

RESTRICTED
ODG/R.7
21 September 1999

UNITED NATIONS
INDUSTRIAL DEVELOPMENT ORGANIZATION

ORIGINAL: ENGLISH

REGIONAL BUSINESS DEVELOPMENT CENTERS

DP/BIH/97/046

Report of the evaluation mission*

Mission members:

Mr. Richard Temsch, Team Leader, nominee of UNDP

Mr. Mario Marchich, nominee of UNIDO

Mr. Ibro Cengic, nominee of Government of Bosnia and Herzegovina

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EXPLANATORY NOTES

The official currency in Bosnia and Herzegovina is the Convertible Mark (KM - International Currency Code: BAM). The rate of exchange according to the UN rate, at the time of the evaluation, was:

1 US\$	=	1.8932 conv. Mark (BAM)
100 BAM	=	52.8206 US\$
1 conv. Mark	=	1 Deutsch Mark

GLOSSARY

BiH	-	Bosnia and Herzegovina
CoC	-	Chamber of Commerce
COMFAR	-	Computerised Model for Feasibility Analysis and Reporting
CTA	-	Chief Technical Adviser
EBRD	-	European Bank for Reconstruction and Development
EDA	-	Enterprise Development Agency
EU	-	European Union
GTZ	-	Deutsche Gesellschaft für Technische Zusammenarbeit
HQ	-	Headquarters
ILO	-	International Labour Office
IPTC	-	International Project Team Coordinator
IRA	-	International Resident Advisor
ITPO	-	Investment and Technology Promotion Offices
MIS	-	Management Information System
NGO	-	Non-Governmental Organization
PHARE	-	EU Programme for the Private Sector
RBDC	-	Regional Business Development Center
RIPTC	-	Resident International Project Team Coordinator
SME	-	Small and Medium Enterprise
UN	-	United Nations
UNDP	-	United Nations Development Programme
USAID	-	United States Agency for International Development
VET	-	Vocational and Educational Training Program
WB	-	World Bank

EXECUTIVE SUMMARY

Conclusions

Bosnia and Herzegovina's economic, social and industrial infrastructures were devastated during the war. The country's transition from command economy to market economy has been delayed. The main objectives of the project *Regional Business Development Programme* are to launch private SMEs and to generate employment by developing entrepreneurial skills. It is crucial to train entrepreneurs in assessing investment opportunities, preparing business plans, identifying credit facilities and filing loan applications. Three Regional Business Development Centers (RBDC) have been established to provide this assistance through the project and were set up at the Regional Chambers of Commerce (CoC) of Banja Luka, Bihac and Zenica. The RBDC in Zenica replaced the originally planned one in Mostar, which could not be established for operational reasons. This model should be expandable to other regions.

The RBDCs have very successfully focused on getting loans for their clients from international donors. They have contacted almost 1,000 clients and submitted over 200 loan applications. Almost 100 applications have been approved for a combined amount of about DM 9.5 million. Nearly 400 jobs have been generated (about 40% for women). The financial and donor institutions find unanimously that the loan applications submitted by the RBDCs were very professionally drafted. Some donors and financial institutions have informed the evaluation team that they would now, even when they apply to them directly, refer loan seekers to the RBDCs.

The RBDCs have not yet started to charge for their services, but business consulting appears to be a sustainable activity in BiH. The degree of sustainability that can be reached is a matter of proactive client acquisition. In the near future the demand for consulting services is going to rise because of the imminent privatization of state enterprises on a large scale.

The cooperation between the RBDCs and donors has significantly facilitated access to international credit lines for SME owners, but many problems remain to be solved. Some donor organizations operate only in certain parts of the country. No major credit lines are available for start-up businesses. Many entrepreneurs cannot provide the required collateral, which is in some cases excessive, for the loan. The provision of free consulting services is distorting the market.

A non-resident part-time team coordinator, assisted by International Resident Advisors (IRA) for each RBDC has managed the Project. The supervision of the International Project Team Coordinator (IPTC) was not sufficient, mainly because he was not continuously present in the country. This has caused problems for the project management and implementation, including the non-uniform manner of operation and reporting of the three RBDCs. During the six months project extension in 1999, which was essentially aimed at reaching the RBDCs' sustainability, the IPTC visited BiH only three times for a total of 24 days and could not sufficiently guide the RBDC staff towards this objective. Therefore, no major efforts were made towards the early registration of the RBDCs as legal entities, which turned out to be a prerequisite for being entitled to charge fees to clients. The RBDCs were only registered shortly before the expiration of the project extension, in one case one the very last day of the Project. Closer supervision should also have made the IPTC aware of the substantial progress towards sustainability, which the EDAs of the UNDP/ILO projects made during the same period of time by organizing training courses and charging them to donors or clients and even becoming the fund managers for a EU sponsored revolving loan. The RBDCs could have taken a similar approach and revised their Memorandum of Understanding with the ILO Project, thus avoiding to leave the organization of most training courses on subjects, related to the RBDCs' activities, to the ILO Project.

The communication between UNIDO HQ and the UNDP Office in Sarajevo was not satisfactory, because - according to UNDP - UNIDO did not directly answer complaints about the project management and reporting, but delegated the reply to the IPTC. The IPTC's comments were sometimes evasive, and certain documents, which he promised would be provided, apparently were never received by UNDP, e.g. the budget utilization and underlying reports or the reports of two International Experts as pledged in the IPTC's letter of February 18, 1999 to UNDP.

Some IRAs have not been optimally selected. Not all of them had adequate job experience. The job descriptions for the national staff members were not carefully prepared, since all job descriptions for team coordinators and business advisors were identical, though the actual duties were different. For example, not everybody at an RBDC should be responsible for the staffing table. The technical supervision was in some cases missed due to the IPTC's absence. A permanent resident International Project Team Coordinator could have ensured better coordination.

The evaluation team concluded that the Project has been successful and has reached its development and immediate objectives, in spite of some shortcomings.

The project has contributed to the process of transformation of the regional institutions into viable private sector institutions, offering a range of important services to the members of Entrepreneurs' Associations, banks and donors.

RECOMMENDATIONS

Based on the present findings, the evaluation team recommends to consider the following measures, should the project be continued or a new phase be envisaged, otherwise the money spent for the project and the built capacities in terms of staff and facilities would likely be lost. This is the most important issue, because in this project have been spent around US\$550,000 for personnel costs (US\$266,000 for international staff, US\$239,000 for national business advisors and US\$39,000 for administrative support staff). Without further temporary support all the capacities developed are in jeopardy.

The evaluation mission was not briefed at its start that there were no longer funds available for a further extension of the project. The fact that the extension granted was mainly to allow the RBDCs to register and so be able to act as entities totally autonomous from the project as of July 1999, was communicated only at the Tripartite Review Meeting in Sarajevo at the end of the evaluation mission on July 14, 1999 and was also not understood by the RBDCs' staff prior to this meeting. In view of the difficult situation in BiH after the war, the continuation of the Project is desirable in order to reinforce the existing structure and create new RBDCs in other regions.

The RBDCs should draft a suitable fee structure for their services and offer training in management, language, accounting and computer use. The courses could be charged to clients or be subsidized and financed by donors. The RBDCs should offer their services as fund managers to donors. In the future, the RBDCs should diversify their services into areas such as legal counselling, accounting, tax advising, translating, export consulting, feasibility studies, risk assessment. Training of bank staff in project appraisal and evaluating loan applications should be considered.

The new management of the Project, in consultation with UNDP and other donors, should seek improved access to credit facilities for start-up businesses. For the sustainable territorial expansion of the project it is crucial to carefully select the locations and potential partners. The economic infrastructure of the regions deserves attention.

The most important improvement to be made is recruiting a full-time Resident International Project Team Coordinator (RIPTC) for Bosnia and Herzegovina. He should be experienced in managing international projects, assisting private SMEs, training for starting entrepreneurs, preparation of partnership agreements with foreign companies, project appraisal, drafting of business plans and loan applications. He should harmonize actions and reporting of the RBDCs, select key personnel, brief all staff members about duties and obligations, train staff members, promote RBDC products, facilitate cooperation with UNIDO's Investment and Technology Promotion Offices (ITPO) network to help clients find business partners abroad. For this purpose the list with addresses of all Investment Promotion Offices of the UNIDO network should be distributed to the RBDCs in order to allow them to contact these Offices presenting the partnerships which could be offered to industrial entrepreneurs of industrialized countries. The Center in Zenica has prepared an interesting booklet indicating the opportunities for investment and partnership in various fields of the industrial and service sector. The other RBDCs could do the same.

Should the project be extended and new RBDCs established, International Resident Advisors (IRA) attached to the RBDCs are not necessary, except for the initial technical training of the national staff. Qualified National Team Coordinators should replace them at the expense of the RBDCs' budgets. An International Junior Expert with related job experience, stationed in Sarajevo, should be appointed to assist the RIPTC.

UNIDO HQs should revise its methods of communication and project supervision. In particular, it is highly desirable that UNIDO HQs answers directly to UNDP when UNDP has complaints about the project management or asks for financial accounts.

UNDP should carefully brief all staff members on their duties and obligations in regard to security issues.

The job descriptions for the international staff and the national staff must be properly written. They should indicate the duties and required qualifications of each individual. National staff should be better trained in regard to sustainability issues. For example, for charging fees for the services rendered.

International staff should have several years of experience related to SME development. This was not always followed in the recruitment for the Project.

In the case of a new phase of the Project, the new budget should provide a car for each RBDC. This will enable them to visit their clients more frequently and plan their schedule in a more efficient way. It is recommended to supply additional facilities for training courses and presentation purposes.

1. INTRODUCTION

1.1. Background

The project DP/BIH/97/046, Establishment of Regional Business Development Centers (RBDC) in Bosnia Herzegovina, was signed in August 1997 and started its activities in December 1997 with the training of 36 persons suggested by the Chambers of Commerce for the position of Business Advisor. At the end of two week training 12 persons were selected (four for each RBDC). At the beginning of January 1998 the RBDCs started their activities in Bihac, Banja Luka and Zenica.

