

Private Sector Development in South-West Serbia

External review May 2011

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List of acronyms

ARRAS	The Association of Regional Development Agencies of Serbia
BE	Business Enabling
CBC	Cross Border Cooperation
ECD	European Commission Delegation (in Serbia)
EU	European Union
Gos	Government of Serbia
GTZ	Gesellschaft fur Technische Zusammenarbeit
IMWG	Inter Municipal Working Group
IPA	Instrument for Pre-Accession Assistance
LED	Local Economic Development
LSG	Local Self-Government
LTO	Local Tourist Organization
MoF	Ministry of Finance
MoERD	Ministry of Economy and Regional Development
MoA	Minister of Agriculture, Trade, Forestry and Water Management
MDG	Millennium Development Goals
MRM	Monitoring and Results Measurement
MSP	Municipal Support Program
M4P	Markets for the poor
NALED	National Alliance for Local Economic Development
NARD	National Agency for Regional Development
NCTD	National Corporation for Tourism Development
PPP	Public Private Partnership
PRO	Municipal Development Program South West Serbia (EU/Swiss)
PSD	Private Sector Development (in South West Serbia)
RARIS	Regional Development Agency Eastern Serbia
RDA	Regional Development Agency
RTO	Regional Tourist Organization
RoS	Republic of Serbia
SCTM	Standing Conference of Towns and Municipalities
SCO	Swiss Cooperation Office
SECO	Swiss Economic Cooperation
SDC	Swiss Development Cooperation
SWS	South West Serbia
SME	Small and Medium Enterprises
TA	Technical Assistance
TOR	Terms of References
NTOS	National Tourist Organization of Serbia
VEEDA	Regional Economic and Entrepreneurship Development Agency of Pcinj District

Executive summary

An independent review of the Private Sector Development in South-West Serbia project (PSD) was conducted in the second half of May 2011. The objectives were to:

- 1) Assess the relevance of the project's approaches in the given development/transition context
- 2) Assess the appropriateness of the implementation set-up, including backstopping, with regard to a proper understanding of the facilitator role, the proper handling of M4P analytical frameworks and corresponding intervention strategies and the perception of the implementer by relevant stakeholders (public and private market players)
- 3) Assess the likelihood of significant scale, employment and income generation of the project interventions
- 4) Provide recommendations on the 3 dimensions mentioned above for the remainder of the current and the following phase.

The project takes the Making Markets Work for the Poor ('M4P') approach and is therefore a facilitator of sustainable change in market systems with the objective to make them more inclusive and generate more employment and income. The review assessed project progress in order to be able to address the questions in the TOR. It found the project has incurred significant delays in implementation, mainly due to the approach being new and the heavy demands made by the research and analysis. Three sectors have been selected and analysed: tourism, fruit production and processing, and meat and dairy. Two interventions in tourism are well underway while two are in the start-up phase. Interventions in fruit are under preparation, while those for meat and dairy still have to be designed.

Progress on building the capacity of the RDA to use the M4P approach is good. The project has not worked to improve the business environment, either in general (as foreseen under outcome 2) or in the selected sectors. Market systems include regulations and procedures, and in an M4P project it would have been appropriate to consider them in the selected sectors. The overall project logframe has not been updated to reflect the project's exclusively sectoral focus and has other weaknesses as well that should be addressed as soon as possible. There are too many indicators, they are not always appropriate, there are no gender-specific outputs or indicators and there are no targets.

The project as designed and as it is being implemented is well aligned with national priorities and its relevance to needs in South-West Serbia is high. It addresses key priorities, i.e. generating employment and increasing incomes through private sector and regional development. The three selected sectors have potential to contribute to this goal and are in need of assistance. PSD has made some progress with regard to establishing coordination with other projects and national institutions, but this can be strengthened, and efforts have to be made to go beyond the exchange of information. Potential synergies with other Swiss-funded project have been insufficiently realised, apart from the sister project with VEEDA (Regional Economic and Entrepreneurship Development Agency of Pcinj District).

With regard to the team's capacity and management and the backstopping support, the project is well-placed overall. There is a good understanding of the M4P approach among most staff members, though there is a need for further training and support in specialised areas. Internal knowledge sharing can also be improved. Backstopping has been instrumental to building staff capacity and the quality of the project's results. The most significant weakness is the Monitoring and Results Measurement (MRM) system, which is currently insufficiently operationalised to be of good use to the project. This needs to be addressed urgently. With regard to PSD's institutional context, the Zlatibor Regional Development Agency (RDA) is going through a turbulent period of transition due to the phasing out of the EU's operational grant. There are few sources that can make up for this loss, and the RDA and its staff

therefore face a period of uncertainty. PSD management and SCO need to ensure that this will not have a detrimental effect on project performance, and monitor developments on a continuous basis.

In its research as well as the implementation of interventions, the project has managed to achieve a meaningful level of stakeholder participation, although it needs to explore ways to keep them better informed. The project functions appropriately as a facilitator, not a service provider, and market actors have accepted and appreciate this. These findings bode well for the future of the project. It has achieved a high level of credibility, which will be an important resource for its facilitation work.

Overall, most critical factors are in place for the project to have an impact on employment and incomes in South-West Serbia:

- Sectors were selected that provide scope for such impact and for scale.
- Research and analysis were appropriate to the M4P approach.
- The intervention designs are rooted in the analysis and are plausible overall.
- Implementation largely follows design and has responded well to opportunities and challenges.
- The relevant market actors are involved.
- Results so far are encouraging, with several improvements in market systems (tourism mostly) that promise to be systemic.

These are overall impressive results, especially given that this is a pioneering M4P project in Serbia, the RDA had to learn to be a facilitator rather than a service provider (a process still ongoing), and the project team had no prior experience in M4P. The learning curve the team has gone through with support from the backstop has been steep and its commitment has been commendable.

However, some important weaknesses need to be addressed:

- The intervention designs do not explicitly address how scale will be achieved, and seem to depend mostly on the assumption that successful innovations will be copied automatically, on a large scale.
- Gender equality issues have not been recognised and are not being addressed, in line with an absence of a gender mainstreaming strategy in the project document or indicators in the logical framework. The project's approach to addressing gender inequalities is inadequate at all levels: needs identification, planning, implementation and Monitoring and Results Measurement.
- The importance of tackling regulatory constraints has not been recognised.

Given the strong foundation laid, the project can now address these and other issues. The following are the review's **main recommendations**. The report includes further recommendations that address more specific issues.

- a) Develop scale strategies for each of the interventions which make explicit how scale will be achieved and which do not depend on the assumption that success will be copied automatically. This should consider the role of 'scale agents', including large players in the private sector (with support from the backstop, i.e. the Springfield Centre).
- b) Conduct Focus Group Discussions with women in each of the sectors to assess how the planned interventions can benefit women more and revise the intervention plans accordingly (with support from a local gender specialist).
- c) Assess the 'market system' around public-private dialogue in the three sectors, in particular as it concerns regulatory constraints. If the analysis indicates this, pilot the Inter-Municipal Working Group mechanism to address regulatory issues in the fruit production and processing sector. In tourism, the RTO Board and the planned rural tourism Council could fulfil a similar function. At

the same time, the project could pursue building the capacity of the most promising associations so they can better fulfil an advocacy function (with support from the backstop).

- d) Revise the project's logframe at an early date, to reflect changes in the project's strategy, reduce the number of indicators to those that are essential and can be assessed realistically, include gender-specific indicators, and include targets including an estimate of the number of people that will be affected (with the backstop).
- e) Strengthen the approach to MRM so that it will contribute more to the project's effective management and enable it to demonstrate with a high level of plausibility that it has contributed to more employment and incomes for a certain number of people. The MRM plans should include gender indicators and targets, should become more operational and foresee primary data collection that focuses on project interventions. Although we believe that adopting the DCED's standard will be too costly for a relatively small project, the approach could apply some of its basic principles and methodologies (with the backstop).
- f) SCO should increase the effectiveness of its coordination among Swiss-funded private sector development projects by taking a more systematic and pro-active approach, with a view to develop synergies and joint work. This could benefit from a paper on the Swiss strategy for private sector development in Serbia (SCO).
- g) Improve the efficiency of and knowledge sharing in the project team, including by changing current office arrangements, joint work on strategic tools/outputs, and avoiding a situation in which one person is responsible for a sector.
- h) Allocate the responsibility to mainstream gender equality issues to one of the team members and ensure that gender issues are addressed at all levels of the project management cycle.
- i) Recruit an MRM specialist for the team and contract primary data collection out to consultants or research firms.
- j) Develop an HRD plan for the team, which should include upgrading of the M4P knowledge of the two junior staff members, and training on overall development concepts and policies (such as the Millennium Development Goals), gender, greening value chains, MRM, and facilitation techniques (with the backstop).
- k) Do not reduce the intensity of backstopping before all interventions have been designed and are underway.
- l) Provide more specialised support in different areas of expertise, such as for the revision of the logframe, developing a better approach to MRM, and improving facilitation techniques. The backstop and the team should further assess these needs together. They should preferably be met through on-the-job, practical guidance rather than courses (with the backstop).
- m) Monitor developments in the financial, governance and management situation at the RDA on a continuous basis and develop a contingency plan to deal with the uncertainties around the RDA's future (project and SCO).
- n) As the project a) has had a slow start and incurred significant delays; b) has spent only about a third of its budget; c) has had encouraging results in spite of having to grapple with a new methodology; d) will need some additional time to act on the above recommendations, we support a no-cost extension of the project to enable it to produce significant results in the three selected sectors and demonstrate that it has had an impact on employment and incomes for large numbers of people.

Given that the project is still in an early stage of implementation, the review team advises that a definitive decision on a second phase should be taken in a year's time only. In the current situation, we would support a second phase on condition that the project's key weaknesses are addressed and the

project is showing promising results also on the fruit and dairy/meat sectors. The review report includes some suggestions that could be taken into account when a new phase is being formulated.

1. Introduction

The objectives of this independent review of the 'Private Sector Development in South-West Serbia' project (PSD) were to:

- 1) Assess the relevance of the project's approaches in the given development/transition context
- 2) Assess the appropriateness of the implementation set-up, including backstopping, with regard to a proper understanding of the facilitator role, the proper handling of M4P analytical frameworks and corresponding intervention strategies and the perception of the implementer by relevant stakeholders (public and private market players)
- 3) Assess the likelihood of significant scale, employment and income generation of the project interventions
- 4) Provide recommendations on the 3 dimensions mentioned above for the remainder of the current and the following phase.

The Terms of Reference provided a number of specific questions under these headings (see Annex 1).

Field work in Belgrade and South-West Serbia took place between 16 and 24 May 2011. The list of people met is attached in Annex 2. The review was carried out by Roel Hakemulder and Mladen Momcilovic.

This report is largely structured according to the TOR. However, some of the specific questions under items 1) and 2) relate to the likelihood of impact and are considered in that context. We start with a brief description of the review methodology, followed by a description of the project's approach. Project progress is assessed on Chapter 4, followed in Chapter 5 by consideration of the project's relevance and coordination issues. Chapter 6 looks at issues of process under the headings participation and facilitation. Chapter 7 considers project management and other institutional issues, while Chapter 8 finally looks at whether it is likely that the project will achieve its goal. Conclusions and recommendations complete the report.

2. Review methodology

On the basis of the TOR the review team prepared an Evaluation Matrix indicating how we expected to obtain the required information (Annex 3) and a standard list of questions for different groups of stakeholders (Annex 4). We reviewed the reports and documents listed in the TOR, as well as further documents provided by the project and various stakeholders. These included 'intervention reports' on the four interventions in the tourism sector, prepared by the project team as an input into the review.

We met with 33 stakeholders, through interviews and a Focus Group Discussion. They provided a representative balance of private and public sector market actors the project partners with, as well as national level bodies to which the project relates. We had two briefings by SCO, a phone discussion with Richard Kohli from SDC Bern, two skype discussions with the backstop, Matthias Herr of the Springfield Centre, and four extensive discussions with the project team and individual team members. Feedback on the draft report was provided by all of these.

We much appreciate the inputs of the project stakeholders, SCO/SDC staff, and in particular the project team, which has been very forthcoming with information and ideas, and open to all questions and suggestions.

3. Project approach

The average rate of official unemployment in the ten municipalities covered by the project was 30.2 % in 2009, while total unofficial unemployment is thought to be significantly higher¹. The project document identified this high level of unemployment, especially among the young, as a key problem the project aimed to address, but it defined its goal more broadly, as:

‘Improved economic opportunities and wellbeing of citizens in South-West Serbia’ (project goal)

The project purpose is formulated to reflect the approach to achieving this goal, i.e.:

‘To promote a more enabling environment for inclusive private sector development in South-West Serbia’ (project purpose).

Enabling environment is used in a broad sense in this context, to include regulations and policies, supporting functions like business services, finance and infrastructure, and the institutions or enterprises that implement or deliver them².

The three project outcomes as stated in the logframe that is included in the project document are:

- 1) Increased performance of at least 3 sectors – which includes outputs on increased performance of value chain actors, increased access to business services, increased cooperation and coordination and improved business and authority engagement.
- 2) Business environment – with outputs on improved dialogue between business and authorities and an increased role of media in business.
- 3) Capacity development of the Regional Development Agency (RDA) – with outputs on capacities in market analysis and facilitation / generation of strategic plans and information generation, knowledge management and sharing.

The project takes the ‘Making Markets Work for the Poor’ (M4P) approach to achieve the first two outcomes, which should lead to ‘a more enabling environment’. This approach aims at achieving lasting change that benefits large numbers of poor or otherwise excluded people. Using the approach means that PSD:

- 1) Addresses underlying causes rather than symptoms of low performance of market systems, so that change will have an impact throughout the system, be lasting, and make markets more inclusive.
- 2) Works with actors in the market system, to improve the way they function in that system.
- 3) Builds on incentives of market actors (e.g. higher profits, greater recognition) so changes will be sustainable.
- 4) Acts as a facilitator of change/improvement in the way market actors function; it does not replace these actors or take on functions in market systems itself.
- 5) Facilitates ‘crowding in’, i.e. the process whereby successful change on a small scale leads to broader, system-wide change when new market actors adopt them, or enter a specific market system.

In M4P research to understand market systems and identify underlying causes of underperformance is followed by design of interventions that are based on impact logics (results chains) and reflected in detailed but flexible intervention strategies/plans. Interventions are usually tested on a small scale, which may lead to changes or further implementation. Monitoring of results and impact assessment are

¹ http://www.siepa.gov.rs/files/pdf/Stope_nezaposlenosti_u_2009_godini.pdf

² See Annex 5 for a diagram of the market system often used to explain these distinctions.

based on the impact logics, and aim at establishing that changes in income or employment can plausibly be attributed to project interventions.

