drenas).

This created a total of 1232 beneficiaries (computed by taking the number of participants times the modules completed per participant), a 23 per cent increase on 2008. The curricula generally focused on entrepreneurship, core elements of business management such as finance, marketing or strategy, and business plan writing skills.

In October 2009 BSCK held a workshop with 30 potential trainers, providing instructions and discussing and harmonizing training curricula. In contracting teaching staff, BSCK generally refers to its database of more than 200 trainers who have completed its training-the-trainer workshops and registration process. As for the quality of teaching, the Survey found that 94 per cent of respondents 'agreed' or 'strongly agreed' that BSCK activities in 2009 had a direct, positive impact on their Business Skills (see Figure 3 below). This represents a further improvement in the satisfaction of participants in terms of quality of training over 2008, where 85 per cent noted a positive impact on their skills.

Figure 3: Selected results from Survey among participants¹⁸

Question	2008 participants	2009-10 participants
Entrepreneurship: The support I received from BSCK helped me move towards my own SME.	8.0% strongly agreed 46.0% agreed 21.0% disagreed 4.0% strongly disagreed	15.0% strongly agreed 52.6% agreed 0.0% disagreed 26.3% strongly disagreed
Employability: Through participating in BSCK training I was able to secure a stable job.	11.0% strongly agreed 47.0% agreed 22.0% disagreed 2.0% strongly disagreed	38.1% strongly agreed 48.3% agreed 5.1% disagreed 0.8% strongly disagreed
Ability: BSCK training had a direct and positive impact on my business skills.	28.0% strongly agreed 57.0% agreed 6.6% disagreed 1.0% strongly disagreed	44.1% strongly agreed 50.0% agreed 1.7% disagreed 0.0% strongly disagreed
Income: Directly because of my experience at BSCK, I am able to increase my income.	8.0% strongly agreed 40.0% agreed 25.0% disagreed 3.0% strongly disagreed	26.3% strongly agreed 45.8% agreed 7.6% disagreed 1.7% strongly disagreed
Effectiveness: BSCK is offering the most effective way to help young entrepreneurs to start a SME in the region.	32.0% strongly agreed 52.0% agreed 4.0% disagreed 1.0% strongly disagreed	54.2% strongly agreed 41.5% agreed 0.0% disagreed 0.0% strongly disagreed
Satisfaction: I would recommend BSCK to any of my friends who want to start their own business.	65.0% strongly agreed 30.0% agreed 2.0% disagreed 1.0% strongly disagreed	85.6% strongly agreed 11.9% agreed 0.0% disagreed 0.0% strongly disagreed

4.2.1.2 Business Plan Submission and Selection

An expert jury comprising representatives from NLB Bank, university professors and private entrepreneurs scrutinized 98 submitted business plans. It is notable that of this total number of business plans submitted only 3 were produced by the 40 participants in the regional and short-term Business Plan Writing courses. It is worth asking to what extent this comparatively low rate is a result of motivation or skill levels of participants, or an outcome of the training design, in which case changes therein would seem appropriate.

Of the 26 best business plans selected, 2 were already registered as businesses and received support, and 15 new businesses were registered and realized. Four of these new businesses were started by women, thus far exceeding the national average of Kosovo, where less than 10 per cent of all entrepreneurs are female.¹⁹ The sponsored SMEs originating from the best business plans in 2009 and early 2010 directly created 103 jobs, of which 54 are permanent positions, 16 are seasonal

¹⁸ Results are taken from phone Survey conducted by external contractor in April 2010, and the corresponding Survey from last year. The missing percentiles answered 'neutral' to the questions.

¹⁹ See Durim Hoxha and Besnik Krasniqi, 'Female Entrepreneurship in Kosovo', *International Journal of Business and Management Research*, 1(1), 2008, pp. 49-65.

contracts and 33 are contracted on a freelance basis.²⁰ The total number of jobs created from all sponsored enterprises, including the BSCK-I period, was 211 as of April 2010.

4.2.1.3 Support of Sponsored SMEs

Of those firms sponsored, 11 newly created and 2 existing companies used the credit facility to take out loans between 3,000 and 10,000 EUR, amounting to a total amount of 97,684 EUR in dispersed credit. While 6 firms are still in their grace period, the remaining 7 firms taken together have so far paid back 9.3 per cent of their total loan amount.