The aim of the project was to establish in each town a consulting and service center to train private small and medium entrepreneurs in various business skills and assist them in identifying and analyzing and new business opportunities and in preparing, financing and implementing business plans. These services were meant to be free of charge in the initial phase of the Project, but subject to fees at a later stage. After the end of the war in 1996, Bosnia and Herzegovina has been developing more and more a market economy. The privatization programme for state owned enterprises has been approved by the government and should start in the second part of 1999.

Using their direct contacts with the private sector, the RBDCs are expected to provide useful information to institutions, including Chambers of Commerce, donors and banks, and to facilitate a supportive environment for private entrepreneurship. UNIDO has been selected as executing agency for the implementation of the project.

The duration of the original Project was one year. Subsequently, the Project has been extended: first for two months and then for another four months till the end of June 1999. One key objective, according to paragraph 3 of the Document for the Extension of the Project of 16 February 1999 (revised version of 25 February 1999), was to fully integrate the RBDCs into the respective Chambers of Commerce, which would require to set up the RBDCs as agencies of the Chambers of Commerce. This directive was followed only in Bihac.

Another main reason for this extension was to allow the RBDCs to reach self-sustainability. The minutes of the Tripartite Review Meeting of 1 December 1998 mention in point 3.4 that a clear strategy to ensure the sustainability of the project should be developed as a matter of priority. However, no explicit reference was made in this point that the RBDCs had to be registered as legal entities to be allowed to charge for their services. The Document for the Extension of the Project of 16 February 1999 (revised version of 25 February 1999) does refer to this point in 5.1 by demanding clarification of the legal position, including the registration of the Centers. The evaluation mission, however, concludes that the RBDC staff did not understand the high priority of the issue.

The joint in-depth evaluation was requested by UNDP, because UNDP wants to evaluate all its projects, which are terminating this year. Based on the evaluated achievements of all programmes and on the needs of the Country, UNDP will formulate its future programme for the Country. The evaluation was also envisaged in point 3.6 of the Conclusions of the Tripartite Review Meeting of 1 December 1998. UNDP has no more resources to commit for this year for the Project.

1.2. Purpose of the Evaluation

A description of the tasks of the evaluation mission are described in the Terms of Reference (Annex I). The primary purposes of the in-depth evaluation are:

- S To identify and assess the factors that have facilitated or impaired achieving the Project's objectives; particularly, to assess the implementation of the measures foreseen at the Tripartite Project Review

Meeting of 1 December 1998.

- S To determine which lessons have to be learned from the experience of the Project, in order to improve the project activities in a possible further phase, with particular regard to the operations of the RBDCs and their ability to become financially self-sustainable by charging for their services.
- S The mission has also reviewed whether the approach used in the project has led to optimum results, or if better results could have been reached by a different approach.

1.3. Composition of the Evaluation Mission

The persons nominated to conduct the evaluation should not have been directly involved in the design, appraisal or implementation of the project. Their observations and findings are the results of the in-depth evaluation carried out in their own capacity. The views and opinions of the team do not necessarily reflect the views of UNDP/UNIDO or the Government of Bosnia and Herzegovina.

The mission was composed of the following members:

- S Mr. Richard Temsch, Independent Consultant, President of the Missing Link International Consulting Corporation in San Francisco, USA, Representative of UNDP and Team Leader
- S Mr. Mario Marchich, Evaluation Officer, Office of Internal Oversight, Representative of UNIDO
- S Mr. Ibro Cengic, Senior Expert Advisor, Ministry of Foreign Trade and Economic Relations, Representative of the Government of Bosnia Herzegovina.

The mission started its work on Monday, 5 July 1999, in Sarajevo with a first meeting at the UNDP office. Ten days were allowed for meeting UNDP staff and Bosnian entrepreneurs, interviewing representatives of the Government and of the Chambers of Commerce, staff of banks and financial institutions, visiting the three RBDCs in Banja Luka, Bihac and Zenica and discussions with their staff. The list of persons met and institutions visited is in Annex II.

The preliminary findings were presented by the evaluation team to the UNDP Office in Sarajevo during the Tripartite Review Meeting on 14 July 1999 and in Vienna at UNIDO Headquarters on 22 July 1999 to the Project Manager (Backstopping Officer), the Area Officers and to the First Secretary of Bosnia and Herzegovina in Vienna, Mr. Nedžad Rajkovic.

1.4. Evaluation Methodology

A questionnaire on client appreciation of services has been completed by the RBDCs, based on the answers received by approximately 200 clients, which can be considered a representative sample size. The mission has given priority to meetings with entrepreneurs/clients/end-users, representatives of State and Regional Governments, representatives of business associations, staff of banks and financial institutions/donors, staff of the Chambers of Commerce of four Regions (including Sarajevo), apart from discussions with the project staff and the local business advisors. The data derived from the Management Information System of the Project, the completed questionnaires, the interviews and the evaluators' own observations provided the mission sufficient insight in the achievements of the project to accomplish the evaluation.

The conceptual framework utilized for the evaluation is in Annex V.

2. PROJECT CONCEPT AND DESIGN

2.1. Socio-economic Context

The economy and infrastructure of Bosnia and Herzegovina were enormously destroyed during the three and a half years of war.

The Urgent Recovery and Reconstruction Programme for Bosnia and Herzegovina, which started immediately after the signature of the Dayton Peace Agreement with technical assistance and financial support of the International Community, faced several challenges in the Country. Among the most important were:

- S Reconstruction of industrial production capacities
- S Completion of the process of transition from state planned to market economy, including the privatization process and the consolidation of the private sector in the country
- S Establishing new and re-establishing old economic and trade links of BiH enterprises with foreign partners
- S Solving various problems of the displaced population inside the country and returned refugees from abroad, particularly their accommodation and the problems connected with their unemployment. Reestablishment of jobs in recovered industries and in the service sector, and creation of new employment, mainly in industrial manufacturing sector.

Actually, the Project @Regional Business Development Centers@ was performing in such socio-economic environment, which had a significant impact on its implementation.

For the first period (1996-2000) of the Urgent Reconstruction Programme, the international donors estimated the financial needs for the country at US\$ 5.1 billion, which were pledged at four Donor Conferences for Bosnia and Herzegovina held in Brussels (Belgium).

The international financial and technical support to Bosnia and Herzegovina in the process of its economic recovery and reconstruction has focussed on emergency reconstruction and on the employment programme. The aim was to address the most essential needs of the population and was mainly directed to the infrastructural sector (over 80% donor funds have been spent there), which was logical due to the enormous destruction of this sector during the war and its priority for the Country.

This was the reason why during the last three years of the BiH economic reconstruction process, there was not enough financial donor support for the development of the industrial sector. Particularly privately owned micro and small industries and new private business beginners were not enough assisted with convenient loans.

In such socio-economic environment with significant political influences and complicated decentralized structures of governmental institutions at various levels, the Project was faced with the following specific issues:

- S The distribution of international funds for loans for private sector development support was very different from region to region,
- S Generally, few small loans with acceptable repayment terms and conditions were provided for new businesses and expansion of existing businesses, particularly in the industrial sector.

S Little foreign direct investment in the country's industry due to late start of the privatization process.

2.2. Reasons for Assistance from UNDP/UNIDO

In the first Country Cooperation Framework for Bosnia and Herzegovina of December 1996 for the Country's transition to sustainable development, UNDP decided to establish its focus on projects designed to assist the local capacities in building up their infrastructure to start the transition from the reconstruction phase to development.

The cooperation framework established by UNDP concentrated on the support to sectoral reconstruction programmes, policy advisory support, upgrading of local human resources and promotion of external resources for development.

During the last thirty years UNIDO has accumulated a lot of experience in the preparation of investment studies and has elaborated a practical methodological approach for the development of the SME sector. This methodology contains comprehensive guidelines on how to prepare industrial feasibility studies, how to approach investment in small and medium sized businesses, economic analysis of investment projects and computer software.

UNIDO has also developed training programmes to prepare the end-users to the utilization of these methodologies, which are aimed at different groups of clients (consultants, entrepreneurs, banks and financial institutions, experts in investment promotion, etc.).

As response to the post-emergency assistance to Bosnia-Herzegovina UNIDO prepared a project proposal for Preparation Facility for Small and Medium Enterprises, which is the basis of the Project Document of this Project.

Bosnia-Herzegovina has several donors for reconstruction finance facilities and for training on business management, business development, loan application and privatization.

UNDP initiated a preparatory assistance to expand the geographical coverage of technical assistance to private SMEs to provide equal opportunity and training for access to credit for entrepreneurs outside of the regions of present concentration. This UNIDO executed project is a continuation of the UNDP preparatory assistance and has for objective the establishment of a network of three Regional Business Development Centers with trained staff for providing consulting services, project appraisal, business plan development and loan applications.

The initial plan was to have these Centers integrated in the Regional Chambers of Economy and Commerce in Bihac, Banja Luka and Mostar. However, for operational reasons it was decided to substitute Mostar by Zenica.

It was foreseen in the Project Document that the services provided by the Centers would have been initially free of charge and afterwards on a cost recovery basis as the enterprises become settled and able to pay for the services received. This way the Chambers could continue to expand these services as self sustained operations. Acquiring such facilities will allow the Chambers to progress on the way to represent private sector interests.

2.3. Institutional Context

In accordance with Dayton Peace Agreement decisions and the agreed Constitution frame for Bosnia and Herzegovina, institutionally this country consists of two Entities: Federation of Bosnia and Herzegovina and Republika Srpska. The Region of Brcko (Northern Bosnia) is in the process to be institutionally organized as a District, directly linked with state institutions. Both Entities have their Governments with relevant Ministries.

The State institutions are:

- S The Presidency of three members (Bosniac, Croat, Serb),
- S The Council of Ministries (in function as Government) consists of three Ministries: the Ministry of Foreign Affairs, the Ministry of Foreign Trade and Economic Relations and the Ministry of Civil Affairs and Communications.

The Ministry of Foreign Trade and Economic Relations is in charge, on behalf of the Council of Ministries, for the foreign economic relations and coordination of economic reconstruction programmes and projects financed by the international community on multilateral or bilateral levels.

All Agreements for the implementation of the internationally pledged funds and technical assistance for programmes and projects in Bosnia and Herzegovina are concluded at multilateral level between international and regional organizations and financial institutions (WB, EBRD, EC, UN programmes and agencies) or on bilateral level (USAID, GTZ and other donors) with the Bosnia and Herzegovina State Level Authorities (Council of Ministries, or relevant Ministries).

