

Elusive success

Evaluation of the Entranse programme in Serbia

Commissioned by the Norwegian Ministry of Foreign Affairs

Oxford Research AS

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Short summary:	<p>This report provides an assessment of the functioning and outcome of the Entranse programme, which was funded by the Norwegian Ministry of Foreign Affairs and implemented by SINTEF in Serbia in 2004-08. The programme consisted of two main parts, the development of a national programme of entrepreneurship for small and medium sized enterprises and the establishment of an incubator for companies in the Niš region.</p> <p>Oxford Research has evaluated the programme based on document review, interviews with stakeholders and a questionnaire to BIC Niš tenants.</p> <p>The programme was predominantly successful, as most activities in the national part of the programme were conducted and an incubator was established in Niš. The incubator realised a significant element of additionality, still its quality was limited.</p>

Introduction

This report provides an assessment of the functioning and outcome of the Entranse programme, which was funded by the Norwegian Ministry of Foreign Affairs and implemented by SINTEF in Serbia in 2004-08. In addition, some recommendations are provided for future projects in the Western Balkans funded by the Norwegian Ministry of Foreign Affairs.

The title of this report indicates that the Entranse programme was predominantly successful, but that the outcome to some extent is challenging to define or pinpoint.

The task of evaluating the Entranse programme was assigned to Oxford Research by the Norwegian Ministry of Foreign Affairs. The Managing Director of Oxford Research, Harald Furre, has led the evaluation. The project team has also consisted of analyst André Flatnes and analyst Bart Romanow of Oxford Research as well as Serbian consultants Branka Bogdanovic and Sladjana Milosevic.

Oxford Research would like to give thanks to those who contributed to this evaluation – Serbian former and current public officials, incubator tenants, SINTEF personnel and Norwegian government officials. Haavard Austad and Olav Reinertsen have been responsible for the evaluation in the Ministry. We would like to thank them for the smooth cooperation.

Kristiansand, Norway, February 2010



Harald Furre

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List of Abbreviations

BIC Niš	Business Incubator Centre Niš
BISC	Business Incubators Support Center
BIT Tuzla	Business Innovation and Technology Centre Tuzla
DACU	Development and Aid Coordination Unit
DSS	Democratic Party of Serbia
EC	European Commission
IOM	International Organization for Migration
IRC	Innovation Relay Centre
MERD	Ministry of Economy and Regional Development
MIER	Ministry of International Economic Relations
MI Niš	Mechanical Industry Niš
NIP	National Investment Plan
NMFA	Norwegian Ministry of Foreign Affairs
Regional SME Agency	Regional Agency of SME Development and Entrepreneurship
SME	Small and Medium-sized Enterprises
SME Agency	Serbian Agency for SME Development and Entrepreneurship
TI	National Institute of Technology

Chapter 1. Executive summary

Brief description of the Entranse programme

The NMFA's engagement regarding business development in Serbia, and the subject of this evaluation, consists of two main parts:

- Development of a national programme of entrepreneurship for small and medium sized enterprises
- Establishment of an incubator for companies in the Niš region

In sum, these two parts constituted the Entranse programme, which was financed by the NMFA and carried out in the period from December 2004 to June 2008. The NMFA's expenditure on the Entranse programme was 2 740 000 Euros over four years. SINTEF was the international lead partner and implementing agency.

The general objective for the programme, which is repeated in all the project application, was *"to generate new jobs and new enterprises through development of an environment for entrepreneurs, enterprises and SME institutions in the Republic of Serbia"*.

The following six activities are identified as major tasks in the national part of the programme:

- Building capacity and competence in the Serbian national government institutions
- Preparation of national programme for incubator development
- Monitoring and assisting in the implementation of the Cluster Development Project
- Development of application to Enterprise Europe Network
- Development of training manuals/programme
- Carrying out Entranse on Tour (incubator diffusion)

Assessment of the Entranse programme

Oxford Research has evaluated the programme based on document review, interviews with stakeholders and a questionnaire to BIC Niš tenants.

The letters of commitment from the NMFA to SINTEF did not contain specific objectives for the project, nor did they specify how funding and other resources should be allocated. Hence, assessment of activity and results in relation to objectives is challenging. The establishment of the incubator is a relatively well defined task, while the outcome of the national programme is less evident and floats into the political structure of Serbia.

From the start, the Entranse programme had a four year perspective. However, the set-up was designed with year by year reporting requirement, annual applications had to be submitted and there were annual letters of commitment from the NMFA. Each year the Serbian authorities had the opportunity to influence the application, and with four governments in power during the Entranse period there were changing

policy interests, which had implications for the formulation of the applications. The annual applications, with changes in the directions of the programme, along with unspecified objectives of the programme, made the programme elusive.

An observation made by Oxford Research is that, in general, involved personnel from the NMFA regarded the success level of the Entranse programme to be low. In contrast, the vast majority of Serbian stakeholders, as well as Norwegian Embassy staff, considered the programme to be quite successful.

The activities of the Entranse programme on the national level resulted in a considerable transfer of knowledge and competence from the Entranse team to Serbian authorities, spreading the idea of business incubation as an instrument for SME development. In addition, activities under the programme gave Serbian authorities the means to implement policies on business incubation by producing a number of strategic documents and training manuals/programmes as well as submitting a successful application to the Enterprise Europe Network.

The Entranse programme failed to establish the Business Incubator Support Centre, which was planned from the beginning and supposed to be a centre of excellence and the pinnacle of institution building in the government structure. Lack of political support for the Centre seems to be the main reason why it was not established.

Whether the pilot incubator is a success or a failure is depending on the expectations regarding the outcome of the establishment and development of the incubator. The selection of Niš as site and mechanical industry as sector for the incubator should have implications for the evaluation of the outcome of the incubator; it is more challenging to create jobs and establishing a culture of entrepreneurship within a traditional production sector than in a dynamic and fast-growing sector such as ICT.

What is achieved is the establishment of an incubator and the first generation of tenants have graduated, having created a number of new jobs. Seven out of ten tenants state that their company would have been less developed or not existed at all had it not been accepted to the incubator, hence the incubator has realised a significant element of additionality. The City of Niš state it is committed to maintaining the incubator as an instrument for SME development in the region.

However, the quality of the incubator was sub-optimal. The selection of tenants for BIC Niš was not fully appropriate for the concept of incubators, that of assisting inexperienced entrepreneurs in developing a business idea to a sustainable company with growth potential. The companies entering the incubator were to a large extent not embryonic, but somewhat established. Others had little potential for growth. The tenants in general did not request knowledge regarding how to establish a business or assistance in form of mercantile services, but to a greater extent needed grants for equipment, access to reasonable business facilities and to some extent assistance in commercialisation, such as match-making internationally. Hence, the portfolio of services offered was less than perfectly aligned with the needs of the selected tenants. BIC Niš is more a business park than an incubator.

The limited quality of the incubator in Niš could have been improved with increased donor control of the development of the incubator. A continuing donor presence and quality assurance is preferable to the value of complete local ownership.

Serbian stakeholders report that the programme was professionally carried out by SINTEF and that it was aligned with Serbian needs. The programme was surrounded by a lot of noise, but SINTEF handled challenges in a professional and competent way.

The organisational set-up had effects on the donor's access to information about the programme and the dialog with stakeholders, which in turn influenced the donor's perception of the outcome of Entranse. There was a lack of capacity in the NMFA to follow the programme. The Western Balkan section already early in the programme period expressed criticism regarding Entranse development and performance.

Recommendations for future programmes

Oxford Research provides some recommendations for future projects funded by the Norwegian Ministry of Foreign Affairs in the transitional economies.

- Business incubators constitute a valuable instrument for implementing strategies of SME development. However, a number of elements affecting incubator performance should be in place or be addressed when establishing and developing an incubator. Such elements include management competence, ownership structure, selection of business sector, incubator premises, tenant recruitment, incubator sustainability etc.
- When donating a project of considerable size which is also highly politicised, the donor should take an active role in promoting the project when new governments take office in the receiving countries.
- Consultant initiated project should coincide with donor vigilance, as it is necessary to ensure a satisfactory level of commitment is present in each individual project.
- For projects of considerable budget and duration in transitional economies, an intermediate agency may be engaged for the on-going monitoring of project implementation, taking a position between the NMFA and the lead international partner.

Chapter 2. The purpose of the evaluation and methodology used

This chapter briefly describes the purpose of this evaluation, as well as the methodological approach taken by the evaluation team.

2.1 Purpose of the evaluation

The main purpose of this evaluation is to:

- Evaluate to what degree the objectives and goals for the projects have been met
- Describe the development process and lessons to be learned from the projects

In that way, it might be argued the evaluation has both an external and an internal purpose. The external purpose is to show stakeholders what has been gained both in respect to specific results, and also lessons to be learned. The internal purpose is to get input to adjustments of future projects in the Western Balkans funded by the Norwegian Ministry of Foreign Affairs.

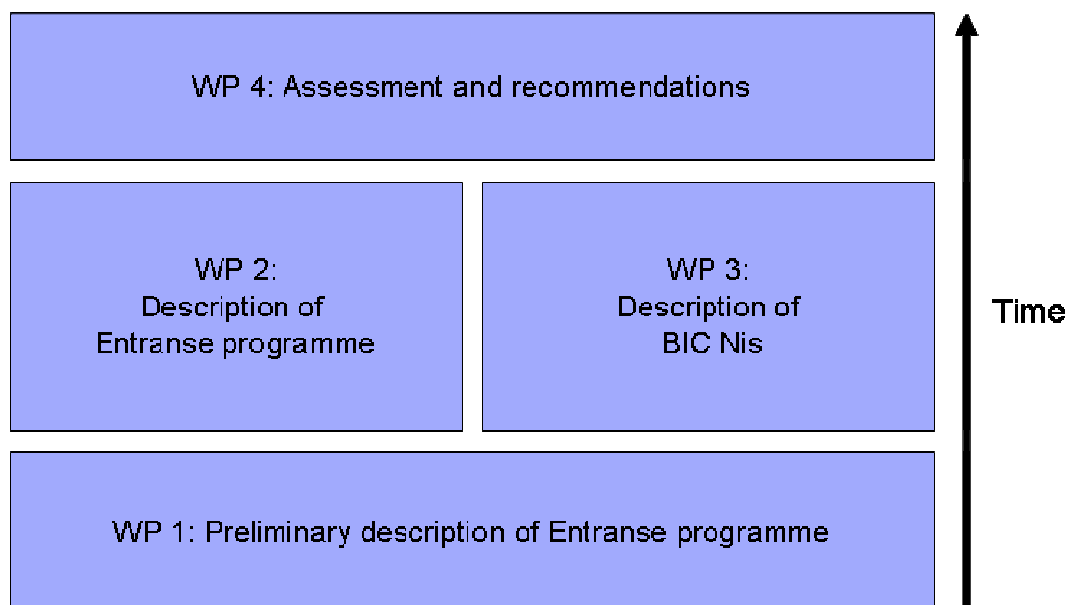
2.2 Methodology

To be able give a comprehensive evaluation of the Entranse programme, the evaluation team utilised a design containing four different work packages (WP). The work packages are as follows:

- WP 1: Preliminary description of the Entranse programme including the incubator
- WP 2: Description of the Entranse programme
- WP 3: Description of the BIC Niš incubator
- WP 4: Assessment and recommendations

WP 1 was carried out first, while WP 2 and WP 3 thereafter were conducted simultaneously. WP 4 was carried out at the end of the evaluation period. This is illustrated in the figure below.

Figure 1: Work packages in the evaluation



In the following the work packages are described in greater detail.

WP 1: Preliminary description of the background for the Entranse programme, including the incubator

The purpose of this work package was to give Oxford Research a comprehensive background understanding for conducting the evaluation. We produced a description of the programme, including the incubator. We collected information regarding the reasons why the project was started, what the expectations were, and how the Norwegian stakeholders perceive the current situation.

Oxford Research received a number of relevant documents from the Norwegian Ministry of Foreign Affairs. In addition, we approached SINTEF Technology and Society which supplied us with a great number of documents from their archive. Among these documents are project applications, letters of commitment, progress and final reports, guidelines, notes, e-mail correspondence etc. These documents were reviewed. The most informative documents are listed in chapter 7.3. References to written sources are given in a few cases where this is deemed appropriate.