The significant increase in credit uptake (up by 69 per cent compared to 2008) cannot be explained by the number of firms sponsored, which was less than in the previous reporting period. The rise of (average) credit uptake can largely be attributed to BSCK's change of credit provider and the negotiation of more favorable conditions. Through its new partner NLB Prishtina, the local subsidiary of the largest bank in the region, BSCK now offers a 5 per cent interest rate instead of the previous 7.2 per cent (and 9 per cent before that). Given that market interest rates in Kosovo for start-up credits range up from at least 12 per cent, the reduced lending rate that BSCK can secure for sponsored enterprises poses a crucial strength.

Ranging from agricultural expertise to management advice, BSCK-sponsored enterprises benefitted from a total of 2400 consultancy hours in 2009. This consultancy was made available through a contribution from the Ministry of Trade and Industry/SME Agency, offering 10 vouchers worth of 20 days of free consultancy and training. The total value provided to SMEs through this service is 32,000 EUR (200 days at 160 EUR/day).

4.2.2 Assist in Improving SMEs

Participants who already own a business are equally eligible to apply for credit and consulting support. Experience shows, however, that many current or fledgling entrepreneurs specifically attend the training with the motivation to strengthen their business skills. In fact, half an hour of each day at the School of Entrepreneurship is reserved for individual queries of existing business owners posed to the trainer. For this reason, the 2009 Survey also set out to measure the impact BSCK activities have on improving the performance of entrepreneur's ventures.

Of the Survey's 119 respondents, 31 (26 per cent) indicated that they currently own or co-own a business. This ratio closely corresponds to the figure recorded for entering participants, although it is not known if these are the same businesses or include any of the newly registered businesses. It represents a significant increase compared to the results of the 2008 Survey, but the number of existing businesses within the entering class for this period is not known.

The majority of Survey respondents either 'agreed' or 'strongly agreed' that BSCK had made their businesses stronger (10.5 per cent and 47.4 per cent respectively). In 2008 there were more respondents who 'strongly agreed' while less of those 'agreeing' as compared to 2009, but taken together agreement with the statement stayed constant.

²⁰ BSCK, *SME Database*, version of April 2010.

The design of the Survey leads to somewhat unclear results on the impact the trainings had on business performance. All participants were asked if, as a direct result of BSCK trainings, they had been able to increase their sales (9.3 per cent), decrease their costs (5.9 per cent), broaden their customer base (4.4 per cent), and employ more people (3.4 per cent). It might have been more sensible to only put these questions to those 31 respondents who previously indicated that they own a business, because it cannot be guaranteed that all non-business owners refrained from answering either of these questions affirmatively. If assuming that answers only include existing businesses, then it can be said that 11 of the 31 these indicated an increase in sales, while 7 were able to decrease costs.

4.2.3 Increase Employability

Business skills taught and certified through the BSCK training programs directly raise the participant's qualifications and thus indirectly contribute to promoting youth employment. Considering that the overwhelming majority of participants do not immediately leap from business training into business ownership, this objective is of crucial importance in defining BSCK's impact beyond sponsored firms and across all beneficiaries.

4.2.3.1 Employment Gained

The Survey suggests that in 2009 the BSCK's impact was very significant in this respect, with 86.5 per cent of respondents reporting that their experience with the BSCK 'enabled them to secure a stable job'. This represents a steep increase over the 58 per cent recorded for 2008. It is important to note, however, that from the Survey it cannot be concluded if the participants merely outperformed other, less qualified candidates for existing jobs or these were newly created or previously unfilled positions.

Nevertheless, the apparent success of the training programs in influencing levels of employment through increasing employability can be read to demonstrate the impact created through engaging this objective via supply side factors.

4.2.3.2 Income Increased

A rise in income is an indicator for increasing employability as it usually results from finding paid employment, or finding better paid employment. At the same time increased income also represent a crucial objective on its own, as it directly contributes to improving living conditions, health and self-esteem.

In 2009, BSCK training had a positive effect on income levels of participants. An increase in personal income 'as a direct result of participation in BSCK' was reported by 72 per cent of respondents, compared to 48 per cent in 2008.