For the implementation of the donors' financial sources (grants and long term loans) through the programmes and projects for Bosnia and Herzegovina, the state level institutions have concluded subsidiary agreements with the Entities' Authorities (the Governments or relevant Ministries).

For the implementation of grants or loans on regional level, any donor can conclude direct contracts with the beneficiary.

The Project BiH ARegional Business Development Centers@ was approved and the Project Document signed by Ministry of Foreign Trade and Economic Relations. The Ministry is the cooperation partner and the beneficiary of the Project, UNDP is financially the Project Owner and Coordinator, and UNIDO is the Executing Agency for the Project implementation.

2.4. Project Document

The Project Document was signed in July 1997 and the operations started in the end of 1997. The target beneficiaries of the project were the communities based in the regions of Bihac, Banja Luka and Mostar. As mentioned before, Mostar was later replaced by Zenica for operational reasons.

The ultimate target beneficiaries and end-users of the project have been the entrepreneurs and private SMEs, which had access to support facilities for preparing business plans, cash flow projections and applications for loans from available credit lines. Additionally, potential entrepreneurs with good ideas received training, which allowed to further increase the number of bankable projects.

The main objective of the project was to establish three well-staffed Regional Business Development

Centers to enable entrepreneurs to initiate their own business or to develop existing enterprises.

Considering that Bosnia Herzegovina was coming out of a war and starting its transition from a state planned to a market oriented economy, counselling to private entrepreneurs was considered of great importance to help the development of the private sector.

According to the last detailed financial report on the project at 31.5.1999 (Annex III) the total allotment is US\$681.812. Out of this amount US\$467.745 have been spent in 1997 and 1998 and US\$52.188 have been actually already disbursed this year. US\$143.604 have been already obligated this year, which makes a total of US\$663.537, already spent or obligated at the end of May 1999.

The project document indicated that staff salaries will be paid by the project for the 1-year duration of the project.

The project strategy has been designed to strengthen such capabilities within the existing institutional infrastructure of the Regional Chambers of Economy and Commerce to ensure the Centers' continuation and the sustainability of their activities once the project is completed.

The strategy of the project was also to provide training of national trainers, drawn from the staff of Economic Institutes, to train the staff of the RDBC's as well as individuals, who might become private business consultants. However to achieve results quickly, it was decided to provide the training of the RDBC's staff directly by UNIDO recruited experts. This has been accomplished in an intensive training course of four weeks.

3. PROJECT IMPLEMENTATION

3.1. Establishment of the Regional Business Development Centers (RBDCs)

3.1.1. *Entrepreneur Counselling*

The three RBDCs have focused on preparing business plans and applying for loans from international donor organizations for their clients. The success rate in getting loans approved has been impressive. This is a result of the RBDCs' high competence in preparing business plans and loan applications. According to staff, the average amount of work invested by an RBDC is ten days per business plan. The clients have been referred to the RBDCs by banks, donor organizations, including USAID, CoCs, government bodies and fellow clients.

Many clients expressed their satisfaction with the RBDCs' staff members work in appreciation letters. Hardly any of the clients had ever drafted a business plan before. When the mission asked some of them in the interviews if they had gained skills by working with the RBDCs, some said that they could now easily draft a business plan or file a loan application on their own.

The clients, however, often did not know which donor approved their loan. Especially in the Federation, as opposed to Republika Srpska, their counterparts have been the commercial banks, which act as agents and do the initial screening for the donors. Usually the bank decides which credit line to use. In the Republika Srpska the initial screening is done by a government agency, the Republika Srpska Reconstruction Assistance Project Coordination Unit.

Besides counselling on an individual basis, the RBDCs have done market studies and published information material on marketing, financial and legal issues for their clients.

The RBDC in Banja Luka published brochures on *Available Credit Lines For SMEs in Republika Srpska* and *The Regional Business Development Center Banja Luka*.

The RBDC in Bihac did two studies on *The Financial Market in the Una Sana Canton* and *The Tourism Potential Of The Una Sana Canton*. Besides, it published an *Informative Brochure For Entrepreneurs* in English and Bosnian languages (Annex IV).

The Zenica RBDC published and distributed four brochures on *My Company And How To Be Registered*, *Existing Credit Lines In The Ze-Do Canton*, *Business Plan* and *How To Get A Bank Loan*.

3.1.2. *Managerial Training*

The RBDCs have organized training courses and held seminars, but only on a very limited scale and free of charge. In Bihac and Banja Luka this is due to a Memorandum of Understanding, signed by the International Project Team Coordinator of this Project and the Representative of the UNDP funded and ILO executed project EDA Project (Enterprise Development Agency). According to this Memorandum the RBDCs will focus on drafting business plans and loan applications for entrepreneurs, while the EDAs would organize training courses.

This turned out to be a promising business for the EDAs. Some international donor organizations are seeking training capacities for their clients and are willing to pay for the service. Clients are also willing to pay, especially for English courses. The unemployment rate in BiH is already high. Currently, some 700,000 are out of work. This number is likely to increase when major state owned enterprises will be privatized. Training is the best

chance for the unemployed to find new jobs.

The EDA in Banja Luka has trained hundred entrepreneurs since January 1999. The first ten days they received education in drafting a business plan, then they got five days of computer training. The average number of participants was fifteen in a class.

The EDA in Bihac started in February 1999 a long term seminar on Improving Entrepreneurial Skills. The duration of the course was 234 hours over a period of five months. It included also English lessons and computer training. 18 persons participated. Another program was aimed at potential entrepreneurs in different cities of the Una Sana Canton and had three groups with 80 participants in each group. The courses have been financed by international donors, such as the Phare Vocational and Educational Training Program (VET), which funded three of the EDA's courses. Another potential donor for EDA courses - negotiations are conducted now - is OBNOVA Fund for Quick Impact Facilities. Currently EDA Bihac is holding an English course for 16 participants, who paid DM 350 for 70 hours of teaching programme.

The RBDC in Banja Luka organized a seminar on *Marketing For SMEs*. The RBDC in Bihac held three seminars on *Financing Alternatives For SME Development* (May 12/99, 16 participants), *Empowering Entrepreneurial Skills* (May 27/99, 14 participants) and *Marketing For SMEs - Basic Elements* (June 8/99, 15 participants).

The RBDC in Zenica held two training sessions on *Existing Financial Solutions And How To Get Them* and *Business Plan* and three courses at the Sarajevo CoC on *Pre-Start-Up Of A Business*, *Start-Up Of A Business*, and *Business Plan*. The total number of participants in these five courses was about 100.

3.1.3. Capacity Building (Training of business advisors and training of entrepreneurs)

Most of the training activities of the RDBCs have aimed at the training of the 12 business advisors. They have been initially trained by two international experts recruited by the project.

These experts spent few weeks in each established Center. After a while the RDBCs started organizing free of charge, one day seminars for members of the Associations of private entrepreneurs, employees of the Chambers of Commerce, Municipal associations, staff of banks.

All together the RDCBs have organized 13 seminars divided as follows:

Banja Luka		
Subject	Date	Participants
Available credit lines and applying for loans	July 1998	39
	August 1998	48
(Divided in two sessions due to the high number of participants)		
Venture funds	November 1998	12
Available credit lines and applying for loans(in district Doboј)	March 1999	57
Available credit lines and applying for loans(in district Sipovo)	May 1999	35

Bihac		
Financing for SMEs	May 1999	16
Entrepreneurial skills	May 1999	14
Marketing for SMEs	June 1999	15

Zenica		
Existing financial sources and how to access	February 1998	40
Business plans	June 1998	17
Pre start-up of a business	May 1999	11
Start-up of a business	May 1999	11
Business plans	June 1999	20

In the above tables are not included workshops and conferences in which staff of the Centers have participated. Moreover the staff of the RDCBs has spent substantial time on papers, informative brochures and studies on financial markets and investments, which have been utilized by the banking community and donors.

3.1.4. Access to Financing

In all countries of Central and Eastern Europe, which have gone through the transition from command to market economy and through a major privatization process of the government owned and operated industry, project funding is the core challenge. In Bosnia and Herzegovina this problem was exacerbated by the war, which destroyed so many public and private assets. The SME sector has always been existing in the Country but has been rapidly growing after the war and during the transition of the economy. Therefore, many beginning entrepreneurs are competing for financing with already operating businesses.

The Government of Bosnia and Herzegovina, with the support of the international community has installed a system of mainly international loans and grants. The structure of this system consists of donor organizations, commercial banks and government agencies. Donor organizations are international organizations, governmental organizations of BH and other countries and NGOs. In most cases, the donor organizations work through commercial banks, which act in some cases only as agents and do not bear any loan risk. They receive a commission of, e.g., 2% of the loan amount for their services. In other cases they have to guarantee for the loan

applicant and get usually a higher percentage as a commission.

The largest donors are USAID and the World Bank. USAID has provided about 60% of all private industrial investment capital, a total amount of DM 280 million over the last three years. Initially, USAID dealt only with applications for more than DM 200,000. Now, the minimum is about DM 30,000. Typically, USAID loans have to be paid back within four years. According to the information received, the default rate has been in the range of 25%. USAID pays the banks for processing the loan applications and therefore does not allow the banks to charge the clients, too. However, in a significant number of cases bank employees have offered their consulting services privately to loan applicants for a fee of some DM 2,000 and more, which created a conflict of interest. USAID loans are only available in regions, where US troops are stationed.

The World Bank has provided about DM 130 million in loans, most of which were between DM 25,000 - 300,000.

Other donors include KFW (Kreditanstalt für Wiederaufbau, Germany), GTZ (Gesellschaft für Technische Zusammenarbeit, Germany), Care International, the Turkish Government Credit Line, Sinergija, Plavi Most and the Ministry of Finances (BiH). Some of these organizations also give loans to start-up business, a practice that is not shared by USAID or the World Bank. However, scarce investment capital for starting entrepreneurs and excessive collateral requirements are the most serious obstacles for establishing a new business in BiH. A few donors provide also grants (ICMC, Local Mission from Strasbourg, SFOR-DFID).

3.1.5. Preparation of Business Plans and Loan Applications

For all RBDCs the highest priority has been finding funds for their clients' businesses. Therefore, they consulted many small and medium entrepreneurs and assessed their projects. For viable projects the RBDCs' staff spent in average ten days per case to prepare a business plan and apply for a suitable loan. About half of the loans applied for were granted and most of those have been already disbursed.