In addition to reviewing documents, strategic interviews were conducted to comprehend the Norwegian Ministry of Foreign Affairs' perspective on the Entranse programme's functioning and success. All interviews conducted as part of the evaluation is listed in chapter 7.4.

WP 2: Description of the national part of the Entranse programme

The evaluation of the national part of the Entranse programme is written documentation and interviews with involved Serbian and Norwegian stakeholders.

The following categories of stakeholders were identified and involved personnel were interviewed:

- The Serbian Agency for development of SMEs and Entrepreneurship
- The Serbian Ministry of Economy
- The Serbian Development and Aid Coordination Unit (DACU)
- The Serbian Ministry of Finance
- SINTEF personnel
- The Norwegian Embassy in Belgrade
- The Norwegian Ministry of Foreign Affairs

SINTEF was helpful in providing contact data for candidates for interviews, and the persons interviewed were invited to suggest additional persons the evaluation team should consult.

A total of 26 interviews, regarding both the national programme and BIC Niš, were conducted as part of the evaluation. Of these, 17 were conducted when the evaluation team visited Serbia 6-11 December 2009. A few interviews, in both Norway and Serbia, took place following the visit.

WP 3: Description of BIC Niš

Information regarding BIC Niš was collected through document review and interviews with stakeholders. The following categories of stakeholders were identified and involved personnel were interviewed:

- Serbian Agency for development of SME and Entrepreneurship
- Serbian Ministry of Economy
- The Serbian Development and Aid Coordination Unit (DACU)
- The Serbian Ministry of Finance
- SINTEF personnel
- The Norwegian Embassy in Belgrade
- The Norwegian Ministry of Foreign Affairs
- BIC Niš staff
- The Managing Board of BIC Niš
- City of Niš

In addition, the tenants' statuses and opinions were mapped through a simple questionnaire and an interview guide, listed in chapter 7. Ten companies responded to the questionnaire and eight companies answered questions in the interview guide. The information was collected partly during the evaluation team's visit to Niš, partly by phone and partly manually by BIC Niš Technical Manager Zoran Popovic.

WP 4: Assessment and recommendation

Based on the information collected, the evaluation team presents an assessment of the development and results of the Entranse programme. In addition, Oxford Research provides recommendations for future SME development programmes in transitional economies.

The project team has aimed to provide the NMFA with an assessment of the process and results of the business development project which will enable the NMFA to take lessons both on a policy level (i.e. the use of this type of projects in the development

of economies in transition) and on a more operational level (i.e. how to secure success when business development projects are being implemented).

Report structure

Chapter 1 contains an executive summary of the evaluation. In chapter 2 the purpose and methodology of the evaluation is presented.

Chapter 3 presents the context of the programme; the situation in Serbia at the time of implementation and the development leading to programme initiation. Furthermore, it describes the structure of the programme; the objectives and the roles of various stakeholders. Finally, the process leading to the termination of Entranse is described.

Chapter 4 presents the content of Entranse activity on the national level, along with opinions on activities of stakeholders.

Chapter 5 presents a description of the development and of the pilot business incubator in Niš; the selection of location, ownership structure and management, the process of recruiting tenants and the facilities and services provided. Furthermore, the situation post-Entranse is described. Finally, the first generation of tenants is briefly presented, along with the tenants' assessment of the quality and additionality of the incubator.

Chapter 6 contains assessments of the activities carried out as part of the Entranse programme both on the national level and relating to the incubator in Niš. The assessments are based upon statements made by stakeholders interviewed by the evaluation team as well opinions held by Oxford Research. Additionally, an assessment of the Entranse programme in a wider context is presented. Finally, Oxford Research provides recommendations for future SME development programmes in transitional economies.

Chapter 7 contains the interview guide for tenants, the questionnaire form, a list of the most central documents reviewed and a list of conducted interviews.

Chapter 3. The context and structure of the Entranse programme

Since 2004, business development has been a sector of high priority within the Norwegian Ministry of Foreign Affairs' aid programme for Western Balkan. Transfer of knowledge from Norway to Serbia regarding development of small and medium sized enterprises (SME), including establishing incubators for new companies, has been an important part of this engagement.

The NMFA's engagement regarding business development in Serbia, and the subject of this evaluation, consists of two main parts:

- Development of a national programme of entrepreneurship for small and medium sized enterprises
- Establishment of an incubator for companies in the Niš region

Together these two parts constituted the Entranse programme, which was financed by the NMFA and carried out in the period from December 2004 to June 2008.

This chapter presents the context of the programme; the situation in Serbia at the time of implementation and the development leading to programme initiation. Furthermore, it describes the structure of the programme; the objectives and the roles of various stakeholders. Finally, the process leading to the termination of Entranse is described.

3.1 The background

In Serbia's post-Yugoslav economy, the government advocated privatization of state owned and socially owned enterprises and attraction of foreign direct investment to revitalize production and create economic development. From 2001, authorities paid greater attention to entrepreneurship and small and medium sized enterprises as important contributors to the economy. SMEs had earlier been marginalized and given low priority.¹

The Entranse programme of business incubation and SME development was introduced in Serbia at a time when these concepts were little known and government access to such policy instruments were practically non-existing.

3.2 The initialisation of the Entranse programme

The bilateral agreement and DACU

A bilateral agreement for Norwegian assistance to Serbia was established in 1999. Under this agreement, Serbian authorities were given the responsibility of proposing

¹ Håkon Finne (2009). *How the Entranse programme in Serbia developed over time*, p. 2

projects for Norwegian funding, while the Norwegian authorities would make the decision on which projects to fund. The Norwegian government had no office for coordination of its donor support to Serbia (like the Swedish SIDA or EU's European Commission office). The motivation for Norway was finding the best possible way to programme the support to Serbia. Local ownership was believed to be a key success factor; hence leaving more responsibility to the recipient was desired. The model has also been deployed by Norway in Macedonia.

Compared to other donors, Norway gives the recipient country more responsibility in planning and selecting which programs to fund. The Serbs have a greater responsibility for initiating and developing projects financed from Norway, than projects financed by other donors. Norway has been a pioneer using this model, which has later been adopted by the EU in Serbia.

The various Serbian ministries and other government bodies would apply or submit project proposals to the Development and Aid Coordination Unit (DACU). DACU was initially placed in the Ministry of International Economic Relations (MIER), but was later relocated to the Ministry of Finance. As the system became more developed over time, all applications should be submitted by or at least endorsed by a ministry. Project proposals would be submitted to DACU and then be refined in a process of exchanging comments and drafts. Preliminary applications would be commented on by DACU before final drafts were submitted to them. Following an evaluation of applications, a priority list was sent annually to the Norwegian Ministry of Foreign Affairs (NMFA). The priority list would then be discussed with the NMFA which makes the decision on which projects to fund, and then provide the funding. The NMFA issues letters of commitment and evaluates the projects upon completion.

In this model of recipient responsibility, the Ministry of Finance expressed a need for assistance. A Norwegian consultant was engaged as technical adviser in DACU, in a 30 % position seconded by the NMFA. His task was to take part in the assessment of submitted proposals and to monitor the projects in DACU financed by Norway. He was an opponent within the system to ensure satisfactory processes. His task was quality assurance of the internal processes connected to the bilateral agreement project portfolio, which would contain approximately 15-20 projects at any time. In doing so, he took part in building competence and structure, enabling DACU to eventually handle the responsibilities of the recipient without assistance. The position was discontinued in mid-2007, when the person holding the position left and was not replaced. The technical assistant states that at this time a lot had been achieved, although the position could very well have been continued as there were still matters to address. The NMFA may have held the position that the bilateral agreement was sufficiently established at this time.

Initiation of Entranse

In 2003, the National Institute of Technology (TI) in Norway was approached by Serbian partners and asked if they could assist in developing a project regarding SME development in Serbia. This led to the production of a project proposal for developing a business incubator to be used as a pilot for subsequent country-wide diffusion. In June 2004, as a result of a strategic restructuring of TI, the project manager and one senior adviser were transferred to SINTEF Technology and Society - International Operations along with the project.

The Entranse programme proposal was completed in cooperation between SINTEF and the Serbian Ministry of Economy, and following due process the programme was included in the bilateral agreement between Norway and Serbia. Considering DACO placed the Entranse programme on the list of prioritised projects, the Serbs were clearly interested in programmes within the field of SME development.

NMFA wrote a letter of commitment in September 2004, marking the official commencement of the programme. In December 2004, a formal grant letter for the first year of operation was issued.

Entranse was implemented in a partnership consisting primarily of the Ministry of Economy as programme owner and national lead partner, the Serbian Agency for Development of SMEs and Entrepreneurship (SME Agency) as national implementing partner, and SINTEF as international lead partner. SINTEF rented office facilities in the premises of the SME Agency, an agency under the Ministry of Economy, in Belgrade. The total number of staff on the Entranse programme eventually rose to six persons, of which the project leader was Norwegian and the remaining project team members were Serbian. In addition, a Norwegian Chief of Operations worked in the incubator in its early stage.

3.3 Objectives of Entranse programme

The general objective for the programme, which is repeated in all the project application, was *“to generate new jobs and new enterprises through development of an environment for entrepreneurs, enterprises and SME institutions in the Republic of Serbia”*.

The letters of commitment from NMFA to SINTEF did not contain specific objectives for the project, nor did they specify how funding and other resources should be allocated. Hence, assessment of activity and results in relation to objectives is challenging.

The project goals changed somewhat in the annual programme applications, and the conceptualisation of the objective structure of Entranse also varies with different documents. However, two main components of the programme may be identified:

- Establishment and development of a pilot business incubator for industrial production in Niš, labelled Business Incubator Center Niš (BIC Niš)
- Development of a national programme for institution building, through knowledge transfer and capacity building in the institutional framework for SME development

SINTEF's approach was to create a strategic document on SME development and a pilot incubator, and to distribute this strategy, knowledge and practise to a number of locations around the country.

The establishment of the incubator is a relatively well defined and task, while the outcome of the national programme is less evident and floats into the political structure of Serbia.

The national programme was mainly focused on the following activities:

- Development of the Entrepreneurial Training Programme and necessary documentation for incubator establishment and management, and Training programme implementation
- Preparation of Programme for Business Incubators and Clusters Development in Republic of Serbia 2007-2010 as well as other related documents
- Preparation of the Application for the Competitiveness Innovation Programme (CIP) of EU for the Establishment of Enterprise Europe Network in Serbia
- Institutional building for the Ministry of Economy and Regional Development and Serbian Agency for SMEs and Entrepreneurship
- Monitoring and evaluation activities of the Cluster Development Project
- Entranse on Tour

SINTEF viewed business incubation as one instrument in realising Serbian SME development strategies. The incubator in Niš would serve as a pilot for this instrument in Serbia, before the idea would subsequently be diffused throughout the country with the establishment of numerous incubators. The Entranse programme aimed to help build the required competence and capacity in the Ministry of Economy and the SME Agency for implementing a policy of SME development in Serbia, including incubator diffusion. In this task the project design called for close cooperation between SINTEF, the Ministry of Economy and the SME Agency.

The target groups were the institutional framework for SME development, entrepreneurs with sound business ideas and SMEs. SINTEF's role was to be a facilitator and to encourage and motivate other parties in achieving the objectives of the programme. National and local authorities have been responsible for decision making, securing ownership and continuation of initiatives after project completion. The framework for the programme activities remained the same throughout the period.

The NMFA's expenditure on the Entranse programme was 2 740 000 Euros over four years. The distribution of expenditure on years and items follows from the table below.

Item	2005	2006	2007	2008
Technical assistance (BIC Niš and National level)	700 000	500 000	250 000	200 000
BIC Niš – running costs	40 000	100 000	130 000	120 000
Investments in construction of BIC Niš	80 000	30 000	35 000	-
Equipment BIC Niš	30 000	15 000	5 000	-
Equipment for tenant companies	160 000	15 000	-	30 000
Business match-making	-	30 000	70 000	200 000
Total	1 010 000	690 000	490 000	550 000

Source: SINTEF (Mila du Pont: Business Incubator Centre Niš)

In addition, the City of Niš contributed 32 000 Euros for investments in construction of BIC Niš in 2005. The level of technical assistance was highest in the first half of the programme period, due to the high cost of establishing BIC Niš (including selection of tenants and purchasing equipment) and national level tasks such as de-

veloping training manuals and the preparation of the “Programme for Business Incubators and Clusters Development in Republic of Serbia 2007-2010”.