While in 2008 over two-thirds reported income gains of more than 15 per cent, in 2009 only one in twenty reached this figure. The majority reported income gains between 5-10 percent (48 per cent of respondents) and 10-15 per cent (29 per cent of respondents). A possible explanation for the more

modest increase in incomes could be seen in the fact that the trainings in Prishtina and Peja were held at the end of 2009 and continued into early 2010, therefore suggesting that it was too early to show results in this category at the time the Survey was carried out.

4.2.4 Increase Entrepreneurial Spirit

Entrepreneurial Awareness Building has been described as intangible and difficult to measure. Some indicators suggested in a 2008 assessment report, such as tracking the number of gray economy businesses that register as legal entities, are currently not recorded or requested by BSK. Other indicators for this objective, such as media coverage of BSK's mission to raise business skills and spread entrepreneurial zeal, have been actively developed in 2009.

In 2009, the director of BSK has been invited in a special program for BSK three times (more than 20 min). In addition, one special program by local TV21 featured the BSK director, project officer and the best business plan winner. The *Epoka e Re* newspaper published an article and interview with the BSK director about the impact of the organization on multi-ethnic aspects of businesses. Another newspaper, *Kosovo Sot*, has reported on the BSK Forum on Entrepreneurship, organized by BSK and comprising youth, graduates, start-ups and existing businesses.

5. Analysis and Recommendations

This section will revisit the impacts assessed above with the aim to identify areas of success as well as space for improvement. It will thus combine conclusions drawn from the assessment with recommendations to BSK management.

Measuring Impact

While an approximation of the level of success BSK had in reaching outputs and outcomes can be determined, it remains impossible to say much about the contribution this has made to the overall goals of generating economic development and reducing poverty in Kosovo. In order to produce such estimates, a more focused recording of results is necessary. The World Bank for example lists 'post-program employment and earnings' as key indicators for Active Labor Market Programs such as BSK. While the Survey conducted in April 2010 asked participants if they were 'enabled to secure a stable job', it did not definitely and comprehensively measure the number of those who have found employment after having been previously unemployed.

Recommendations:

1. Record the number of previously unemployed or out of the workforce participants who take up work after trainings (six months after trainings).
2. Translate the reported wage increases into absolute terms using average wage estimates (six months after training).
3. Use economic proxies to determine a multiplier that will help estimate the total impact in local income brought about by increases in earnings as a result of investments in trainings, as well as through credits dispersed to firms and payments made to local trainers.

Objective 1: Sustainability and Incubator

As has been shown, the legal and organizational transition of BSCK towards independence has been successfully completed. A site of concern remains the lack of progress in the installation of a business incubator. This part of the project is of significant strategic importance in at least two ways. First, it serves to strengthen BSCK's existing activities and objectives in that it retains graduates and their fledgling businesses within sight of the project while increasing their chances for survival and growth. An incubator could also be used to support young existing SMEs that did not partake in BSCK's pre-incubation programs. Second, the 2008 proposal, and to a limited degree the 2009 sustainability plan, rely on the incubator as a source of income and financial sustainability. The 2009 calculations demonstrate the revenue generating capabilities of an incubator. The introduction of fees for the School of Entrepreneurship and other trainings has not significantly reduced accessibility, as evidenced by the fact that applications rose significantly. Given their cost structure, it is however not expected (nor intended) that these trainings be financed entirely through fees.

Recommendations:

4. Expedite a decision on incubator development. Incubator profitability can be achieved if the number of additional personnel needed, as set out in the sustainability plan of 2009, is revised to include synergies with existing operations, and a lease agreement for appropriate facilities can be struck with a partner at no or low cost to BSCK. Especially this latter condition requires translating the importance, which is given to the incubator in planning, into a prioritization in practice. This mainly seems to require further lobbying of existing partners or the winning of a new partner who can make such a facility available. It should be considered to what extent an incubator would represent a product extension for existing beneficiaries or a new product creating new beneficiaries, as a significant share of the sponsored firms visited, operating e.g. in agriculture, nursery, or food & beverages, do not require traditional incubator services. BSCK should set a time frame for securing such an option, and, if efforts prove fruitless, revise its strategy. Such a strategy revision would answer the questions what type of decentralized 'after care' services BSCK can offer to SMEs and/or how a market of fledgling (existing) SMEs could be served without an incubator.