The RBDC in Banja Luka had 384 initial contacts with clients and prepared and submitted 56 loan applications, 25 of which have been approved for a total amount of DM 2,650,988. Of this amount, DM 1,930,988 has been disbursed already and generated 182 new jobs, including 83 for women. At present 21 more loan applications for DM 2,232,735 are being examined by the banks.

The RBDC in Bihac had 156 initial contacts with clients and prepared and submitted 66 loan applications, 26 of which have been approved for a total amount of DM 3,124,700. Of this amount, DM 1,044,700 has been disbursed already and generated 55 new jobs, including 15 for women. At present 23 more loan applications for DM 2,066,000 are being examined by the banks.

The RBDC in Zenica had 456 initial contacts with clients and prepared and submitted 98 loan applications, 42 of which have been approved for a total amount of DM 3,700,316, all of which has been disbursed already and generated 144 new jobs, including 57 for women. At present 56 more loan applications for DM 3,546,940 are being examined by the banks.

3.1.6. Target Beneficiaries

The main beneficiaries of the project have been the communities of Bihac, Banja Luka and Zenica regions. The project has contributed to the process of transformation of the regional institutions into viable private sector institutions, offering a range of very important services to the members of entrepreneurs associations, banks and

donors. The end users have been entrepreneurs, private SMEs, banks, donors and Chambers of Commerce in the targeted regions, which through the projects have had access to support facilities for identifying investment opportunities, preparing business plans, cash flow projections and for applying to available credit lines through properly and professionally prepared application.

Furthermore, through the, although limited, training activity of the centers several new potential entrepreneurs have been trained in investment identification, which has increased their capacity to provide ideas for bankable projects. However, the assistance to start up entrepreneurs has been limited due to extreme scarcity of financing possibilities for this category of businesses.

3.1.7. Project Inputs and Budget

In the project document the budget of the project was US\$ 483.000, entirely financed by UNDP for execution through UNIDO. The foreseen duration was of one year. Since the institutional beneficiaries, the government representative, the regional Chambers of Economy of the towns hosting the three RDDBCs, as well as several clients (end users) requested a further extension, the project was first extended till 28 February 1999, because it did not start effectively its operational activities before March 1998, and then for four additional months, i.e. till end June 1999.

This further extension was decided at the Tripartite Review Meeting which took place in Sarajevo on 1 December 1998. Such an extension was granted to accomplish the integration of the RDDBCs into the respective Chambers of Economy and to allow the RDDBCs to register as legal autonomous entities in order to be able to charge fees for business plans and other services rendered.

The integration with the Chambers could not take place during the first year of the project because the local Chambers were not ready to integrate the centers, being themselves in a situation of reorganization and transition and also because the initial document of the project did not exactly consider the time necessary to implement this process.

The evaluation mission has ascertained that the real reason for the extension was not fully understood by the staff of the project (to reach sustainability of the RDDBCs).

The total budget of the project for this four-month extension had only minimal revisions in respect of the original budget. An increase of 10% was made to adjust the salaries of the international experts, since they received lump sum contracts, which did not completely cover travel and accommodation. Local salary were not adjusted. Some minor adjustments were done for travel of Government Officials, for repairs and maintenance of the equipment and for the rent of the office of the centre in Zenica, because the Regional Chamber of Economy already anticipated its need for having back the premises due to a cooperation initiated with other European Chambers. In total to cover the four- month extension the budget was increased by US\$198.812, around 41% of the initial budget.

3.1.8. Interaction with the Chambers of Commerce

The Federation of Bosnia and Herzegovina consists of ten regions called Cantons, after the Swiss model. Seven Cantons have already established CoCs. They are independent NGOs and there is no CoC yet for the whole Federation. Republika Srpska has four Regions, each of which has a CoC. They are subsidiaries of the CoC of Republika Srpska, which is a governmental organization and has its seat in Banja Luka. A new Chamber of Commerce on the State level has not yet been established.

Only in Bihac the RBDC has been registered as an agency of the CoC, as envisaged in the Project Extension Document of February 16, 1999. The other two RBDCs have been registered as 'Citizens' Associations', a type of NGO. Most RBDC staff members were either recommended by the CoCs or worked at the CoC before they were hired by the Project. In two cases staff members work still part-time at the CoC.

Although some cooperation between the RBDCs and the CoCs exists and the relations are good in general, the impact of the RBDCs on the transformation of the CoCs (towards providing better assistance to SMEs) seems very limited. This does not mean, however, that the CoCs themselves would not make efforts for this transformation. In Zenica the RBDC had to vacate its office on the CoC's premises after the expiration of the initial agreement, because the CoC needed for cooperation projects with other European CoCs. These projects are simply more important for the Zenica CoC, but the evaluation mission has been credibly assured by the CoC's vice president that the Chamber hold the RBDC in high esteem and wishes to further cooperate with it in the future.

In general, most of the cooperation between the CoCs and the RBDCs consists of mutual referral of clients, joint participation on trade shows and translation services, provided by the RBDCs for the CoCs.

3.1.9. Interaction with International Agencies, Donors and Banks

Several international donor organizations, governments of other countries, NGOs, financial institutions, agencies for cooperation and private consortia have established credit lines to promote private enterprise development. However, at the local level very little information, education and preparation was available to help potential entrepreneurs benefit from the opportunities offered. The RBDCs have effectively contributed to disseminate this information.

All clients and organizations interviewed rated the RBDCs very high and said that they had improved their business skills because of the RBDC's managerial training and support in drafting business plans. A significant number of clients could get their loan applications approved, which were drafted by the RBDCs.

The financial and donor institutions that were contacted by the evaluation team (USAID, Agroprombanka, Universal Bank, Project Coordination Unit for International Credit Lines of Republica Srpska) said unanimously that the loan applications submitted were far more professionally drafted than most others. Many banks, donor organizations, CoCs and government bodies clients are now referring their clients to the RBDCs. One branch manager of a commercial bank said that not only would the RBDCs draft the best business plans, but their staff's skill in evaluating application would also exceed the capabilities of the bank's loan managers at the branch office.

3.1.10. Reporting of the RBDCs' Activities

The RBDCs have developed considerable presentation skills and used for reporting purposes the newest available software programs. Their presentations and reports look in general quite professional. However, careful reading has often shown inconsistency of facts and numbers and some charts and representations were inaccurate, not relevant or misleading.

The problem, which has been most common and least understood by the RBDC staff, is the non-uniformity of the reports. Every RBDC has its own particular way in describing facts listing numbers in tables. They use different terminology and different categories for activities and results. E.g., the evaluation team found great confusion of terms, such as loans processed, loans granted, loans obligated, loans disbursed, loans paid, etc. This non-standardized approach of reporting made it difficult and time consuming to understand and compare the reports from the RBDCs.

It seems that the lack of continuous availability of and monitoring by the International Project Team Coordinator has caused the non-uniform manner of reporting of the three RBDCs. The evaluation mission also concludes that the training of the RBDC staff in report writing was not sufficient and the instructions not clear enough.

3.1.11. Backstopping and Monitoring by UNIDO and Coordination with the UNDP Office in Bosnia and Herzegovina

The supervision of the International Project Team Coordinator's activities does not seem to have been sufficient. The main reason has been his part-time contract, probably connected to the shortage of funds in the project. The communication between UNIDO HQ and the UNDP Office in Sarajevo was not satisfactory either. According to UNDP staff, inquiries about the progress of the Project, addressed directly to UNIDO HQ, were usually answered by the International Project Team Coordinator instead. The explanations were often evasive and questions remained unanswered. Requested reports were promised to be sent at a later time but apparently never received by UNDP. For example, when UNDP wrote a letter to UNIDO on February 1, 1999, with critical comments and questions regarding the *Progress and Final Report of December 1998*, the International Project Team Coordinator answered on February 19, 1999, on behalf of UNIDO. The explanations were evasive and several questions remained unanswered. The letter promised that UNIDO HQ would send certain requested mission reports of international experts and answers regarding the budget utilization to UNDP. UNDP avers that these items have not been received as yet.

Some IRAs have not been optimally selected, since not all of them had adequate job experience for the project. A young professional without matching working experience is not an appropriate choice. Many local staff members were not really selected according to the job description and in singular cases the educational and professional background of local staff members had no relevance for their function.

The job descriptions for the national staff members were not carefully prepared. As far as it could be verified, Business Advisors and National Team Coordinators had the same job description regardless of their different functions. In all job descriptions for Business Advisors and National Team Coordinators *establishing of office premises and preparation of the staffing table* were listed as duties. These tasks should have been charged to the International Project Team Coordinator instead.

The technical supervision has been judged by the RBDCs' staff as sufficient, but in some cases was missed when needed. A permanent resident International Project Team Coordinator could have ensured better coordination with the UNDP office, which has not been regularly informed on the whereabouts in BiH of the International Project Team Coordinator and of other staff members.

The initially signed Project Document envisaged the establishment of an RBDC in Mostar. Instead, an RBDC was set up in Zenica, due to the impracticability of the original plan because of political differences between the two rivaling Regional CoCs Offices in Mostar and the resulting lack of cooperation in deciding the location of the RBDC in West or East Mostar. The evaluation mission finds the alternative solution justified. However, during the presentation of the findings and recommendations of the evaluation at UNIDO HQ on 22 July, 1999, the First Secretary of the Embassy of Bosnia and Herzegovina to the Republic of Austria criticized this decision and said that overcoming such complications and fostering integration and cooperation in the Country should be part of the agenda of UNDP and UNIDO.

3.1.12. Premises and Equipment

In view of the fact that the Regional Chambers of Economy were the immediate beneficiaries of the project, the initial project design foresaw the location of the RBDCs inside the premises of the Chambers.

As of end of June 1999 two centres, Banja Luka and Bihac, are still hosted by the respective Chambers, while the centre in Zenica since March 1999 had to find some alternative premises, because the Chamber, as mentioned before, was in need of the office space for some other activities. Presently the centre is hosted in an hotel and has to pay a rent of DM1.600 per month.

