

Peer Review Report on Self-Employment Programme

Final Report on Self-Employment Programmes (SEP) in the Western Balkan Economies

**Prepared for
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Table of Contents

List of abbreviations and acronyms.....	2
1. Introduction.....	4
2. Promotion and admission process of candidates into the Programme.....	5
2.1. Promotion of Programme.....	5
2.2. Admission processes of candidates into the Programme.....	6
3. Key interventions of the Programme.....	6
3.1. Entrepreneurship training.....	6
3.2. Access to Finance.....	8
3.3. Coaching & Mentorship.....	9
4. Monitoring and Evaluation of the Programme.....	10
4.1. Monitoring and evaluation practices.....	10
4.2. Programme Results.....	10
4.3. Key lessons learned that influenced the success of the Programme by experiences beyond of the WB.....	14
References.....	15

List of abbreviations and acronyms

AL	Albania
ALMP	Active Labour Market Programmes
BD	Brcko District
BA	Bosnia and Herzegovina
CSO	Civil Society Organisations
DV	Domestic Violence
EOs	Employment Offices
FBA	Federation of Bosnia and Herzegovina
ILO	International Labour Organization
LTU	Long-term Unemployed
MLSW	Ministry of Labour and Social Welfare
ME	Montenegro
MTI	Ministry of Trade and Industry
NGO	Non-governmental Organisation
OECD	Organisation for Economic Cooperation and Development
OM	Operational Manual
PES	Public Employment Service
RCC	Regional Cooperation Council
BA-RS	Republika Srpska
SA	Social Assistance
SEP	Self-Employment Programme
RS	Serbia
SIYB	Start and Improve Your Business
UNDP	United Nations Development Programme
VTC	Vocational Training Centres
UNDP	United Nations Development Programme
WB	Western Balkans

1. Introduction

The Regional Cooperation Council (RCC) is managing mutual learning activities among Western Balkans (WB) institutions responsible for designing and implementing employment and labour market policies. The objective of the mutual learning activities is to enable knowledge sharing, capacity building and the transfer of good practices among peer institutions.

The selected peer review topic which this report will tackle is the Self-Employment Programme (hereafter SEP) implemented by Public Employment Services (PES) in Western Balkan economies. This report is compiled from self-evaluation report of host Employment Agency in implementing SEP which in this case was Employment Agency of Kosovo* and five brief peer reports of other 5 Western Balkan economies including critical reflection on the programme that was prepared in cooperation with respective authorities. Brief peer reports were prepared on the basis of questionnaire completed by the Public Employment Services of all Western Balkan economies, namely, Albania (AL), Bosnia and Herzegovina (BA),¹ Former Yugoslav Republic of Macedonia (FYROM), Montenegro (ME) and Serbia (RS) for peer review analysis of SEP.

The SEP in general is designed to provide the unemployed with knowledge, skills and competences as well as an initial capital to start their own business or to become self-employed. The programme is offered to generate employment for those that are registered as unemployed with the Employment Offices. The key measures of the Programme include (i) training in basic business management skills, preparation of a sound and viable business plan, (ii) financial support (through provision of grants and credits in ME) to start a business, and (iii) mentoring and consultancy services for those that open their businesses and/or become self-employed.

This peer review report will focus on capturing good practices and lessons learned from SEP's key components (entrepreneurship training, access to finance, coaching & mentoring services), in order to facilitate learning, discussion and capacity building among peer institutions dealing with similar programmes and policies. In addition to the core measures of the self-employment programme, this peer review exercise will also look at the promotional activities and recruitment/admission process of candidates into the programme to identify good practices and lessons learned. The exchange of experience on promotional activities can be specifically important to understand how Public Employment Services (PES) are attempting to reach out disadvantaged groups and encourage them to be part of the programme. On the other hand, admission criteria and awarding processes as documented by many papers can be decisive in influencing the success of the programme.