3.4 Structural set-up

From the start, the Entranse programme had a four year perspective. However, the set up was designed with year by year reporting requirement, annual applications had to be submitted and there were annual letters of commitment from the NMFA.

Each year the Serbian authorities had the opportunity to influence the application, and with four governments in power during the Entranse period there were changing policy interests, which had implications for the formulation of the applications. The annual applications, with changes in the directions of the programme, along with unspecified objectives of the programme, made the programme elusive.

The SME Agency, as the lead national partner, was the principal Serbian partner for SINTEF. SINTEF transferred knowledge to the SME Agency through cooperation and co-location. The SME Agency was highly politicised, and the leadership changed with changes in government. This also changed the mandate of the SME Agency, which affected implementation of the Entranse programme. Some approvals had to be made on Ministry level. With such changes came delays. The cooperation between SINTEF and the SME Agency never became institutionalised during the program period.

There were some changes made in the content of the programme over the years. For instance, cluster development came in as a component, as Entranse was given the task of evaluating a developing cluster project. There was also an increased focus on match-making activities during the programme period, and Entranse on Tour was a concept that came into existence when the programme implementation was well on its way.

3.5 The donor's position in the programme model

As transitional economies, the Western Balkan countries have different positions than developing economies. They have capacity for economic development, but need igniting. The donor assistance through the Entranse programme is not development aid and the donor lead partner is the Western Balkan desk of the NMFA, as opposed to a professional development aid agency.

The model deployed was a large programme, a small Embassy, and a programme followed from personnel abroad. This made it demanding to be donor, receiver and project leader. Entranse was a programme of considerable size, yet the donor mobilised limited resources for their own monitoring of the programme. As lead international partner, SINTEF ran the programme on behalf of the donor, which had no day-to-day information on programme implementation. Personnel from the Western Balkan section of the NMFA visited Serbia from time to time, and faced a demanding challenge in understanding the process taking place.

The majority of information to the NMFA came from SINTEF. The information channels consisted primarily of applications, reports and a few study tours to Serbia bade by personnel from the Western Balkan desk. There was no day-by-day contact. The involved personnel in the NMFA would receive copies of relevant e-mails from

SINTEF regarding Entranse. In addition, an informal network which included Embassy personnel as well as the Norwegian technical adviser in DACU existed. These personnel had no formal role in implementing or monitoring Entranse, but participated in meetings and informal processes, and gave their opinions when asked.

SINTEF was surprised by the governing model employed by NMFA, and held the position that a programme of this size might have merited an on-going dialog between the NMFA and SINTEF.

3.6 The role of the Embassy

The Embassy in Belgrade is not an aid Embassy, and has limited resources. Entranse was only one of many projects which the Embassy followed, and it had no formal role in the implementation of the programme and no personnel or function for project cooperation. The role of the Embassy in relation to the Entranse programme was that of a provider of information, facilitator and discussion partner.

The Embassy was used by the NMFA for information and analysis of the situation in Serbia. The Embassy provided general background information regarding the political, economical etc. situation in the country. It facilitated compilation of information and provided assessments (not technical) when relevant.

The Embassy had the function of door-opener, practical counsellor and provider of contacts and networks. It was a door-opener at central level, in the Ministry of International Economical Affairs and the Ministry of Economy, as well as in Niš.

The Embassy was also a discussion partner for the NMFA and SINTEF, and was consulted when making a decision on incubator location, etc. The Embassy would be briefed whenever personnel from the Western Balkan section visited Serbia. Involved Embassy personnel would receive copies of relevant e-mails from SINTEF. The Embassy helped understand the situation and the context, as well as the interests of the stakeholders. There was a focus on areas of conflict in the discussions with the NMFA.

At the time the position of the Norwegian technical assistant in DACU was removed, the Embassy took a more central part; still it had limited capacity to follow the programme.

The Embassy held a positive attitude to Entranse and used it as an example of a fruitful programme. The Ambassador participated in important events related to the Entranse programme, such as handing over the incubator to the City of Niš.

3.7 Programme exit

Entranse was scheduled to run through 2008, and maybe through spring of 2009 due to delays in implementing the programme. However, the programme was terminated mid 2008, a half to one year ahead of time.

In 2007, there was a disagreement between the Ministry of Economy and SINTEF which affected the NMFA's view on the position and success of the Entranse programme. The government gaining power in 2007 had diverging political interests compared to the submitted proposal and suggested to reallocate a considerable portion of the Entranse budget to a financial scheme for incubators, to which incubators

could apply for funding. SINTEF expressed support for the scheme but could not transfer resources from the Entranse budget. SINTEF neither could nor desired to terminate Entranse. The scheme was a part of the incumbent G17 government policy, and would be used in the campaign leading up to the election in May 2008. The Ministry did not succeed in gaining SINTEF support for the plan, but the initiative influenced NMFA's attitude toward the programme.

In 2007-08, the NMFA was eager to downscale the programme. Alternatives were perceived to be cutting the programme immediately or to look for an early exit. In October 2007, the NMFA instructed SINTEF to produce an exit plan for Entranse.

SINTEF was not informed when the NMFA met with the Ministry of Economy in Belgrade to terminate Entranse. SINTEF found it frustrating that this development was not discussed or communicated to them, and this sentiment was communicated to NMFA.

Entranse was terminated in July 2008. The incubator, however, received support until the end of 2008, in an addition to the Entranse programme. This would allow the City of Niš to provide necessary funding in its next budget. The support provided was funding of operation, assistance for match-making activity and assistance in form of a local SINTEF employee. The Serbian government has reported to NMFA on how the products of the Entranse programme will be continued.

3.8 Diverging perception of programme success

SINTEF and the NMFA held different positions regarding the relative importance of the two main parts of Entranse. While the NMFA placed emphasis on the incubator and viewed the national programme as less important, SINTEF focused to a larger extent on the national programme and regarded the pilot incubator as an activity supporting the national effort. To SINTEF, the incubator in Niš was merely the first step in distributing business incubators in Serbia.

The disagreement between the Ministry of Economy and SINTEF in 2007, the elusive objectives of the competence and capacity building activities at the national level (possibly perceived by the NMFA to be a never ending task), and the nature and functioning of the pilot incubator, were perceived by the NMFA to be major problems with the programme. An observation made by Oxford Research is that, in general, involved personnel from the NMFA regarded the success level of the Entranse programme to be low. In contrast, the vast majority of Serbian stakeholders, as well as Norwegian Embassy staff, considered the programme to be quite successful.

Chapter four and five present the content of Entranse programme activity on the national level and in the incubator in Niš, along with opinions on activities of stakeholders. An assessment of the functioning and success of the Entranse programme, as well as recommendations for future programmes, are presented in chapter six.

Chapter 4. Description of the national part of the Entranse programme and stakeholders' opinions

This chapter presents the major activities carried out in the national part of the Entranse programme. The following six activities are identified and described in turn:

- Building capacity and competence in the Serbian national government institutions
- Preparation of national programme for incubator development
- Monitoring and assisting in the implementation of the Cluster Development Project
- Development of application to Enterprise Europe Network
- Development of training manuals/programme
- Carrying out Entranse on Tour (incubator diffusion)

Included in the description are opinions made by stakeholders.

4.1 Activity 1: Building capacity and competence in the Serbian national government

A key activity in the national programme was building capacity and competence in government institutions relevant to business incubator and SME development. The relevant institutions were the Ministry of Economy and the SME Agency.

Ministry of Economy

The Ministry was understaffed at the time of Entranse programme implementation, and due to the World Bank's demands for structural adjustment it was practically impossible to employ new personnel. However, through the Entranse programme the department working with SME development received assistance in increasing its capacity. At the time of the commencement of assistance from the programme the total number of staff in the department was seven.

The Entranse programme provided direct support in staffing the Ministry, financing the salaries of three people engaged in SME development and incubators support. SINTEF drafted the Terms of Reference and together with the Ministry of Economy selected business advisers based on an open competition where the most qualified applicants were selected. The employment of the three local experts raised the capacity of the department by almost 50 %. One of the employed persons was a legal, business and policy advisor. All received training.

SINTEF personnel worked side by side with these employees on SME and incubator development. Their salaries were supported by SINTEF for more than one year (one

was supported for 18 months and two for 15 months), after which two of them stayed in the Ministry of Economy. However, one is now in the Legal department while one is still in the SME development department, but not working with incubators.

SINTEF also assisted the Ministry in organising SME conferences each year of the programme (money, experts/speakers and organizational support). One Study Tour to Norway was organised, having participants from the Ministry of Economy, the SME Agency, etc.

When asked by the Ministry of Economy, SINTEF experts provided comments/inputs on incubator related documents that were prepared by the Government. In addition, legal framework with template documents for establishing and running business incubators was developed and delivered to the Ministry of Economy and the SME Agency for further usage.

Business Incubators Support Center within the SME Agency

A specific objective of the Entranse programme was the establishment of a Business Incubator Support Center (BISC) within the SME Agency. The unit was to be a resource for both the Ministry of Economy and incubators in the field. However, this objective was not met and such a unit does not exist today.

An attempt to establish BISC was made in 2007, when a team for incubator support was created from the staff already in place in the SME Agency. BISC was established in December 2007, but was discontinued already in January 2008.

The reason for the failure to establish a permanent support center for business incubators is mainly political changes that occurred during the programme period. This caused changing political priorities, as well as delays caused by the change in staff and processes of restructuring of the Ministries.

The department of SME development within the Ministry of Economy has been the government division in charge of incubators for much of the Entranse programme period.

4.2 Activity 2: Preparation of national programme for incubator development

Another key task in the Entranse programme was the preparation of “Programme for Business Incubators and Clusters Development in Republic of Serbia 2007-2010”. The purpose of this task was to enable the Serbian authorities to develop and implement policies for support for SMEs and entrepreneurship. SINTEF played an active role in the preparation of the document, writing proposals and getting feedback from the political leadership in the SME Agency and the Ministry of Economy. The process resulted in an official Serbian document, adopted by the authorities and published in December 2006. A set of other documents, representing the integral part of the programme, were adopted accordingly:

- Step by Step Guide for Establishing Business Incubators
- Regional Economic Analysis of the Republic of Serbia
- Overview of National and Regional Business Incubator Associations

- Overview of Donor Financial and Procurement Mechanisms for Project/Programme financing in Serbia
- Export Risk Check

The programme for business incubation was produced in the period from 2005 to spring of 2007. A challenging aspect of this period was that the SME Agency advocated reallocation of Entranse funding for its own operation.

Representatives of the SME Agency participated in the development of the programme, and their idea was to support incubators with funding from the National Investment Plan (NIP), which was a plan to redirect money from the privatisation process. Authorities in Serbia pushed to see cluster development as part of the document. During the Entranse programme period, “cluster” and “business incubator” became buzz words in relevant government institutions in Serbia.

The creation of the strategic document had a major impact on government activity regarding incubator and cluster support. Following the deployment of the document a number of incubators were created in a short time. Later, more notice has been given to cluster development, which followed incubators as the buzz word in Serbia.

The steering committee for the programme development was attended by a large number of ministries and national agencies, in addition to SINTEF. A steering committee in charge of supervision of this Programme’s implementation does not exist.

Coordination of donors

Coordination of donors was a part of the task, deciding which donors would fund different parts of the programme. This was the first time all information about possible donors was collected, and later on the National Investment Plan allocated some financial resources to this plan.

SINTEF was in charge of coordination of all donors activities with regard to this programme. Some of the donors were not very well informed about the real situation in Serbia at that time so this coordination was considered by Serbian stakeholders as a great help in allocating donor funding properly. SINTEF managed to create for the first time a situation which may be described as user driven support, as opposed to donor driven support.

Critics argued that the harmonization of donors in Serbia was a good idea, but the result regarding diffusion of incubators was negative. It became very clear to donors that the Entranse programme was deeply involved in business incubation in Serbia, which made them turn to other initiatives in order to avoid overlapping.

