

Self-employment Support Programme, Serbia¹

Prepared by: Levent Koro

I. General Information on the Self-Employment Programme

General objective of the Programme is to generate employment for those that are registered as unemployed with the Public Employment Services (National Employment Service - NES) by provision of financial support (through granting the subsidies) to start a business for self-employment and in this way, encourage entrepreneurship development. The Programme is implemented on annual basis and it has been active for long-period of time (almost 30 years).

The programme is open to all unemployed registered within Employment Offices at the time of announcement of the Programme. However, certain groups such as young people up to 30 years of age, redundant employees, Roma, persons with disabilities, women, victims of trafficking in human beings, and victims of domestic violence are given greater priority in starting a business activity.

The programme is implemented on the basis of a public call and implies granting subsidies and providing professional support to unemployed to become self-employed. The Programme supports the unemployed that are registered with PES (NES) in self-employment through:

- (1) entrepreneurship training named "The Way to a Successful Entrepreneur",
- (2) provision of grants for self-employment, and
- (3) mentoring activities to provide follow up support to unemployed during the first year of operations.

In addition, the development of entrepreneurship in Serbia is also supported by information and advisory services at the business centres that provides information for starting self-employment activities, motivating persons oriented towards entrepreneurship as well as providing other services of importance for starting, survival and the development of business activities.

Geographically, the Programme covers the entire territory of Serbia and the annual target is to support about 3,600 – 3,800 unemployed people with entrepreneurship training and with financial grant (about 2,000 euro per applicant). During 2017, the NES had a budget in amount of 23.7 million euro (or

¹ This report is mainly drafted on the basis of questionnaire completed by the National Employment Service of Serbia for peer review analysis of Self-Employment Programmes.

2,800,000,000.00 Serbian dinars-RSD) dedicated for Self-employment Programme and additional 4.6 million euro (or 550,000,000.00 RSD) from the Budget Fund for Professional Rehabilitation and Encouragement of Employment of Persons with Disabilities. In 2018, NES has increased the budget for self-employment programme from its own resources to up to 30 million euro (or 3,650,000,000.00 RSD). Funds devoted to the Self-Employment Programme during 2018 will again have two major budgetary sources: (i) Financial Plan of the National Employment Service for funding the programmes and measures of active employment policy and (ii) the Budget Fund for Professional Rehabilitation and Encouragement of Employment of Persons with Disabilities.

II. Programme Interventions

1. Promotion of the Programme

The Self-Employment Support Programme is being promoted by the media during the year, especially during the publication of a Public Call which invites potential candidates to apply for granting the subsidies for self-employment. The public call is published in the NES portal, in the Jobs list, national TV shows. The unemployed persons are also informed about the Programme in the employment offices or employment service branches. The promotional activities of the Programme aim to target and cover all groups. Nevertheless, Self-employment Support Programme undertakes additional promotional measures for inclusion of Roma. In addition to promotional activities targeting regular public, a special public call targeting members of Roma community is also implemented by the Serbian NES. Furthermore, business centres are also responsible for providing business information, counselling and professional assistance by providing information relevant to starting a business activity oriented towards entrepreneurship, assisting with commercially viable business ideas and other activities of importance for starting a business activity.

2. Recruitment/Admission process of candidates into the Programme

The Self-Employment Support Programme managed by NES is open for all candidates that are registered as unemployed with the Employment Offices, at the time of public announcement given they fulfil the following conditions:

- submit a completed business plan application as per prescribed form;
- have a completed individual employment plan;
- have a completed entrepreneurship training according to training courses organized by the NES or other appropriate organization;
- have fulfilled earlier obligations to the NES and other terms and conditions in accordance with the public call.

The right to obtain a subsidy can also have more than one unemployed people if they join their efforts and set up their businesses. On the other hand, registered unemployed who benefited from self-employment subsidy previously which was partly or fully funded by NES, and performing business activities that are not in the list of activities that will be financed by the Programme are not eligible to be part of the Programme. The establishment of some kind of associations is not part of the programme either and

cannot be funded. Finally, certain business activities that cannot be performed by the disabled people decided by the assessment of working ability and the possibility of maintaining existing employment position cannot be supported by the Programme.

The applications to the Self-employment Support Programme are usually submitted in all branch offices and other organizational units of the NES. Following the expiration of application deadline, each application is assessed based on established criteria presented below. The scores of each application are added and ranked from the highest scores to the lowest. Each branch has an allocated quota for granting the self-employment subsidy. The assessment of each application and scoring of the business plans is done based on the following criteria:

- the level of development of the local self-government unit where the applicant is planning to perform the activity;
- type of category that person belongs;
- planned type of activity;
- availability of resources for starting the business activity (office space, equipment etc);
- availability of markets (input suppliers, customers, competitors);
- financial statements.

The results of scoring according to the above criteria are published on the notice board of the branch of the NES within 30 days from the day that the public announcement expires.

The final decision on approving the subsidy for self-employment is done by the director of the branch office of the NES, upon the authorization of the Director of the NES or another employee authorized by the Director of the NES. Within 45 days from the date of the decision, the Director of the NES Branch is responsible to conclude an agreement regulating the mutual rights and obligations and on the basis of which subsidy payment is disbursed.

Self-employment Support Programme undertakes additional measures for inclusion of disadvantaged groups including Roma. The National Action Plan for Employment on a yearly basis identifies the categories of hard-to-reach employers who have priority for inclusion into the active labour market measures. Roma belong to the category of hard-to-reach persons who have a priority to include in the Programme, thus their applications are further evaluated for inclusion into the Programme.