Some practical implications of the approach are that a project such as PSD:

- Does not provide services to enterprises but may support development or testing of such services by market actors if they address an underlying cause of low performance of the market system.
- May choose to address constraints in the regulatory environment by strengthening advocacy capacities or public-private dialogue rather than advocating for change directly.
- Usually insist on co-funding from market actors for any activity. Activities are co-funded to reduce the risk that market actors run when they innovate.

The PSD project was the first in Serbia to adopt the approach, and so far its sister project in South Serbia with the Regional Economic and Entrepreneurship Development Agency of Pčinj District (VEEDA) is the only one to follow.

4. Project progress

PSD started 1 May 2009 and will be completed in April 2012. It has therefore just started its third and final year. In this Chapter we will briefly consider the progress made in this period, as this is relevant to many of the issues included in the TOR (such as whether it is likely PSD will reach its goal).

Progress is usually assessed against a logframe, but the logframe included in PSD's project document was provisional and was to be revised on the basis of research findings and initial experience. This has not yet been done, although the project as implemented deviates in several ways from its design. The most significant change is that the project has focussed exclusively on outcome 1, improving the performance of three sectors. They are tourism, fruit and dairy/meat, which were selected from five that had been pre-selected in the identification phase (forestry and wood processing was not selected, while dairy and meat were joined). Outcome 2, an improved business environment, does not refer to addressing constraints in the three sectors, and the outputs (dialogue, role of media) and activities (e.g. identify opportunities and constraints in the business environment) appear to indicate generic rather than sectoral interventions. This has outcome has not been addressed and there is no intention to do so.

PSD has informed SCO of this change and there has been agreement that it was appropriate. The review mission concurs. In market systems development projects it is generally more effective to address regulatory constraints in particular sectoral markets, as one element in a more holistic approach to improving the performance of such markets. Addressing generic, non-sectoral regulatory constraints (e.g. business registration) may improve the 'ease of doing business', but when other constraints remain in place, the ultimate effect is likely to be limited. In our view, therefore, the project design should have foreseen that the project would address 'business environment' (regulatory, policy) issues that affect the three market systems it was to work in. This would have been covered by outcome 1.

Table 1, below, summarises the project's progress on outcome 1. A more detailed overview is provided in Annex 6. Overall, there has been good progress on the research on the three selected market systems, and on two of the seven interventions designed so far. It is fair to conclude that this is less than expected, and that significant delays were incurred. It took some five months to conduct rapid assessments of the five pre-selected sectors and select three. The research and reporting on tourism and fruit lasted five and eight months respectively. The first intervention therefore started only nine months after the project's start, the second a further three months later, and some still have to be

designed. The original project document foresaw, optimistically, that interventions for all sectors would start in the project's seventh month.

Table 1 – Project progress 'Increased performance of at least 3 sectors'

	Research	Report	Intervention design	Intervention implementation
Tourism	Completed (from Oct. 2009 to Feb. 2010)	Published (March 2010)	Completed, 4 interventions designed	2 fully operational, with initial pilots completed and follow-up activities underway (Introduce regional promotion and market research – from Feb. 2010; develop rural tourism – from May 2010), 2 started, with initial activities ongoing (improve the training system – from April 2011; improve coordination – from Feb. 2010)
Fruit	Completed (From Feb. to Sept. 2010)	Published (Oct. 2010)	Completed, 3 interventions designed	2 in starting up phase, with initial activities in preparation (improve quality and productivity – from Nov. 2010, capacity of cooperatives – from March 2011), 1 to start (market research capacity)
Meat/Dairy	Completed (from Jan. to Apr. 2011)	Draft	To be done	To be done

The delays are partly due to the M4P approach being new to the team, and the high demands made by the research and analysis, which aim at identifying systemic constraints rather than the lists of 'problems faced by SMEs' one usually finds in similar studies. The RDA also had to be reoriented from a service providing to a facilitation role, which is a difficult and still ongoing process whose outcome is not yet certain. In addition, as advised by the backstop, the project decided on a phased approach to starting the sectoral work: It completed the research and initiated interventions in one sector before starting with another. This was appropriate: starting in all three sectors simultaneously would have overwhelmed the team and probably confused its partners. Three other factors have contributed to the delays:

- More intensive and frequent interaction (i.e. from both sides) with Springfield could have avoided some of the start-up delays (e.g. a rewrite of the first report).
- The introduction of a value chain analysis methodology by Springfield was very useful but could have come earlier. M4P provides an analytical framework, it is not a research tool. Such tools therefore need to complement it, and the project team initially did not have them.
- The team is overstretched and had to deal with some staff showing little capacity to apply the approach (see Chapter 7).

Implementation of some of the interventions is also proceeding at a relatively slow pace. The project can only facilitate and depends on its partners (market actors) to implement. As many partners are in

the public sector and need to follow their procedures, delays were to be expected. Some noted that they were unable to keep up with the speed PSD required.

None of the designed interventions addresses regulatory or policy issues specifically. In other words, while the project decided, appropriately, not to address generic business environment improvement, it is not doing so in its selected sectors either. We heard several explanations from various parties, ranging from a concern not to overlap or compete with other business environment initiatives, SECO/IFC's 'guillotine' pilot project in Uzice in particular, to 'perhaps these issues were not prioritised'. However, the other initiatives did not cover all municipalities included in PSD, and did not have a sectoral focus. The risk of duplication was therefore minimal, while the opportunities for synergies were probably many. The reports on the in-depth market analyses do not demonstrate that regulatory and policy constraints were assessed adequately, although sector representatives mentioned some several times to the review team. The lack of attention to these aspects of the market system may therefore have started at the research stage rather than having been the result of prioritisation. It is not uncommon for M4P projects to emphasize support functions, probably because they can be affected more easily. We believe, though, that the project would do well to address this weakness. We will further address this in Chapter 8.

Table 2 summarizes progress on Outcome 3. Capacity building for RDA has rightly focussed on the M4P approach rather than the broader 'capacities in market analysis and facilitation/generation of strategic plans' foreseen in the logframe. Progress on providing PSD staff with capacity to implement M4P is good overall. In addition to the trainings here listed, informal on-the-job knowledge sharing has also taken place between the backstop and the team, among team members and between VEEADA and PSD. However, although the project has made good use of opportunities as they arose, no strategy has been developed to achieve this outcome and the activities have been somewhat ad hoc. We will return to this in Chapter 7.

PSD has done briefings on its approach to other RDA staff. The project reports that this has resulted in some PSD staff applying aspects of the approach in their own work. We have not been able to validate this. Overall, though, capacity building has focussed on the PSD team, which was appropriate at this stage.

Table 2 – Training received

Training	Of 5 current team members
M4P training in Glasgow	3
Value Chain Development	3
Monitoring and evaluation, DECD standard	4
Gender and M4P	1

In terms of 'information generation, knowledge management and sharing' (also under this outcome) significant progress has been made as well. The project has developed a website in English and Serbian (<http://www.rrazlatibor.co.rs/psd/>) with information on its goals and approach, and downloadable publications. Recently it has prepared intervention reports on progress and first results of its work in the tourism sector, which are still in draft form but provide useful information.

We conclude that the project has incurred delays, but that good progress has nevertheless been made, especially in the tourism sector and in building the capacity of the team. The project as implemented diverges significantly from the design, and this needs to be reflected in a revised logframe.

5. Alignment, relevance and coordination

In this Chapter we will consider how well the project is aligned with national and donor priorities and strategies, how relevant it is to national and regional needs, and how well it coordinates with national level institutions and other projects.

5.1 Alignment and relevance to needs

Over the past several years Serbian economy has struggled to enhance its competitiveness and develop its private sector. Currently the country ranks low on all global measures of competitiveness and the business enabling environment, among the lowest in the region³. In the wake of the global crisis, GDP growth has slowed (1.7% is projected for 2011), poverty increased to 7.9%, and unemployment is at a high of more than 20%. Strong and growing regional disparities and rapid rural-urban migration, especially of youth, are other prominent aspects of the current situation.

In this context, private sector and regional development are key priorities of the GoS and the donors, including SDC and SECO⁴. The main other donors in these areas have included the EU, World Bank, International Financial Corporation, the Swedish International Development Agency, the US Agency for International Development, and the German Ministry of Foreign Affairs.

Much of the support has been in the area of regulatory reform, to enhance the business enabling environment, partly in support of the Regulatory Reform Strategy.⁵ The so-called regulatory 'guillotine' is a process of identifying all the out of date, redundant, and mutually incompatible laws and regulations, and then amending or deleting these. Thus far this process resulted in detecting some 2,000 laws and regulations that hamper business activities. This led to the eradication of 192 regulations, with amendments to 304 laws and regulations. It is estimated that this resulted in annual cost savings to businesses of around EUR 50.8 million. Pilots of this process at the sub-national level were funded by SECO, and will continue under the 2010-2013 Swiss cooperation strategy. New USAID projects on the national and local level, the Business Enabling Project⁶ and the Sustainable Local Development Programme⁷, also focus on the business enabling environment.

The GoS has also introduced compulsory Regulatory Impact Assessments for each new law and regulation. The Council for Regulatory Reform of Serbia, set up by the GoS in 2003, has been empowered to coordinate and control the Regulatory Impact Assessments performed by line ministries. The main overall goal of this reform is to meet the target of reducing the administrative costs of operation for businesses by at least 25% by 2011. The Government has established a Regulatory Review Unit as an expert body that is implementing this reform.⁸ At the level of implementation, the establishment of the Serbian Business Registers Agency⁹ ensured the quicker and less costly opening of businesses and registration of companies.

³ For details, see <http://www.doingbusiness.org/~media/FPDKM/Doing%20Business/Documents/Profiles/Country/DB11/SRB.pdf> and <http://gcr.weforum.org/gcr2010/>

⁴ See www.swiss-cooperation.admin.ch/serbia/ressources/resource_en_186713.pdf for the Swiss Cooperation Strategy, the MoERD's emerging Regional Development Policy <http://www.merr.gov.rs/en/codeljenje-politiku-regionalnog-razvoja-IPA-projekte>, the GoS National Sustainable Development Strategy which covers the importance of balanced regional development <http://www.odrzivi-razvoj.gov.rs/eng/o-projektu/>, and the GoS Poverty Reduction Strategy http://www.ngoserbia.com/res/poverty_reduction_strategy.pdf which refers to the importance of the private sector development..

⁵ For more please consult <http://info.worldbank.org/etools/docs/library/240928/REGULATORY%20REFORM%20STRATEGY.pdf>

⁶ See <http://www.bep.rs/> and <http://serbia.usaid.gov/program-updates/latest-news-and-events/serbia.896.html>

⁷ See <http://serbia.usaid.gov/program-updates/latest-news-and-events/serbia.896.html?newsYear=2011>

⁸ For more details please see <http://www.naled-serbia.org/documents/lavirint/Quaterly%20report%201%202011.pdf> and

⁹ For more details see <http://www.apr.gov.rs/eng/Home.aspx>

Efforts to address other aspects of market systems that affect Serbia's competitiveness are being made as well, including again by SDC and SECO. Much has been and continues to be done to improve the financial sector, infrastructure, and, to a lesser extent, business development services to SMEs. Some of the EU funded assistance aims at enabling Serbian enterprises to meet European and global standards. Much effort has been dedicated towards creating a homogeneous model of business support services and improving the business support infrastructure that will boost the creation of more private companies, and advance competitiveness.

While much has been accomplished in respect to regional development¹⁰, it has remained a sensitive political issue and serious impediments to the development of nascent Local Self Governments (LSGs) and regional development efforts remain. The visible work done in many LSGs over the past few years (Swiss funded as well, besides EU, USAID, ADA, GIZ etc.)¹¹, and discussions on preparations for EU-accession, contributed to a certain shifting of this stance over the past few years and to recent initiatives of many line ministries and some political parties that now consider regionalization of Serbia as necessary, and place regional development higher on the political agenda.

Within this context, PSD appears at the same time well-aligned, relevant, and exceptional. It addresses two national priorities, i.e. private sector and regional development. It also aims at creating more economic opportunities and so reducing unemployment and poverty. This fits well within the SDC/SECO strategy too. Its approach is exceptional, though. Much other support focuses on single aspects of the overall market system (e.g. regulation) rather than taking a specific market system (e.g. fruit production and processing) and aiming at facilitating lasting change that will make this system more effective and inclusive. Value chain development also appears to be a new approach. Furthermore, much support includes direct or heavily subsidized enterprise level assistance, such as free training and advice and grants for a variety of purposes. PSD's M4P approach does not include these, in principle. PSD therefore goes against the grain of most other programmes, which is difficult for a small project since it does not match the expectations of the 'beneficiaries'. As we will see in Chapter 6, it has nevertheless managed to find acceptance and credibility and has so established itself as a successful pioneer of a new approach to private sector development.

Another way in which PSD is different is its lack of attention to the regulatory environment. Since much support is being provided in this area already, this could be justified by the need to avoid duplication and competition. However, as noted in the preceding Chapter, given its sectoral and regional focus, the actual risks are small and in fact the scope for synergies and collaboration seems greater.

With regard to the choice of sectors and the interventions that are being supported, the review team found that the relevance and alignment of the project is very high and undisputed. The sectors are important in South-West Serbia and have the potential to generate new economic opportunities. The sector research reports indicate a need for change in the respective market systems if this potential is to be realized. This need is not being addressed by other initiatives.

The interventions in the tourism sector are in line with the national Tourism Strategy, which is being revised and supported by the EU funded project for 'Support to the Implementation of the Tourism Strategy of Serbia'.¹² The strategy prescribes a number of measures, some of which have already been

¹⁰ For more details see <http://www.merr.gov.rs/en>

¹¹ For several years various international donors, among which SECO, SDC, EU, USAID, and others have been offering funding and institutional TA to Serbia in strengthening its socio-economic situation through different means. Many of these programs and projects are/were targeting regional and/or local level (e.g. Swiss funded MSP), while others concentrate on providing TA and capacity building at national level. Zlatibor RDA benefited from the Regional Socio-Economic Development Program 2 that focused on the provision of operational grants to RDAs (component 3).

¹² <http://www.tourismsupport.rs/about-project-0>

supported by PSD, such as reaching out to international tourist fairs, and conducting research aimed at detecting bottlenecks that hamper development in regional tourism. National agencies such as the National Tourism Organisation of Serbia (NTOS) and the National Corporation for Tourism Development (NCTD) are very supportive of the project's activities such as regional promotion and the development of rural service providers and campsites. This also indicates a high level of alignment, as well as the potential for PSD to contribute to policy dialogue in this sector (see 5.2 below).