4.3 Activity 3: Monitoring and assisting in the implementation of the Cluster Development Project

The Cluster Development Project was a separate project between Norway and Serbia. As part of the Entranse programme, SINTEF was asked to attempt to structure the work in the project, thereby making it possible to include the project in the bilateral agreement. The initiative came from the Norwegian technical advisor in DACO. SINTEF had only a minor role in this project, primarily as advisers. The following documentation was prepared:

- Du Pont, Mila, Gunnar Due-Gundersen, Morten Muus Falck and Mons Grøvlen (2007): *Recommendations for the "Cluster development project". Working document, for internal discussion*. Belgrade: SINTEF.
- Due-Gundersen, Gunnar and Mons Grøvlen (2007): *A monitoring and reporting system for "Cluster Development Support Project in 2007"*. Trondheim: SINTEF.
- Finne, Hakon and Aleksandar Milovic (2008): *Evaluation of the Serbian Cluster Development Project 2007*. Trondheim: SINTEF.

4.4 Activity 4: Development of application to Enterprise Europe Network

Launched in 2008 by the European Commission, the Enterprise Europe Network combines and builds on the former Innovation Relay Centres (IRC) and Euro Info Centers (established in 1995 and 1987 respectively). The new integrated Network offers a “one-stop shop” to meet all the information needs of SMEs and companies in Europe. As member of the network, Serbian companies can approach European funds easier, and have a functional system for SME support.

At the time of the application, Serbia was one of only a few countries in Europe not being a member of the network. The first application to the IRC was rejected by the Commission in 2007, mostly due to not proper structure of the consortia. SINTEF caused the application process to be resumed, as the Entranse project leader approached the Ministry of Economy and suggested another application to IRC. SINTEF had already initiated and produced a similar application in Macedonia, and now transferred this experience to Belgrade.

SINTEF had the role of mentor in the process, while the University of Belgrade was the applicant/coordinator. To complete this application the SME Agency received assistance from a SINTEF expert operating in Macedonian. The expert helped in designing the project, and the second application succeeded. At present, the SME Agency holds the responsibility for the Serbian membership.

The Serbian membership in the Network is an effect of the Entranse-programme, stakeholders claim. Had not Entranse staff encouraged sending an application, Serbia would not have applied to the Network for a long time.

4.5 Activity 5: Development of training manuals/programme

A task related to the pilot incubator in Niš was to develop and test a guide for incubator establishment and a training program for entrepreneurs. The training manuals/programmes would be utilised by business incubator management and incubator tenants. The training programme had two components:

- A step-by-step guide for establishing business incubators in Serbia. The document would be essential as a part of the national strategy for developing incubators across the country.
- A training guide for entrepreneurs. This document would be utilised in business training for incubator tenants and could also be offered to entrepreneurs not residing in any of the incubators. Incubator personnel would be trained to deliver these trainings as a part of their incubation services.

A Swedish consultancy firm was engaged to produce much of the training material, having successfully developed a similar approach in Russia. However, the firm was not able to deliver as agreed and the contract was terminated. This caused time delay and additional costs, and the task of producing the manuals was transferred to SINTEF personnel already engaged in the Entranse programme. Officers from the SME Agency were also involved.

There was a definite need for this material in Serbia, as in many cases there was no comprehension of what an incubator was and how it should be operated. The manuals were deployed and tested in the pilot incubator, and some diffusion was achieved, for instance by delivering the training programme to Business Incubator Subotica, as well as to other incubators.

All documents were transferred to the Ministry of Economy and the SME Agency. The training programme created under Entranse was later used in parts in other SME Agency training programmes.

4.6 Activity 6: Carrying out Entranse on Tour (incubator diffusion)

Entranse on Tour was an activity of incubator diffusion coordinated by SINTEF and the SME Agency, and conducted by SINTEF, the SME Agency, the Ministry of Economy and local stakeholders (Regional SME Agencies, local authorities, regional Chambers of Commerce, etc.). The objective was promotion of the idea of business incubators and encouragement of incubator establishment. People from local governments, academia, business and local media participated to spread the knowledge.

The SME Agency and SINTEF prepared presentation materials for the activity. At the time, there was little practical cooperation between the Ministry of Economy and the SME Agency, which made organising Entranse on Tour a very time consuming and exhausting task for SINTEF. SINTEF was supporting both institutions and as they did not hold meetings together, lots of unnecessary effort was made by SINTEF to coordinate this cooperation. The activity was a major part of the institution building in the Ministry of Economy and the SME Agency.

From 3 November 2005 until 22 March 2006, presentations were given in 19 cities, with a total of 887 participants. Seminars were held on how to establish business incubators and promote entrepreneurship through training and other measures. This activity was unusual in Serbia as the initiative was aiming to use local activity and local resources, while traditionally initiatives were coordinated from the national level. The idea was to start creation of incubators at a local level. This was significant at that time in terms of decentralization of the support channelled through the Entranse programme.

The activity of the Entranse programme was important for spreading the idea of incubators. The engagement under Entranse on Tour was not only conferencing and training, the SME Agency and SINTEF also mapped various locations regarding resources etc. in preparation of the establishment of additional incubators. This was done partly by a call for proposals, encouraging local and regional actors to draft applications for funding of incubator initiatives. SINTEF provided assistance in proposals preparations. Local authorities would apply for funding of incubators.

Norwegian donor support had a considerable impact through this activity. 20 prospect incubators applied for support as a consequence of the promotion of the idea of

incubators made through the Entranse programme. In addition, enterprises used the training materials developed.

SINTEF took part in assessing the applications. Out of the 20 applications, 14 initiatives were evaluated as feasible. The applications received after Entranse on Tour were to be financed by Serbian authorities. The Entranse programme did not involve funding of incubators beyond the pilot in Niš.

The National Investment Plan had appeared as an asset and a source of funding. Applicants were referred to apply for funding from this source.

Each Ministry had separate funds for their programmes from the National Investment Plan. Having knowledge on incubator functioning, SINTEF assisted in developing the Investment Plan for Incubators, which was approved by Serbian authorities. Later on, SINTEF provided guidance to the Ministry of Economy and regularly took part in the consultation meetings regarding prioritisation of projects. In producing the plan, SINTEF and the Ministry of Economy worked in close cooperation, and had a distinct element of knowledge transfer where Ministry personnel were “learning by doing”. The Ministry of Economy had ten incubators and one industrial park to be financed in this plan.

14 incubators were selected for funding, but only a few of them actually received funding from the National Investment Plan. This was a consequence of political change which occurred in 2007. Had the party in position continued after the election, it would have been able to carry the plan through, stakeholders argue.

Chapter 5. Description of the business incubator in Niš and stakeholders' opinions

This chapter presents a description of the development and of the pilot business incubator in Niš; the selection of location, ownership structure and management, the process of recruiting tenants and the facilities and services provided. Furthermore, the situation post-Entranse is described. Finally, the first generation of tenants is briefly presented, along with the tenants' assessment of the quality and additionality of the incubator.

5.1 Establishment and development of the incubator

Under the Entranse programme, an incubator was established as a response to a demand for knowledge on SME development in Serbia. The pilot incubator would be a test case for subsequent diffusion of business incubation throughout the country. It was the first successful business incubator establishment in Serbia. Until that time, there had only been a still not successful attempt in the city of Knazevac.

In the early stage of the process of establishing the incubator, the main questions were where to locate the incubator and which ownership structure to opt for. In addition, the tenants had to be recruited.

5.2 Selection of Niš as location for incubator

Various stakeholders had different approaches when selecting the location for the incubator, and a number of locations were considered. While TI/SINTEF argued in favour of a somewhat prosperous location with potential for generating new companies in growth sectors, the Serbian authorities wanted to focus the effort in an area experiencing economic distress. Hence, TI/SINTEF suggested the two largest cities in Serbia, Belgrade and Novi Sad, both located in the more prosperous north of the country, while Serbian authorities suggested the city of Niš, the third largest city in Serbia, located in the less prosperous south of the country. The suggestion for selecting Niš, with its waning industrial base and high unemployment rate, was thus politically motivated.

The NMFA supported the Serbian authorities in their preferred location, in no small part due to a history of contact between the city and Norway. The Niš region already received support from Norway at the time; for instance a project for restoring the airport in Niš was recently completed. Also, Niš had a University which could potentially be an asset for the incubator, a point that was stressed by both TI/SINTEF and the NMFA. In the end, Niš was accepted by all parties.

Mechanical industry became the natural sector in focus for the incubator. The city has a reputation in the business community as a centre for highly skilled mechanical engineers. It was heavily dependent on its mechanical and electronic industrial base,

which was facing recession and was greatly in need of government assistance. The major industrial company Niš Mechanical Industry (MI Niš) had closed down, causing unemployment among educated, skilled and experienced workers in the mechanical industry. The Serbian authorities hoped stimulation of entrepreneurship and SME development in this sector could mobilise existing skills and create jobs. The incubator therefore was aimed at the mechanical industry.

The selection of Niš as the location of the incubator naturally had the consequence of choosing mechanical industry as the sector for the incubator. When suggesting Niš, the Serbian authorities undoubtedly had this sector in mind. Despite of this as well as their support for the choice of location, the NMFA later criticised the chosen sector for the incubator, favouring Information Communication Technology (ICT) over mechanical production.

5.3 Ownership structure and management

Both the NMFA and SINTEF stressed the importance of deploying a model of local ownership and control of the incubator, while funding would be channelled from the donor through SINTEF. Local ownership was considered important to ensure local commitment and sustainability of the incubator after completion of the Entranse programme. On the downside, however, this model limited the donor's and SINTEF's control with the incubator. It also left national Serbian authorities without any direct influence on the incubator.

The City of Niš and the Regional Agency of SME Development and Entrepreneurship (Regional SME Agency) in Niš were identified as important institutions to involve, and held 51 % and 49 % of the ownership of BIC Niš, respectively. It became clear, however, that the Regional SME Agency, which was not connected to the National SME Agency, was not an instrument for implementation of public policy, but rather functioned as a consultancy company operating on commercial terms. A conflict arose between SINTEF and the Regional SME Agency on which actor should provide incubator services to the tenants. Also representatives of the City of Niš occasionally expressed interests in conflict with the established strategy for the incubator.

As a consequence of the historical political culture, the administrative personnel in the incubator were politically selected by the City. SINTEF and the Regional SME Agency had to accept this although according to agreement the positions should have been advertised. The local political situation caused unqualified personnel without experience from business development and entrepreneurship to be hired.

The Regional SME Agency did not prove itself as a constructive partner for the co-operation, and in February 2007 the ownership structure was changed: the City of Niš would own 99.29 % and the Regional SME Agency 0.71 %. The Regional SME Agency was not reluctant to lose its share as it did not have influence on the incubator anyway. At the same time, the administration was replaced by personnel recruited based on their relevant qualifications. In sum, this resulted in improved operation of the incubator and services to the tenants. The changes in ownership and management occurred following a series of warnings from SINTEF and eventually backing from the NMFA in threatening to stop the transfer of funds until the situation had been resolved.

5.4 The incubator building

The choice of building for the incubator was made after a thorough assessment of several options. Still, a less than fully functional building was chosen to house the incubator. The building had been used as a canteen in the Mechanical Industry Niš complex and had to be restored and adapted. On the ground floor there would be production and on the first floor the tenants would have office space. The incubator building has a surface of 2.700 square meters.

It was owned by MIN Holding, a company awaiting privatization, and it was discussed if the incubator should own the building. Given the unresolved ownership status of the premises, only limited funds were used for renovation of the building. The issues of heating and the condition of the roof reoccurred as problems throughout the Entranse programme period.

5.5 Recruiting tenants

The selection of tenants was publicly advertised in October 2005 and there were about 200 applications. More than 100 entrepreneurs were interviewed and ranked in the primary selection stage, and approximately 25 entrepreneurs were called in for a second round of interviews.² The selection was performed by SINTEF and local partners according to agreed procedures, in a transparent process. Still, some stakeholders argue a few tenants were selected on the basis of personal connections.

It was decided during the first round of recruitment to give preference to mechanical production companies. From the onset choice of tenants was based on the idea of employing redundant workers from MI Niš. The incubator was situated on the premises of MI Niš and was to some extent seen as a unit primarily serving MI Niš, as four former employees of Mechanical Industry Niš were recruited.

5.6 The services provided by the incubator

According to the strategic documents developed for the incubator, its purpose is to serve emerging companies and it is available for companies in production or production-related service businesses. The incubator was to be a tool for economic development of the region, aimed at increasing the number of sustainable enterprises and reduce the possibility of unsuccessful start-ups.