This report is organized in the following way: Section two outlines the approach used for promotion and admission procedures of the candidate into the programme. Section three is dedicated to core components of the programme (training on business management skills, financial support and coaching & mentorship services) while section four is about monitoring and evaluation practices and results achieved. Last but not least, good practices encountered during implementation of this programme which is the main objective of the peer review exercise will be captured and presented in

* This designation is without prejudice to positions on status, and is in line with UNSCR 1244 and the ICJ Opinion on the Kosovo declaration of independence

¹ In BA there are three different SEP which are covered by this report: Co-financing programme for self-employment in Federation of Bosnia and Herzegovina (FBA), Self-Employment Support Programme in Republika Srpska (RS) and Self-Employment Programme in Breko District (BD).

two forms (i) separately for each component and section of the report (i.e. separately for promotion, admission process, entrepreneurship training etc) and (ii) as a separate section which tries to capture major factors and characteristics of the programme that influence the overall success of the programme based on international literature and practices. Presenting this way good practises and lesson learned will add further the value for peer review exercise and facilitate better discussion and learning experiences and capacity building among institutions that will participate.

2. Promotion and admission process of candidates into the Programme

2.1. Promotion of Programme

All PES in Western Balkan economies organized similar promotional activities during the announcement of the Programme. Self-Employment Programmes are being promoted by the media especially during the publication of a Public Call that invites potential candidates to apply for the Programme. The public call is published in the PES portals, daily newspapers, national TVs and radios. PES in many countries organised launching events of the Programme that are attended by various stakeholder and media. In addition, some PES during the promotion phase organizes information meetings to convey more detailed information to all interested people. These information sessions are usually announced in newspapers, web sites, media and any other relevant means beforehand. Finally, unemployed persons in many PES are also informed about the Programme by the employment offices directly or by employment service branches.

In order to reach out to more vulnerable groups certain PES organised meetings and specific information sessions with those that otherwise have limited access to formal channels of communication. For example, in order to reach out to women participants and communities from Roma, the Programme organised specific information sessions in collaboration with NGOs promoting women's rights and rights of Roma and in locations where these groups are concentrated more heavily.

Good practices: The promotional activities of PES in the Former Yugoslav Republic of Macedonia are especially highlighted as good practice not only by using different means of communication but also by being targeted in their messages to young persons. For this purpose, the PES of the Former Yugoslav Republic of Macedonia has developed a web platform for the Programme (www.rabotainoznosti.mk). For targeting the interest from young people, the Programme disseminates the information newsletter about the Programme through youth email networks as well as motivational messages on the social media (fan pages created by domestic start up community) adapted in their tone, vocabulary and content to the expectations of the young people. In order to have significant impact on youth, part of the success stories is selected especially from young successful entrepreneurs. The programme is promoted through online media (providing direct link to the main information platform of the programme) but also in the career fairs for youth, as well as in organizing the information sessions and open days in the Info Clubs with participation of young successful entrepreneurs. The Programme has prepared and disseminated in mass media a series of successful motivating stories, and publishing on a frequently visited youth web portal (example: <http://www.reborn.mk/mojata-startap-prikazna-ognena-vasiljevik/>). On this subject, it also important to add the example of ME where they share the experiences from those that already went through the process of starting a business and/or become self-employed to the potential candidates.

2.2. Admission processes of candidates into the Programme

The SEP in all PES are open for all candidates that are registered as unemployed with the Employment Offices, at the time of application. However, initial application process differs from simply application form (BA-FBA), to business idea application form (KOS) and to fully-fledge business plans (BA-RS, BD, RS). PES in MK after application invites interested candidates for provision of detail information about the Programme and if the candidates are still interested supports with application process. Applications, on the other hand are assessed by Commission based on pre-determined criteria (KOS, RS, MK), but there are also examples where applications are assessed directly by Employment Offices (employment counsellors) conducting so called administrative assessment (BA- FBA) and more qualitative assessment of candidates by EOs in ME.

For greater inclusion of disadvantage groups some PES applies quotas (BA-FBA) some others give additional points during assessment (KOS) or give priority for inclusion of vulnerable groups (RS). On the other hand, PES in MK, BA-RS, RS have specific sub-programmes for inclusion of specific groups such as personas with disabilities etc.

Good Practices: The decision-making process for selection of the candidates which is based through scoring system (i.e. scoring the application and business plans) implemented by many PES (KOS, RS, MK, BA-BD) according to the pre-determined criteria and ranking the application from the highest scores to the lowest is highlighted as good practice of selection even if pre-determined criteria differs in many PES. According to many PES, the scoring system enabled them to select the most successful applications and thus obtain the highest possible return on investment/support provided. According to SEP in RS² 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.