The interventions in fruit and meat and dairy are still to be designed or are in an early stage of implementation and it is therefore hard to assess them against the relevant national strategic frameworks, such as National Agricultural Programme 2010-2013¹³ and Rural Development Strategy Plan 2010-2013¹⁴. For the available planned interventions and for the research the review team can say that there are a number of commonalities with the issues and measures found in the two national strategic documents. These include the recognition of unclear ownership structures, overly small holdings, and inadequate application of standards in the production and processing of foods. Other reference points include the common recognition of the fact that the weak and low outreach advisory and training services have contributed to the low productivity and quality of goods and produce, as well as that weak cooperatives and a lack of market research led to poor marketing and insufficient innovation practices.

5.2 Coordination

PSD is making good progress at establishing coordination with other projects and national level institutions, in particular in the tourism sector. Relations with the NTOS and the MoERD's Department of Tourism are constructive. The good position PSD enjoys with the Ministry and the NTOS is illustrative of this and so are other concrete activities PSD was engaged in on the national level. Coordination with the NTOS was instrumental in organizing the successful representation of South-West Serbia at various fairs. PSD is well connected with the above mentioned EU funded project on the revision of the national strategy on tourism, which organized a workshop on 'SMEs' role in tourism projects and their contribution to the implementation of Tourism Development Strategy of the Republic of Serbia', in which PSD took part. Some of PSD's suggestions were taken on board, so it potentially influenced national policy and strategy. SCO played a useful role in initiating collaboration with GIZ's tourism project in East Serbia, with which a joint study tour to Switzerland was undertaken. Communication with GIZ on vocational training for tourism is yet to offer concrete results as the project interventions in this area unfold.

The review team observed there is scope for strengthening of coordination within the areas of fruits, and dairy and meat. Direct cooperation with the Ministry of Agriculture (MoA) and potentially other partners still had to be initiated at the time of the review. The review team was told by the MoA representative that the Ministry is open to new cooperation with the Zlatibor RDA, and PSD should explore this opportunity now, at the start of its interventions. PSD may also have to increase its awareness of various EU funded initiatives that affect these sectors, such as EU subsidies to raspberry cold stores to take on agronomists. This is very similar to some of the project's plans for the fruit sector.

Beyond sectoral coordination, communication seems largely limited to the MoERD. This relationship has to be further developed in order to achieve concrete results.

The project has established a useful relationship with its sister project VEEDA. PSD reports the sharing of experience is beneficial, though the two projects are yet to explore more concrete synergies. SCO

¹³ http://www.mpt.gov.rs/download/nacionalniProgram_en.pdf

¹⁴ <http://www.mpt.gov.rs/download/4827011.0062.9-1.pdf>

helped establish cooperation with the SECO Swiss Trade Cooperation Programme, whose experts provided training on agricultural standards at a PSD organised seminar. Coordination with other important programmes such as PRO¹⁵ and the Municipal Support Programme (MSP)¹⁶, both former Swiss funded projects, is absent. They may be relevant indirectly only, but since their area was governance, which also affects the private sector, there should be scope for complementarities. There has been no significant coordination with the SECO/IFC sub-regional 'regulatory guillotine' project either, though Uzice was one of the pilot municipalities. There should clearly be scope for synergies between PSD and the follow-up to this project, which should be explored.

This points towards the need for more pro-active coordination between Swiss-funded private sector development projects. In spite of the best intentions, projects can seldom be relied on to coordinate among themselves as they are focused on achieving their specific objectives. SCO regularly invites PSD to coordination meetings with other Swiss funded private sector development projects and has made commendable case by case efforts to achieve synergies. However, a more systematic approach may be needed. This could for instance comprise facilitating workshops among projects that specifically focus on developing synergies and concrete joint work. Such workshops would result in workplans for collaboration that projects would be allowed to allocate funds to, that they could be held accountable for and whose implementation SCO could facilitate and monitor, including through follow-up meetings. It would also be useful to develop a paper on the Swiss strategy for private sector development in Serbia that would include an account of how the different initiatives are meant to reinforce each other. This would be a point of reference for SCO as well as the projects.

Finally, as we will see in section 8.7, the project has already achieved some good results, especially in the tourism sector. We believe that by the end of the year SCO, PSD and VEEDA should therefore start planning for promoting the M4P approach more broadly to the GoS, donors and development agencies. The two RDA networks could be one possible channel for such promotion, while donor coordination forums are another. A future for the approach in Serbia is unlikely unless a 'market' for it will gradually be established, and this means stimulating demand as much as building capacity on the supply side.

In conclusion: The project is well aligned with national priorities and its relevance to needs in South-West Serbia is high. Some progress has been made with regard to establishing coordination with other projects and national institutions, but this can be strengthened, and efforts have to be made to go further beyond the exchange of information.

6. Participation and facilitation

This Chapter considers the relationship between PSD and its stakeholders: the extent to PSD's approach is participatory, how the project gives meaning to its role as facilitator, and how stakeholders perceive the project.

6.1 Participation in research, design, implementation

The project's research on the three sectors has covered a wide range of relevant stakeholders in the private and public sector, who were interviewed or participated in Focus Group Discussions. They

¹⁵ <http://www.undp.org.rs/index.cfm?event=public.projectsDetails&revid=8ED15465-3FF2-8C75-268AA91C7AE949C9>

¹⁶ <http://www.msp.co.rs/en/index.html>. Although MSP has now been completed, its follow-up institution, MSP Ltd. is a functioning independent company that contains institutional memory and functionalities that could prove valuable to RDA and PSD.

included representatives of several levels in Government structures and institutions as well as in value chains (input suppliers, producers, service providers, processor, large buyers, etc.). Some were consulted more than once, and the most interested stakeholders were asked for comments on draft reports. This is positive.

Market actors were not engaged in the steering of the research, which was fully done by the project. This may have saved time, and the project initially probably did not have the credibility to involve key market actors. Also, members of a steering group could have had expectations from the project which it was not going to fulfil. On the other hand, involving stakeholders in steering research could enhance ownership over and acceptability of the results, and could also contribute to the quality of the information and analysis. Overall, at the time PSD probably made the right choice to stay in control of the research itself. If further sectors are to be tackled in future, it will have to consider the pros and cons of this anew.

Stakeholders were involved to some extent in the design of the interventions. While the activities in each of the intervention areas identified through the research were initially decided on by the project team, this was followed by discussions with potential partners and their feedback was taken into account. The project also constituted an advisory committee for each sector (two so far) with which activities were discussed. However, these committees meet annually only, and there is therefore little opportunity for them to function as a genuine touchstone and to provide advice on activities.

Whether the project involves the right partners in its interventions we will consider in Chapter 8, since this has a direct impact on the interventions' plausibility. With regard to market actors not directly involved, we found that their knowledge and understanding of the ongoing or proposed interventions was not always very good. Also, partners for one intervention often knew little about other interventions in their sector. The events at which the sector reports were presented to stakeholders covered intervention areas but not the details of what the project planned to do, since these had not yet been determined. The infrequent (annual) meetings of the sectoral advisory committees and the PSD electronic newsletters appear to be insufficient to keep stakeholders (not only direct partners) well informed. Given the wide coverage of the research and the expectations that may have been raised, the project may have to consider ways to improve this. This would also strengthen its facilitation role and open up opportunities to explore synergies between interventions. Informal electronic means of communication, such as a page on a social networking site, could be an attractive option. The interactive nature of such media may make them more effective.

6.2 The project's facilitation role

A facilitator '...is external to the market system but seeks to bring about change within a market system...'¹⁷. As such, it does not take on the functions of market actors but provides support to enable them to perform their functions better or take on new functions, including with regard to regulatory change. We found that this is well understood by the project team, which makes a conscious effort to give it meaning in practice. The M4P course in Glasgow and the backstopping missions have been important in this regard. The project team has initially found it difficult to 'remain in the background' as a facilitator, but this is no longer a significant issue.

There has not been enough time for the team's facilitation role with respect to implementation of interventions to evolve significantly. With respect to the research and design of interventions, though, we understand from the backstopping reports and the project team that its ability to apply the M4P

¹⁷ SDC, DFID, 'The operational guide for the making markets work for the poor (M4P) approach', 2008

analytical framework has developed significantly. As we will see this is reflected in the good quality of the research and intervention designs.

In the interventions that are currently ongoing, overall the team has done well at supporting market actors to bring about change. The line between facilitation and direct support is a fine one, though, and the project needs to continue to ask itself for each activity whether it is not doing something that market actors are already doing or could do in a better working market system, and whether it supports 'one-off' activities or changes that could become systemic.

Another issue concerns the efficiency of the way the project facilitates. It was our impression that in practice much facilitation consists of having meetings with different groups of market actors, which often have few concrete results and require further meetings. The project and the backstop could consider how it could give more structure to these processes. This could for instance involve using improved meeting facilitation techniques. It could also mean providing partners earlier on with an explicit 'offer' that states what a specific partnership would comprise, what would be the benefits, what the project proposes to contribute, and what it expects from the partner(s). Preferably, this should include providing a simple business model for what is proposed. This could for instance be useful to convince travel agents that providing services to rural tourism providers is in their interest. When it proves difficult to come to an agreement with a group of market actors, the project could also consider going ahead with a few and develop an approach to facilitate scaling up later in the process.

6.3 Perception of the project and its approach by partners

The partners' comments on the project team, its approach, and its achievements were overwhelmingly positive. There is hardly any awareness of 'M4P' and the project has not made a conscious effort to explain its approach to its partners, believing it would be too academic and not essential. This is appropriate, as long as partners, and market actors generally, know what to expect from the project. This does seem to be the case. Most understand and accept that the project facilitates and does not provide direct support, and appreciate that facilitation is an important role. Facilitation is mostly viewed as bringing stakeholders together so they can better address issues important to their sector. In just a few instances did those we met suggest the project should provide more direct support, and these did not include direct partners.

The difference between support and facilitation may, however, not always be obvious to those who receive it. For instance, to a rural household that receives free advice and cost-sharing to start a camp site, the assistance is not unlike what it has received from other programmes. The difference lies of course in *how* this assistance is provided, i.e. not directly by the project but through a market actor who, it is assumed, will continue this function, and that the objective is to catalyse larger scale change rather than providing as much direct support as possible. However, similar households may well wonder why support to them is not forthcoming, and the project needs to ensure that this is clear.

Partners commented very positively on the project's research and reports, indicating this was the first time this kind of research had been done, the work was very thorough, covered the relevant stakeholders and took their opinions into account, and the analysis of their sector was valid.

There was hardly any impatience among stakeholders with the long time it took to complete the research and get interventions going. Given the quality of the end result, it seemed to have been worth the wait.

Interventions were commented on positively as well, with regard to their quality (e.g. the brochure and virtual tours promoting South-West Serbia, the study tours for rural tourism providers) and importance to the sector (e.g. participation in international fairs, promoting development of rural tourism).

Overall, we conclude that the project has managed to achieve a meaningful level of stakeholder participation in its activities, although it needs to explore ways to keep them better informed. The project functions appropriately as a facilitator, not a service provider, market actors have accepted and appreciate this. These are major achievements, and the findings bode well for the future of the project. It has achieved a high level of credibility, which will be an important resource for its facilitation work.

7. Management and institutional setting

Below we consider the appropriateness and effectiveness of the institutional set up for the project: the project team and management, backstopping and the Zlatibor RDA which is the implementing organisation. We look at the most important management tools, the logical framework and the Monitoring and Results Measurement (MRM) system, in a separate section.

7.1 Project team and management

The review team found the PSD Program's team to be qualified, committed, and very capable. Most important management procedures are in place, although as we will see in the next section the MRM system is still inadequate. Procedures and tools in place include contracts with job descriptions, regular staff performance appraisals, work plans, clear reporting lines, and some professional development.

Also PSD's leadership has so far been effective at keeping the separation of work between the Zlatibor RDA and the project very clear. Management has dealt appropriately with the inadequate competence of an earlier staff member, who was eventually transferred to other RDA assignments. This has improved and sped up the work on the dairy and meat sector.

A general atmosphere of good teamwork prevails within PSD. People work collaboratively towards a common goal. However, the team appears to be overstretched, with a workload that is more than it can handle. This has contributed to delays in implementation and weaknesses in MRM, gender mainstreaming, and coordinative functions. The team size may not be sufficient to cover its growing and increasingly demanding portfolio. There is a lack of expertise in key areas which needs to be addressed, by adding a staff member for MRM, and allocating responsibility for gender mainstreaming to one of the team members.

Furthermore it appears that there is much scope for improving internal knowledge sharing to develop the team's capacity. The team seems to be divided between those more experienced and trained on M4P and those less so. They are even seated accordingly in two separate offices. The two less experienced staff manage alone one sector each (out of three). Much of the interaction on substantive issues is by e-mail as team members find no time to meet due to the workload. There is a need to encourage more joint work on strategic tools and outputs, and more efficient allocation of staff to avoid the situation of 'one staff member one sector'. The assignments of the team members could be revisited especially to avoid the allocation of an entire project area to one junior project member.

Overall, we found the team's understanding of the M4P approach to be good, though this could be strengthened for the two junior staff members. This constitutes a huge learning curve for them and represents a pioneering effort in the support to the West Balkans. More planned staff development would increase the team's capacity in specific areas of expertise. Although PSD made good use of opportunities for training (see Chapter 4) it misses a staff development plan. Based on our assessment and interaction with the team, overall development concepts and policies (such as the Millennium Development Goals), gender, greening value chains, MRM, and facilitation techniques, are among the topic that should be covered.

The changes here suggested aim at bringing the future performance of the team more in line with the increasing demands made by the project. The team should take these and the delays that have been incurred into account to come up with a new, more realistic project work plan that sets out the activities and resources necessary to achieve the project's objectives, and includes milestones that are achievable.

7.2 Logframe, monitoring and results measurement, reporting

The logical framework, sectoral impact logics (results chains) and Monitoring and Results Measurement (MRM) plans each have an essential role to play in the project's management. PSD's logical framework should define the strategic framework on which the project is based, i.e. the overall project impact logic (please refer to Figure 1 in section 8.3). It should define in general terms what the project's goal is and how the project intends to achieve it. It should provide SDC with information on how many people, women and men, will benefit from improved economic opportunities, how much their incomes will increase and/or how many jobs will result, and assure it that this will be the consequence of systemic and therefore sustainable change.

The particulars of how this will be achieved, i.e. through which specific interventions and activities, are laid down in the impact logics for each of the interventions in the selected sectors. These show how the sectoral interventions will lead to systemic change and eventually better incomes and more jobs. They enable the project to think through and plan its interventions and to make a plausible case that change in incomes and employment is at least partly attributable to its activities. The impact logics are linked to Monitoring and Results Measurement (MRM) plans that foresee collection of information for indicators on each level of the impact logic and so provide information that will enable the project to monitor progress, adjust its interventions if necessary, and demonstrate what effect its activities have at the different levels of the impact logic.