The services provided by the incubator were an infrastructure for business development, including premises and financial assistance, mercantile services and training services for entrepreneurs. Duration of the incubator process for the individual company was up to three years.

According to the established strategy, the incubator would offer the following services:

- Financial support for purchasing adequate equipment, which after a successful stay at the incubator becomes the property of the company

² Mila du Pont (2009). *Business Incubator Centre Niš* p. 5.

- Business premises
- Equipped business facilities
- Secretarial and accounting services
- Coaching, mentoring and training programmes

BIC Niš offered tenants free rent and accounting service during the first year of incubation, 30 % to be paid in second year and 60 % to be paid in the third year. In addition, tenants were given grants to buy production equipment (15 000 Euros each). Ownership of this equipment was to be transferred to the tenant at the time of successful graduation. In reality, ownership of equipment was transferred to all tenants, regardless of the companies' level of success.

Also, match-making services were provided, where cooperation between tenant companies from BIC Niš and Norwegian business partners was established. Much of the activity has been related to the mechanical industry cluster in Verdal.

5.7 Post-Entranse

Following the exit of Norwegian donor support, the incubator continues to exist. The responsibility for financing and operation of the incubator is now in the hands of local owners. The City of Niš expresses great interest in maintaining and developing the incubator as a key instrument of SME development and job creation, and is prepared to allocate funding for the incubator. Still, the City is communicating that the incubator will have to find additional sources of funding as well. The City authorities states that "we cannot guarantee results, but we can guarantee approach".

There are plans for expanding the incubator by acquiring additional premises in the city, and the City will assume ownership of the existing premises.

The incubator will be partly funded by the City of Niš in the near future. In 2009, the City was not ready to provide money for the incubator, but from 2010 funding will be provided. In 2009, the incubator received no donor funding. However, some relationships have now been established with alternative donors. The International Organization for Migration (IOM) supports the Serbian Ministry of Defence's project for support of former military officers to start their own businesses. IOM has signed a contract with BIC Niš, providing support for four former officers who will be in the incubator from 2010. BIC Niš has the potential of generating some revenues through training sessions etc, but will not be financially sustainable. BIC Niš applied to the National Investment Plan for funding in 2008. The application was approved, but the scheme was terminated, possible due to political change.

The first generation of tenants has graduated or will do so shortly, and a second generation of tenants will enter the incubator in 2010. In the second cycle there will be small grants of 2 000 Euros and credit at very good conditions. The first year the tenants will pay no rent and will receive accounting services and administrative support for free. The second year they will pay 33 % to cover costs and the third year they will pay 66 % to cover costs. In the 37th month of incubation the tenants will have to leave the incubator. Involved stakeholders state that the second generation of tenants is selected objectively and in a transparent process.

In the second cycle there will be ten ICT companies and 13 production companies. The Norwegian donor argued in favour of including ICT in the incubator, and the

City picked up on this idea. An IT infrastructure will be provided for the ICT tenants, and the presence of ICT tenant will be a permanent feature of BIC Niš.

The management structure seems to be refreshed and well established after the difficult period during the first incubation cycle. At the moment the BIC management board has seven members, representing the University, MI Niš, a local bank and the City. Representatives for the City of Niš argue that these are not “seven friends of the mayor”, but rather people with a vision for the future of the incubator. The University is now involved with the incubator, and is likely to be more involved as ICT is introduced in the incubator, as the University has expertise in this field. Increased cooperation with the University is a desired development from the City’s point of view.

5.8 The tenants

15 tenants were accepted in the first incubation process, of which 13 entered the incubator. Two tenants (Eko-marinat and Albio Brave) did not show any activity in the incubator, while one tenant (Srboliv) left the incubator following a conflict with BIC Niš. Hence, twelve companies have or are about to complete their tenancy at the incubator.

Three tenants (Dom Shop, Green Wit and IMG) left the incubator in early 2008, having received their equipment. The remaining nine companies graduated from the incubator in late 2009 or will do so in early 2010.

	Name	Date entered BIC	Date left BIC	Number of employees (2008)
1	Aquaterm	October 2005	Early 2010	10
2	Amie Company	June 2006	September 2009	12
3	Blue Crane	November 2005	July 2009	6
4	Lukić	November 2005	Early 2010	10
5	Welding Center	January 2006	July 2009	4
6	Manufactura Stil	June 2006	September 2009	2
7	MedicoLine	October 2005	November 2009	7
8	PRA	August 2006	Early 2010	1
9	Absolut	August 2006	November 2009	1
10	IMG	November 2005	February 2008	1
11	Dom Shop	October 2005	February 2008	1
12	Green Wit	October 2005	April 2008	1
13	Srboliv	October 2005	January 2008	1
14	Eko-marinat	-	-	-
15	Albio Brave	-	-	-
	Total			57

Source: BIC Niš and Oxford Research

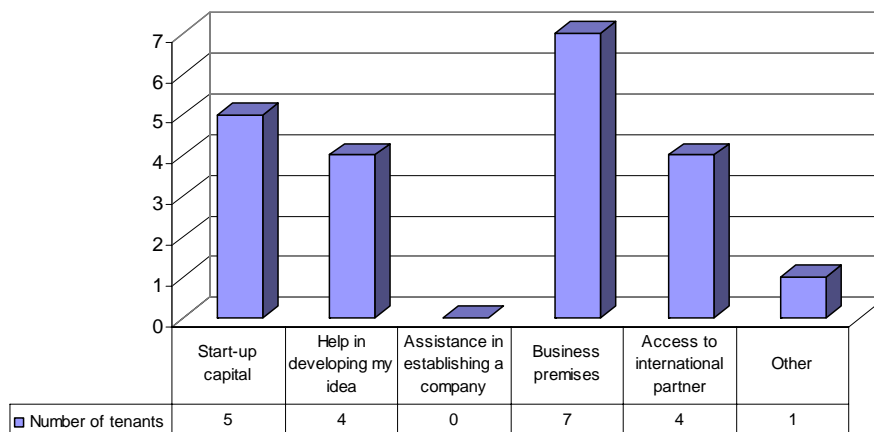
The revenue of tenants was growing over the years, still economic crises did damage their business in 2008 and caused tenants to remain in the incubator longer than originally planned. Two graduated companies remain on the incubator premises on commercial basis, but will move out when new tenants are ready to enter the incubator.

5.9 The tenants' assessment

The tenants were asked questions regarding their motivation for applying for tenancy, their assessment of the importance of various services offered, their overall assessment of the incubator, the incubator's additionality to their company's success, satisfaction with advice from the management, the physical premises' importance for their assessment of the incubator and level of business conducted with other tenants.

The tenants were asked the following question: "Why did you apply for tenancy in the incubator?" Each respondent was allowed to state one or more reasons.

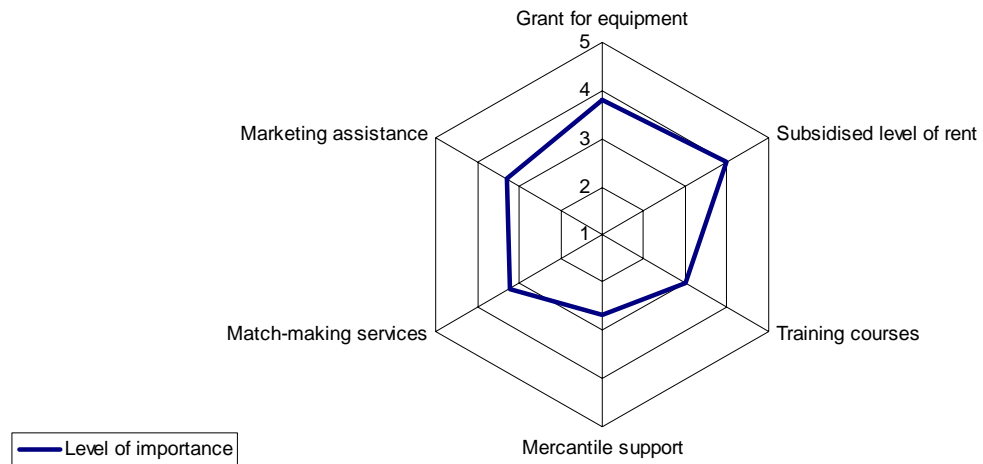
Figure 2: The tenants' motivation for applying for tenancy



Of ten respondents, seven states a need for business premises and five a need for start-up capital as their motivation for applying for tenancy in the incubator. Four respondents states a need for access to international partners and one a need for knowledge about business approach abroad ("other"). No tenant was motivated by a need for assistance in establishing a company, while four tenants needed help in developing their business idea.

The tenants were asked the following question: "How important to the development/survival of your company was/is the various elements of support offered by the incubator?" The tenants were asked to indicate level of importance of various elements of support on a scale from 1 (lowest) to 5 (highest).

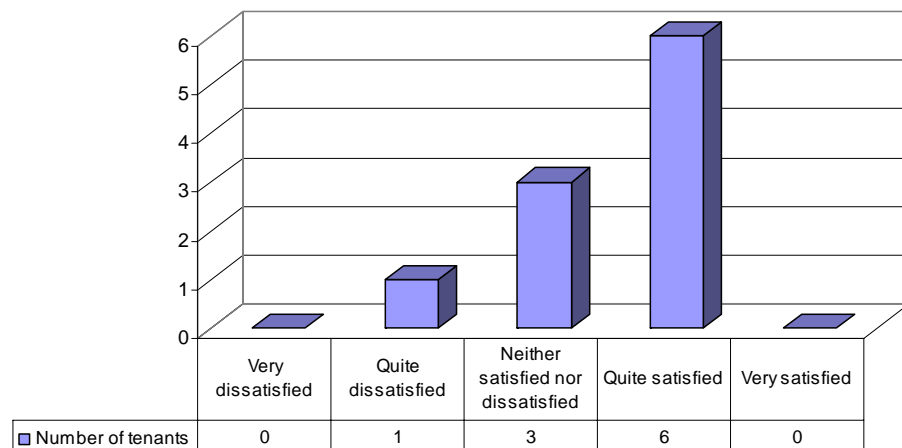
Figure 3: The tenant’s assessment of the importance of various elements of support offered by the incubator



The respondents rate “subsidised level of rent” (average 4) and “grant for equipment” (3.8) the most important elements of support offered by the incubator. “Marketing assistance” (3.29) and “Match-making services” (3.25) is rated somewhat important. The tenants rate “training courses” (3) and “mercantile support” (2.66) the least important elements of support offered by the incubator.

The tenants were asked the following question: “What is your overall assessment of the services provided by the incubator?” The tenants were asked to indicate their satisfaction with the services provided by the incubator on a scale from 1 (very dissatisfied) to 5 (very satisfied).

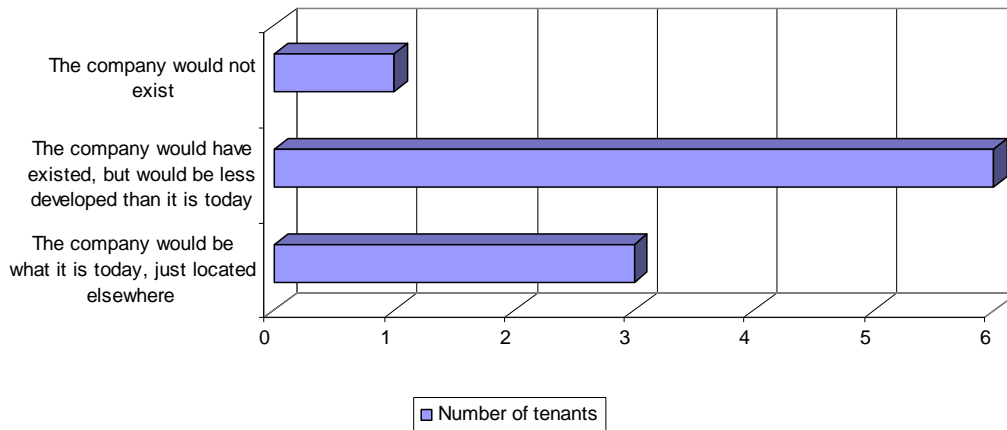
Figure 4: The tenant’s overall assessment of the services provided by the incubator?



Of the ten respondents, six state they are quite satisfied, three are neither satisfied nor dissatisfied and one is quite dissatisfied. This means the respondents are generally satisfied with the incubator. There is a clustering of the respondent on the middle of the scale, as none of the respondents are very dissatisfied or very satisfied.