3. Key interventions of the Programme

3.1. Entrepreneurship training

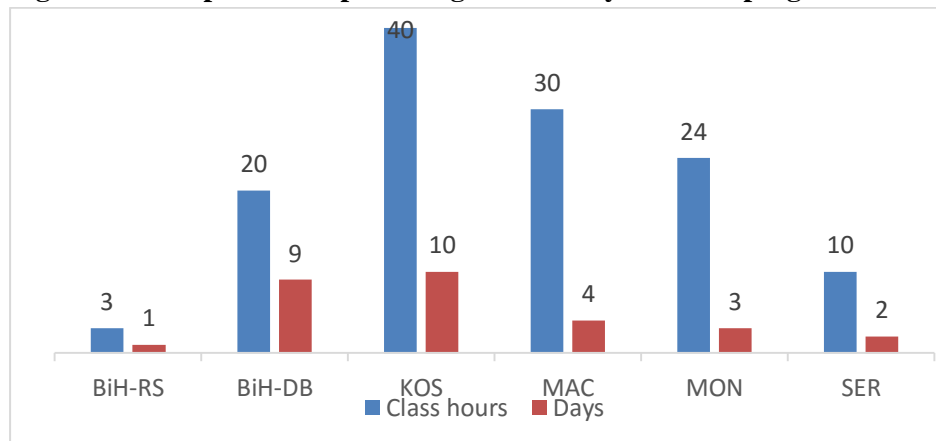
Entrepreneurship training is one of the core measures implemented in SEP by all PES with exemption of SEP in BA-FBA. Since clients of PES in general have lower skill levels and less experience in business management, it is assumed that they are less likely to have well-developed entrepreneurship skills to effectively manage their businesses. For this reason, the training focuses on boosting the business management skills of targeted groups.

² While in MK, scoring system is implemented through: (i) Initial application process (i.e. questionnaire) –10% of the total score, (ii) Entrepreneurship Training - 15% of the total score, (iii) Assessment of the business plan by the Expert Committee - 65% of the total score, (iv) Assessment of the candidates by the APERM's (Agency for Promotion of Entrepreneurship) Advisors (the impression acquired in the process of preparation of the business plan) - 10% of the total score.

However, entrepreneurship training is delivered differently in almost all PES. While the entrepreneurship training is delivered by PES own qualified trainers in BA-RS and RS, it is delivered by Vocational Training Centres which are part of the Employment Agency in KOS. On the other hand, entrepreneurship training is delivered by external providers in BA-BD, MK and by mixed team of internal and external providers in ME. All PES assesses the performance of the candidates in the end of the training in order to be eligible for the next phase of the programme (i.e. business planning and/or access to finance) with exception of RS.

The training duration also differs significantly among different SEPs. While the entrepreneurship course in BA-RS lasts about 3 hours in total organized in one working day, in KOS it lasts about 40 class hours spread out in two weeks (see figure 1). However, even two-week of entrepreneurship training programme is considered too short compared to for example Slovenian experiences which lasts 100 class hours for about one month and especially when the clients of the training programme are unemployed who have lower skill levels and less experience in business management.

Figure 1: Entrepreneurship training duration by different programmes



Source: Questionnaire completed by PES for peer review analysis of Self-Employment Programmes

Good practices: The entrepreneurship training delivered based on ILO’s Start and Improve Your Business (SIYB) Programme³ by the PES in KOS is considered as one of the good practices in SEPs. SIYB is currently the largest global business management training programme. It was launched in 1980s and there are 4 training packages available: **Generate your Business Idea** is usually intended for people who would like to start a business, and who, through the training, develop a concrete business idea ready for implementation. **Start your Business** is for those who want to start a small business and already have a concrete business idea. It helps candidates to assess their readiness to start a business and to prepare a business plan and thus evaluate its viability. **Improve Your Business** introduces already practicing entrepreneurs to good principles of business management (marketing, costing, buying and stock control, record keeping, planning for your business, and people and productivity). **Expand Your Business**, gives growth-oriented SMEs the practical tools for business growth, assisting them through training and non-training interventions with a focus on business strategy to expand their business. In addition, SIYB packages also include the SIYB Business Game which is a business simulation game that complements training of potential and existing