The key indicators in the sectoral impact logics should be those in the logframe (e.g. number of people who increase their income, systemic change) and it should be possible to aggregate the information that comes out of the MRM system to provide the information required by the logframe (e.g. add up the numbers of people who increase their income due to the sectoral interventions to a total in the logframe). While the logframe is of particular importance to SDC and for purposes of evaluation, the impact logics and MRM plans are of primary importance to the project in the first place. The logframe should be changed only in consultation with and with the approval of SDC, if there are important changes in strategy or key conditions – one should not keep moving the goal posts. The impact logics on the other hand can be changed by the project as required, based on experience, new opportunities, and changing conditions. Although such changes do not require SDC involvement, they should be justified and documented for the project's own record and learning.

If we now turn to the particulars of PSD's logical framework, we have already noted in Chapter 4 that the logframe included in the project document was provisional, and has not yet been updated. Changes in the project's strategy have therefore not been reflected. Furthermore, the logframe includes a large number of indicators, some of which are placed at the wrong level. For instance, income and employment have been included as indicators for 'a more enabling environment' (purpose) rather than 'improved economic opportunities' (goal). Gender-related indicators have not been included, which has had repercussions on the way the project has dealt with gender, as we will see in the next chapter. Tackling the structural inequalities and imbalanced power relations between different groups in society stands as one of the key principles of SDC¹⁸ and constitutes a goal and precondition for any development

¹⁸Please see http://www.swiss-cooperation.admin.ch/serbia/en/Home/Domains_Programs_and_Small_Projects/Gender_as_a_Cross_cutting_Theme

program, project, or intervention. The GoS has adopted the Gender Equality Act (December 2009) and signed the Convention on the Elimination of All Forms of Discrimination Against Women and has taken steps to meet the Convention's goal. A revised logframe should reflect this priority.

Nearly none of the indicators has a target. I.e. *how much* productivity, the rate of under-qualified persons, or incomes are expected to change is not indicated. *How many* people or enterprises are expected to be affected by the systemic changes facilitated by the project is also not stated. The lack of targets is not at all unusual for an M4P project in the start-up phase, when sectors still have to be selected, research to be done, and interventions to be designed and tested. We believe, though, that the project has now reached the stage that initial targets for key indicators can be defined. These are likely to have to be revised again later on, when more pilots have demonstrated impact, but continuing without targets deprives the project of an important management tool and would eventually make a project evaluation not very meaningful. The first setting of targets would also be the right occasion for the project to reconsider the indicators and other aspects of the logframe.

The project has developed impact logics (results chains) for all its interventions, and plans for MRM (Monitoring and Results Measurement) that are linked to these. They include indicators and suggested means to assess them for each of the levels in these logics, and foresee use of secondary sources as well as primary data collection. Key indicators are similar to what is or should have been in the logframe, and aggregation of data for these is possible in principle.

Overall, this is appropriate, but the MRM plans need to be strengthened in several ways. In the first place, like the logframe, most indicators do not yet have targets and it will therefore be difficult to determine to what extent interventions are a success. For instance, 'number of new rural enterprises offer rural services' is a good indicator for the intervention to promote rural tourism, but whether 10 or 1,000 enterprises do so will be the difference between failure and success. Given the research it has done, we believe the project is now in a good position to start setting targets.

Another area for improvement is gender disaggregation, which we believe should be standard in an MRM system. Given the project's intention to benefit young people specifically, indicators that reflect this could also be considered.

At another level, more still needs to be done to make the plans operational. For instance, before the project can assess the impact of higher productivity and quality in the fruit sector, 'interviews with producers and processors of fruit' will have to be specified to indicate what type of interviews, with how many producers and how many processors, and in which areas. It is also not always clear to what extent a baseline and impact assessments are foreseen in specific areas targeted by the interventions or whether the project will rely on secondary data. In general, assessments of impact on incomes, employment or economic opportunities seem to rely too much on secondary data sources that are known to be unreliable and for which it will be hard to attribute changes to project interventions. More targeted approaches, where baseline data are collected for instance among a representative sample of the raspberry producers that supply to two of the cold stores the project will work with, are more likely to demonstrate impact. If this is foreseen, it is not clear from the plans and the project is not making preparations for it. Several interventions have started up, and their target areas have become defined, so this would be the time to collect baseline data.

The lack of an operational dimension to the plans is one reason for their not being fully utilized by the project. The main monitoring is at the level of work plans and compilation of secondary data, which are being collected and processed regularly (quarterly). Other elements of the MRM plans still need to be fully applied, while these would, in fact, be more useful to the project at this stage.

An MRM plan should also provide for the monitoring of external risks that could affect a project. PSD runs such risks, for instance in relation to the possible collapse of the berries market or the deterioration of the Zlatibor RDA. The project needs to be able to address such risks through an informed and well structured process that allows risk to be understood and managed proactively, optimizing project success by minimizing threats and maximizing opportunities.

Given these weaknesses, the ability of the project to engage in project cycle management in terms of the appropriate preparation, implementation and evaluation of interventions is weakened.

In addition to the suggestion to revise the logframe at an early date, the review team recommends that PSD hires an additional staff member with expertise in MRM who will, with the team and backstopping support, revise and operationalise the MRM plans, and be responsible for managing their implementation. For data collection, the project should in addition contract qualified consultants or research firms.

Although we do not recommend that the project adopts the Donor Committee for Enterprise Development's standard for MRM, which would be too costly for a relatively small project, we do believe the project can learn from the standard. Some of its principles and methodologies should inform the revised logframe and MRM system.

Review of the project's operational and semi-annual reports made clear that there is scope for improved quality of reporting. Although the reports are informative in terms of what the project does, they do not provide a clear and substantive account of where the project stands and offer little analysis. A format should be developed that addresses these weaknesses. The intervention reports the project prepared just before the review, on the other hand, are a good start at documenting interventions more substantively. Those done so far do need further work before they are made available more widely.

7.3 Backstopping

After reviewing the very good available backstop's reports from the field, and after numerous interviews with the PSD team and the backstop, the review team finds that their relationship, although bumpy at times, was instrumental in setting the project on the right track and achieving the initial results. It is particularly clear that the high quality of the three sectoral reports is partly due to the guidance from the backstop. Even more importantly, the discussions between the team and the backstop regarding the need to adapt M4P to the Serbian context, which often reflected a conflict of viewpoints, were constructive and contributed to a good understanding of the new M4P approach especially among team members who also went to the Glasgow training. The discussions also led to recognition on both sides of the local development context and the need for adaptation of the M4P approach so as to take this into consideration. This concerned the need to work with Government institutions in particular.

Overall the backstopping relationship was well-timed and sufficient in intensity, though in the initial period the project could have benefitted more, for instance by having earlier consultations on the first research reports. Currently there appears again to be scope for improving communication. That the team is more confident in its ability to implement the M4P approach should not yet lead it to reduce interaction with the backstop. The stage the project is currently in is critical, with interventions in the fruit sector just starting up and those in meat/dairy still having to be designed.

An earlier introduction of value chain analysis and development could have benefited the research and design of initial interventions. M4P provides an analytical framework, but not the tools and methodologies needed to do research and analysis within that framework. Initially the team did not have these and was uncertain about how to move forward. The backstop could also have played a role

in avoiding the neglect of regulatory aspects of the selected market systems, but seems not to have considered this a priority.

The most important present need is for specialized support to address the specific requirements of the project. These include the revision of the logframe, further developing and operationalising the approach to MRM, gender mainstreaming and improving facilitation techniques. Some of this support can be provided locally. General support on the M4P approach can be gradually reduced in intensity once all interventions are underway.

7.4 Institutional setting

Regional economic inequalities in Serbia are enormous. Besides the LSGs, the chief agents that seek to address this by facilitating economic growth and providing services that support it are seen to be the RDAs, which are quasi-public organizations set up at the regional level. As limited liability companies they are part owned and financed by the municipalities that form the region covered by these agencies.

The RDAs play a potentially important role in the process of administrative and governance decentralization, which has suffered from the existing gap or missing administrative level between the central government and the 145 municipalities and cities. The policy and strategy for development of this level of government is somewhat in flux, victim of the *feudalization*¹⁹ of government, lack of joint policies and political will, and all too frequent changes in line ministries' leadership and public servant positions. The relic 21 administrative districts still exist and perform mostly inspection functions for central level line ministries while EU support for these is nonexistent. Instead, the EU has strongly supported the RDAs, which are meant to fill the gap. However, for the EU they should be independent entities facilitating processes of regional development, while the government sees them as subject to an accreditation process under the MoERD, without providing funding to RDAs but rather letting RDAs engage in a process of commencing partnerships with central administration and seeking contracts for services at the local level. This dilemma over the strategic identity of RDAs, whether they should be facilitative agents or service providers, looms over their future. While the facilitative role is more in line with regional development needs, the service role is the one to pay for the core operation since the funding from the EU is being stopped.

The Zlatibor RDA has been caught in this dilemma that could endanger its sustainability and PSD's operations as well as the prospects for the preservation of the M4P methodology. The 0.5 million EUR annual support for its core operation will be phased out in June 2011. In spite of a number of secured contracts that are partly to replace this, the RDA still lacks a clear prospect of sustainability that is to offer organizational and institutional security for PSD. Following two unsuccessful attempts by EU-funded external consultants to develop a business plan acceptable to the RDA's Board, RSEDP II²⁰ engaged national consultants to do so, and a draft is now available. Some of the plan rests on untested assumptions which, like the LSGs paying 100% of their dues, are unlikely to hold true. As shown in Table 3, the income from projects is expected to decline significantly, adding to the loss of EU funds.

Table 3 – RDA Zlatibor's projected income from projects

¹⁹ A compartmentalization of the government where ministerial leaderships and even its management level positions have been not allocated on the merit but rather were thrown to the winning political parties per certain electoral key as a consequence of which any common platform, coordination, let alone joint policy can not be sustained.

²⁰ Launched in June 2009, RSEDP 2 is the M€ 4.9 EU-funded Technical Assistance Project to improve the capacities of the Regional Development Agencies (RDAs).

Assumed (Donor Funded) Projects (EUR)	2010	2011	2012	2013
CBC Projects (1)	25,000			
CBC Projects (2)		75,000		
RSEDP II Projects (1)	15,000	25,000	80,000	
RSEDP II Projects (2)		40,000		
IPA Projects				50,000
SDC-PSD Project	300,000	500,000	200,000	
Total	340,000	640,000	280,000	50,000

Source: p.23 in "ZRDA Business Plan 2011-2013", December 2010.

In addition, one of the chief problems of many RDAs is that their current strategic, organizational, and expert capacities could be stronger. While the review team was told that the Zlatibor RDA does better than most, it was also told that the best part of its cadre is actually in PSD. This raises the question of how the RDA will deliver its income generating services when the core of its staff is committed to facilitative development work.

A further obvious set of risks comes from the fact that the support and interest of the funding LSGs towards the RDA is rather low and that it is a big question if it will grow in the future. Especially alarming is that this lack of ownership has been already translated into a low level of the RDA's accountability on strategic and tactical development issues. Formally all is fine and over the past half year three meetings of the Assembly took place verifying all important decisions prepared by the temporary RDA leadership. However, a real debate on current issues and related decision-making was absent. These range from the choice of the RDA's leadership to the ongoing debate over the nature of its future mandate. It also includes the issue of national alliances of RDAs, where the Zlatibor RDA currently serves as the presiding member of ARRAS, a new Serbian RDA alliance that competes with another sponsored by NARD. The RDAs appear unable to unite and speak with one voice in the necessary dialogue over their mandates and roles with the central government and negotiations with the line ministries over implementation of national policies on the local and regional level.

On the positive side, with M4P PSD has brought on board a new development approach which could be utilized by the RDA to perform its facilitative development function. This, together with tapping into the service sector by being awarded national ministerial disbursements, represents a strategic opportunity for successful transition of the RDA away from dependence on EU core funding towards sustainability based on a hybrid model of service and facilitative development approaches.

PSD is also contributing positively to the reputation of the RDA. All of our interlocutors were very commendable of the project and mostly interchangeably referred to it as the RDA. People like what PSD has been doing, find the results so far pioneering and beneficial and see it as the effort of the RDA. This perception of the RDA could also be a positive factor in the transition strategy and could eventually lead to the RDA's owners being more ready to pay their dues and it attracting more projects.

This is, however, a longer-term prospect. At present, the disparity between the former core grant and available resources has already led to the creation of RDA staff lay-off lists. The challenge is to survive this difficult transition period without harming the institutional setting for PSD and the development perspectives for RDA itself.

The review team recommends a continuous monitoring by SCO of the RDA's efforts to achieve sustainability and of the independence of PSD's operations. A contingency plan could contribute to maintaining the project's effectiveness in an uncertain institutional environment. It is also recommended for PSD's management to continue limiting the team's involvement in other RDA work.

Finally, although ideally a facilitator should work mostly ‘behind the scenes’, we believe that in the current situation more visibility for PSD as an RDA project is justifiable. It would contribute to the RDA’s sustainability and the longer term use of the M4P approach.

In conclusion: With regard to the team’s capacity and management and the backstopping support, the project is well-placed overall, though there is a need for further training and support in specialised areas. The most significant weakness is the MRM system. This needs to be addressed urgently, including through recruitment of a specialist in this area. The RDA is going through a turbulent period of transition, of which the outcome is still uncertain. Project management and SCO need to ensure that this will not have a detrimental effect on project performance.

8. Results, plausibility of eventual impact

In this chapter we will consider whether the project is likely to achieve its goal of increased economic opportunities and well-being of citizens in South-West Serbia. The TOR for the assessment specifically asks whether the project interventions are likely to achieve:

- Significant scale
- Employment
- Income generation

Given that the project does not have an updated logframe and targets for indicators, what we will be able to say about the project achieving its goal will have to be preliminary in nature. However, a tentative assessment can be made by considering the following issues (also drawn from the TOR):

- Has the project selected sectors in which scale, employment and income generation are likely?
- What is the quality of the research and analysis – has it identified the critical constraints that need to be addressed?
- Are the designed interventions plausible – are they rooted in the analysis, do they make a good case they will achieve impact on employment and income?
- Are the right market actors involved?
- Do the intervention strategies make a good case for achieving scale?
- How are the interventions being implemented, what challenges have been encountered?
- What are the results so far that shed light on the plausibility of the interventions – in terms of systemic change and impact on employment and incomes?

We will consider the transversal themes governance and gender for each issue when relevant.