The equipment of the Centers is as follows:

Banja Luka

4 PCs (one given by the Chamber) with printer
 1 laptop
 1 photocopier machine
 1 fax
 4 phones

Bihac

3 PCs
 1 laptop
 1 printer
 1 photocopier machine
 1 UPS
 1 binding machine
 1 scanner

Zenica

2 PCs Pentium
 1 Printer HP 6L
 1 Telefax
 1 Fax modem
 1 photocopier machine
 1 laptop GVC 6755C
 1 PC

The attribution of this equipment at the end of the project has not yet been decided.

3.2. Project Results and Achievements

3.2.1. Relevance and Management Strategy

The Project has been very relevant for the financial needs of the beneficiaries, the training of small and medium entrepreneurs, as well as capacity building in CoCs and RBDCs. There is a continuous exigency for these and related activities, such as training of bank staff.

The Project approach is suitable to provide the necessary expertise to help entrepreneurs getting loans and enhance their management skills. It has a good multiplication effect in terms of business volume created compared to project funds invested. The training of trainers has built further educational capacities.

The management strategy has made good use of the national capacities, but the expertise of international advisers could be better focused on the initial training of national staff, project coordination and strategy, as opposed to micro-managing the RBDCs.

3.2.2. Effectiveness and Efficiency of the Services Rendered

The preparation of business plans and loan applications has been very effective. Almost fifty percent of the loans applied for have been approved, a total of DM 9.5 million in about 100 loans. The efficiency of this activity was reasonably good. The average time spent per client for analyzing his or her project, preparing a business plan and submitting a loan application was about ten days. Taking into account that the RBDC staff had to acquire experience on the job and that the clients acquired experience in these operations, this amount of time seems appropriate. The effectiveness and efficiency of the other activities of the RBDCs (seminars and publications) are more difficult to quantify. The fact that they were well received and did not consume very much in resources indicates that they were carried out properly, too.

According to the staff of all three RBDCs, the efficiency in visiting clients' enterprises in distant places would have been higher if the RBDCs had their own vehicles.

3.2.3. Appreciation of the Services Rendered by Clients and Institutions

The many appreciation letters from clients, along with the opinions expressed by clients in interviews, leads to the conclusion that the services have been extremely well received. This finding has been corroborated by all institutions interviewed, including banks, donors and governmental authorities. Many of these assured the evaluation mission that the RBDCs have provided the best service available in the Country for loan applications and preparation of business plans for SMEs. The gained reputation of the RBDCs' staff is indeed a major asset for achieving self-sustainability.

3.2.4. Capacity Building

The project has been successful in building capacities of the RBDC staff and clients in terms of business skills. The evaluation mission could not find relevant evidence that the capacities of the CoCs have been enhanced by the Project. Only in Bihac the RBDC has been established as an agency of the CoC for the purpose of legal registration, but otherwise acts rather independently. The capacity built for the RBDCs as institutions can only be retained if the Project will be continued or if the Centres can be integrated in another similar project supported by the donor community in Bosnia and Herzegovina. One might argue that, if there will be no second phase for the Project, some staff members could be hired by the respective CoCs and the CoCs would benefit from the built personal capacities of these staff. However, there is no indication that the focused potential of the RBDCs and their system to assist clients would be sustained by the CoCs.

3.2.5. Significance and Impact

The Project has had a direct positive impact for the beneficiaries, who received loans for their own projects. It has also demonstrated to CoCs, As sociations of Entrepreneurs and financial institutions that systematic education of entrepreneurs by preparing business plans with them significantly improved their skills and probably the viability of their operations.

The Project has also created employment for about 400 people, 40% of which are women. The RBDCs have earned high reputation in front of nationals and institutions of the Country as well as international donors, for themselves and also for UNDP and UNIDO as competent and effective providers of SME support.

3.2.6. Sustainability, Opportunities and Risks

Business consulting appears to be a sustainable activity in BiH, but the degree of sustainability that can be reached in a given time period is a matter of proactive client acquisition, type of services offered, fee structuring and overhead reduction. In the near future the demand for consulting services is going to rise because of the development of the private sector and the imminent privatization of state enterprises on a large scale. This will entail the downsizing of personnel in these enterprises, which can only be compensated by developing the SME sector.

This project has been considered as a pilot project for SME development in other regions of the country. Its expansion could create more employment in manufacturing, services and trading. In case of a continuation of the Project, addressing the employment of women and the needs of displaced or disabled people and returned refugees will deserve particular consideration.

New RBDCs could become sustainable in a shorter period of time by using the gained experience of the Project and thus cutting the learning curve. They would have to face the different conditions in every region, including the differences in fund availability. Together with NGOs and governmental organizations, they should find new ways to get loans for beginning entrepreneurs with realistic collateral requirements.

Providing free services over an extended period of time has to be seen as a risk of the Project, because it creates client dependence and has a counterproductive impact on the clients' entrepreneurial spirit. It also distorts the market for national consulting firms, which are SMEs, too, and have to make a profit. The RBDCs should not constitute an unfair competition for such firms.

3.2.7. Adequacy of Equipment

The equipment in the RBDCs appears to be adequate. Computers and software have been provided according to international standards. Should the activities of the RBDCs be extended to the preparation of feasibility studies, UNIDO should consider allowing them to use its Comfar software and also train the staff accordingly.

The evaluation mission finds that the RBDCs should organize more seminars and training courses. For this purpose the mission recommends to equip them with data projectors (beamers) and presentation software. For computer and language training, but also for training on business plans, more computers would be needed for the trainees.

In case of a second phase of the Project, the new budget should provide for one vehicle for each RBDC in order to improve efficiency when enterprises in distant locations have to be visited. This is usually necessary for the assessment of the quality of the businesses during the preparation of business plans. In many parts of the Country public transport is not yet well developed and taxis are expensive, especially for out-of-town trips.

4. FINDINGS AND CONCLUSIONS

4.1. Background

Bosnia and Herzegovina's economic, social and industrial infrastructures were devastated during the war. Although in the past Socialist Yugoslavia had in general a better functioning economy than the Soviet controlled Eastern European countries and allowed small private enterprises, the industries were mostly government owned and operated by managers appointed by workers' councils. The privatization of the state owned enterprises and the development of the SME sector started in 1999. The country's full transition from state planned economy to market economy has been delayed, as compared to most other Central and Eastern European Countries, due to war consequences and the post-war recovery period. With the political and economic changes in BiH, in the neighbouring countries and world-wide, the markets for both procurement and sales, along with the transportation infrastructure, have also changed.

The development and consolidation of the private sector (micro-, small and medium enterprises) is a key priority for international aid. Most small entrepreneurs have little or no experience in establishing and operating a business in a global market economy.

Several international donor organizations, governments of other countries, NGOs, financial institutions, agencies for cooperation and private consortia have established credit lines to promote private enterprise development. However, at the local level very little information, education and preparation is available to help potential entrepreneurs benefit from the opportunities offered.

The main objectives of the project *Regional Business Development Centres* are to launch and reinforce the private small and medium enterprises of the country and to generate employment by developing the entrepreneurial skills of potential business owners. Apart from providing extensive training, it is crucial to assist qualifying individuals with good ideas and entrepreneurial aspiration in assessing investment opportunities, preparing business plans, identifying available credit facilities, linking potential local private entrepreneurs with loan providers and filing loan applications.

In the scope of the Project, Regional Business Development Centers (RBDC) have been established to provide this assistance. The RBDCs were set up at the Regional Chambers of Commerce (CoC) of Banja Luka,

Bihac and Zenica. Designed as a pilot project for enhancing SME development, this Project should be expandable to other regions of the country.

The Project has to deal simultaneously with several issues:

- S Post-crisis restructuring of the industrial production capacity
- S Transition from state planned to market economy
- S Privatization of state owned enterprises
- S Establish/reestablish links with new/former trading partners, matching the new framework
- S Creating jobs in manufacturing, services and trading, with particular consideration for the employment of women and addressing the needs of displaced people and returned refugees

This project is considered as a pilot project for SME development in other regions of the country

4.2. Achievements

All three RBDCs have focussed on getting loans for their clients from international donor organizations and local banks. They also provide training and hold seminars, but only on a very limited scale. In Bihac and Banja Luka this is due to a Memorandum of Understanding, signed by the International Project Team Coordinator of this Project and the Representative of the UNDP funded and ILO executed project EDA Project (Enterprise Development Agency). According to this Memorandum the RBDCs will focus on drafting business plans and loan applications for entrepreneurs, while the EDAs would organize training courses.

The success rate in getting loans approved has been impressive. This is a result of the RBDCs' high competence in preparing business plans and loan applications.

All clients and organizations interviewed rated the RBDCs very high and said that they had improved their business skills because of the RBDC's managerial training and support in drafting business plans. A significant number of clients could get their loan applications approved, which were drafted by the RBDCs.

The RBDC in Banja Luka had 384 initial contacts with clients and prepared and submitted on behalf of them 56 loan applications, 25 of which have been approved for a total amount of DM 2,650,988. Of this amount, DM 1,930,988 has been disbursed already and generated 182 new jobs, including 83 for women. 21 more loan applications for DM 2,232,735 are being examined by the banks.

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All three RBDCs were very diligent in presenting their activities at regional meetings with the CoCs and in preparing and distributing very useful information material for entrepreneurs, willing to start a business or seeking loans.

The financial and donor institutions that were contacted by the evaluation team (USAID, Agroprombanka,

Universal Bank, Project Coordination Unit for International Credit Lines of Republica Srpska) said unanimously that the loan applications submitted were far more professionally drafted than most others. These organizations also refer loan seekers to the RBDC for help with the applications. The branch manager of Universal Bank in Bihac mentioned that the local RBDC was more competent in evaluating a business plan for a loan than his own office.

The CoCs in Banja Luka and Bihac support fully the operation of the RBDCs. In Bihac the RBDC has been registered as an agency of the CoC with separate accounts. In Banja Luka and Zenica the RBDCs have been registered as Citizens' Associations, a type of NGO. All RBDCs are cooperating with the CoCs and get client referrals from them. While the RBDCs in Banja Luka and Bihac are located on the CoCs' premises, the RBDC in Zenica, which was initially also accommodated in the CoC, had to move to another location in March 1999, because the CoC needed the space for hosting cooperation projects with other European CoCs.