5. Diversify sources of funding and work to create partnerships for specific business education projects. By their nature and scope, the business and entrepreneurship trainings offered by BSCK will continue to rely on financial support. Initial contacts and first cooperation with other donors have indicated that there exists a field of congruence between BSCK activities and bilateral and multilateral donor strategies and priorities, especially in the fields of youth employment and entrepreneurship, and that BSCK's track record renders it a competent implementing partner.

6. Pursue other recommendations of the sustainability plan, which are independent of incubator development, such as seeking sponsorship for award ceremonies and conferences.

Objective 2: SME Creation, Entrepreneurship and Employability

In many areas of its core activities, BSCK made a significant positive impact in terms of reaching the objectives described above. As Figure 4 illustrates, central indicators for output and outcomes also

show an improvement over 2008 – in the last two cycles, BSCK has trained more youth who submitted more than double the number of business plans. At the same time, however, the relative number of business plans receiving awards fell, and fewer businesses were started than in the previous year. While selection was thus relatively tougher, sponsored businesses took out significantly more credit than in the previous year and so far no business has failed (at the time of this assessment many businesses are only a few months old). The start-ups created 103 new jobs, of which about half are permanent positions.

Figure 4: Comparison of Output and Outcome Indicators 2008-2009/10

Output Indicators	2008	2009	Change in %
Beneficiaries	954	1232	+29%
Youth Trained	159	198	+25%
Business Plans Submitted	45	98	+117%
Business Plans Selected	19	26	+37%
Firms Registered for Free	18	15	-17%
Credit Disbursed	58,000 EUR	97,684 EUR	+70%
Consultancy Provided	1,900h	2,400h	+26%
Outcome Indicators			
Survey: Business Skills Improved	85%	94%	
Survey: Helped secure stable job	58%	86.5%	
Start-Ups Failed	9	-	
Start-Up Interest Rate	7, 2% (9% before)	5%	
Jobs created in period (and still existing)	133	103	

In the previous sections it was shown that the submissions of business plans varied greatly between different programs, and that especially Entrepreneurial Skills and Business Plan Writing courses, short-term trainings with high minority participation, produce a very small number of business plans. Since these trainings offer only a very condensed curriculum, it is difficult to see their added value if they do not lead to business creation or even the further development of ideas and the formulation thereof.

Related to this is the observation that of the 198 participants ‘only’ 15 individuals, or 7.5 per cent, left the program as BSCK-sponsored, self-employed entrepreneurs. The need to ensure the viability and fitness of start-ups, and to use limited resources prudently, justifies a careful selection. The fact that the number of business plans fall well short of attendees also highlights the fact that a significant share of participants does not aspire to directly take up entrepreneurial activity. Therefore, contrary to the assessment of the sustainability plan, trainings and business education are not merely a phase of ‘pre-incubation’. For the overwhelming majority of participants, the pertinent impact objective is in fact raising employability.

The Survey results in this regard indicate a growing satisfaction among participants with the trainings' help in securing a stable job. Yet raising employability, and finding employment, can be considered a broader task. A belief that business training will increase employment may for example not only be limited by a sluggish labor demand, but also by employer's tendency to highly value previous work experience. The Kosovo Youth Strategy and Action Plan 2010-2012 for example notes that "more and more young people are conscious about the fact that education without experience is not enough to successfully compete in the labor market".²¹

Recommendations:

7. Training curricula that have historically failed to produce business plans should be revised. This could for example take the form of more comprehensive trainings offered to a smaller number of higher qualified participants, or a shift of focus to a different skill sets or recognized qualifications. Considering that a high percentage of young Kosovo Serbs is engaged in agriculture, specialized trainings could be offered in this field.

8. Strengthen the employability of graduates who do not take up entrepreneurial activity, and actively support the job search. This can for example include the introduction of an internship program which will help participants complement their theoretical training with practical experience, including (but not limited to) internships at other points in the value network of their business idea. This can also include simple career guidance such as CV and application writing workshops, the compilation of a job database or offer tutorials on how to find jobs in different industries and locations across Kosovo.