8.1 Sector selection

The project has adapted the usual M4P sector selection criteria, which aim at ensuring the greatest benefits for the poor, to:

- Relevance to the regional economy, including with regard to number of people involved.
- Growth potential, with an emphasis on the potential for creating income and employment.
- Intervention potential – the feasibility of the project stimulating systemic change.

In line with the actual situation in South-West Serbia, with high unemployment rates, especially among the young, low growth in rural areas, and rapid rural-urban migration, the project decided that rather than the poor generally, its priority target groups should be:

- Young people
- The unemployed
- The rural population

In addition the project considered the cross-cutting issues of:

- Gender – potential for positive impact on women
- Potential environmental impact.

The review team supports these adaptations. The project continues to target the poor but has defined sub-sections of the poor that need to be considered specifically, while at the same time also including people who are not poor but nevertheless excluded from the benefits of market systems. This is an appropriate response to the priority problems in the project area.

Selection was based on the study SDC conducted in 2007/2008 and rapid market assessments the project carried out in the five sectors this study identified. This was a thorough process, and to the extent the review team could assess, the selected sectors are appropriate in relation to the project's goal. Within the limits imposed by the project's geographical focus, the research reports indicate that the selected sectors offer significant scope to reach scale – some 3,000 people are employed in tourism (not counting those in the 'grey' economy), and 2,100 and 3,700 households have respectively fruit growing and meat and dairy as their first source of income. In fruit, cold stores employ some 1,500 workers, and the sector engages 5,000 seasonal workers. Tourism could be considered a potential economic driver in the region, with many other sectors providing supplies or services, including the fruit and meat/dairy sectors. The selected sectors also offer good scope for creating employment and income for women, as they are already engaged.

Critical issues the project needs to monitor and address when necessary are:

- The extent to which young people can be attracted to agricultural sectors such as fruit and meat/dairy. Although this is likely to be limited, the project believes there is significant scope for youth in input supply, processing, marketing and support services.
- The demand situation in the fruit sector, where raspberries as well as other fruit suffer from strong competition in export markets. This sector is in decline and may be in serious trouble. It will have to change rapidly (including in accordance with the project's intervention strategies) if it is to survive.

The project team is aware of these concerns.

8.2 Quality of the research and analysis

The project's research on the three sectors has involved a wide range of relevant stakeholders for primary data collection. The project also collected data from secondary sources, some of which are not very reliable (e.g. government statistics on tourism arrivals) but to which there were no alternatives.

The analysis made use of the M4P framework as well as value chain analysis. In line with the M4P approach much effort was made to identify the causes that underlie the symptoms of market underperformance. Table 4 lists these for the fruit and tourism sectors. In retrospect, some of the analysis could have been tighter. For instance, the project is now considering 'weak coordination' in tourism as a constraint it addresses through the interventions linked to other causes. This makes sense, as coordination and cooperation appear to lie at the root of most of the issues identified. Generally, though, the analysis presented in the reports makes a good case for the identified causes underlying market underperformance. The meat/dairy report is still being finalised but appears to be similarly thorough.

The research does not seem to have adequately considered the rules, regulations and procedures that affect the functioning of these market systems. This also means that the transversal theme of governance has not been covered systematically, although the research has considered public institutions and the way they function.

Table 4 – Summary of symptoms, underlying causes and main interventions in two sectors

Symptoms	Causes	Main interventions
Tourism		
Lack of skilled human resources	<ul style="list-style-type: none"> • No public-private cooperation • No promotion of tourism professions • Negative image of tourism professions 	<ul style="list-style-type: none"> • Private sector on school boards • Promotion of the schools and the profession • Guidelines for training in hotels
Lack of regional promotion/marketing	<ul style="list-style-type: none"> • No research and development functions • No cooperation on promotion • Lack of funds 	<ul style="list-style-type: none"> • Demonstrate use of research • Develop research capacity • Demonstrate regional promotion (pilots) • Develop and implement a regional marketing plan
Weak coordination	<ul style="list-style-type: none"> • Weak LTOs and absence of dialogue • Lack of public-private partnerships 	<ul style="list-style-type: none"> • Private sector representation on TO boards • Build associations and link them to public sector
Weak innovation, R&D	<ul style="list-style-type: none"> • Weak LTOs • Few services to develop rural tourism from travel agents 	<ul style="list-style-type: none"> • Build capacity of TOs and TAs and build relationships among them • Link them to rural households • Develop rural tourism offer
Fruit		
Low productivity and quality	<ul style="list-style-type: none"> • Weak and low outreach advisory and training services 	<ul style="list-style-type: none"> • Build in-house capacity of cold stores to provide advisory services
Inadequate marketing of processed fruits	<ul style="list-style-type: none"> • Near collapse of involved cooperatives • Lack of support for cooperatives 	<ul style="list-style-type: none"> • Capacity building for the cooperatives • Pilot marketing activities
Lack of innovation	<ul style="list-style-type: none"> • No market research function 	<ul style="list-style-type: none"> • Support market research • Pilot international promotion

While a positive potential impact on women was one of the sector selection criteria, the research reports do not reflect that gender equality issues have been covered in a systematic manner. I.e. where and in what positions women are found in the value chain, what constraints they face to benefit from the market system and how this affects gender equality has not been analysed. The project team appears to have assumed this was not a priority in Serbia and the lack of gender mainstreaming in the project document and logframe provided a certain basis for this assumption. It is likely that gender inequality in Serbia is less than in many other countries²¹. That it is not a priority issue in the selected

²¹ Neither the UNDP Gender Equality Index nor Social Watch's Gender Equity Index nor the OECD's Social Institutions and Gender Index have results for Serbia so far. Other countries in the region are usually ranked between 30 and 40 out of 169 countries on UNDP's index. That there is room for improvement in Serbia is indicated by <http://genderindex.org/country-serbia-and-montenegro>

sectors should, however, not be assumed but come out of the research. Moreover, many facts point in the other direction, for instance with regard to unequal access to credit and women's disempowerment in rural economic activities.

The project's concern with the environment, as indicated in the sector selection criteria, is also not reflected in the research reports although the potential environmental impact of each of the three sectors could be great.

8.3 Plausibility of interventions as designed

The main interventions that have been designed are mentioned in Table 4 above. They address the identified underlying causes of market underperformance, and if successful are therefore likely to result in systemic change. They also take into account the institutional weaknesses among market actors, such as Local Tourism Organisations (LTOs) and the Regional Tourism Organisation (RTO), and try to address these.

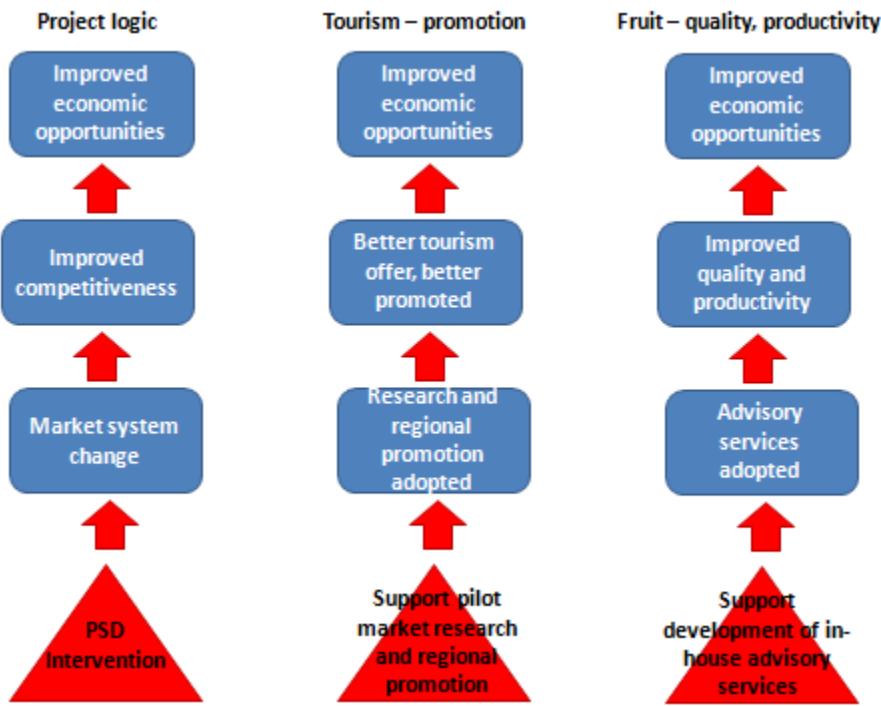
Impact logics have been developed for six of seven interventions in the tourism and fruit sectors. They specify the project's interventions (main activities it will undertake with market actors and partly fund), the systemic changes that are expected to result from these, the changes in enterprise/sector performance this will effect, and the impact on economic opportunities and well-being, which is the project's goal.

Figure 1 provides the overall project logic and very simplified versions of two of the intervention logics. In tourism, the demonstration by the project and key market actors of the effectiveness of market research and regional promotion is expected to result in market research and regional promotion becoming part of the way business is done in the sector in South-West Serbia. This would constitute a systemic change, and should lead to a better and better promoted tourism offer, which should eventually result in more economic opportunities in this sector. In fruit, the adoption by cold stores of a model for advisory services for producers demonstrated by the project and selected cold stores, should lead to improved quality and productivity of producers, and again to more economic opportunities in this sector.

In principle, these and the other impact logics developed by the project appear plausible, as they are rooted in the analysis and build on the incentives of the relevant market actors. That is, those involved in the interventions are expected to see business increase and therefore be motivated to adopt or maintain the changes. The incentives for public sector actors such as the LTOs and RTOs may be less strong, but could include public recognition of success and more secure budgets, as funds partly come from tourism taxes.

The project has considered who will perform the developed functions (such as research, training) beyond the pilot stage and who will bear their cost. Some of the assumptions made could prove too optimistic. For instance, that rural households would pay for training services is not indicated by experience and the current situation in the training market where much free training is available. Schools promoting and partly paying for promotion of tourism professions could also prove too optimistic. The pilots will have to demonstrate the plausibility of the assumptions and may lead to adapted strategies.

Figure 1 – Project and two intervention logics



At this stage the intervention designs have not considered potential synergies between the sectors, but discussions with the project team indicated that concrete possibilities are under discussion. This is encouraging and should in time be reflected in the intervention plans.

As the research has not analysed constraints on gender equality in the sectors, the designed interventions are not gender specific, and no impact on women was planned. Although those who will be affected by the interventions are likely to include women, the extent to which this will be the case and how women will benefit compared to men cannot be assessed. This is a weakness.

In several instances the project's interventions aim at improving the capacity of Government institutions, e.g. of LTOs, the RTO, and vocational schools (by private sector representation on boards). Governance in a broad sense is therefore being addressed by the interventions. However, regulatory constraints were not identified and are therefore not being addressed. The team has indicated that instead of attacking these directly they prefer to build the advocacy capacity of business associations so they can advocate for change. This is an appropriate systemic approach to improving the business enabling environment, but it would run the following risks:

- There are few associations that are effective in any way, quite apart from advocacy.
- There are few avenues for advocacy to take place.
- Associations often need assistance to identify key constraints and to develop an appropriate advocacy strategy.

We recommend that the project does a rapid analysis of the 'market system' around public-private dialogue in its three sectors, especially as it concerns regulatory constraints to form the basis for interventions in this area. Interventions that could eventually be considered include:

- The Inter-Municipal Working Group mechanism that was a success under the MSP project. The Zlatibor RDA already runs the IMWG on waste collection, and the project could pilot one on fruit production and processing that would include representatives of the private sector. Identification of regulations and procedures that can be changed at the local level would be its main brief.
- In tourism, the RTO Board and the planned rural tourism Council could fulfil a similar function.
- At the same time, the project could pursue building the capacity of the most promising associations to enable them to be effective advocates for change.

A final concern is that although in principle the approach to address underlying causes is the most likely to bring systemic, lasting change, in some cases it may be opportune to take a temporary short cut. A case in point is the intervention to stimulate product innovation in the fruits sector, which should enable the sector to regain competitiveness. The project plans to do this by developing the market research function. This is correct in theory (research will result in product innovation and higher competitiveness), but may take too long to bear much needed results in a sector that appears to be in trouble. Our interviews with cold store owners indicate that export of fresh raspberries is considered the best opportunity to remain competitive, but that cooperation between market actors is currently too weak to achieve this. This is also borne out by the project's research. Rather than depending on development of the research function, the project could, with its partners, do a rapid assessment to validate earlier findings and focus on facilitating development of a fresh fruit export value chain. Building a research function could still be done in parallel or later.

8.4 Plausibility of large-scale impact

The project's intervention plans do not include explicit strategies for reaching scale. Implicitly, its strategy seems to rest largely on demonstrating, through pilots, that a change is beneficial, and the expectation that other market actors will then copy the change or 'crowd in'. While this is definitely possible (and as we will see later, already happening), generally a more pro-active and explicit strategy for reaching scale is more likely to bear results. This could include for instance ways to facilitate copying and crowding in, or working with 'scale agents', i.e. market actors that have a high outreach, such as large buyers or suppliers. Even when the project works with scale agents (e.g. the NTOS) it seems by accident rather than design. The need for scale is therefore not yet sufficiently reflected in the project's intervention strategies and this needs to be addressed.

The current size of the targeted sectors indicates that thousands of people may be affected by market systems changes. This is positive. However, the project's geographical focus limits the potential for reaching scale beyond this. At this stage, where the project is still testing innovations, this is not an immediate constraint. Once the project has been successful at facilitating systemic change at the local level, it and SDC will have to consider how wider change can be effected. Only then can the real benefits of the M4P approach be realised.

8.5 Implementation and challenges

A number of opportunities and challenges have arisen which affected PSD's intervention plans and required a response. Last year raspberry cold stores suffered significant losses because of a virus infection which resulted in shipments for exports being returned. Since importing countries now require

a certificate that raspberries are virus-free, and the testing equipment is not available in Serbia, the project agreed to co-fund, with cold store owners, the acquisition of the equipment. In the process it ensured that it is placed at an appropriate institution. This activity was not foreseen, but it does relate to the identified constraints on productivity and quality and it establishes a sustainable support function over which there is a high degree of private and public sector ownership. It also strengthens the credibility of PSD among fruit sector stakeholders, and its support is much appreciated. The project has responded well to a new need in the sector, although it remains to be seen how it will build on this.

Similarly, in the promotion of regional tourism, the project is supporting the development of a marketing plan which includes development of activity-based tourism. Although this is not foreseen in the original intervention plan, the project plans to support pilots to demonstrate the commercial viability of such activities. In principle this is also an appropriate response, though the team may wish to develop a separate intervention plan for this area of activity.