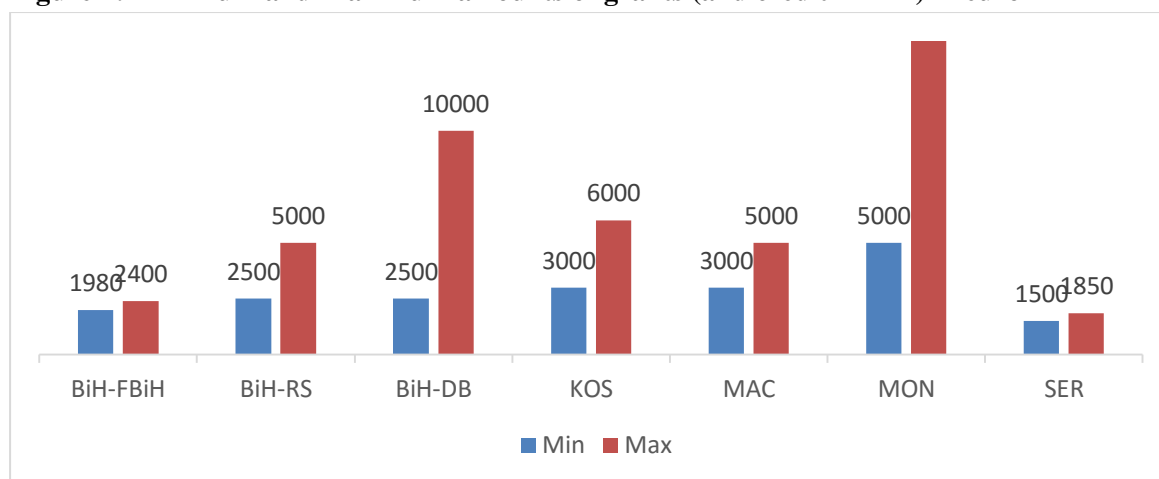
³ “Start Your Business Manual”. ILO. http://www.ilo.org/wcmsp5/groups/public/---ed emp/---emp ent/---ifp_seed/documents/instructionalmaterial/wcms_436201.pdf

entrepreneurs. There is a ‘master trainer’ programme that can guide additional trainers while the training materials are translated already in many languages.

3.2. Access to Finance

Since access to start-up financing is very often identified as one of the biggest barriers for establishment and initial operation of new businesses, SEP offers financial support to ease the barrier and boost the potential for creation and survival of start-ups and self-employment from these groups. SEP in KOS, BA, MK, RS offer financial grant, while SEP in ME offers subsidized credit to their beneficiaries. All PES applies certain conditionality for disbursement of funds such as (i) applicant should register a business, (ii) pay social contributions and taxes, (iii) possess a bank account of the legal entity etc. While in most of the PES, allocation of funds is divided in two tranches such as in SEP of BA-BD and KOS the delivery of funds is divided in 12 tranches in BA-FBA.

Figure 2: Minimum and Maximum amounts of grants (and credit in ME) in euro



Source: Questionnaire completed by PES for peer review analysis of Self-Employment Programmes

The minimum and maximum amount of financial support given to applicant differs significantly among different SEPs. While the minimum and maximum amount in Serbia changes from 1,500 to 1850 euro, the same figures in BA-DB is between 2,500-10,000 euros. On the other hand, the minimum and maximum amount in Montenegro which offers subsidized credit changes from 5,000 to 15,000 euro depending on number of jobs generated.

The provision of access to loans instead of grants: Obviously there are pros and cons for provision of loans instead of grants. The provision of loans instead of grants may pose barrier for start-ups since they have to repay back the principal and interest rate of the loan even if such interest rate is subsidized. The provision of loans instead of grants can also pose additional barriers for start-ups in terms of collateral requirements especially when the targeted groups for start-ups and self-employment are people with limited access to immovable and moveable assets such as women and other more disadvantaged groups.

On the other hand, the provision of loans instead of grants gives opportunity to use such form of support for extended number of beneficiaries. While beneficiaries repay back the principal and interest rate of the loan such funds can be used for additional number of beneficiaries without a need to dedicate additional financial resources for financing start-ups. The provision of credit also brings in

the review of “bankability” of the proposals that are usually done by banking experts that can lead to better process of selection of business proposals compared to the process when selection is done by the public administration officials.