The tenants were asked the following question: “What would have happened to your company if it had not been accepted to the incubator?” The tenants were asked to give an assessment of the additionality of the incubator on their company.

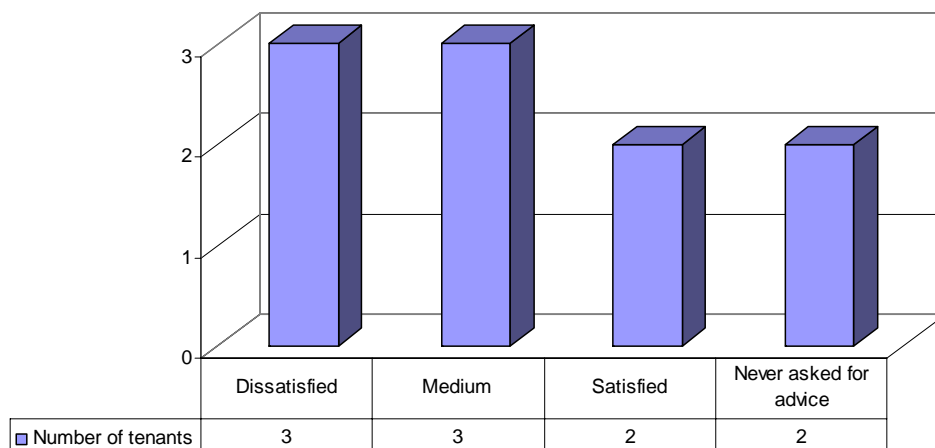
Figure 5: The tenant’s assessment of what would have happened to their company had it not been accepted to the incubator



Of the ten respondents, three state there was no additionality of the incubator on their company, as the company would be what it is today, just located elsewhere, had it not been accepted to the incubator. The other seven companies state the incubator realised an element of additionality; one would not exist and six would be less developed had they not been accepted to the incubator.

The tenants were asked the following question: “To what extent are you satisfied with the administrative, business and legal advice given by the management at the incubator?”

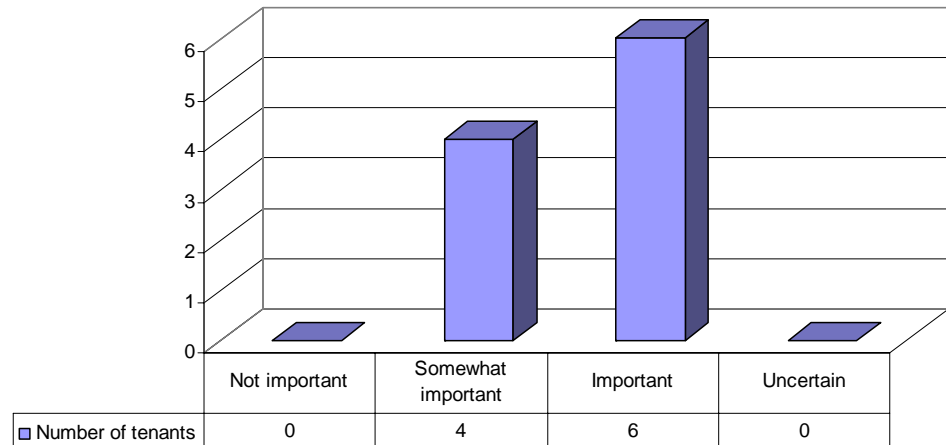
Figure 6: The tenant’s satisfaction with the administrative, business and legal advice given by the management at the incubator



Of the ten respondents, three state they are dissatisfied, three are medium satisfied, two are satisfied and two never asked for advice.

The tenants were asked the following question: “To what extent is the building important for your overall assessment of the incubator?”

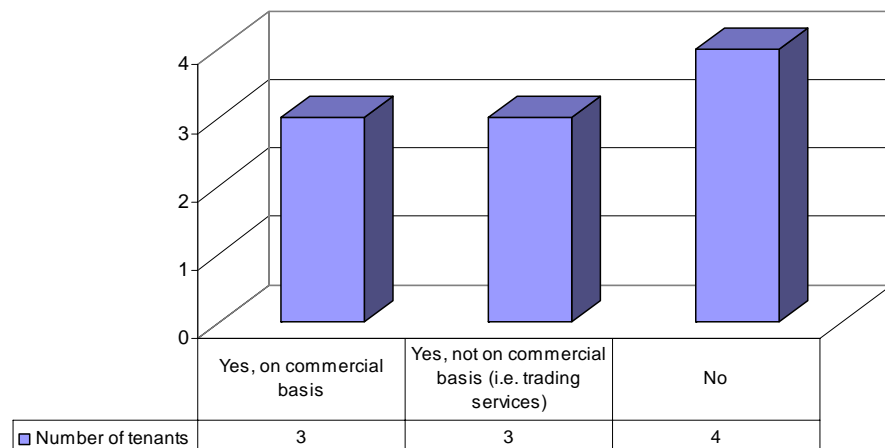
Figure 7: The importance of the building for the tenants’ overall assessment of the incubator



Of the ten respondents, six state the building is important for their overall assessment of the incubator, while four tenants report it is somewhat important.

The tenants were asked the following question: “Do you do business with other companies in the incubator?” If doing business with other tenants, the respondents were asked to distinguish between commercial and non commercial (i.e. trading services) business.

Figure 8: The extent to which companies do business with other companies in the incubator



Of the ten respondents, six state they do business with other companies in the incubator, of which three do business on commercial basis and three on non commercial basis.

Chapter 6. Assessment and recommendations

This chapter contains assessments of the activities carried out as part of the Entranse programme both on the national level and relating to the incubator in Niš. The assessments are based upon statements made by stakeholders interviewed by the evaluation team and survey results, as well as opinions held by Oxford Research. Additionally, an assessment of the Entranse programme in a wider context is presented. Finally, Oxford Research provides recommendations for future SME development programmes in transitional economies.

6.1 Assessment of the national part of the Entranse programme

What are the lasting results of the Entranse programme?

The activities of the Entranse programme on the national level resulted in a considerable transfer of knowledge and competence from the Entranse team to Serbian authorities, spreading the idea of business incubation as an instrument for SME development. In addition, activities under the programme gave Serbian authorities the means to implement policies on business incubation by producing a number of strategic documents and training manuals/programmes as well as submitting a successful application to the Enterprise Europe Network.

These are some of the main results of the national part of the Entranse programme:

- Technology transfer and institution building

The idea of business incubation was introduced and spread, as a number of government officials gained knowledge on incubation and SME development through working with SINTEF. These persons are now located in the Ministry of Economy and the SME Agency, as well as in other positions in the Serbian society. The process of developing strategy documents entailed considerable knowledge transfer to Serbian authorities. Knowledge transfer was never considered by SINTEF to be a separate activity as such; rather it was an aspect of other activities under the programme.

- Diffusion of the idea of incubators through Entranse on Tour

Diffusion of the idea of business incubation to personnel outside the central government was achieved through Entranse on Tour. Some stakeholders argue this was the most successful of all programme activities.

- Strategic documents for SME development

Assisting the Ministry of Economy in the development of the “Programme for Business Incubators and Clusters Development in Republic of Serbia 2007-2010” left the Serbian authorities with a strategic document for policy implementation.

- Training programme for incubator management and tenants

The training programme and manuals were produced by SINTEF, tested in BIC Niš and handed over to the SME Agency. It has been utilised in a few other incubators in Serbia, including the incubator in Subotica.

- Enterprise Europe Network

An application to become a member of the Enterprise Europe Network was produced and submitted. As a consequence, Serbia is now a member of the network, which constitutes an asset for companies in the country.

- Harmonisation of donors

SINTEF made a valuable contribution by harmonising the aid from various donors, and did a successful job in organising the donors. This had not been done before, and saved a lot of resources as a lot of programmes were overlapping prior to this effort.

Where was the national part of the Entranse programme unsuccessful?

As the objectives for the Entranse programme are elusive, it is difficult to point at specific endeavours which did not materialise. However, one activity was clearly not successful:

- Establishment of the Business Incubator Support Centre

This element of institution building within the SME Agency did not become a reality, despite being planned from the beginning of the Entranse programme. Lack of political support for the BISC seems to be the main reason why it was not established, even with the presence of SINTEF in the SME Agency. SINTEF was very interested in establishing the BISC as a centre of excellence and the pinnacle of institution building in the government structure. The NMFA too wanted this deliverable to be manifested.

6.2 Assessment of the pilot incubator

The incubator in Niš was established as a part of the Entranse programme and upon completion of programme was transferred to the City of Niš, which is committed to maintaining it. A number of jobs (57 jobs in the tenant companies in 2008) were established in the incubator and a second generation of tenants will enter the incubator in early 2010. The current management of the incubator is cooperative and competent, according to stakeholders.

The City of Niš and the tenants in the incubator are pleased with BIC Niš and the achieved results, stating that as they see it the key element of incubation is job creation. The opinion of the receiver of the programme should carry some weight in the evaluation. The City of Niš regards the incubator as an important asset in the economical development of the city.

Achieved results and the Serbian perspective

Whether the pilot incubator is a success or a failure is depending on the expectations regarding the outcome of the establishment and development of the incubator. What is achieved is the establishment of an incubator and the first generation of tenants

have graduated, having created a number of new jobs. Unfortunately, due to economic crisis, this main outcome of the incubation was somewhat diluted because many of the jobs are not existing anymore, as tenants struggle with lower sales and had to downscale the production in 2009. In addition, there has been a considerable transfer of knowledge. At the same time, there have been several problems connected to the incubator, and the quality of the services provided was sub-optimal. The R&D level is relatively low in the indicator. However, it was expected that there would be some mistakes made.

As for most incubators, some companies grow, some remain at the same level and some decline. The incubator has been successful in starting up or at least developing companies in the region. The first generation tenants did not represent a sector where fast growing companies could be expected.

What is positive is related to the idea of business incubation in itself. When initially discussing the establishment of an incubator with the Norwegians, the local actors in Niš did not have a proper understanding of the concept of incubators. During the Entranse programme period there was a considerable transfer of knowledge, eventually resulting in a number of incubators established in Serbia.

The incubator is the main asset in SME development strategies in the region. It would most likely not have come into existence with Serbian money, but would have been established with donor funding at some point in time, though later than it did. Other donors were opposed to provide funding for an incubator in Niš while the Entranse programme was running. Hence, there is a clear element of additionality in the incubator part of the Entranse programme. BIC Niš is the first incubator in Serbia to commence a second cycle of incubation.

Consequences of the selection of Niš as site for the incubator

If the ambition was to create a high-tech incubator the effort has failed. It seems obvious that there were diverging expectations of Entranse, where the NMFA expected a high-tech incubator while the Ministry of Economy and local authorities were quite pleased with a business park for mechanical industry.

When deciding on Niš as the site of the incubator, it followed that mechanical industry would be the sector in focus. The selection of Niš and emphasis on mechanical industry was a politically motivated compromise between the NMFA and the Serbian authorities, and contradictory to the recommendation from SINTEF. However, the site and sector chosen should have implications for the evaluation of the outcome of the incubator; it is more challenging to create jobs and establishing a culture of entrepreneurship within a traditional production sector than in a dynamic and fast-growing sector such as ICT.

The location, in the centre of South Serbia with a large and important, but halting, mechanical industry, was desirable from the Serbian perspective. An important political signal was given from the central government, to support the mechanical industry, when Niš was selected as site for the incubator.

Incubator or business park?

A key feature of a business incubator is offering embryonic companies, preferably with a potential for growth, valuable “soft ware”, such as knowledge, mentoring,

network and community. The idea is that this type of assistance will increase the success rate of such companies. In addition, an incubator often offers necessary physical infrastructure, or “hard ware”, such as premises at favourable conditions and business facilities, for the tenants. Also, mercantile services may be part of the services offered. What distinguishes business parks from business incubators is the maturity of the companies, and hence the support services requested by the companies. In business parks the companies are more mature, less woundable and less in need of basic business knowledge than in incubators, hence transfer of “soft ware”, such as mentoring and training programmes, is not a key feature of business parks. BIC Niš is more a business park than an incubator. SINTEF should have supported BIC Niš by bringing experts on business incubation from Norway or elsewhere. NMFA objected to SINTEF for not doing this.