4.3. Sustainability

The RBDCs have not yet started to charge for their services and have been fully financed from UNDP project funds. However, fees are being paid for similar services to other consultants. Several interviewees, including clients and banks, said that fees of DM 2,000 and more are being paid by clients to consultants for filing a loan application. EDA Bihac charged their clients DM 350 for a 30 hours English course and is receiving funds from various organizations (e.g., the EU's Phare Agricultural Program) for training courses offered free of charge to entrepreneurs.

The above mentioned Memorandum of Understanding with the ILO/EDA Project has retarded the rate of approaching sustainability for the RBDC Project and accelerated it for the ILO/EDA Project, because the RBDCs in Banja Luka and Bihac referred their clients to the corresponding EDAs for the profitable training courses.

Business consulting appears to be a sustainable activity in BiH, but the degree of sustainability that can be reached in a given time period is a matter of proactive client acquisition, type of services offered, fee structuring and overhead reduction. In the near future the demand for consulting services is going to rise because of the development of the private sector and the imminent privatization of state enterprises on a large scale. This will entail the downsizing of personnel in these enterprises, which can only be compensated by developing the SME sector.

4.4. Expandability

The operation of the three RBDCs has generated valuable experience for a potential expansion of the Project to other regions of BiH. The achieved advance on the learning curve should facilitate the establishment of future RBDCs at lower cost and reaching sustainability in a shorter time. Consequently, certain modifications in the management and implementation of the project as well as in the portfolio of services offered should be made. The suggested modifications are listed below under **Recommendations**.

4.5. Challenges

Although the cooperation between the RBDCs and donors has significantly facilitated access to international credit lines for SME owners, many problems remain to be solved.

- S** Some donor organizations operate only in certain parts of the country. USAID, e.g., does not provide loans in regions where no US-SFOR troops are stationed.
- S** No major credit lines are available for start-up businesses.
- S** Many entrepreneurs cannot provide the required collateral, which is appraised by the court-experts and

must usually cover the threefold amount of the loan required.

- S Difficult terms and conditions of the loans offered for SMEs: high interest rates, short grace period and short repayment term (2 - 3 years).
- S The RBDCs collaborate well with the CoCs, but there is no indication that they could significantly contribute to the CoC's development as supporting organizations for the private sector.
- S In singular cases (e.g., a loan for a textile factory in the Banja Luka region) notable numbers of female employment have been created and also some of the business owners are women, but the RBDCs do not have a proactive strategy for the enhancement of female employment.
- S The provision of free consulting services is distorting the market, because it competes directly with private consulting firms, which are also mostly private SMEs.

4.6. Center Management and Coordination

A non-resident part-time team coordinator, assisted by international resident advisors (IRA) for each RBDC has managed the Project. It seems that the lack of continuous availability of and monitoring by the International Project Team Coordinator has caused problems for the management and implementation of the project, including the non-uniform manner of operation and reporting of the three RBDCs.

The supervision of the International Project Team Coordinator does not seem to have been sufficient. The communication between UNIDO HQ and the UNDP Office in Sarajevo was not satisfactory either. According to UNDP staff, inquiries about the progress of the Project, addressed directly to UNIDO HQ, were usually answered by the International Project Team Coordinator instead. The explanations were often evasive and questions remained unanswered. Requested reports were promised to be sent at a later time but apparently never received by UNDP.

Some IRAs have not been optimally selected, since not all of them had adequate job experience for the project. A young professional at his first working experience is not an appropriate choice. Many local staff members were not really selected according to the job description and in singular cases the educational and professional background of local staff members had no relevance for their function.

The job descriptions for the national staff members were not carefully prepared. As far as it could be verified, Business Advisors and National Team Coordinators had the same job description regardless of their different functions. In all job descriptions for Business Advisors and National Team Coordinators establishing of office premises and preparation of the staffing table were listed as duties. These tasks should have been charged to the International Project Team Coordinator instead.

The International Project Team Coordinator did not properly brief the IRAs about their duties and obligations. The evaluation mission has discovered that international project staff, in a difficult situation, where also domestic travel should have been submitted to the clearance of the UN Security Coordinator, was travelling without previous authorization. They did not even inform the UNDP office in Sarajevo about their travels.

The technical supervision has been judged by the RBDCs' staff as sufficient, but in some cases was missed when needed. A permanent resident International Project Team Coordinator could have ensured better coordination with the UNDP office, which has not been regularly informed on the whereabouts in BiH of the International Project Team Coordinator and of other staff members.

The RBDCs' staff confirmed that the presence of an IRA would mainly be needed for guidance during the initial phase of operation and for representation purposes in front of clients, banks and international organizations.

The staff also stressed the need for a project car for each RBDC, in particular for visiting clients in the region. Public transportation outside of the cities is slow and complicated and taxis are expensive. Therefore, the ILO Project had foreseen in its budget a car for each EDA.

The initially signed Project Document envisaged the establishment of an RBDC in Mostar. Instead, an RBDC was set up in Zenica, due to the impracticality of the original plan because of political differences between the two rivalling CoCs in Mostar region and the resulting lack of cooperation. The evaluation mission finds the alternative solution justified.

5. RECOMMENDATIONS

The evaluation team concluded that the Project has been successful and has reached its development and immediate objectives, in spite of some shortcomings. The team has the following recommendations to the organizations involved in the Project.

5.1. Recommendations to UNDP

In view of the difficult economic situation in BiH after the war, the continuation of the Project is desirable in order to further support, at least partially, the currently existing structure and create new RBDCs in other regions of the country.

Based on the present findings, the evaluation team recommends to consider the following measures, should the project be continued or a new phase be envisaged, otherwise the money spent for the project and the built capacities in terms of staff and facilities would likely be lost. This is the most important issue, because in this project have been spent around US\$550,000 for personnel costs (US\$266,000 for international staff, US\$239,000 for national business advisors and US\$39,000 for administrative support staff). Without further temporary support all the capacities developed are in jeopardy.

UNDP and UNIDO should brief all staff members on their duties and obligations in regard to security issues.

UNDP should closely monitor the quality and content of the reports received from the International Project Team Coordinator, as well as the reports on budget utilization. This will ensure that differences in opinion on the development of the Project can be resolved at an early stage and mistakes corrected before they cause undesirable consequences. In case of delayed or incomplete response of UNIDO or its agents, UNDP should follow up and insist on clarification.

5.2. Recommendations to UNIDO

Expandability and Project Optimization

For the sustainable territorial expansion of the project it is crucial to carefully select the locations and potential partners, e.g. CoCs or Associations of Entrepreneurs, if any. Much consideration should be given to the economic infrastructure of the regions. In particular, it is important to assess, which enterprises in the regions will be privatized shortly. These enterprises and their spin-offs, but also released employees, will be the new RBDCs potential clients. This also applies to existing RBDCs.

In case of the continuation of the Project, the backstopping management, in consultation with UNDP, local relevant Government Authorities, other donors and the business communities, should seek improved access to credit facilities for start-up businesses, since most of them lack sufficient collateral.

Project Management and Coordination

The single most important improvement to be made is hiring an experienced full-time Resident International Project Team Coordinator (RIPTC) for Bosnia and Herzegovina. He should be based in Sarajevo.

Local IRAs for each RBDC are neither necessary nor desirable, except for the initial technical training of the national staff of new RBDCs. Instead, qualified National Team Coordinators should replace them. They can manage the day-to-day business of the RBDCs, while the RIPTC can periodically visit them, for example twice a month for three days. The telecommunication network in BiH is working well and will facilitate the coordination

of the Project. For new RBDCs an IRA could be assigned for the first three months.

The RIPTCs experience should include:

- S Management of international projects
- S Assistance to private SMEs
- S Specific training for SME operators starting entrepreneurs
- S Preparation of partnership agreements with foreign companies
- S Project appraisal, drafting of business plans and loan applications
- S Cooperation with financial institutions and donors

In view of the territorial expansion of the Project, an International Junior Expert should be appointed to assist the RIPTC in his duties. This Junior Expert should be resident in Sarajevo and have related job experience.

The RIPTC's principal functions should be:

- S Coordinating and supervising the activities of the RBDCs
- S Reviewing and consolidating the RBDCs' monthly reports and forwarding them to UNIDO HQ and UNDP
- S Harmonizing the ways and means of action and reporting of the RBDCs
- S Ensuring proper and clear communication between the RBDCs, UNIDO HQ and UNDP
- S Selecting key personnel for the RBDCs
- S Briefing all RBDC staff members about their duties and obligations
- S Providing training for RBDC staff members
- S Helping the RBDCs compile their portfolios of services
- S Assisting the RBDCs in organizing training courses and seminars
- S Actively promoting and advertising the RBDCs' products
- S Proactively finding new income sources and key accounts for the RBDCs
- S Developing new products with the RBDCs
- S Designing a marketing strategy for all products of the RBDCs
- S Promoting cooperation with UNIDO's Investment and Technology Promotion Offices (ITPO) network to help clients find business partners abroad
- S Representation duties when required

Initially the RIPTC should visit the RBDCs periodically for a few days each time. At a later stage he could dedicate more time to the establishment of new RBDCs.

- S UNIDO HQ should revise its methods of communication and project supervision. In particular, it is highly desirable that UNIDO HQ maintains a direct line of communication with UNDP. UNIDO is responsible in front of UNDP for the proper execution of the Project, and the RIPTC is accountable to UNIDO and not to UNDP.
- S UNIDO and UNDP should brief all staff members on their duties and obligations in regard to security issues.

Definition of Duties

The job descriptions for the international staff and the national staff, including business advisers, RBDC team coordinators and administrative assistants, must be properly written. They should indicate the duties and required qualifications of each individual staff member recruited for the post.

The international staff should have about ten years of experience related to SMEs, since they will have to

train the national business advisers. International advisers without relevant job experience should not be recruited for the training of national advisers, since some of the national advisers, although their English language skills may be limited, could have even more experience than such a trainer.

The staff structure for each RBDC should foresee one Team Coordinator, who could part-time work as a business advisor and also prepare reports and statistics, two to four business advisors (depending on the regional potential business environment) and one administrative assistant (secretary).

Equipment and Transportation

The evaluation mission suggests providing each RBDC with a car. This will enable them to visit their clients more frequently and plan their schedule in a more efficient way. The experience of the EDA/ILO Project, which has a car for each center, shows the advantage of added mobility. Provisions for this budget line can be recovered from funds for budget lines which are no longer necessary.