3. Provide entrepreneurship training to candidates

Entrepreneurship training is one of the key interventions of the Self-employment Support Programme implemented by NES. The training focuses on boosting the competences of unemployed registered at NES and redundant employees in starting and carrying out their own business activities. The entrepreneurship training is delivered by NES' own qualified trainers. The training includes the basics of entrepreneurship; legal framework governing businesses; taxes and contributions; preparing business plans; contractual obligations towards the NES, etc. All participants in the training course have a right to have necessary training materials at no cost and compensation for transport cost to be funded by the NES. The training course lasts about 10 hours in total divided into two working days for five class hours each. However, there is no assessment process in the end of the training. In 2017, about 12,500 unemployed

completed entrepreneurship training, of which 11,334 were from hard-to-employ categories of job seekers, 289 from people with disabilities and 194 from Roma.

4. Access to Finance

Self-employment Support Programme offers a financial subsidy (a small grant) to ease the barrier for creation of start-ups from these targeted groups. While amount of financial support is determined on yearly basis by the Annual Plan, the average amount of financial support given to applicant is about 1,800 euros. The minimum amount of financial support in amount of 1,500 euro (or 180,000 RSD) is given to all unemployed persons, 1,700 euro is given to redundant employees (or 200,000 RSD) whereas maximum amount of financial support in amount of 1,850 euro (or 220,000 RSD) is given to unemployed persons with disabilities. As explained above the right for such a financial support can also be granted for more than one unemployed people if they join their efforts and establish a business.

The winning applicants sign an agreement with NES and they should register a business and fulfil obligations on the basis of contributions for mandatory social insurance, at least 12 months starting from the day of commencement of the activity. The winning candidates also have to provide evidence and enable monitoring for the realization of the contractual obligation to the NES and inform them of all changes that are important for the implementation of the agreement.

5. Business Coaching & Mentorship

Self-employment Support Programme included interventions to provide assistance to newly established entrepreneurs through mentoring support during the first year of operations. The aim of this intervention is to further support candidates to manage and grow their businesses. Mentoring support is provided and delivered by trained coaches of NES. NES coaches offer on average 5 hours of coaching services for each winning candidate. The support involves the provision of consultancy services on financial planning and bookkeeping, legal matters, networking and marketing.

6. Monitoring & Evaluation

The implementation of the Programme is monitored by NES for 12 months from the commencement of the Programme. During this period, NES monitors all unemployed people that are employed with a self-employment programme on regular basis. More specifically, NES monitors whether unemployed persons or winning applicants for self-employment subsidy are registered and whether they comply with compulsory social security contributions for at least 12 months starting from the day they commence performing the activity. In addition, NES also uses the technology to estimate the gross effects of the measure by checking and comparing the employment status of the candidates with register of Tax Authority/Social Security system.

In 2017, the Programme has also conducted an evaluation assessing the Programme activities from the period of 2014. Some of the results of this assessment are presented in the next two sections.

II. Results

In 2017, a total of 3,680 persons were engaged with Self-Employment Support Programme. There was noteworthy participation from the categories of hard-to-employ people.² Out of 3,680 persons that were included in the Programme 3,539 were from the category of hard-to-employ people (or 96%), 116 people were with disabilities (or 3%) and 140 were persons of Roma ethnicity (4%).

In 2017, NES organized an evaluation of the Programme focusing on beneficiaries of 2014. For this purpose, NES, compared the data of their beneficiaries with Tax Authority/Social Security database. NES found that about 56% of the 2014 grantees (393 out of 850) were still in business in 2017. Thus, survival rates of businesses after three years of operation were more than 50%.

The highest survival rates were identified in the Health and Social Care sectors. The survival rates of businesses in these sectors were 92% after three years of operation. Within these sectors the highest survival rates were identified for Dental practice services. Transport and Storage sector has followed the Health and Social Care sectors in terms of highest survival rates for businesses. About 82% of businesses in the Transport and Storage sector were still operating (within this sector it is important to emphasize the Road freight transport sub-sector with high survival rates). The survival rates were also high for Real Estate and Education sectors.

III. Good Practices

Self-employment Support Programme identifies the following critical factors influencing the success of the self-employment programme:

- Promotion of Programme implemented using national TV shows: Although, Self-employment Support Programme organized a wide range of promotional activities during the public call such as using NES portal, the Jobs list, face-to-face information through employment service branches, promotion of the Programme using national TV shows were especially highlighted as successful by the NES. Due to high viewership levels, the Programme found that there is a strong relationship between promotion of the Programme in national TV shows and the number of applications received.
- Active participation in training: Active participation of the candidates in the training is considered as good practices by the Programme. According to them active participation kept the candidates focused during the entire period of training and thus resulted in production of sound and more successful business plans.
- Scoring system: The Programme considers that beneficiary selection process which was implemented through scoring system (i.e. scoring the application and business plans according to

² According to NES Work Programme, hard-to-employ persons are those unemployed persons who find it difficult to find a job because of health status, insufficient or inadequate education, or of other objective circumstances. In 2017, following categories were identified as hard-to-employ people that will have priority when it comes to ALMP measures: young people up to 30 years of age, redundant employees, older than 50 years, persons with low skilled and without qualifications, disabled, Roma, able-bodied beneficiaries receiving monetary assistance, long-term unemployed young people under 30 with the status of children of war veterans, young people under 30 who have the status of a child without parental care, victims of trafficking victims and domestic violence.

the pre-determined criteria and ranking the application from the highest scores to the lowest) enabled them to select the most successful applications and thus obtain the highest possible return on investment/support provided.

- The Programme evaluation identified young beneficiaries of self-employment subsidies as more successful in terms of survival rates of their business compared to other groups by 6 percentage points difference. Young people were particularly successful in following sectors/sub sectors: wholesale and retail trade sector; repair of motor vehicles and motorcycles (by 17 percentage points) and in professional, scientific, innovation and technical sector (by 12 percentage points).