9. Make use of knowledge and capabilities as promotional tools. BSCK could for example work with the media to cover an entrepreneur's successful start-up story. It could also conduct a survey about key employability skills that employers look for, and seek to publish results as a news item.

The needs of those participants who do start a business through BSCK are very diverse, making it difficult to provide comprehensive start-up support services. Yet, as shown, it is notable that almost all firms established as a result of the 2009-10 cycles made use of loans. One of the visited entrepreneurs even stated that the prospects of gaining access to preferential loan terms were the main reason for participating in the trainings. Yet several of the visited firms also indicated that the short payback period of the credit, usually two years, put very high pressure on businesses from the outset. A visited nursery school for example operated at more than two-thirds capacity three months after opening, but required full capacity utilization for the first two years in order to meet the credit payments. Another entrepreneur worked self-employed to repay the credit he used to finance his agricultural start-up, because the first returns on investment cannot be expected before the end of the payback period. Other challenges of visited start-ups also arose in marketing, i.e. in communicating their value proposal and finding clients. Generally, the needs of sponsored businesses are not systematically assessed and firms operate largely out of sight after start-up.

²¹ Ministry of Culture, Youth and Sports, *Kosovo Youth Strategy*.

Recommendations:

10. Work to tailor credit conditions more closely to business needs and realities. While BSCK has been able to secure a very preferential interest rate, the credit allocation can still be improved. Payback periods should ideally mirror the realities of business, such as long investment periods in agriculture. Close attention should also be paid to the ability of businesses to generate sufficient revenue to meet debt obligations, especially in the early start-up phase.

11. Check back regularly with sponsored businesses. Relationship building is a crucial component of aftercare services, so entrepreneurs naturally turn to BSCK for help when they need it. A regular newsletter, information about government programs, trade fairs, networking events or funding opportunities can serve as the basis for establishing closer relations. The so far relatively small number of supported firms allows for simple personalized aftercare in their first year of operation, such as a quick joint analysis of major challenges and possible solutions or the determination of the next milestones.

6. Conclusion

In the previous assessment, the impact effectuated during the first half of BSCK-II has been evaluated against initial project objectives.

As to the first objective, that BSCK be transformed into a self-sustainable local entity including incubator, substantial progress on legal and organizational independence can be attested. A site of concern remains the lack of progress on incubator development. It is recommended that this part of the project be either prioritized or, if such efforts fail, replaced by a new strategy for continued start-up support. It is also recommended that sustainability be not exclusively determined in financial terms, but include program satisfaction and application levels as guiding indicators.

For the second objective, that BSCK assist youth to start SMEs, raise their entrepreneurial spirit & improve employability, core activities have developed positively. More young people have been trained than in the previous project period, and those trained indicated a higher rate of satisfaction with trainings and were more confident that BSCK had enabled them to secure a stable job. The number of submitted business plans more than doubled. Those businesses that were created took up significantly higher loans for investments and have so far proven more stable than the start-ups from the previous season. It is recommended that after care services for these businesses (and potentially other businesses) be developed. Services to participants who mainly seek to improve their employability should also be strengthened, as this pertains to the majority of participants.

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Other

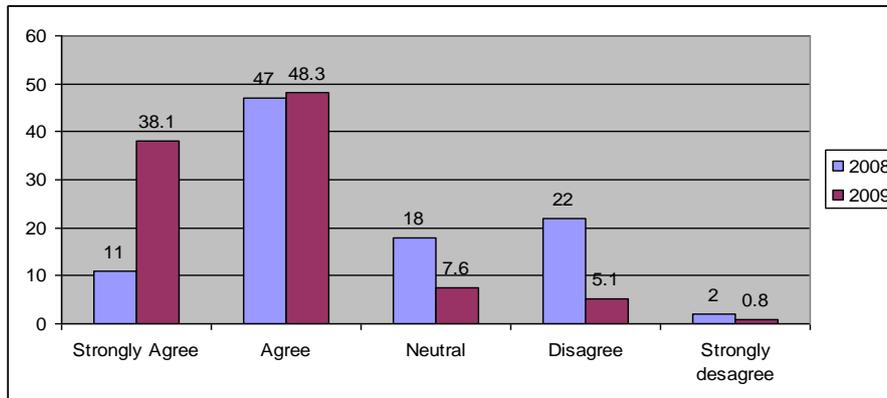
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BSCK, *SME Database*, version of April 2010.