Apart from standard office and data processing equipment, it is recommended to supply additional facilities for training courses and presentation purposes, such as computers for practising, data projectors (beamers), software, etc.

5.3. Recommendations to the RBDCs

Sustainability

The RBDCs should draft a suitable fee structure for their services. In the case of business plans and loan applications, private consultants charge over DM 2,000 regardless of the outcome. The RBDCs could, for example, charge a low flat fee for the preparation of business plan and loan application and a commission for disbursed loans. This commission should consist of a flat minimum fee and a percentage of the loan dispersed. The reason for this minimum fee is to sustain the RBDCs' motivation to deal with smaller loans. Providing services free of charge creates non-productive client dependence.

Since the Memorandum of Understanding (cooperation agreement) with ILO did not yield any results for them, the RBDCs should explore offering courses in managerial training, sales training, foreign language training, bookkeeping and computer training. The courses could be charged directly to the clients, or they could be financed by international donor organizations, such as the Phare-EU program. In both cases it is essential to sell the product assertively. The reputation earned already should be of great help in advertising the products.

Following the example of the EDA in Bihac, RBDCs should approach donor organizations and offer their services as fund managers. The EDA in Bihac is managing a DM 600,000 revolving fund for the Phare Agricultural Program. The fund is targeted at farmers and pays out loans between DM 5,000 - 15,000 per applicant. The payback term is up to three years, including a six months' grace period. The interest rate is 12%, of which 7% are paid to EDA as a commission. EDA does not bear any risk for the capital at this point. After three years Phare will transfer the whole fund to EDA as a trustee.

In the future, the RBDCs should explore possible diversification of their services into areas such as legal counseling, bookkeeping, tax advising, translating, export promotion consulting, due diligence investigations, feasibility studies, risk assessment (the latter three products are mainly aimed at financial institutions). Obviously, for that purpose they would have to recruit qualified experts or subcontract to free-lance consultants.

All RBDCs should consider organizing training in project appraisal and evaluating loan applications. The

mission noticed that the staff of some local banks does not have the required capability at international standards and even, in some cases lacks understanding of basic principles. Bank representatives have endorsed these findings and expressed interest in this kind of training. This will increase the RBDCs sustainability potential, because the banks could be charged for the training and the loan applications would be processed considerably faster.

Additional Center Activities

The RBDCs should organize more training courses for existing and potential entrepreneurs, as well as for bank staff involved in SME financing. The courses should be offered for a participation fee. New RBDCs could waive this charge for an introduction period.

5.4. Recommendations to the Chambers of Commerce

The CoCs should closely collaborate with the RBDCs and integrate their capacities into their own framework of activities, regardless of the legal form of the RBDCs' registration. The CoCs could subcontract to the RBDCs or cooperate with them in:

- S Organization of member seminars
- S Preparation of information material
- S Translation services
- S Financial and legal consulting to members
- S Organization of fairs and trade exhibitions
- S Export promotion and partner search
- S Investment promotion, in particular through UNIDO's ITPOs
- S Liaisoning with UNDP, UNIDO and other international bodies

5.5. Recommendations for Government Programs

Support for Small and Medium Enterprises

Parallel with the privatization of the industries, support programs for SMEs should be installed. Such programs can include incentives, such as:

- S Creation of a support fund for beginning small entrepreneurs
- S Creation of favorable conditions for foreign direct investment
- S Tax holidays for start-up firms
- S Accelerated depreciation of equipment
- S Tax and duty free import of manufacturing equipment
- S Tax breaks for environmentally sound technologies
- S Tax advantages for the employment of disabled persons
- S Tax advantages for the employment of displaced persons
- S Together with host countries, incentives for returning refugees
- S Research grants for hi-tech firms
- S Harmonization of standards and norms with the EU
- S Protection of intellectual property rights
- S Additionally, the evaluation mission joins UNDP in recommending the following measures as described in UNDP's Human Development Report of 1998 for BiH:

Support for the Reconstruction of the Industrial Sector

- S Funds need to be allocated for necessary technical reconstruction as well as replacement of old, damaged equipment of the existing factories in order to prepare them for production.
- S Funds are also needed for working capital for the existing companies, because the financial reserves were exhausted during the war.
- S Funds need to be invested in new capacities and skills

Investment in Infrastructure

- S Telecommunication is lagging behind technical standards in developed countries. Particularly in RS the conventional telephone system is substandard and, as opposed to the Federation of BiH, there is no developed mobile telephone system in RS.
- S The formation of a stable and sustainable financial sector is a precondition for the rehabilitation of the BiH industry. BiH banks do not have permanent capital sources sufficient for long-term financing of the economy. Financial reconstruction and privatization of banks would be an incentive for the reconstruction of the industrial sector.
- S The industry has a serious problem of inadequate skills at the level of company management. Education and training of management staff are urgently required.

6. LESSONS LEARNED

A part of the experience gained in the Project can be useful for other projects in the future.

- S In large projects with centers on multiple locations it is imperative to employ an experienced full-time Resident International Project Team Coordinator. Only a permanent resident can effectively coordinate and supervise the activities of several teams and guide them in their day-to-day work. The proper selection of this RIPTC is very important for the successful and smooth implementation of the project.
- S Without clearly structured relations and open lines of communication between the Project Owner, the Executing Agency and the Project Coordinator, satisfactory reporting is not achievable. The Project Coordinator should report to the Executing Agency (with copy to the project owner) and the Executing Agency directly to the Project Owner. These responsibilities should in no way be delegated.
- S Recruiting and appropriately training experienced national professionals with a proven success record saves time by cutting the learning curve and is more cost effective than relying on foreign junior advisors without related job experience and language skills.
- S Experienced international advisors should guide the teams initially and educate them by accompanying them to clients and institutions (shadowing/on-the-job training).
- S The careful design of appropriate job descriptions and the according recruiting are essential for finding qualified staff and excluding nepotism. If the job descriptions do not reflect the tasks expected, the incumbents are insecure and do not understand their duties.
- S The need for providing means of transportation should be analyzed in projects that cover a larger territory in order to increase efficiency, especially when the clients are scattered in the region and public transportation is not well developed.
- S Continued provision of free services over an extended period of time causes market distortion and creates client dependency. Charity cannot last long and a businesslike approach enhances understanding of the market economy.
- S Joint in-depth evaluation of a project should take place at least six months before the end of the project in order to assure timely continuation of the activities in case of the extension of the project.

**The Regional Business Development Centers
in Bosnia-Herzegovina**

DP/BIH/97/046

**TERMS OF REFERENCE
OF PROJECT EVALUATION**

1. THE PROJECT

1.1 Historical Background

The Project has been initiated by UNIDO as the executing agency in July 1997. Originally, Bihac, Mostar and Banja Luka were selected as intervention sites and the Chamber of Commerce of BiH was designated as counterpart. Mostar had to be replaced by Zenica, due to lack of interest and cooperation, whereas it turned out that the Chamber of Commerce did not have jurisdiction on state level; therefore agreements were entered into with the respective Regional Chambers of Commerce. The Project was intended to compliment similar efforts of USAID and GTZ. It was designed as a first phase Project to be extended and be expanded in another phase. Actual implementation did not begin until October / November 1997 when agreements were made with the Chambers and the interview process for the staff members for the business centers was started who were trained in a first seminar in December of 1997. Offices were set up and equipment was procured in February of 1998.

1.2 Objectives, main output, budget

The Project Document lists as development objectives: (1) the support of SMEs and (2) the creation of employment. Primary target beneficiaries are private entrepreneurs and secondary targets or intermediaries the institutions representing them, like the Regional Chambers of Commerce.

Immediate objectives according to the Project Document are:

Sto establish 3 well-staffed Regional Business Development Centers that will provide assistance to private SMEs and potential entrepreneurs in the identification of investment opportunities, preparation of investment studies, formulation of business plans and loan applications.

Sto increase the number of investment projects and ongoing private business operations financed through existing credit lines.

1.3 Problem areas, target beneficiaries

Major problem areas to be addressed by the project are: (1) the physical state of the country after several years of war, (2) the resulting economic and political problems, and (3) the lack of adequate financing for the needs of SMEs.

Target beneficiaries are: (1) entrepreneurs / SMEs, and (2) the Regional Chambers of Commerce as institutions representing them.

1.4 Project Management

UNIDO is the executing agency. Since the inception of the Project Messrs. M. Kulur and L. Kurowski functioned as the backstopping officers and since October 1998 Mr. A. Pinto-Rodrigues. The Chief Technical Adviser is non-resident in the country and he works for the project part-time.

2. THE IN-DEPTH EVALUATION

2.1 Purpose, scope and method

2.1.1. Purpose

The evaluation is undertaken to assess the effectiveness, impact and the relevance of the project since its inception, as well as the purpose of the last six-month extension.

The purpose of this in-depth evaluation is to enable the Government of BiH, the donors of the Project, UNIDO and UNDP (1) to assess the implementation of the measures taken since the Tripartite Project Review Meeting on December 1, 1998, (2) to take decisions on any potential further extension of this Project, and (3) to learn lessons from the experience gained for planning new projects and/or programmes in this field.

The evaluation was proposed and agreed upon between all parties concerned in the Tripartite Project Review Meeting on December 1, 1998

2.1.2. Scope

In-depth evaluation is an activity in the project cycle which attempts to determine as systematically and objectively as possible the relevance, efficiency, effectiveness, impact and sustainability of the project. The evaluation will assess the achievements of the project against the objectives, including a re-examination of the relevance of the objectives and of the project design. It will also assess to what extent the assumptions and risks as identified in the project document held.

In particular, the evaluation will address the following issues:

- S The adequacy of the strategy developed in order to ensure the sustainability of the project. As the main reason for the project was to enable the Business Centers to reach sustainability, the evaluation should assess the efficiency of actions undertaken in order to reach this goal.
- S The contribution of the project on the development of the CoC as supporting organizations to the private sector.
- S The contribution of the project on the emergence of the private sector, on the development of the economy and on the creation of the employment.
- S Appropriateness and the adequacy of the management structure established in each Center.
- S Appropriateness and the adequacy of the strategy and the methodology applied by centers related to implementation of the project objectives.
- S The quality of the plans prepared for the enterprises aiming to assist the banking community in evaluating their risk situation.
- S The effectiveness and efficiency of the services rendered by the Centers.
- S Integration of the differences of the conditions of the economy from one region to another in the project methodology.
- S Contribution of the project to the local capacity building and the human resources development.
- S Comparison with similar activities undertaken by the other organizations in the same regions.
- S Cooperation and inter-actions with the other similar projects in the same regions.