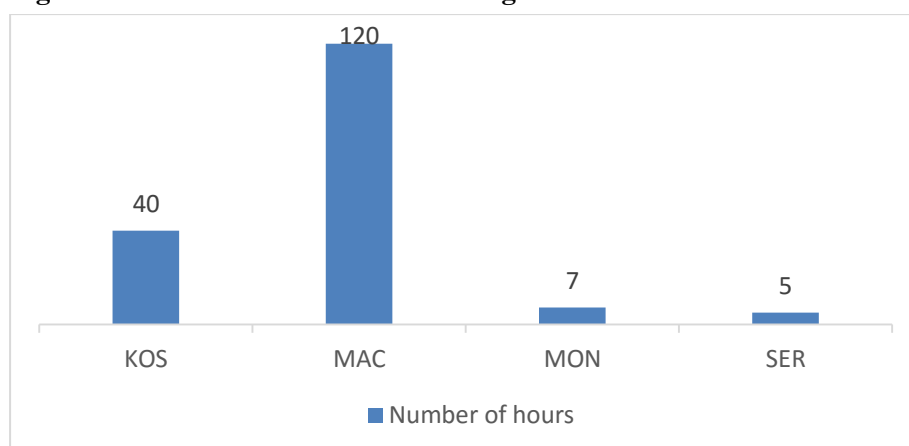
Conversely, grants are capital transfers by which money ownership is transferred from one party (i.e. the grantor) to another (i.e. the grantee). While grants offer more comfortable conditions for start-ups (since they are not pressured to repay back the loans), governments need to dedicate certain amount funds every year for financing start-ups. Such form of financing can be an expensive policy in a time of public budget constraint as well as to reach out significant number of beneficiaries.

3.3. Coaching & Mentorship

Since the first year or the first two years of start-up operations are considered as critical period for the survival of businesses even more so for disadvantaged groups since they are less likely to have experience in running businesses, many SEPs have included interventions to provide professional assistance through coaching and mentoring during this period. Mentoring support is offered in KOS, MK (only for specific group) in RS, ME, while it is not offered in BA. Mentoring support is provided by external consultants in all SEPs for specific number of hours of mentoring services spread out up to one year usually.

Nevertheless, as can be seen in figure three, number of hours of mentoring services offered to successful candidates differs significantly in different SEPs. While mentoring services is limited to 5 hours in RS, it goes up to 120 hours in MK.

Figure 3: Number of hours of mentoring services



Source: Questionnaire completed by PES for peer review analysis of Self-Employment Programmes

Good Practices: The overall duration of mentorship of one year was identified as adequate because longer duration of mentorship can create grantee dependency on the external support. However, the challenges remain in closing the gap between the request of obtaining a fast response from business consultants for specific issues when self-employed and start-ups demand such support and finding suitable mentors to respond adequately for different needs and capacities of beneficiaries. In addressing this challenge for example business support consultants in KOS have conducted a needs assessment of grantees in order to identify their potential needs for mentorship in the beginning of the service offer. Another importance lesson is that often, the coach or mentor should be from the same

target group in order to create a high level of trust between mentor and mentee. This means for example, matching a women entrepreneur with another women entrepreneur.

4. Monitoring and Evaluation of the Programme

4.1. Monitoring and evaluation practices

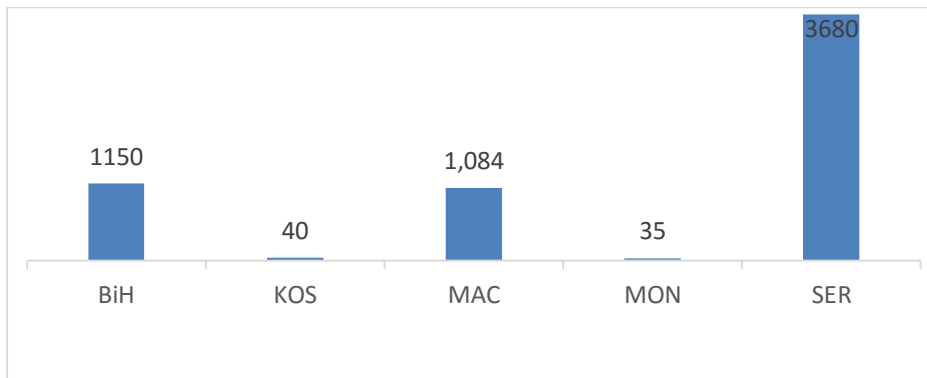
Monitoring practices: Monitoring practices varies from (i) administrative checks in BA-FBA and RS and (ii) monitoring visits implemented in BA-DB, KOS, ME, MK, RS. The administrative check involves reviewing the documentation that the beneficiaries regularly submit in order to justify the approved funds as well as the database of the Tax Administration, whether beneficiaries fulfil the obligation to maintain the registered activity within the envisaged deadline and pay tax and other contributions. On the other hand, monitoring visits are conducted to collect timely and accurate information on whether the Programme is being implemented in line with its schedule, and monitor the success and the impact of the implemented Programme. Usually the implementation of the Programme is closely monitored for about 12 months from the commencement of the Programme. PES in BA also reviews the survival rate of businesses supported by the Self-employment Programme by tracking the beneficiaries from Tax Administration database.