The project has also responded to new challenges by adapting its intervention strategies. The intervention to improve quality and availability of human resources in the tourism sector envisaged an important role for two Hotel Associations. These have, however, not yet been established. While continuing to facilitate the process of association formation, PSD is going ahead with activities at the Hotel and Tourism School. The approach to upgrading the quality of rural tourism providers initially rested on travel agencies providing training and advice. When the new tourism law gave this function to LTOs, the project adapted its strategy to include them. In principle this is an appropriate response, but it remains to be seen whether LTOs can play this role, as most are underfunded and run by political appointees. While the project is proceeding with enhancing the rural tourism offer, it still needs to develop credible activities to make these 'embedded services' a reality.

While all activities the project has undertaken seem justifiable in terms of the intervention strategies, it needs to be careful that it does not focus too much on the enterprise level. The project has co-funded (with the service provider) the development of campsite plans, and it plans to provide (through the service provider) grants amounting to 50% of the investment cost. While the intention to demonstrate the viability of mini-campsites with a view to other households copying them is good, it would have been preferable to avoid subsidies to households. MoERD stated to the review team that it could easily make available soft loans. While this is only one case, the participants of two study tours the project funded also expect grants from the project to realise their plans. As support to developing activity-based tourism is now foreseen too, there is an additional temptation to provide enterprise level grants. The review team recommends that the project resists this temptation and keeps its focus on reducing systemic constraints, in this case those that limit households' access to finance. To support it in doing so, the project should ask the backstop's advice on every activity it funds under the intervention plans.

In the absence of mainstreaming of gender concerns in the research and intervention strategies, in implementation PSD has approached gender in a commonsensical way. That is, it makes use of opportunities for women if these make sense in the overall context of the intervention rather than planning activities for women because they are women. For instance, PSD funded a tourism study tour for women and will work with a women's fruit processing cooperative. While some women are likely to benefit from such activities, this does not constitute an approach that will result in systemic change beneficial to women in particular.

Overall the project is following its intervention plans while also responding appropriately to new opportunities and challenges. Its practice to reconsider intervention plans twice a year facilitates this. The team should better document, though, *why* adaptations are made and certain activities are funded, since this is not always obvious.

8.6 Market actors involved

The project has involved, and is involving, a wide range of partners, who are indicated in the table in Annex 6. For an M4P project, the share of public institutions is unusually high (about half, depending on how one counts) but for Serbia this seems appropriate, given their important role especially in support functions. The RTO is perhaps PSD's most critical partner, given its regional nature and that LTOs are its board members. Although it has just one staff member, it is fulfilling an important function and plays a significant role in the project's interventions in tourism.

In fruit the project does not have such an obvious public sector regional partner. The Regional Centre of the Ministry of Agriculture is not located in Zlatibor District. It does cover this area, though, and the project should link up to it, given the reportedly positive experience of VEEDA with a similar centre.

In the private sector, the partners are at different levels in the value chains, i.e. producers/service providers, and travel agents local and national, buyers/processors (cold stores). There may be scope for increasing involvement of national or international level private sector partners, such as exporters of fruit and international travel agents. This will be especially important for reaching scale, and the potential for their involvement should be considered in the project's scale strategies.

The Regional Chamber of Commerce at Uzice has not become a partner, although this was foreseen in the project document. Since the Chamber runs sectoral coordination groups, including in tourism and agriculture, this could have been a useful partnership, though the groups are reported to be not very effective. The project has made efforts to establish a partnership but unfortunately there appears to be resistance to collaboration in the Chamber's current leadership.

8.7 Results

It is obviously too early to expect impact on employment and incomes. The first tourism season in which some impact could be expected is only just starting. Since one of the partner travel agents reported an increase in telephone inquiries from incoming tourists, some impact is possible. In Arilje a recent increase in overnights in rural tourism providers was reported, but it cannot be demonstrated that this is linked to PSD's work. Any impact on the current fruit growing season is unlikely, apart from that of the virus testing equipment which may save cold store owners significant amounts of money.

At the level of market systems some changes can be demonstrated already:

- The RTO and some of the LTOs have done, or plan to do and have allocated budgets for more tourism market research, after the PSD sponsored research had proven useful.
- Promotion of the region has taken off, with market actors for instance involved in organising media weekends and a promotion weekend for a foreign market.
- The private sector (2 travel agents and a hotel) is now represented on the RTO Board.
- Relations between the RTO and travel agents have improved.
- A national travel agent from Novi Sad, which deals in inbound tourism, has developed relationships with local travel agents.
- More local TAs have become interested in inbound tourism, although they still have to act on this.
- A local TA now has contracts with 25 rural households (tourism providers), up from just one. This increases the likelihood of training and advice being provided by the TA.
- The NTOS has indicated that it considers the way the project is promoting regional tourism a good model, which it would like to replicate in other regions. This would constitute a major achievement in terms of scale and systemic change.

- Purchase of the raspberry virus equipment, foreseen over the next few weeks, will establish a support function which can be accessed by cold stores across Serbia.

Also at the level of market systems, stakeholders are communicating more with each other, public-private sector but also within sectors. Apart from instances indicated above, so far this has largely been at events initiated and facilitated by the project, and whether there will be a lasting effect is not clear yet. Supporting the establishment or strengthening of regular or formal dialogue mechanisms is one way in which sustainability can be achieved, and this is the route the project has taken with the RTO Board. It is also planning the establishment of a Council to promote the development of rural tourism. The sectoral Advisory Committees for tourism and fruit could evolve into more permanent dialogue bodies, but this is unlikely if they continue to meet once a year only. The project should review this.

It is too early to say whether the changes at the level of market systems will be lasting, and therefore systemic. However, we can conclude that the first signs of changes in the market systems are encouraging, especially considering that interventions started not long ago.

In conclusion: Overall, most critical factors are in place for the project to have an impact on employment and incomes in South-West Serbia. Sectors were selected that provide scope for such impact and for scale, research and analysis were appropriate to the M4P approach, the intervention designs are plausible overall, implementation largely follows design and has responded well to opportunities and challenges, the relevant market actors are involved, and results so far are encouraging. However, some important weaknesses need to be addressed: the intervention designs do not explicitly address how scale will be achieved, gender equality issues have not been recognised, and the importance of tackling regulatory constraints has not been sufficiently recognised.

9. Conclusion and recommendations

9.1 Main conclusions

This review has found the project to be delayed in implementation, but on the right track to make a contribution to increasing economic opportunities in South-West Serbia. This is indicated by:

- The project team has achieved a good level of understanding of the M4P approach, and is applying it appropriately, including in the way it acts as a facilitator.
- Backstopping support has been useful and appropriate.
- The project has gained a high level of credibility among market actors.
- The research and analysis have laid a good basis for the interventions.
- Interventions as designed are rooted in the analysis and are plausible overall.
- Interventions that are underway are being implemented largely as planned, while the project is making good use of new opportunities and responding appropriately to challenges.
- The project is generally working with appropriate market actors.
- Encouraging results have already been achieved.

These are overall impressive results, especially given that this is a pioneering M4P project in Serbia, the RDA had to learn to be a facilitator rather than a service provider (a process that is still ongoing), and the project team had no prior experience in M4P. The learning curve the team has gone through with support from the backstop has been steep and its commitment has been commendable.

We also found the project as designed and implemented to be well-aligned with Serbia's development priorities and relevant to needs in South-West Serbia. Coordination with the national level and other projects is still in its early stages.

The main weaknesses in the project's approach concern:

- The project's approach to addressing gender inequalities is inadequate at all levels: needs identification, planning, implementation and MRM.
- Business environment (regulatory) issues in the three selected sectors are not being addressed.
- Intervention strategies are not specific on the way scale will be reached and seem to rely heavily on market actors 'automatically' copying successful innovations.
- The MRM system is insufficiently operationalised to be of good use to the project.
- PSD is working in an unstable institutional environment, which may affect its effectiveness and future.

Given the strong foundation laid, the project can now address these and other more specific issues, as proposed in the following recommendations.

9.2 Recommendations²²

Intervention strategies

- 1) Develop scale strategies for each of the interventions which make explicit how scale will be achieved and which do not depend on the assumption that success will be copied automatically. This should consider the role of 'scale agents', including large players in the private sector (with support from the backstop, i.e. the Springfield Centre)
- 2) Conduct Focus Group Discussions with women in each of the sectors to assess how the planned interventions can benefit women more and revise the intervention plans accordingly (with support from a local gender specialist).
- 3) Assess the 'market system' around public-private dialogue in the three sectors, in particular as it concerns regulatory constraints. If the analysis indicates this, pilot the Inter-Municipal Working Group mechanism to address regulatory issues in the fruit production and processing sector. In tourism, the RTO Board and the planned rural tourism Council could fulfil a similar function. At the same time, the project could pursue building the capacity of the most promising associations so they can better fulfil an advocacy function (with support from the backstop).
- 4) Document better what changes are made to interventions strategies and why, and how specific activities contribute to the interventions.
- 5) When possible avoid providing support at the enterprise level, especially in the form of grants, and instead facilitate linkages to sources of such support or facilitate the development of such sources. To support the project in doing so it should ask the advice of the backstop on each activity it funds under the intervention plans.
- 6) Continue rigorous assessment of planned activities against the plausibility that they will contribute to systemic change and avoid ad hoc activities.
- 7) In fruit production and processing, focus on the rapid identification of market niches in which West-Serbia can be competitive and facilitate development of the relevant value chains.

²² Recommendations are to the project, unless otherwise stated.

Logframe, Monitoring and Results Measurement, reporting

- 8) Revise the project's logframe at an early date, to reflect changes in the project's strategy, reduce the number of indicators to those that are essential and can be assessed realistically, include gender-specific indicators, and include targets including an estimate of the number of people that will be affected (with support from backstop).
- 9) Strengthen the approach to MRM so that it will contribute more to PSD's effective management and enable it to demonstrate with a high level of plausibility that it has contributed to more employment and incomes for a certain number of people. The MRM plans should include gender indicators and targets, should become more operational and foresee primary data collection that focuses on project interventions. Although we believe that adopting the DCED's standard will be too costly for a relatively small project, the approach could apply some of its basic principles and methodologies (with the backstop).
- 10) Change the semi-annual reporting format to provide more scope for substantive reporting and analysis (with the backstop).

Facilitation

- 11) Explore ways to improve the efficiency of facilitation, for instance through better facilitation of meetings and providing market actors with an 'offer' that specifies the terms and benefits of a partnership (with the backstop).

Coordination

- 12) Initiate and develop direct coordination with the Ministry of Agriculture and coordinate with the SECO project on sub-national business environment reform.
- 13) SCO should increase the effectiveness of its coordination among Swiss-funded private sector development projects by taking a more systematic and pro-active approach, with a view to develop synergies and joint work. This could benefit from a paper on the Swiss strategy for private sector development in Serbia (SCO).
- 14) By the end of the year, SCO, PSD and VEEDA should start planning for promoting the M4P approach more broadly to the GoS, donors and development agencies, in order to facilitate its wider uptake and sustainability.

Communication

- 15) Increase the frequency of the sectoral advisory committees so they can develop into informal bodies for dialogue and provide support and advice on a more regular basis.
- 16) Develop mechanisms to keep stakeholders (not only direct partners) better informed of project activities and results. This could include informal electronic means of communication, such as a page on a social networking site.

Project team

- 17) Improve efficiency of and knowledge sharing in the project team, including by changing current office arrangements, joint work on strategic tools/outputs, and avoiding a situation in which one person is responsible for a sector.
- 18) Allocate the responsibility to mainstream gender equality issues to one of the team members and ensure that gender is addressed at all levels of the project cycle.
- 19) Recruit an MRM specialist for the team and contract primary data collection out to consultants or research firms.
- 20) Develop an HRD plan for the team, which should include upgrading of the M4P knowledge of the two junior staff members, and training on overall development concepts and policies (such

as the Millennium Development Goals), gender, greening value chains, MRM, and facilitation techniques (with the backstop).

Backstopping

- 21) Do not reduce the intensity of backstopping before all interventions have been designed and are underway.
- 22) Provide more specialised support in different areas of expertise, such as for the revision of the logframe, developing a better approach to MRM, and improving facilitation techniques. The backstop and the team should further assess these needs together. They should preferably be met through on-the-job, practical guidance rather than courses (with the backstop).

Institutional sustainability

- 23) Monitor developments in the financial, governance and management situation at the RDA on a continuous basis and develop a contingency plan to deal with the uncertainties around the RDA's future (project and SCO).
- 24) Continue to make all possible efforts to limit the PSD team's involvement in other RDA work and report on this to SCO.
- 25) Enhance PSD's visibility as an RDA programme. This will contribute to the RDA's credibility and therefore sustainability. We do not believe this will detract significantly from PSD's facilitation function.

No-cost extension

- 26) As the project a) has had a slow start and incurred significant delays; b) has spent only about a third of its budget; c) has had encouraging results in spite of having to grapple with a new methodology; d) will need some additional time to act on the above recommendations, we support a no-cost extension of the project to enable it to produce significant results in the three selected sectors and demonstrate that it has had an impact on employment and incomes for large numbers of people.

9.3 Second phase

Given that the project is still in an early stage of implementation, the review team advises that a definitive decision on a second phase should be taken in a year's time only. In the current situation, we would support a second phase on condition that the project's key weaknesses are addressed and the project is showing promising results also on the fruit and dairy/meat sectors.

We suggest that, amongst others, the following ideas could be taken into consideration when a second phase is being formulated:

- Expand geographical coverage to 10 municipalities. This will strengthen the project's regional function and impact, and will be in line with the mandate of the implementing organization, RDA.
- Include an additional sector. This could be wood production and processing, which the rapid market assessment has shown to have good potential for employment and income generation, or a sector linked to one of the current three.
- Build on the work of the current phase to address sectoral business enabling environment issues in a systemic manner, and link to national level work on this.

- Adopt environmental protection as an explicit cross cutting theme, reflect this in analysis and interventions, and include policy level issues.
- Reduce the intensity of the project's geographical focus in order to exploit opportunities to reach scale. This should take the form of working with more national level partners, or promoting regional level replication.
- Explore and enhance the potential of cross border collaboration.
- In conjunction with VEEDA and SCO intensify promotion of the M4P approach, including among national partners, RDA associations, and donors.
- Expand the team as required and develop more specialized expertise.

At this stage we advice against the inclusion of a media component (as was foreseen in the current project document) as the media sector is quite unlike most others and achieving results would probably require additional staff on the project as well as more international support.

9.4 Lessons learned

The project team has indicated it has learned many lessons from the experience of implementing the project so far, and this is borne out by the various reports. These confirm lessons learned in similar projects, i.e.:

- The importance of developing credibility and gaining the trust of market actors.
- The importance of fostering local ownership over the interventions.
- The need for flexible project and intervention designs, as well as flexible budgeting.