- S The quality and timeliness of the reporting.
- S The quality and timeliness of the monitoring and backstopping.
- S The quality and timeliness of the responsiveness of project management to changes in the environment of the project.
- S Adequacy of the equipment provided under the project.
- S The methods applied for performing the evaluation should also include the studying of the documentation at three Centers.
- S Impact on beneficiaries.

2.1.3.Method

The evaluation will be performed by applying the following methods:

- studying the documentation at UNIDO HQ
- interviewing UNIDO backstopping officers and staff
- interviewing of project staff in the 3 Centers in BiH
- meeting and interviewing with 3 Regional Chambers of Commerce presidents and staff (as the immediate beneficiaries)
- meeting and interviewing with the BiH Government representative
- meeting with representatives of SMEs (as beneficiaries) on each of the 3 locations of the project implementation
- briefing, debriefing and consultations with UNDP in Sarajevo.

Although the mission should feel free to discuss with the authorities concerned all matters relevant to its assignment, it is not authorized to make any commitment on behalf of UNIDO or the donor.

2.2Composition of the evaluation team

The evaluation team will be composed as follows:

- Nominee of UNDP (team leader);
- Nominee of client;
- Nominee of UNIDO.

The members of the evaluation team should not have been involved in the designing or implementation of the project and their observations are the direct result of the evaluation carried out in their own capacity.

2.3Timetable and report

The evaluation mission will be briefed and debriefed in Sarajevo at UNDP Office. The foreseen duration is ten days during June 1999. At the end of the field visit, during the debriefing, the evaluation team will present a draft summary of the conclusions and recommendations. The final report will be prepared in accordance with the attached guidelines and will be presented three weeks after the end of the mission.

Basic documentation

The following documents will be used as background information for the evaluation:

- Project Document
- Mid-Term Review Report
- Revised Progress and Final Report
- Minutes of the Tripartite Review Meeting
- Extension requests for 2 months and 4 months periods
- UNDP fax dd. February 1, 1999 and response.
- Budget Extension Revision Document

LIST OF PERSONS MET**SARAJEVO**UNDP

Mr. H. Kolstrup, Officer-in-Charge

Ms. U. Dizdarevic, National Programme Officer, Sectoral and Policy Support Unit

Ms. D. Maglajlic-Bijedic, National Programme Officer

Ministry of Foreign Trade and Economic Relations

Mr. M. Kurtovic, Minister

Ms. N. Savic, Head Department for Cooperation with Phare

Ms. Z. Boljanovic, Senior Officer for Bilateral Cooperation

Chamber of Economy of Sarajevo Canton

Mr. K. Grebo, President

Ms. B. Tankosic, Director of the Sector for Foreign Cooperation

Deutsche Gesellschaft für Technische Zusammenarbeit (GTZ)

Mr. M. Peljto, Local Representative, Deputy Director

BANJA LUKARBDC

Mr. B. Pissalidis, UNIDO International Resident Advisor

Ms. M. Despotovic, Center Coordinator and Business Advisor

Ms. S. Miltasevic, Business Advisor

Ms. J. Vulic, Business Advisor

Ms. D. Ristic, Business Advisor and Lawyer (Part-time)

Ms. S. Scekcic, Administrative Assistant

Private Entrepreneurs

Mr. V. Jotanovic, Director, Saw Mill AJotanovic@

Mr. J. Krcmar, Director Poultry House ALipaja-Komerz@

Mr. V. Jovanic, Director Flower mill AJovanic@

Ms. R. Kuzmanovic, Financial Director of AFAMA@card board production

Chamber of Economy

Mr. R. Trbic, President

Ms. D. Ristic, Secretary General and also Business advisor (Part-time) of the RBDC

Government of Republika Srpska

Mr. S. Prosan, Assistant Minister for Industry, Technology, Handicraft and Private Enterprise and President of the Association of private entrepreneurs in RS

Reconstruction Assistance Project, Project Coordination Unit in Republika Srpska

Ms. G. Dubinovic, Director of Credit Line

AGROPROM BANKA

Mr. M. Soldat, Assistant Director

Mr. M. Marceta, Assistant Director
Ms. V. Grozdanic, Long-term Credit Manager

USAID Business Finance

Ms. M. Kelecevic, Lending Associate

UNDP/ILO project: Enterprise Development Agency (EDA)

Mr. Z. Miovcic, EDA Coordinator

BIHAC

RDBC

Ms. S. Gutlic, Team Coordinator (Part-time)

Ms. A. Midzic, Business Advisor

Mr. N. Kovacevic, Business Advisor

Ms. K. Pandzic, Translator

Ms. E. Duratovic, Administrative Assistant

Ministry of Reconstruction, Development Observance and Venture, UNA-SANA Canton

Mr. H. Nanic, Assistant Minister

Chamber of Economy UNA-SANA Canton

Mr. I. Pasalic, President

Private Entrepreneurs

Mr. Z. Golubovic, Director Kopplast (plastic materials)

Mr. H. Alijagic, Director AMlijekoprodukt@ (milk products)

Mr. M. Ceric, Owner ANedin@ (production toilet paper)

Ms. I. Arnautovic - Ibrahimasic, Director AUnavet@ (agriculture- animals artificial Insemination)

Mr. S. Bajric, Owner ABIMARK@ Trade (equipment for shops)

Association of Entrepreneurs UNA-SANA Canton

Mr. Z. Golubovic, President (also Director of Kopplast)

Universal Banka

Mr. S. Mahmic, Director Branch Bihac

UNDP/ILO project: Enterprise Development Agency (EDA)

Mr. A. Felic, EDA Coordinator

ZENICA

RDBC

Ms. M. Palaloga, UNIDO International Resident Advisor

Ms. A. Malicbegovic, Team Leader and Business Advisor

Ms. A. Kraksner, Business Advisor

Ms. S. Keserovic, Business Advisor

Ms. M. Zdenac, Business Advisor

Ms. E. Mesic, Administrative Assistant

Government of Zenica-Doboj Canton

Mr. B. Salcinovic, President of the Canton
Mr. F. Petricevic, Minister for Industry Energy and Mining
Mr. H. Neimarlija, Deputy Minister for Industry, Energy and Mining
Mr. H. Mustafic, Minister of Agriculture

Chamber of Economy of Zenica-Doboj Canton

Mr. M. Hodzic, Vice President
Ms. V. Dzaferovic, Secretary of the Chamber

Private Entrepreneurs

Mr. N. Koric, Honey Producer
Mr. I. Sinkovic, Deputy Directory, Bakery Kobra
Mr. M. Medic, General Representative GTP (Constructions and production of Chicken Meat)
Mr. A. Jaganjac, Engineer for Industrial Software Development of TERMOMATIK, Production of Electrotechnical Parts

Association of Private Entrepreneurs of the Zenica Region

Mr. B. Skrbic, President

Banks

Ms. R. Ekmescic, SEH-IN Banka, Manager Credit Division, Zenica Branch
Ms. A. Fetic, Credit Officer, Department Long Term Credits, Investiciono-Komercialna, Banka AG.-Zenica
Ms. A. Zukic, Credit Officer, Department Long Term Credits, Investiciono-Komercialna, Banka AG.-Zenica

VIENNA

Embassy of Bosnia and Herzegovina

Mr. N. Rajkovic, First Secretary

UNIDO

Mr. O. Gonzalez-Hernandez, Principal Evaluation Officer
Mr. J. Navratil, Senior Evaluation Officer
Mr. A. Pinto-Rodrigues, Project Manager
Mr. R. Kennedy, Industrial Development Officer

(DETAILED FINANCIAL REPORT OF THE PROJECT AS OF 31 MAY 1999-not attached)

(INFORMATION BROCHURES FOR ENTREPRENEURS)
not attached

CONCEPTUAL FRAMEWORK FOR THE EVALUATION

Project Outputs	Activities	Indicators
Establishment of three RBDCs for assisting private SMEs in identifying business opportunities, drafting business plans and loan applications	Recruitment of international staff and planning Staff training and capacity building Finding and equipping premises for the RBDCs Establishing communication channels and links	Existence and Functionality of the RBDCs Reputation of the RBDCs Sustainability of the RBDCs Initial staff recruited Initial staff trained and exposed Location of the RBDCs Procedures and links established
Staffing table for each RBDC Positions and job descriptions	Determination of number of staff and skills required for each region Preparing of the job descriptions Forecasting the demand for each RBDC in the first year, based on the number of members of the CoCs and associations of entrepreneurs	Job descriptions prepared according to needs for international and national staff members Staffing table prepared Local CoCs and associations of entrepreneurs analysed
Training of national staff for assisting SMEs	Selection of national professionals Training according to requirements Design of training modules	Level and quality of recruited and trained staff Degree of implementation of consulting methods and modules Clients' appreciation Appreciation by donors and banks Number of training seminars held
Methodology and guidelines for the RBDCs	Installation of software for data collection Training of staff in data collection Drafting seminar programmes for each RBDC	Guidelines prepared and information material Data collected and staff trained Seminars and workshops for local entrepreneurs conducted

Project Outputs

30 sector specific investment opportunities presented to entrepreneurs

About 100 entrepreneurs per RBDC assisted in preparing business plans and loan applications

Activities

Collection of information on SMEs
Market analysis for new industries
Profitability analysis
Distribution of information to entrepreneurs

Client visits, consultation, project analysis
Feasibility studies of proposals
Preparation of business plans, cashflow projection, loan applications
Follow-up after loan approval

Indicators

Opportunities analysed and policy advice prepared
Clients contacted
Studies carried out
Policy studies performed
Support to entrepreneurs in terms of clients helped and appreciation earned

Demand for consulting services to SMEs
Number of entrepreneurs counselled and client appreciation
Appreciation by donors and financial institutions
Number of business plans prepared and loan applications submitted
Number and amount of loans applied for
Number and amount of loans disbursed
Default rate and reasons