Evaluation practices: External performance and impact evaluations are not conducted intensively in the Western Balkans and when they are conducted they are done through financial support of international organizations. Out of all PES, only KOS and RS have commissioned the external evaluation to assess their Programmes. The external evaluation also is in process of preparation in FRYOM and it will be completed soon by a foreign consulting company. In most of the cases, these evaluations try to measure survival rates of businesses and self-employed supported and try to introduce some counterfactual analysis comparing the beneficiaries of the programme (treatment) with control group who haven't received any funding from the programme. Nevertheless, in the future such analysis is expected to extensively use the cost-benefit analysis but also to compare results and costs with other ALMPs such as on-the job training, vocational training, wage subsidies etc. in order to compare the effectiveness of the SEP against other measures.

4.2. Programme Results

Based on the administrative data submitted by various PES, SEP in RS has the largest programme in terms of reaching out number of beneficiaries in absolute figures and SEP in ME has the lowest reach out. The figure 4 presents number of beneficiaries that received funding from SEP by different PES. Based on these administrative data SEP in Serbia is reaching out more than 3600 beneficiaries per year, while SEP in Montenegro is funding only 35 beneficiaries per year with SEP.

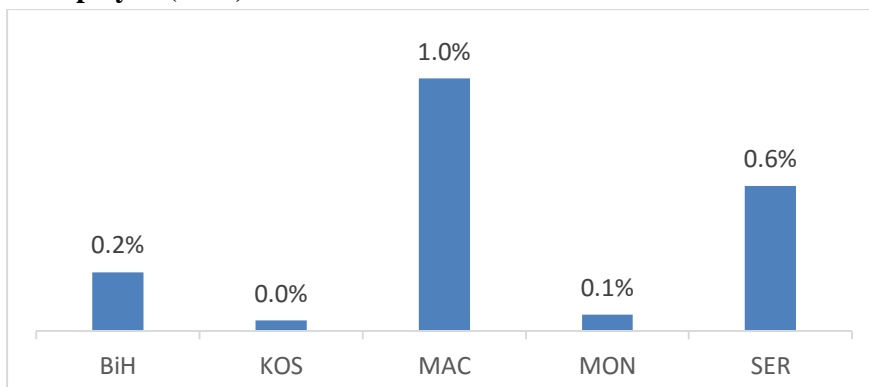
Figure 4: Number of beneficiaries that received funding from Self-employment programmes (2017)



Source: Questionnaire completed by PES for peer review analysis of Self-Employment Programmes

However, when number of beneficiaries that received funding from SEP are compared to overall size of unemployed people that are registered in PES we observe information about the relative coverage of programmes. The figure 5 was generated by dividing the number of beneficiaries that received funding through SEP in 2017 to total number of registered unemployed in PES in 2017. According to these results, the relative size and the coverage of the programmes are quite small. In relative terms, SEP implemented in FRYOM has the largest coverage reaching out to 1 percent of all unemployed people registered in PES, while the SEP which has the smallest coverage is implemented in KOS reaching out only 0.04 percent of all unemployed registered in PES.