More significant, though, may be some overall lessons with regard to the approach and the implementation modality, which we believe are:

- M4P, or more appropriately maybe, Making Markets Work, as the project calls it, is an approach that shows promising results in Serbia so far, and therefore appears to be applicable in this context which is quite different from where it was developed first.
- The approach does not just require flexibility of design, but needs to be flexible itself as well. Adaptations to the context in Serbia, its institutional environment in particular, were possible and necessary.
- The modality of implementation, i.e. a local implementing organisation supported by international expertise in a backstopping position, is proving effective and may have benefits other than financial: the implementing organisation and the team are there to stay, and they have therefore extra incentives to make the project a success and provide sustainability for the approach.

Annex 1 – Terms of Reference

**External Review
of the
“Private Sector Development in South-West Serbia” Project
(7F-05864.02)**

Terms of Reference

- Final Draft -

1 CONTEXT OF THE REVIEW

The Regional Development Agency Zlatibor (RDA) has been implementing the “Private Sector Development in South-West Serbia Project” in the region of South Serbia with backstopping support of the Springfield Centre, since September 2008. The period of first 7 months was allocated for conducting preparatory activities, which has resulted in starting the implementation of Phase 1. Project implementation of Phase 1 started in May 2009, with the total budget of 1'850.000 CHF, and will end on 31 March 2012.

The project is applying a *Making markets work for the poor* approach (M4P), the project’s specific objective is to lead to “improved economic opportunities and wellbeing of citizens” in 6 targeted municipalities of the Zlatibor district, as stated as the overall goal of the program logframe.

Phase 1 of the intervention (2009-2012) targets to achieve a) the increased performance of at least 3 sectors in the Zlatibor district, b) improve the business environment, and c) improve capacities of the implementing partner RDA.

RDA has been improving the performance of 3 chosen sectors: tourism, fruits and meat & diary and is seeking to strengthen and scale up existing transactions between market players, rather than setting up and subsidizing new offer-driven services. For example, the planned outcome is that existing transactions between lead firms and smaller enterprises or producers, i.e. embedded services, are well linked with the formal business sector as carriers of important business information.

With regard to improving the business environment, RDA was facilitating dialogue and concrete solutions between the business community, represented by business associations and local authorities or enhancing the role of local and regional media for substantial public debate on such issues.

At the same time, the goal of this phase is to build the capacity of the implementing partner in to implementing the M4P approach, as this approach is new to Serbia and the Western Balkan in general. Previously, the development schemes were designed from a direct service delivery rather than a systemic and facilitative perspective.

The initial project proposal and logical framework for Phase 1 have been complemented by “M4P-like” result frameworks and intervention strategies during the implementation phase.

The private sector project in Southwest Serbia is twinned with a similar project in South Serbia, implemented by the Regional Development Agency VEEDA covering the target region in South Serbia. Both projects apply the M4P methodology and exchange experiences and lessons learnt. Regional Development agencies have been chosen to implement economic development projects due to their role in developing the local economy and also due to the future anticipated – not yet confirmed – perspective of channelling EU-Pre-Accession (IPA) funds for local development exactly through the RDAs.

2 PURPOSE AND OBJECTIVES OF THE REVIEW

In order to assess the achievements of the current project phase and lessons learnt hitherto, to support SDC and RDA in preparing the 2nd phase, allowing the project to consolidate and sustain its major achievements and to provide recommendations for the future, an external review will be conducted about one year before the end of the project phase.

More specifically, the objective of the review is 1) to assess the relevance of the project’s approaches in the given development/transition context, 2) the appropriateness of the implementation set-up, including backstopping, with regard to a proper understanding of the facilitator role, the proper handling of M4P analytical frameworks and corresponding intervention strategies and the perception of the implementer by relevant stakeholders (public and private market players); 3) to assess the likelihood of significant scale, employment and income generation of the project interventions and 4) to provide recommendations on the 3 dimensions mentioned above for the remainder of the current and the following phase.

The following guiding questions will be addressed by the review team:

1) Relevance of the project’s approaches in the given development/transition context, including perception of the implementer by relevant stakeholders (public and private market players)

- a) To what extent do the project strategies and interventions respond to national and regional policies and strategies, to identified needs and the regional context?
- b) How are the intervention strategies supported / facilitated by the project and its way of approaching developmental issues perceived by the private and public market players?
- c) How is the project positioned in its working area, i.e. to what extent is its approach conflicting or complementary with regard to other donor agencies’ programmes in relevant fields of intervention?
- d) What have been the major challenges and potentials of the chosen sub-sectors in terms of market development? How has the project team addressed those challenges? What are the lessons learnt?
- e) Who are the main market players and value chain stakeholders that the project is currently working with? How does the project engage with them, and particularly how can the dialogue with the private sector be assessed?

f) To what extent have the stakeholders (private sector, local institutions and other stakeholders) been taken into consideration, participated, or have become involved at the design stage of the strategies for intervention?

2) The appropriateness of the implementation set-up, including backstopping, with regard to a proper understanding of the facilitator role, the proper handling of M4P analytical frameworks and corresponding intervention strategies

- a) Is the management model (i.e. instruments; economic, human and technical resources; organizational structure; information flows; decision-making in management) adequate for achieving the set objectives?
- b) How has the implementer's facilitator role evolved over the past 2 years?
- c) To what extent is the implementer properly handling the main M4P analytical frameworks and how is the assessment of its capacity to translate systemic analysis into consistent and coherent intervention strategies, including M&E systems?
- d) How are the transversal themes mainstreamed by the project team in the project intervention (gender, governance)? How does the "pro poor" or "pro excluded" dimension translate into the analysis and from there into corresponding intervention strategies
- e) How does the overall dependency of the RDA to donor funding (primarily EU operational grant which expires in June 2011) influence the project in terms of institutional setup?

3) Assessment of the likelihood of significant scale, employment and income generation of the project interventions

- a) To which extent has the program contributed to the likelihood of achieving goals as set in the Credit Proposal and, Project Document which have been translated into result frameworks and intervention strategies throughout the entry phase?
- b) What is the likelihood and potential of strategies and approaches applied by the project for scaling up, employment and income generation?
- c) What are the main systemic changes the project is currently tackling or have already been achieved so far?
- d) Have interactions, transactions and communication between the private sector, governmental (local-self governments) and non-governmental organizations –facilitated by the project – changed in the targeted sectors in Southwest Serbia? If yes, in what way?

4) What are the recommendations with regard to findings under main questions 1-3?

Based on the review of the project, the team shall present **recommendations for the future/ next phase of the project**.

3 SCOPE AND METHODS OF WORK

The review team will consist of an international consultant acting as team leader and a local expert.²³

The team will make use of information given by RDA Zlatibor and SDC staff, project staff in the field, beneficiaries, local authorities, international organizations, private businesses, and local NGO partners as well as other relevant market players.

The main tasks of the assignment can be summarized as follows:

a) Desk Research (information collection and analysis)

Relevant documentation includes:

- Credit proposal for phase I
- Project Document for Phase I
- RDA reports during Phase I
- Result frameworks and intervention strategies
- Mission reports of Springfield consultant
- Swiss Cooperation Strategy for 2010-2013
- National Strategies on Economic Development, i.e. Strategy for Development of Competitive and Innovative SMEs 2008-2013; National Tourism Strategy 2008-2013; National Strategy for Rural Development 2009-2013, etc.

b) A telephone briefing with the responsible program officer at SDC headquarters prior to mission departure

c) A briefing at Swiss Cooperation Office (SCO) in Serbia with the Senior Program Officer at the beginning of the mission to Zlatibor District.

d) Field trip to the Zlatibor District

Part 1) conducting interviews with management and key staff in charge of all program components

Part 2) conducting individual and/or group discussions with the key partners/beneficiaries from the private sector of each program component

Part 3) conducting interviews with representatives of the local self-government, partner organizations (i.e. tourism organizations on local and national level), and other development projects/agencies

e) Discussions with national level - partners i.e. Tourism Organization of Serbia and stakeholders, i.e. EU Delegation to Serbia

²³ The present TOR are valid both for the International Consultant (team leader) and the Local Consultant.

- f) A telephone interview with Matthias Herr, the backstopper (Springfield Centre)
- g) A debriefing at Swiss Cooperation Office in Serbia with 3 parts:
 - Part 1) Self-reflection of RDA project team
 - Part 2) Presentation of the preliminary finding and recommendations of the review team
 - Part 3) Wrap up for lessons learned and discussion for project development up to the end of the project phase
- h) A debriefing at SDC headquarters in Bern (to be confirmed)

Annex 2 – PSD review field interviews and meetings May 16-25, 2011

Date	Activities
Mon 16 May	Mladen Momcilovic and Roel Hakemulder briefing at the Swiss Coop Office by Nadia Bohli Valerie Covic , Project Manager, EU Delegation to RoS, Belgrade Alexander Grunauer, Project Director, GTZ-KWD, Belgrade
Tue 17 May	Milorad Tucovic, LED Officer, Municipality of Cajetina, Cajetina Meeting with the PSD Team Radmila Janjusevic, Owner and Director, Travel Agency Amigo, Uzice
Wed 18 May	Vitomir Tomic, Cold storage Jugent, Sevojno Biljana Mijovic, Director, Institute for Public Health, Uzice Ana Kovacevic, Tourism Development Officer, Municipality of Arilje Milomir Zimonjic, Cold storage Frucom Arilje
Thu 19 May	Dusko Kovacevic, Manager, Hotel Prezident, Zlatibot Dusan Markovic, Manager, Hotel Zlatiborska Noc, Uzice Miroslav Radjen, Director, Regional Tourist Orgnazition for Western Serbia, Uzice Jelena Nikolic, Manager for Education and Tourism, Regional Chamber of Commerce South-Western Serbia Focus Group held at the PSD: Development of Rural Tourism
Fri 20 May	Radojko Lukovic, Director, Innovation Center for Rural Development, Arilje Slavko Lukic, Acting Director, RDA Zlatibor, Uzice Head of Administration, Municipality of Uzice, Uzice Meeting with the PSD Team
Sat 21 May	Sasa Drndarevic, Owner, Ethno Village Terzica Yard Milenco Nikolic, Manager, Regional School Authority, Uzice Meeting with the PSD Team
Sun 22 May	Debriefing with the PSD team
Mon 23 May	Mladen Momcilovic and Roel Hakemulder interim briefing at the Swiss Coop Office by Rosic Arminio and Beatrice Meyer Veljko Djordjevic, Ministrey of Agriculture, Head of the Rural Development Network Vlade Djumic, Director, Camping Association of Serbia, Belgrade Olgica Miljkovic, Manager for Domestic Tourism, Tourist Organization of Serbia, Belgrade Rafael Pupovac, Director, National Tourist Development Org, MoERD, Belgrade Milos Pavlovic, Manager, EU Project for Support National Strategy on Tourism, Belgrade
Tue 24 May	Office of Goran Petkovic, State Secretary for Tourism ,MoERD, Belgrade Ivanka Tasic, Owner and Director, Travel Agency PanaComp, Novi Sad
Wed 25 May	Mladen Momcilovic and Roel Hakemulder debriefing at the Swiss Coop Office with Rosic Arminio, Beatrice Meyer Nadia Bohli, Ruzica Dabic

Annex 3 – Evaluation matrix

Key Question	SCD-PSD		Stakeholder	Fields of observation /Indicators	Source of Information	Method for Data-Analysis
	SDC	PSD				
1) Relevance/alignment						
1.1) To what extent is the project responding to identified needs related to the needs of the RDA, the 3 sectors and general improved business environment towards more effective LED?	√	√	√ Local and national authorities Entrepreneurs/businesses	Log frame analysis Comparison need assessment LED –market -entrepreneurs(= actual demand) Needs assessment for 3 sectors and RDS and general business environment?	Project documents optionally complemented by PSD or stakeholder perspective Market statistics	Document study optionally interviews
1.2) To what level the PSD's approach is relevant given the development/transition context			√ SDC PSD	Whas the approach analysis performed, what were ther results? How relevant and why is the chosen approach> Evidence...	Project documents optionally complemented by PSD or stakeholder perspective	Document study optionally interviews
1.2) To what extent are the objectives of the project aligned to the relevant national agenda and strategies covering LED and relevant issues to the focus of the PSD?	√	√	√ governmental representatives	Log frame analysis congruency with relevant policy papers	Project documents PSD or other relevant policy paper +governmental representatives	Document study Interviews
1.3) To what extent are the project services/products demand oriented (interests of the target group, per 3 sectors)? How relevant are the project activities for targeted entrepreneurs?		√	√ Entrepreneurs/businesses	Assessment of planning system (needs assessment) Degree of target group participation Entrepreneurs needs	PSD Entrepreneurs LSG	Interviews Focus Group discussion with businesses & Doc study
1.4) To what extent are the activities of the project adopted towards the needs pertinent to the 3 sectors?		√	√ LSG Entrepreneurs/businesses	Congruence between PSD activities and market and Entrepreneurs/businesses and unemployed needs	Project documents Entrepreneurs/businesses	Document study Focus group interviews
1.5) To what extent do the project objectives correspond to the objectives and principles of the SDC (goals, guidelines and cross-cutting issues)?	√	√	√ SDC PSD	Coherence between Project objectives and activities with SDC objectives and guidelines Consideration of cross cutting issues in Project activities (e.g gender)	SDC strategy, Project docs	Document study Interviews
1.6) To what extent does the project (in its development orientation, policy and conception) correspond to the known best practices and standards within the general context of the 3 sectors? Does it cover PPP dialogue and transactions enhancements?	√	√	PSD	Integration of reform aspects (e.g. best LED practices) into Project plans and activities (output and outcome level)	Project Documents PSD staff	Document study Complementing Interviews