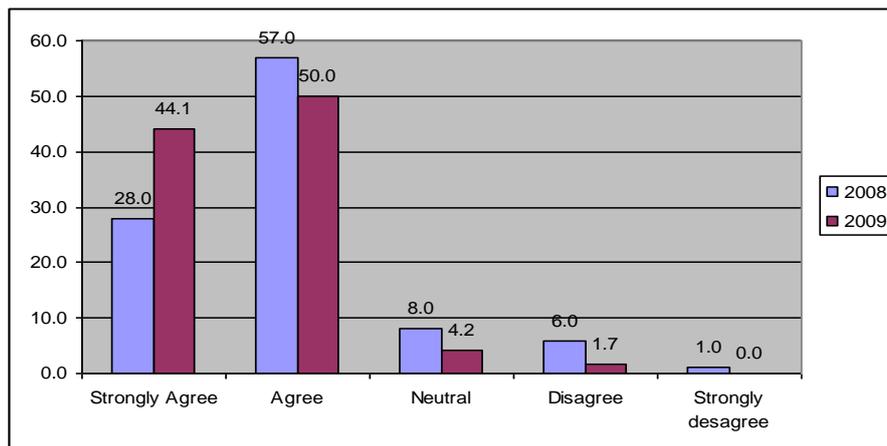
BSCK, Sustainability Plan, as of February 2009.

Annex II – Graphic Representation of Survey Results (April 2010)

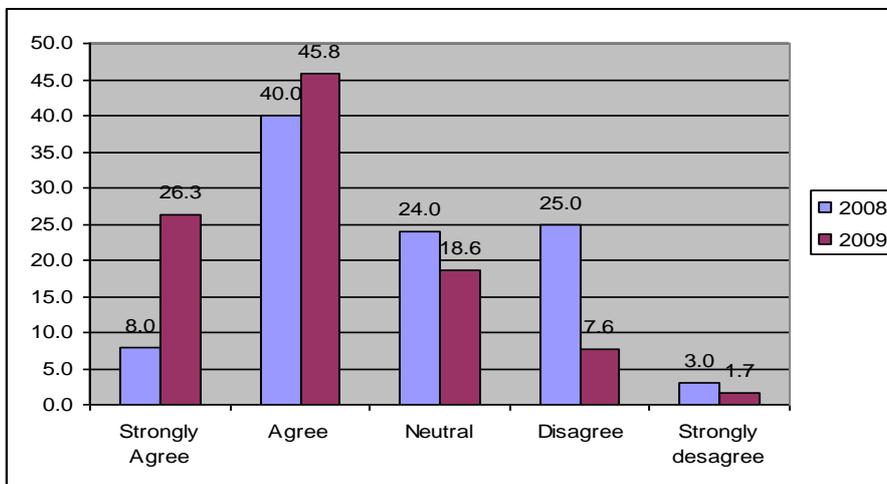
1. (Statement) - Through participating in the BSC activities I was able to secure a stable job.



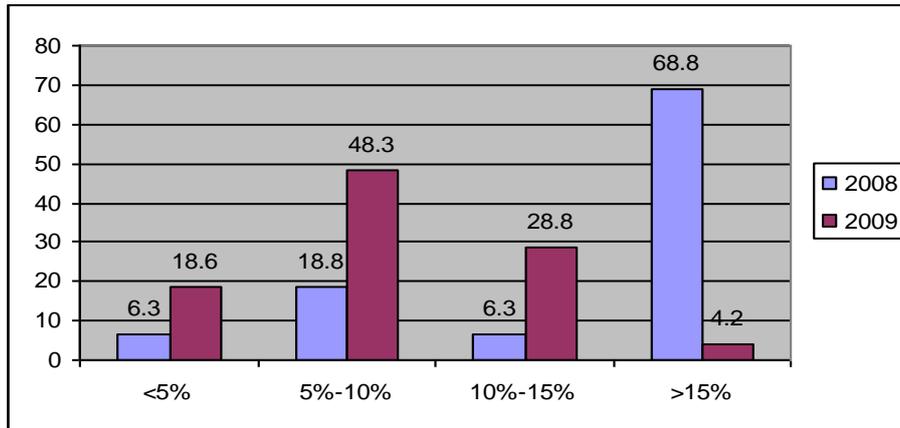
2. (Statement) - The activities I participated in with the BSC have had a direct and positive impact on my business skills.