The selection of tenants for BIC Niš was not fully appropriate for the concept of incubators, that of assisting inexperienced entrepreneurs in developing a business idea to a sustainable company with growth potential. The companies entering the incubator were to a large extent not embryonic, but somewhat established. Others had little potential for growth. The mix of embryonic and somewhat mature companies in the incubator was a conscious decision made by SINTEF.

The mandatory training sessions offered at BIC Niš was however an element of transferring knowledge to the tenants. This service was executed according to the established strategy for the incubator. It appears that the tenants in BIC Niš only to a limited degree participated in and valued the series of ten training sessions, although some tenants report the quality and content of the mandatory training sessions were satisfactory.

The tenants in general did not request knowledge regarding how to establish a business or assistance in form of mercantile services, but to a greater extent needed grants for equipment, access to reasonable business facilities and to some extent assistance in commercialisation, such as match-making internationally. Tenants were complaining that BIC did not do much for their promotion or match-making, although one BIC staff was responsible for match-making in the latter period of Entranse. Hence, the portfolio of services offered was less than perfectly aligned with the needs of the selected tenants. It may have been unfortunate to offer tenants the grant for equipment of such a considerable amount, in addition to the favourable conditions for access to premises, as the financial aspect of the services offered became such a focal point and main objective for coming to the incubator for most tenants.

Furthermore, the availability of funding caused a hampering of a proactive approach by both the incubator management and the tenants. BIC management was too soft on tenants, who did not pay rent or debts for electricity to BIC until late 2009. The tenants were not effectively requested to show responsibility for their obligations to the incubator, which caused debts for BIC Niš. Little was done to secure sustainability of the incubator. The issue of tenants who neglected to pay their obligations was addressed by the new management.

These are all lessons learned. In the second cycle tenants will be required to develop more detailed business plans and the approach for selecting tenants will be different. Shorter cycle of tenancy would be a good measure for success. There was not enough promotion of BIC, as the success stories should be presented to promote the idea of incubation in the city and the rest of the country. The primary objective for

the City is not to turn profit from the incubator but to support SMEs and promote private initiatives.

Ownership structure

Although the NMFA, through SINTEF, controlled the funding of the incubator, a structure of local ownership was implemented. DACU pressed for local ownership, and the NMFA was interested in testing this model.

The local, joint ownership of BIC to the City of Niš and the Regional SME Agency did not prove favourable, considering the number of problems resulting more or less directly from this structure. Selection of both tenants and management was flawed as a consequence, as the local owners had interests diverging from the established strategy for the incubator, largely developed by SINTEF. In addition, the nature and interests of the Regional SME Agency served to block any changes in the management for a very long time, until the issue was finally resolved and the City of Niš achieved complete control of the incubator.

A motivated owner, such as the City of Niš, was necessary to secure satisfactory operation. The premises were rented, and the rented space was in poor condition. Ownership of the premises and higher quality of the premises would have yielded a better result. Space is the major obstacle to growth today. A great deal of effort has been used in repairing and maintaining the building throughout the programme period.

The BIC staff and tenants were largely unaffected by the management problem, and in addition the SINTEF personnel were present to provide assistance. However, the ownership structure to some degree prevented management decision to be made effectively.

In the case of Niš, an ownership structure securing donor control could potentially have avoided problems related to inadequate management and insufficient quality in the services provided by the incubator. However, the ownership structure might have worked in a different setting.

Match-making

Throughout the Entranse programme period there was increasing attention on match-making services, including allocation of resources for this purpose. This service was highly demanded by a number of tenants. Some match-making or at least establishment of international contacts was achieved for Welding Centre and Blue Crane, largely with industrial companies in Verdalen, Norway. Fosdalen is one example. However, the overall results regarding this effort were limited and cannot be labelled successful.

University

When establishing the incubator, it was made an effort to include the University of Niš. The University and private sector was invited to become minority owners. The University expressed interest in the incubator, but did not become directly involved in the early stage. However, the University is now represented in the Board and a Memorandum of Understanding between the incubator and the University of Niš

was signed in 2008. The University has a good relationship with the incubator today, and has a lot of competence on ICT, which may be capitalised on in the time to come. The University is a highly developed actor, and is regarded as a great asset for the incubator.

6.3 Assessment of the programme set-up and organisation

Professional and competent international lead partner

Serbian stakeholders report that the programme was professionally carried out by SINTEF. The Norwegian partner always made an effort to comprehend the position and interests of the involved Serbian actors. The procedures regarding Entranse were less complex and bureaucratic than with other donors. There was no uncertainty as to what the Norwegian donor and the international lead partner would provide. While some donors provided things that were not needed, SINTEF provided assistance there was a demand for. The programme was very practical in its approach, and resulted in considerably transfer of relevant and demanded business knowledge. The Entranse programme was the proper type of programme for Serbia at the time, hence a very valuable asset.

Programme aligned with Serbian needs

The bilateral agreement between Norway and Serbia constitutes a well-functioning model for donor assistance, as the recipient has the responsibility of initiating programmes under the agreement. This ensures that the content is something the recipient defines a need for. There was a high necessity in Serbia at that time to conduct the tasks implemented through the Entranse programme. Without the financial and technical assistance from Norway and SINTEF, the Serbian governmental effort to accelerate SME development and business incubation would not have come as far as it has today.

Involved personnel in the Serbian administration report that the Entranse programme was different from all other programmes funded by donors, in that it was directed at the beneficiaries. All donors brought their various approaches, which was challenging for the government of Serbia. Entranse was different from the rest in that it was tailor-made, and not copied from the donor's best practice. This is perceived as a criterion for success; hence the Entranse programme was quite successful, and Ministry of Economy personnel were very pleased with the results they were able to achieve.

Appreciating the complexity of the programme

The complexity of the programme must be accepted before concluding on its successfulness. The Entranse programme was of considerable size regarding budget, scope and duration. In addition, the context and tasks to be performed were complex.

The Entranse programme was designed with two distinct parts; the national programme and the pilot incubator. These two parts were quite different regarding work mode and qualification requirements of the project team, the visibility of the product and the way they may be assessed. Still the two parts were connected, as the incuba-

tor was a test case in a national effort to deploy business incubators as an instrument for implementing policies on SME development. During the programme period, SINTEF held the position that the two parts were so entangled they belonged in the same programme, while the NMFA argued for separating the parts in two distinct programmes.

The emphasis placed on each of the two parts by SINTEF would vary over the programme period. At one point in the programme period, the NMFA felt that SINTEF had too much focus on the national level, and not enough on BIC Niš. This was expressed to SINTEF, which adjusted its course accordingly. The criticism was justifiable.

The objectives for the programme are elusive, and focus on activities to be completed, without targets for the quality of the produced results. The objectives were basically achieved, despite some shortcomings and a number of incidents along the way.

In addition, while the programme was intended to run for four years from the onset, the programme structure called for annual applications and project plans. The annual approval was a good practice, as it assured a level of donor control with the resources. However, due to the role of the beneficiaries under the bilateral agreement, changing governments with distinct political programmes had power to alter the content of Entranse. While some flexibility allowing for adjustment within a programme is necessary for its efficiency, the model governing the Entranse programme could potentially jeopardise its continuity and even existence. The process was slowed down every time a political change occurred, as personnel in various government positions were replaced. Changing political regimes caused the capacity building activity to be more time consuming and resource demanding than planned.

It would possibly have been preferable if the programme had been co-financed, for instance by the Ministry of Economy, which would have made the Serbian side more engaged by having a greater stake in the programme.

Distinguishing the results from the noise

The complexity of the programme should be appreciated when evaluating the performance of SINTEF. A programme such as Entranse will necessarily run into problems, and evaluations should focus not on the extent of problems encountered but rather on how problems were handled. SINTEF handled challenges in a professional and competent way.

According to one staff at the Norwegian Embassy in Belgrade, no programme was surrounded by more noise or was more criticized than Entranse in the period this programme was running. However, a lot of the criticism was misplaced.

A lot of details regarding BIC Niš gave a negative focus, and much criticism was expressed on false grounds. Sufficient understanding for the complexity in implementing the programme was not expressed by many critics. The decision to locate the pilot incubator in Niš was made by the donor and the beneficiary, against the advice of SINTEF. Combined with the emphasis on local ownership, this determined to a large extent the content and quality of the incubator.

The challenge of changing governments and subsequent changing political programmes eventually played a large part in the premature programme exit, championed by the donor. The last political change in the Ministry of Economy in May 2007

marked a change for the worse for the programme and the relationship with the NMFA. The Ministry of Economy suggested a reallocation of funds, abolishing the existing work and giving the Ministry more direct control of the funding and effectively becoming implementing body.

Quality and effectiveness of the programme

The criticism regarding Entranse is mainly related to the troublesome process of establishing BIC Niš and the quality of the incubator. There has not been raised any doubt of any note about the quality of the national part of the Entranse programme. There have not been any arguments of the programme being over-sized; it has neither been a luxury-programme, nor a low-cost programme.

The success of the Entranse programme could be measured from the perspective of cost-effectiveness, as well as the quality of the incubator. However, cost-benefit is not necessarily a usable term in this case, at least not for the national part of the programme.

The Entranse programme was designed to place resources in soft-were, through competence building, and not in buildings, etc. Completely new knowledge was to be transferred to personnel in the Serbian government. SINTEF worked in processes and influenced a number of people, without specifically documenting effects. Entranse constituted a big push in making Serbians understand entrepreneurship, SME development and policy, use of incubators, etc. The factor of awareness rising was important.

The extent to which Entranse was successful is difficult to measure. SINTEF conducted a multi-component project which was hard to monitor; one could argue that the project proposal was incomplete, as there were no indicators defined for objectives and actions and no risks were defined.

The Entranse programme supported the organisation of and participated in the International SME Conference, organised in Belgrade in 2005, 2006 and 2007. These conferences were perceived by stakeholders to be quite important for SME development in Serbia.

SINTEF holds the opinion that the programme was definitely not a waste of money, and the results were worth the cost. BIC Niš was reasonably cost effective. The project has delivered results according to plans, and recommendations have been accepted and implemented by Serbian authorities. Personnel from the Ministry of Economy state that this is one of the best programmes donated in this sector, and given the opportunity to run the programme again, the same decisions would be made.

It is necessary to acknowledge that this type of process driven development is costly. Transfer of knowledge, especially from Norway, costs money. Entranse involved a number of challenges, much was achieved and money was not wasted. SINTEF was very open to address various challenges regarding SME development in Serbia. The effort could of course have been more concentrated by not attempting to solve many problems in the same time, and perhaps the programme could have been divided into a number of smaller programmes. It would possibly have made it easier to implement and the results would be clearer to evaluate. On the other hand, the flexibility of SINTEF to direct resources to where they could yield results, under the overall

objective of creating an environment for SME development, could also be regarded as a quality.

Communication structure

Being the international lead partner, SINTEF naturally was the node of communication between the various stakeholders in Entranse. There was very little and insufficient communication between the donor and the programme owner in Serbia, the Ministry of Economy. The cultural gap was never bridged during the programme period. SINTEF stated they would have welcomed a more active role from the NMFA.

The donor to a certain extent consulted the Embassy in Belgrade and the technical assistant in DACU, although these channels of information clearly had a character of informality. Both these actors followed the Entranse programme from a distance, and were generally quite positive to the work done and results achieved.

The NMFA states that SINTEF was generally reporting to positively from activities and achieved results, while SINTEF says there was emphasis on reporting soberly throughout the programme period.

The organisational set-up had effects on the donor's access to information about the programme and the dialog with stakeholders, which in turn influenced the donor's perception of the outcome of Entranse. The NMFA's understanding of the programme suffered from lack of information and erroneous analysis of the limited information acquired. Primarily, the visual image of the pilot incubator coloured the NMFA perception of the success of the programme.

There was certainly a lack of capacity in the NMFA to follow the programme. The personnel in the NMFA are to a large extent generalists and can not possess specialized knowledge on a great number of subjects. Hence, there was possible also a lack of knowledge on incubators and SME development in the Western Balkan section of the NMFA.

The NMFA's perception of the programme

The limited communication and information influenced the NMFA's perception of the programme. The Western Balkan section already early in the programme period expressed criticism regarding Entranse development and performance. The Embassy expressed a more balanced attitude towards the programme and explained to the NMFA that the context for Entranse was complex, which should be taken into consideration.