2) Effectiveness ("extent of reaching the objectives")						
2.1) Which were the decisive factors for the achievement or the failure of the project goals and results so far (compare to log frame)? (increased performance of the 3 sectors/improved business environment/improved capacities of RDA)		√	√	Assess extent of achievement (output level) according to output indicators Self-assessment by project stakeholders Review the promoting or hindering factors for target achievements	progress reports the various Project stakeholders	Document analysis Interviews Project stakeholders
2.1) Is there a well thought out theory of change and impact-chain, and to what extent these are participatory, functional and realistic			PSD	Is There a functioning log frame Does it encompass all necessary elements? How did it include the partners and beneficiaries?	Project documents Interviews	Docs analysis Interviews
2.2) To what extent has the PSD assistance led to a more revenues within the private sector?	√	√	Entrepreneurs/bu sinesses √	Before/after comparison/or/ prospects, degree of adaptation towards needs of the businesses growth	LSG/RCC Stats/Project docs	Docs analysis Interviews
2.3) To what extent has the PSD assistance led to a higher employment rent?			Entrepreneurs/bu sinesses √	Comparison of employability before/after PSD interventions	Labour market statistics/ surveys	Document review optionally Interviews
2.4) To what extent does the project consider and to what extend is heading in the right direction regarding its contribution to reaching significant scale of employment and income generation?			LSG Ministries etc. √	Consideration/integration of aspects of LED best practices in project; focuss; congruence;	Strategic docs, Project docs	Document Review Interview
2.9) How can the quality of the project planning and steering be assessed? (PSD-RDA-SDC-LSG-CG)			PSD. RDA,SDC,LSG, CG √	Assessment of so far established PSD planning and steering mechanisms: Are mechanisms installed? Who is planning/steering? Are tasks/roles/responsibilities clear to all project stakeholders? What remains to be done.	Project planning documents Minutes of meetings	Document Review Interviews
3) Efficiency						
3.1) Is the PSD project (respectively its 3 components) implemented according to the time schedule?			PSD √	comparison with tentative schedule	Planning documents	Document Review
3.2) What is the balance between means and achieved results so far? Is the cost-benefit ratio adequate?			PSD √	Satisfaction with outputs by various stakeholders List of tangible benefits observed	PSD Staff, entrepreneurs, ministries) Impact chain (if elaborated)	Document Review Interviews
3.3) Are the PSD services, the capacities and the potentials adequately used so far?			PSD √	responsiveness of target group towards services Awareness of target group about services	PSD staff entrepreneurs	Interviews

				and benefits		
4) Sustainability and Coordination (4C)						
4.1) Is there a visible progress in the PSD project planning and implementation from a developmental point of view? The role and effectiveness of the backstoppers?			PSD √	Planning cycle and its application; assessment and integration of lessons learnt; continuum aspects Help by backstoppers?	Planning Documents Progress Reports Financial data	Document Review Interviews
4.2) How are the project activities of PSD coordinated with RDA/RCC/LSG/CG /activities? Ownership?			PSD √	Functioning of coordination bodies (steering committee)	Progress Reports View of other stakeholders (employers)	Document Review Interviews
2.5) To what extent has the cooperation between the PSD-RDA and LSG supported LED? Did the level of cooperation move beyond coordination towards complementarity and coherence?			PSD. RDA,SDC,LSG, CG √	Quantity and quality of contacts with employers (enterprises/public service units) and partners, CG, LSG, business associations, RCC, and other relevant LED stakeholders; Achieved synergies/duplications;	Resource Persons in LSG, other LED relevant sources	Reports analysis Interviews SWOT and stakeholders analysis
2.6) What are the so far lessons learned?			PSD √	Is there a mechanism for this process in place? Does it function? How well? Why? What's being done with its output?	Planning Documents Progress Reports	Document Review Interviews
5) Cross-cutting issue						
5.1) To what extent does the project promote (and consider) the participation of socially disadvantaged persons?			PSD √	Identification and description to disadvantaged people as target group Are support mechanisms in place to support socially disadvantaged groups?	Project docs\Interviews	Document Review Interviews
5.2) How are gender aspects considered in the project? Is there a gender analysis?			PSD √	Proportion of men and women in the various faculties Proportion of male/female lecturers Selection of businesses	Project docs Targeting Policy	Document Review Interviews
5.3) To what extent is the equal treatment of gender considered? Do men and women benefit similarly from the project so far? Is there evidence?			PSD √	Proportion of male/female benefiting from the project Gender awareness	Entrepreneurs/businesses	Document review Interview
5.3) To what extent ethnic minorities' needs are encompassed by the PSD project focus and activities? Especially Roma?			PSD √	Proportion of minorities benefiting from the project Minorities awareness	PSD	Document review Interview

Annex 4 – Key questions for different groups of stakeholders

Project team – technical

Process

- How and by whom were the market analysis done (check for participation of stakeholders).
- How did you ensure that the analysis reflected the need to be pro-poor, pro-excluded, pro-youth, pro-employment?
- How did you deal with gender and governance issues?
- How did you decide on and develop the interventions?
- What is specifically M4P about these interventions?
- Are gender and governance issues addressed specifically in the intervention design?
- What were the main challenges you encountered in planning and implementing the interventions? (per sector)
- How did you address these?
- Did you learn any lessons from this? Apply them?
- How would you describe the way you work with your partners?
- How has this developed over the project period?
- Is this any different from how other projects or agencies work?
- What do you think about it?
- Is it a problem that others take another approach?
- Who would you consider your key partners (per sector)?
- And other partners? (get a complete list)
- How did you select these partners, and how did you approach them?
- Are these the right partners, in terms of their position in the market system, change they can effect, outreach....
- What do you think of the balance between private and public sector partners?
- If there is an imbalance, what action are you taking to address this? Planning to?
- Do you see progress with regard to your engaging in dialogue with the private sector?
- With regard to establishing dialogue between public and private sector?
- How have stakeholders participated in the market research and analysis?
- In the design of interventions?
- In steering implementation?
- What is the role of the sectoral Advisory Committees?
- Does this work? What are the challenges?
- How is what you are doing now in dairy/meat different from what you did/do in fruit, different from what you did/do in tourism, in terms of process?
- Based on what you have learned, how do you expect to make the way you facilitate systemic change more effective in the remaining project period?

Results

- What progress has been made against the logframe results and indicators?

- What delays have there been? What were the reasons?
- What threats/obstacles affect the results being fully achieved?
- Can these be overcome? How?
- What are the systemic changes that have been achieved? That are likely to be achieved?
- What do you think about the expected scale of the impact you will achieve?
- Are there ways this could be improved? How?

Project team – management

- See how PSD fits into RDA organisationally
- What is the governance structure?
- Is the overall Steering Committee in place?
- How does it function?
- How does the team relate to the SDC office – what is the office's role exactly, administratively, technically, oversight?

Check how the team:

- Plans
- Takes decisions
- Budgets
- Monitors
- Assesses impact
- Allocates tasks and cooperates between members
- Allocates responsibility for and deals with cross-cutting themes like gender and governance
- Shares information
- Reports
- How it extracts and applies lessons
- How it applies new things learned (e.g. after training)

See workplans, MRM system

Discussion with members of the team:

- Are there weaknesses in the team that need to be addressed? How?
- What training have you received? What did you think of it? Is other training required? Is there a plan for developing your skills? (Make sure training in Glasgow is covered)
- Backstopping: what do you think of the quality and frequency of backstopping, what role has this played in developing the approach, interventions, HRD and do you still need the same level of backstopping

Project team, RDA - Sustainability

- What is the funding situation of the RDA?
- Can PSD continue if there is a reduction in funds for RDA? How?
- What else does RDA do? - is there a conflict between that and how PSD works? E.g. service delivery versus facilitation?
- You are developing a capacity to do M4P – how relevant is this to RDA? How would it be used when the project is over? Is RDA learning from the approach? How?
- Can other organisations learn from your approach? What are the obstacles to this happening?

SCO

- Among the many issues in the TOR, which are the most critical?
- There have been significant delays. Why? How serious is this?
- How do you perceive the project's future?
- What is the real goal with PSD and SEEVA: two locally relevant projects or wider uptake of the approach, more scale?
- How did improving the business enabling environment (outcome 2) 'drop out' of the project?
- Should the logframe not have been revised?
- What is SCO's role with regard to the project? How well has this been functioning?
- What is SCO's role in coordinating between its economic development/private sector development programmes? How well is this working with regard to PSD?
- How do you coordinate with relevant programmes of other donors? Is their scope for promoting the approach through such coordination?
- How do you relate to Springfield? How has this been functioning?
- What is your assessment of the quality and frequency of the backstopping support?

Actors the project is collaborating with or who are involved in the interventions

- What does the organisation/business do?
- What has your work with the PSD project consisted of?
- What do you think of the specific interventions the project supports? (or the activities undertaken together)
- What have been the results for you?
- How would you describe the way the project works with you on these interventions?
- Is this any different from how you worked together with other projects or agencies?
- What do you think about it?
- What were the main challenges you and the project encountered in implementing the interventions?
- How did you address these?
- Did you learn any lessons from this?
- Has anything changed about the way you relate to other organisations/firms? (probe for networking, more dialogue and sharing, etc.)
- Broadly speaking, what has changed since the PSD project started? Is this positive, negative, enough?

Final target group

- How did PSD contact you/did you contact PSD
- What did you do together?
- What was good about it, what not?
- Are things different compared to before the PSD project, how?
- What are your further expectations, from PSD, for your business

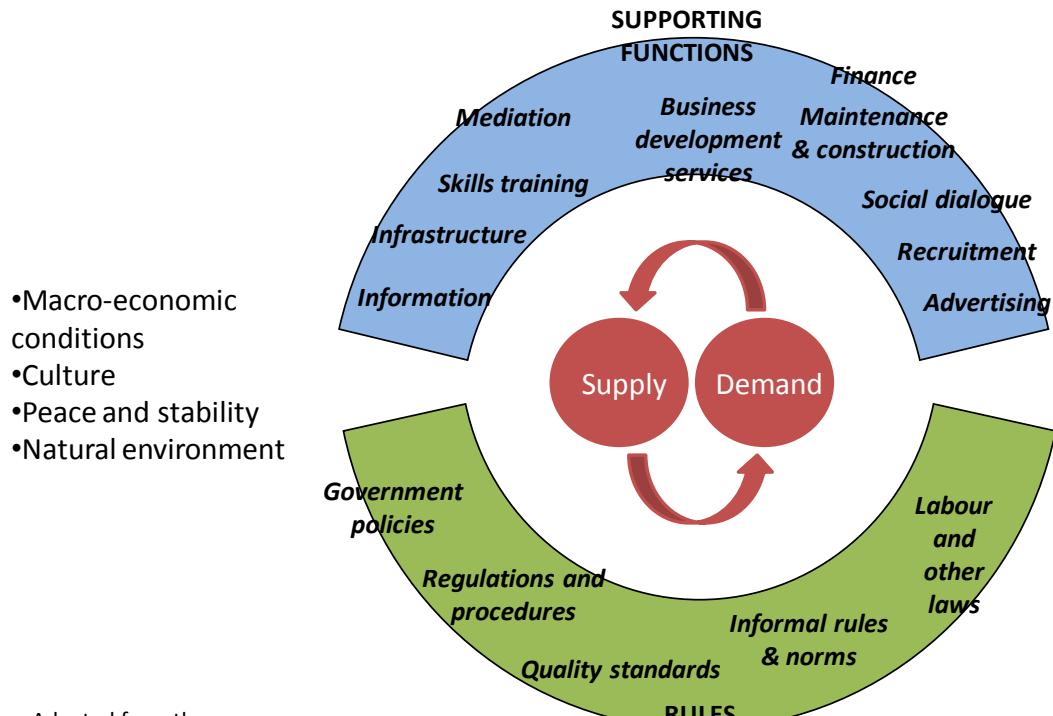
Other projects/donors

- What does your organisation/project do?
- What has your relationship with the PSD project been?
- Has there been any coordination, collaboration?
- Do you see your work as complementary or in conflict with what the PSD project does?
- Is there a difference in approach?
- What are the strong and weak points of the PSD project's approach from your point of view?

Ministries

- What is your relationship with the PSD project?
- Have you been involved in any of its activities? Has there been coordination, collaboration?
- How do you view the project's approach?
- How do you view its progress, achievements?
- How does the project fit in your overall policies, strategies?

Annex 5 – The market system diagram



Annex 6 – Project progress on interventions for ‘Increased performance of at least 3 sectors’

Status of interventions in tourism:

Intervention: Introduce regional promotion and market research

Activities	Market research: training provided to LTOs, survey done. Pilot promotion: Regional tourism brochure, tourist map, promotional weekend for journalists and operators, virtual presentation Green County (distributed on fairs and to stakeholder, websites), signage, offer presented on 2 domestic, 2 international fairs. Participatory development Promotional plan – includes plan for developing activity-based tourism (public discussion taking place).
Results	Research findings inform the promotional plan More research conducted by RTO and 2 LTOs (which included in budget), RTO plans other survey on potential tourists. All LTOs committed to regional promotion through RTO. Foreign tour operator created 8-day tour, an LTO developed city break brochure (co-funded by private sector), local TA developed brochure and 20 tourism programmes, more virtual tours developed by private sector, , LTOs better able to plan/budget, appreciation and possible copying of virtual tours model by NTO, this model included in a course at a university. Agencies and hotels became member of RTO. For first time private sector funded regional promotion, and LTA and LTO organised media weekend, a TA and RTO will organise promotion weekend for foreign market. 3 more LTAs interested in incoming tourism. A TA from Novi Sad using the tools to promote South-Western Serbia.
Next	Implementation of the promotional plan, which includes development of activity-based tourism, under RTO (project will co-fund this).

Intervention: Promote rural tourism

Activities	Developing incoming tourist programmes: Meetings with TAs to introduce to ‘embedded services’ Pilot project with 20 households, 3 TAs created programmes that include some; 2 agencies created 7 round tours, includes households Best practice transfer: 2 study tours for representatives of households to see good practice, one of which for women Development, promotion: Concepts for mini camps, school based camp, large camp with association
Results	NTA linked to 4 local partners TA contracts 25 households, up from 1 One TO and TA developed weekend excursions without PSD support, Women’s Rural Network established, TA did brochure with regional programmes including rural (with PSD support), more communication between households, TOs, among themselves, households more aware of TOs obligations to support them.

Next	Establishment of Regional Council for Rural Tourism within RTO, camps will join camping network, developing the camps, internet promotion and booking. Model households in each municipality as pilot (LTO and hh, LTA as adviser, hh are supposed to pass on their skills in training of LTOs). Develop guidelines for hh.
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Intervention: Improve the training system for human resources

Activities	Partnership established with the Association, activities in the Hotel and Tourism school are being planned.
Results	None yet
Next	A promotional workshop with 5 schools, competition

Intervention: Improving coordination between public and private sector

Activities	The hotel associations have not been set up so this is delayed. The project has provided legal advice, supported drafting of statutes, meetings were held. Coordination more broadly is also addressed through other interventions, and this is now the main project strategy.
Results	None yet
Next	The project continues to search for ways to facilitate the establishment of the associations.

Status of interventions in fruit:

Intervention: Improving productivity and quality

Activities	Preparatory meetings, model for advisory services developed, agreement on purchase of virus detection equipment
Results	Equipment will be at Public Health Institute instead of inappropriate Innovation Centre
Next	Purchase of equipment, meetings to set up the advisory services model

Intervention: Strengthening two processing and marketing cooperatives

Activities	Preparatory meetings, promotional material for brand owned by one of the coops under preparation
Results	None yet
Next	Finalise promotional material, purchase of equipment

Intervention: Establish research function to facilitate innovation

No progress yet.

Status of interventions in meat and dairy:

Interventions still to be designed.