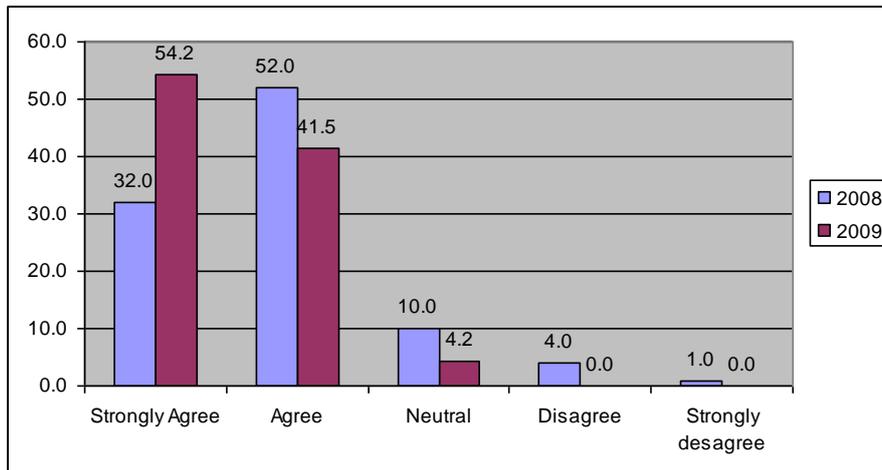
3. (Statement) - Directly because of my experience with BSC, I am able to make more income.



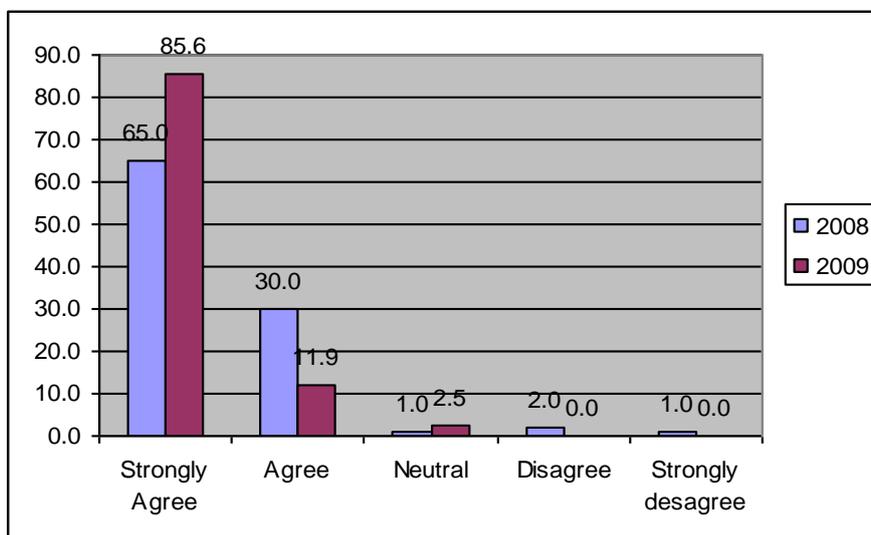
4. (Question) - By how much has your income increased?