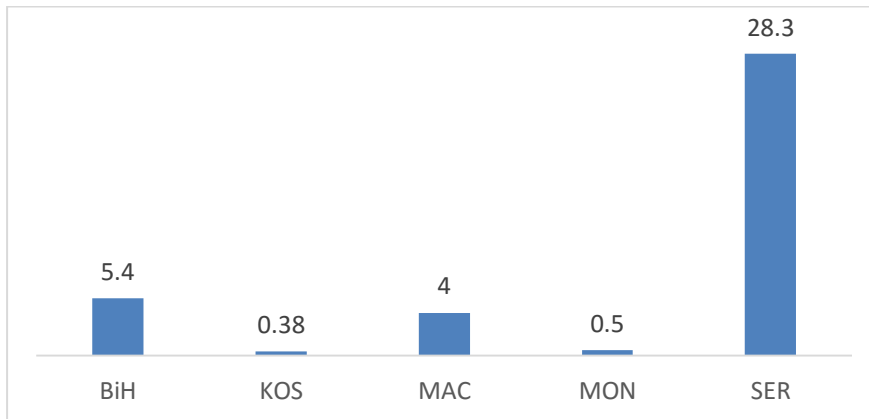
Figure 5: Relative size of self-employment programmes compared to number of registered unemployed (2017)



Source: Questionnaire completed by PES for peer review analysis of Self-Employment Programmes

Figure 6 provides information on yearly budgets of SEPs for 2017. During 2017 SEP in RS had the largest yearly budget with more than 28 million euro, while smallest one in terms of yearly budget was implemented in KOS with 380,000 euros.

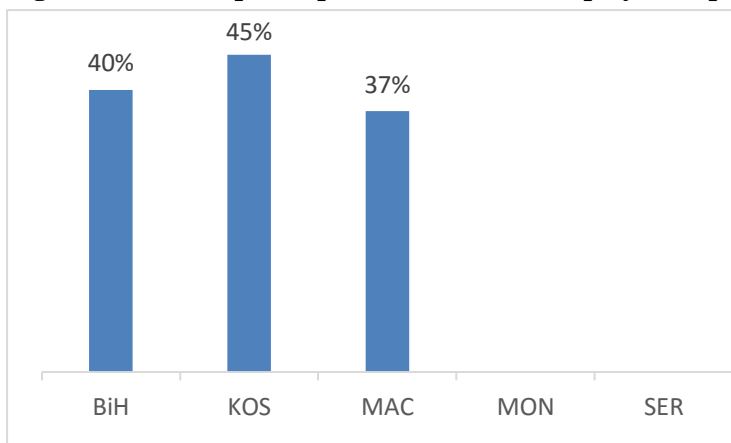
Figure 6: Yearly budgets of SEPs (in million euros, 2017)



Source: Questionnaire completed by PES for peer review analysis of Self-Employment Programmes

Figure 6 shows that there was noteworthy participation from women into SEP in all PES where data is available. The share of women beneficiaries within those that were selected and actually received the funding and mentorship support was above 40% in BA and KOS and just below 40% in MK. This share of women participation into the Programme is very encouraging for certain PES considering the lower labour market participation rate for women for example in KOS (between 18-20%).

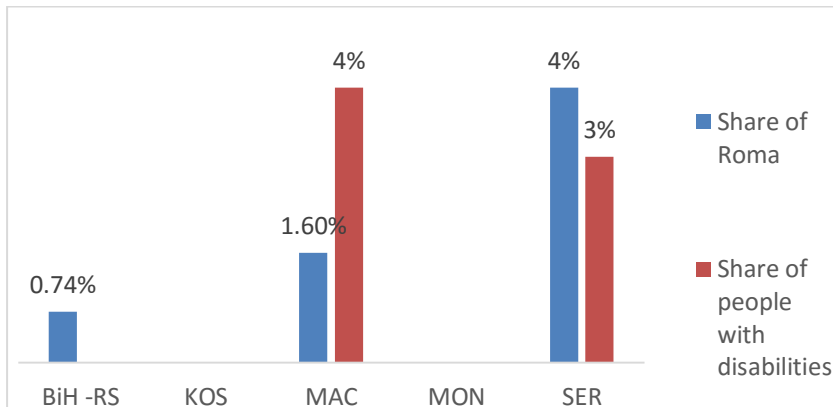
Figure 7: Women participation rate in self-employment programmes (2017)



Source: Questionnaire completed by PES for peer review analysis of Self-Employment Programmes

Notwithstanding of this very positive achievement, the share of Roma and people with disabilities in SEPs is relatively low with exception of RS for both of these groups and MK for people with disabilities. The figure 6 provides participation rates for Roma and people with disabilities for different SEPs where data is available.