The explanation for the NMFA critical perspective on the outcome of Entranse may also be that the NMFA has their own idea of what the results of the programme should be, SINTEF suggests. They may have wanted pure, clean pillars showing the existence of the programme, and their expectations may not always have been aligned with the objectives of the programme. A dirty incubator in Niš did not meet the expectations of the NMFA, even though the NMFA pressed for the location and SINTEF explained that mechanical industry would be appropriate for this location. There may have been bias towards ICT incubators for the NMFA personnel. There was no attention to ICT as a possible option for the incubator, until this option was launched by the NMFA a couple of years into the programme period.

In general, donors should stand by their programmes in troubling times. It is additionally unfortunate when a programme is prematurely terminated due to insufficient information and mismatched expectations.

Both the NMFA and SINTEF should have taken steps to secure a sufficient information flow. SINTEF should have been proactive in providing information on programme development to the Western Balkan section. The NMFA experienced that information came in late, and this lack of information greatly contributed to the premature discontinuation of Entranse.

SINTEF summarised the experiences from Entranse with the Western Balkan section of the NMFA in the fall of 2008. The NMFA expressed that the programme had been a waste of money, which led SINTEF to conduct its own internal evaluations. In a later meeting, the NMFA held a somewhat more nuanced position, SINTEF states.

Programme structure

Entranse and BIC Niš should have been separated into two programmes, yet linked together. The NMFA asked SINTEF to separate the budget of the incubator from the national programme, but SINTEF insisted that the activities were so closely linked together that this was virtually impossible. Following termination of programme, SINTEF sees arguments for a division of the two main tasks into separate programmes, though with close interaction.

There would have been benefits to be gained by splitting the incubator and the national part of the programme into two distinct parts. The tasks to be conducted as well as personnel needed were quite different. The timeframe could have been different: The incubator needed a number of years, while applications for national activities could have been submitted annually, incorporating new elements each year if needed. It would have been easier with a defined development throughout the programme period, as many actors gave input to the development of the programme during its implementation. It was difficult to focus on both places simultaneously, as it required different types of working. BIC Niš provided input to the national activities; hence a link between the two parts was necessary. It could have been two programmes led by personnel from the same environment.

The NMFA decided that the projects would only last for one year at the time. Perhaps Entranse should have been a four year programme from the start, although with the flexibility to make adjustments. Regarding the changes that occurred in the annual application, SINTEF would not have minded seeing a stronger support from the NMFA, for instance in the form of clearer guidelines.

Donor control with incubator

The limited quality of the incubator in Niš could have been improved with increased donor control of the development of the incubator. A continuing donor presence and quality assurance is preferable to the value of complete local ownership.

There should have been a stronger link to central government, as local government did not have sufficient capacity and competence to develop the incubator. Decision makers should have had more knowledge of the novelty the incubator constituted. Often the work of central government was blocked by local political conflict. For

instance, the manager of the incubator proved not to be capable, but could not be replaced due to a blocking conflict. However, the Entrance-team was devoted in its work and of high quality.

6.4 Recommendations

Based on the experiences from the Entranse programme, Oxford Research would like to provide some recommendations for future projects funded by the Norwegian Ministry of Foreign Affairs in the transitional economies.

The use of the incubator instrument

Business incubators constitute a valuable instrument for implementing strategies of SME development. However, the experience of the incubator in Niš as well as other incubators in Norway and abroad indicates a number of elements affecting incubator performance. These elements should be in place or be addressed when establishing and developing an incubator. The following elements should be noted:

- The management should possess competence on business incubation and be recruited based on relevant merits
- An ownership structure securing donor control is valuable for correcting problems that arise and secure high quality in the services provided by the incubator
- Selection of business sector affects the level of growth to be expected
- Premises suitable for incubation operations is preferable to avoid expenditure on refurbishing on the expense of other incubator services
- Management knowledge and ability to mentor tenants on business development is a key feature of incubators
- The design of increasing obligations for the tenants regarding payment of rent and other expenses is functional
- The type of tenants recruited should be appropriate for the services offered (embryonic companies receiving mentoring and a physical infrastructure for business, etc.)
- If grants are awarded to tenants, it should be limited to avoid being the focal point of prospect tenants
- Incubator sustainability should preferably be secured by cash flow from property to incubator (like for BIT Tuzla where the incubator owns the building and generates profit that can be reinvested in incubator innovation activity).

Communication about projects when change in governments

When donating a project of considerable size which is also highly politicised, the donor should take an active role in promoting the project when new governments take office in the receiving countries. This requires an open and active line of communication between the donor and the national lead partner, and may assure a functional continuation of the project when governments change.

The role of project promoters

Donors should generally be careful to accept projects initiated and implemented by independent consultants. Such projects may potentially lack the necessary commitment from both the donor and the receiver. This endangers the project of being developed without outside actors controlling quality and progress, which increases the possibility of project failure. Hence, consultant initiated project should coincide with donor vigilance, as it is necessary to ensure a satisfactory level of commitment is present in each individual project.

Intermediary agency

Considering the organisational set-up of the Western Balkan desk of the NMFA, it may not be a favourable solution to have the NMFA in an operational role, monitoring and to a certain degree implementing development projects of considerable budget and duration in transitional economies. Instead, an intermediate agency may be engaged for the on-going monitoring of project implementation, taking a position between the NMFA and the lead international partner.

Regarding project in developing countries, NORAD holds this position, but NORAD is not suited to take the same role regarding transitional economies. Depending on the nature of the project, both SIVA and Innovation Norway are potential government bodies able to accept such a task. SIVA has quite successfully delivered such services in BIT Tuzla. It is reason to believe that such an agency would be perfectly committed to handle the interests of the donor, ensuring sufficient information for the donor and communication between stakeholders.

Chapter 7. Appendix

7.1 Interview guide for BIC Niš tenants

General information

1. What is the business idea of your company?
2. Please give a brief history of the company while in the incubator? (development, obstacles/delays, strategy, markets, internationalization etc.)

Specific questions on company development

3. How did you learn about the incubator? (advertisement, recommendation, etc.)
4. What was the state of your company at the time you applied to be accepted to the incubator? (only an idea of a company, a newly formed company etc.)
5. When did your company enter the incubator? (year and month)
6. How many employees were/are there in the company when entering the incubator, at the highest level (2008) and at present?
7. What would have happened to the company had it not been accepted to the incubator?
8. When will the company exit the incubator?
9. When leaving the incubator, is the company sustainable? What are the future prospects for the company?

Assessment of incubator

10. What is your assessment of the location and physical infrastructure of the incubator?
11. Which services of the incubator have you used and how important have they been for your company? (grant, premises at favourable rent, favourable mercantile services, training courses, other support from management)
12. Has the company received any other support? (match-making, marketing, support for visiting fairs)
13. Has the company had any benefit of being located with the other tenants?
14. Has your company requested/received any counselling/advice from the incubator, other than in the training courses?
15. What is your assessment of the incubator management? (qualifications etc.)
16. What have been the major obstacles/problems the company has faced as a tenant?
17. Which improvements could be made regarding the incubator?

7.2 Questionnaire for BIC Niš tenants

1 Name of company:

2 Why did you apply for tenancy in the incubator (multiple choice)?

- Need for start-up capital
 - Needed help in developing my idea
 - Needed assistance in establishing a company
 - Needed business premises
 - Access to a potential international business partner
- Other, state:

3 How important to the development/survival of your company was/is the various elements of support offered by the incubator?

Please indicate level of importance of the various elements of support:					
	1	2	3	4	5
	Very low	Low	Medium	High	Very high
Grant for equipment					
Subsidised level of rent					
Training courses					
Mercantile support (accounting)					
Match-making services					
Marketing assistance					
Other, state:					

4 What is your overall assessment of the services provided by the incubator?

- 1 - Very dissatisfied
- 2 - Quite dissatisfied
- 3 - Neither satisfied nor dissatisfied
- 4 - Quite satisfied
- 5 - Very satisfied

5 What would have happened to your company if it had not been accepted to the incubator?

- The company would be what it is today, just located elsewhere
- The company would have existed, but would be less developed than it is today
- The company would not exist
- Other, state:

6 To what extent are you satisfied with the administrative, business and legal advice given by the management at the incubator?

- Dissatisfied
- Medium

- Satisfied
- Never asked for advice

7 To what extent is the building important for your overall assessment of the incubator?

- Not important
- Somewhat important
- Important
- Uncertain

8 Do you do business with other companies in the incubator?

- Yes, on commercial basis
- Yes, not on commercial basis (i.e. trading services)
- No

7.3 List of references

Bjørgum, Jon Olav (2009a): *Vurdering av måloppnåelse – Entranse prosjektet i Serbia*. SINTEF Rapport Trondheim: SINTEF Teknologi og samfunn.

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Entranse (2008). *Entranse 2008 – Exit Plan. Final Report*.

Finne, Håkon (2009): *How the Entranse project in Serbia developed over time*. SINTEF Memo Trondheim: SINTEF Teknologi og samfunn.

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Ministry of Economy (2006). *Programme for Business Incubators and Clusters Development in the Republic of Serbia 2007-2010*. Belgrade: Ministry of Economy.

Stølan, Anders (2007). *Entranse Exit 2008*. SINTEF Notat Trondheim: SINTEF Teknologi og samfunn.

7.4 List of interviews

Table: List of interviews conducted			
	Name	Position	Date and place of interview
1	Olav Reinertsen and Haavard Austad	Norwegian Ministry of Foreign Affairs	4 November 2009, Oslo
2	Per Mannes	Norwegian Ministry of Foreign Affairs	16 November 2009, Brussels
3	Mila Du Pont	Entranse team, SINTEF	6 December 2009, Belgrade
4	Zora Simovic	State Secretary, Ministry of Economy	7 December 2009, Belgrade
5	Aleksandar Sedmak	State Secretary, Ministry of Science and Technology and Professor at the University of Belgrade	7 December 2009, Belgrade
6	Tatjana Volarev	Entranse team legal adviser, SINTEF	7 December 2009, Belgrade
7	Djura Kropic	Head of SME department and later chief of staff, Ministry of Economy	8 December 2009, Belgrade
8	Petar Pavolovic	State Secretary (2005-07), Ministry of Economy	8 December 2009, Belgrade
9	Nebosja Ratkovic and Dejan Radulovic	Republic SME Agency, later Ministry of Economy	8 December 2009, Belgrade
10	Haakon Blankenborg	Norwegian Ambassador to Belgrade (from 2006)	8 December 2009, Belgrade
11	Tomislav Grdovic	Republic SME Agency	9 December 2009, Belgrade
12	Milos Simonovic	Mayor, City of Niš	9 December 2009, Niš
13	Predrag Cvetkovic	Assistant to Mayor, City of Niš	9 December 2009, Niš
14	Milan Randjelovic	Head of local economic development office and President of BIC Niš Managing Board (from 2009)	9 December 2009, Niš
15	Slavoljub Petrovic	Former President of BIC Niš Managing Board	9 December 2009, Niš
16	Zoran Popovic	BIC Niš Technical Manager	10 December 2009, Niš
17	Ivan Petrovic	Blue Crane, BIC Niš tenant	10 December 2009, Niš
18	Misa Lukic	Lukic, BIC Niš tenant	10 December 2009, Niš
19	Stefan Milovanovic	Welding Center, BIC Niš tenant	10 December 2009, Niš
20	Ana Zegarac	Executive Director for Development and International Cooperation, Republic SME Agency	18 December 2009, Belgrade
21	Morten Muus Falck and Anders Stølan	Project leader for Entranse and Research Manager, SINTEF	22 December 2009, Trondheim
22	Mirjana Nozic	Department of Programming & Management of EU Funds and Development Assistance, Ministry of Finance	28 December 2009, Belgrade
23	Simen Bræin	Embassy Secretary (2005-08), Norwegian Embassy in Belgrade	7 January 2010, Oslo
24	Hans Ola Urstad	Norwegian Ambassador to Belgrade (until 2006)	7 January 2010, Oslo
25	Lars-André Skari	Technical Adviser in DACU (2004-07)	7 January 2010, Oslo
26	Gordana Danilovic Grkovic	Deputy Director, Republic SME Agency (2001-04)	22 January 2010, Belgrade

Source: Oxford Research



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