

The Seven Steps Solution

Pavarotti Music Centre

Business planning 2005 - 2008

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1. Introduction

The Pavarotti Music Centre was set up by War Child UK in the old building of Luka Elementary School in Mostar with generous financial support of Luciano Pavarotti. The object of the institution was to bring relief to the people of BiH (in particular to the people living in and around the city of Mostar) who are suffering hardship and distress as a result of war. The Pavarotti Music Centre is a music centre in which (amongst other things) music education and training, music therapy and recreational & cultural activities are organised. The work is focused on children and young people as a main target group but also adults find their way to the centre. The formal founders of the Pavarotti Music Centre are the City of Mostar (51%) and War Child UK (49%).

The idea to bring clinical music therapy as a new approach to traumatised children and young people of B&H, especially in the Mostar area (statistically the largest number of war traumatised children and young people were in the Mostar area) was realized by setting up a clinical music therapy department in the Pavarotti Music Centre. Besides clinical music therapy as a primary program, it was planned for the Centre to become a place where children and young people should have a chance to express themselves through different creative and therapeutic activities such as School's Program, African drum workshop, School of Music, art workshops, children choir, dance workshops etc. Last but not least a highly professional studio was build to attract professional musicians worldwide to record their CD's in Mostar.

In respect of the very difficult economical and social situation, since the beginning all PMC activities and programs were offered for free to users and visitors. Sufficient funds were insured trough War Child UK from Pavarotti and friends royalties. This "luxury " position in the beginning and lack of experience in financial planning led to very high monthly costs. Since September 1999 most of these funds ran out and the PMC was only receiving occasional portion from royalties. War Child Netherlands played a very important role in that time by taking over the role of main donor for the Music Therapy Department since January 2000 and partly for the School Music Project from September 2000 to April 2003. Occasional royalties, small donations and income from own sources such as studios, renting facilities, restaurant etc, covered the rest of needed budget.

It is very visible that the PMC was acting more as relief organisation or other NGO than as a cultural institution as it is registered officially. In respect to the general economic situation and the fact that in the beginning the funds were insured, the PMC has never received funds from the local government, as was intended in the long term. In the beginning the NGO image had coped with the primer PMC goal to offer different free services (in the first place therapeutic services) to the young generation of Mostar and BiH. During the period when Bosnia and Herzegovina was in the centre of attention of the international community it was not so difficult to find funds for the institution. This situation has changed in the last few years and it became very difficult

to find the necessary funds to continue with free services and especially to cover general employees and overheads costs¹.

In that respect the PMC management took necessary action by reducing monthly costs strongly and reduction of general staff. Also the City of Mostar Government as one of the founders has been contacted recently in order to adopt the PMC financially and to provide funds for covering part of general costs. The City has not made a decision yet but as a first gesture the city donated an amount for the first five month of 2004. So, we strongly believe they will recognize the importance of the PMC for the local community and will offer us more financial support in the near future.

Although the PMC was never registered as a relief organisation or charity NGO it acted alike. The PMC, as all cultural institutions of this kind, will not be able to become fully independent from donors. A certain amount of subsidizing will be necessary. When the economy of Mostar is strong enough the centre aims at being financially supported by the local government. To survive the coming years in which the local government is financially not strong enough to fully take it's role a business planning will be dependent on other donors. But on the other hand the PMC will explore the possibilities to stand on it's own feet as much as possible. This business planning 2005-2009 describes the actions we plan to take to transform the PMC into a vivid cultural institution with economics as healthy as possible. Seven interrelated steps are planned to achieve this transition: the Seven Steps Solution.

¹ See appendix 3

2. Introduction of the PMC projects

2.1. *Clinical Music Therapy Department (on going project)*

The idea to bring clinical music therapy as a new approach to traumatised children and young people of B&H, especially in the Mostar area (statistically the largest number of war traumatised children and young people were in Mostar) was realised by setting up the first and so far the only clinical music therapy department in former Yugoslavia in the Pavarotti Music Centre.

Music therapy department works with 75 clients per week and since the beginning about 650 clients have received music therapy.

The work is organised as individual or group sessions either in the Centre or as outreach work in schools for children with special needs, orphanages, hospitals etc. in the Mostar area and in the Republic of Srpska.

The main target group is children and young people. Adults are a minority.

The Department is set up as a team of six people, three international therapists and three local assistants.

The primer aim to offer music therapy to clients with post-war trauma has been achieved and less clients have these symptoms. Nowadays work and future plans are concentrated on clients with special needs, from problematic families and environments, abused or tortured persons, people with drug problems etc. Beside clinical work, the music therapy team offers seminars for professionals, teachers, parents and self-support groups for professionals. Also, it is planned in next four years to localize this project in order to raise international awareness.