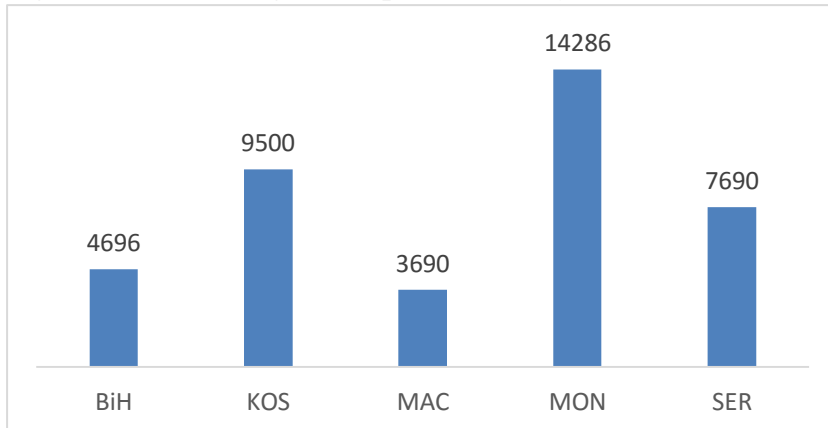
Figure 8: Participation rates of Roma and people with disabilities



Source: Questionnaire completed by PES for peer review analysis of Self-Employment Programmes

Regarding the costing structures of the SEPs, cost of SEP per beneficiaries differ significantly (see figure 8). However, this variance is justifiable significantly since average size of the grants, training expenses as well as the intensity of coaching & mentoring services and other operational costs differs. Since the support package is different the costing structures cannot be compared among different PES. Nevertheless, the figures below provide some indicative information regarding the cost of programmes that was generated by dividing the yearly budget with number of beneficiaries that received funding. According to these results, the largest cost per beneficiary was realized in ME which is based on access to credit not a financial grant (which exceeds 14,000 euro per beneficiary) and the lowest in FRYOM which reaches up to 3,700 euro.

Figure 8: Cost of Programme per beneficiary in different SEPs (euro, 2017)



Source: Questionnaire completed by PES for peer review analysis of Self-Employment Programmes

4.3. Key lessons learned that influenced the success of the Programme by experiences beyond of the WB

Finally, the report will summarize key factors and lessons learned that influence the success of the self-employment programmes according to international literature (mostly generated by OECD).⁴

These are:

- **Experience:** Relevant previous experience (in self-employment or in employment in the same industry/occupation) increases the chances of survival of businesses/self-employment initiatives.
- **Age of the entrepreneur:** Businesses operated by older people generally have higher survival rates compared to other age groups most likely because they have more work experience. However, for a given level of experience, a younger entrepreneur has higher chance and better survival rates.
- **Financial resources:** Small business owners are more likely to succeed when they have more personal financial capital available for the business.
- **Motivation:** Entrepreneurs who start their business to exploit an opportunity (rather than out of necessity) will have better chances of survival.
- **Education:** Entrepreneurs with higher levels of education typically have better performing businesses, with higher survival rates.⁵
- **Innovation:** Entrepreneurs who operate businesses that are based on new products, services or technologies face a greater risk of the market not accepting their new offerings than business that offer products, services and technologies that are already accepted; therefore, innovation is associated with higher failure rates.
- **Trust in coaching & mentoring:** There must be a high level of trust between the individuals involved in coaching and mentoring relationships. Often, the coach or mentor should be from the same target group. This means for example, matching a women entrepreneur with another women entrepreneur, or a senior entrepreneur with a senior entrepreneur. The main factor contributing to the success of this intervention is the effective interaction between mentors and mentees in multiple approaches (i.e. online, meeting, workshops).
- **Fair and transparent application process:** Many studies identify that the key elements of a successful self-employment programme are fair and transparent application and awarding process.

⁴ OECD (2016): Inclusive Business Creation. Good Practice Compendium and OECD (2015): Policy Brief on Sustaining Self-employment - Entrepreneurial Activities in Europe

⁵ For this reason, it is recommended that any self-employment programme targeted at less skilled and less experienced candidates to incorporate entrepreneurship training focusing particularly on upgrading skills related to running a small business

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