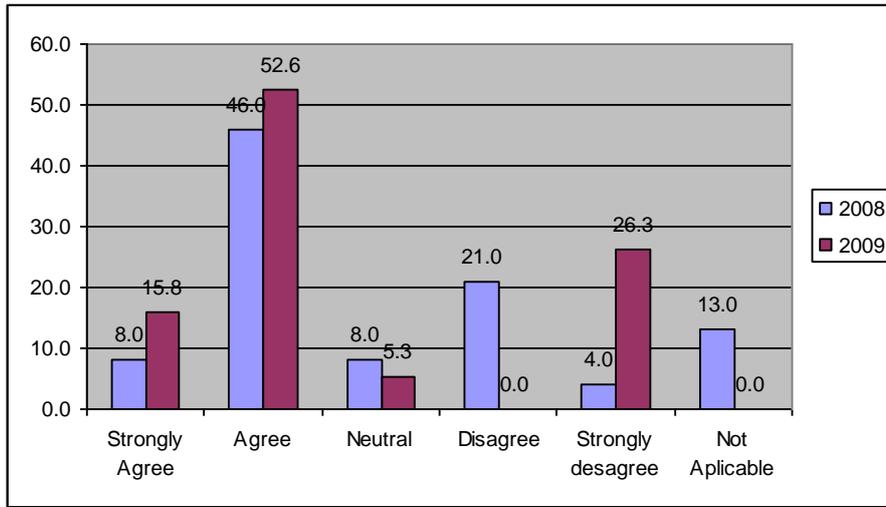
5. (Statement) - BSKC services are currently the most effective way to help young entrepreneurs start an SME in the region.



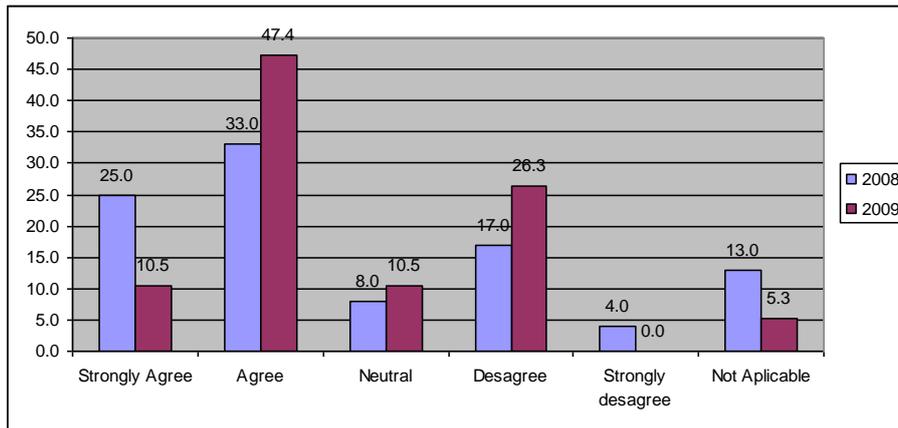
6. (Statement) - I would recommend BSKC activities to any of my friends who want to start their own business



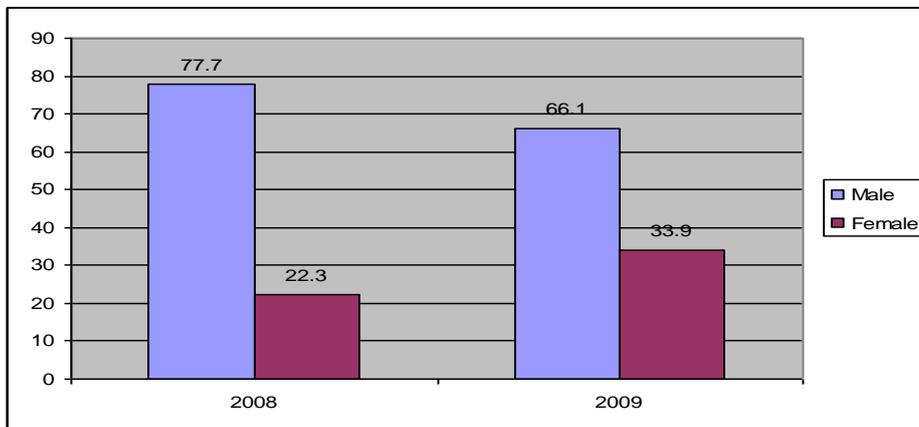
7. (Statement) - The support I received from BSCK helped me move toward owning my SME.



8. (Statement) - The support I received from BSCK has made my existing business stronger.



9. (Attribute) – Gender of BSCK participants



10. (Attribute) - Do you own or co-own a company that is currently registered with the municipality?