2.2. *Creative projects organised by the PMC since the opening:*

2.2.1. Pavarotti Children's choir

Current project since December 1998; number of participants so far 350; age from 4 to 12 years old; nowadays number of participants 70. The choir has performed on different events such as traditional Children Song Festival Golden Note, Europe Day, International Day of disable people, the PMC anniversaries, anniversaries of Mostar schools and kindergartens, humanitarian concerts, etc.

2.2.2. Dance group Art

Current project since 1999; number of participants so far 200; age from 3 to 12 years old, nowadays number of participants 50. The Art dance group has performed on different events organised by the PMC, humanitarian concerts, the PMC anniversaries, anniversaries of Mostar schools, etc.

2.2.3. Dance group Flash

Current project since 1998; number of participants so far 150; age from 16 to 25 years old; nowadays number of participants 35. The work is based on modern dance with own original choreography. Flash has performed on different events in the

Centre, Europe Day, anniversaries of other cultural organisations, in Norway for the UN Day, etc.

2.2.4. School of Music

Current project since 1998; number of participants so far 250; age from 12 to 25 years old. The work is based on practical education how to play electric guitar, bass guitar and drums. Duration of workshop per student is three months. In three months 12 students are involved. Most of past students set up their own bands and due to their needs for rehearsal one room in the PMC is set up as a rehearsal room. The students also have a chance to perform on different events organised by the PMC.

2.2.5. English workshops (English through fun)

Current project since 2003; number of participants so far 220; age from 5 to 12 years old. Nowadays number of participants 80. In addition to sometimes poor English lessons in schools this projects aims at teaching the English language through singing and poems.

2.2.6. DJ workshop

Current project since 1998; number of participants 35-40; age from 15 to 20 years old. Nowadays number of participants 8. The students have performances in the PMC, local café bars and different DJ parties in Mostar and surrounding area and in Trebinje (Republic of Srpska).

2.2.7. Art workshops

Organised in few occasions since the opening; number of participants so far 200; currently in cooperation with Cradle; number of participants 30; age from 5 to 10. Each workshop culminated with the exhibition of artworks. The art room is also used by three young artists as an art studio.

2.2.8. African drum workshop

Current project since the opening; number of participants so far 200; age from 7 to 18 years old. They performed in the PMC, different events in Mostar and had presentations in Germany and the Netherlands.

2.2.9. Video-making workshops

Organised in few occasions; number of participants 40; age from 16 to 20. Currently 5 young people are involved in this work. Results of this workshop are short documentary and artistic films presented on Film Festivals in Mostar and Sarajevo and in Norway as well. Also video-clips for local musicians and bands are made.

2.2.10. School Music Project- past project

Outreach project in primary schools and kindergartens in Mostar and surrounding villages (from 1997 to July 2003; number of participants 1800 per week).

Nowadays this project grows up in an independent organisation and acts separately from the PMC.

2.2.11. Theatre workshops- past project

Organised in few occasions; number of participants 80; age from 7 to 20 years old. Nowadays the PMC provides space for two youth theater groups from Mostar, which regularly perform in the Centre with new performances.

2.2.12. Outreach creative-therapeutic projects – past project

Creative workshops in School for blind children and youngsters in Sarajevo and Pazaric Mental hospital (from 1998 to July 2003) as outreach projects.

2.2.13. Seminars and round tables

The PMC has organised few seminars and round tables since the opening, usually in cooperation with youth, social-cultural or health organisations and institutions. The topics on these seminars and round tables were dedicated to young people, democracy, drugs problems etc.

2.3. The Studios

The PMC has two recording facilities in the basement of the building. Besides a small studio with professional mixing console for smaller bands we have a 150m² live room with one of the few fully automated SSL mixing consoles in former Yugoslavia. This studio, which is one of the biggest in former Yugoslavia, was designed and equipped by Bono.

The studios were intended to be used by professional artists mainly. However, during the first years not so many artists seemed to know that the studios exist. Poor marketing was due to this fact. Although proper studio marketing asks for a proper marketing budget, which is not available at the moment, more and more professional artists are attracted by the facilities. Nowadays the studio runs with a modest profit, mainly from professional artists from the region former Yugoslavia. The capacity is not used fully, which gives good perspectives for increased use in the future.

3. Seven Steps Solution 2004-2008

3.1. Introduction

During the past six years the Pavarotti Music Centre (PMC) has acquired the image of a wealthy organization that is fully supported by Luciano Pavarotti. But Pavarotti only supported the construction of the building and the first few years of exploitation. Nowadays this image still hasn't changed much but the centre is struggling hard to survive economically.

In near future it is planned that PMC makes necessary steps to pass over from the level of NGO to cultural-educational institution. This includes a change from a service institute to a more business-oriented institution. In other words, the PMC will change from an institution where services for beneficiaries come for free into a cultural institution that generates own incomes from commercial activities, well balanced with not-for-profit activities. All within the rights and obligations of the B-H law. This transition asks not only for a radical change in the organisation, also co-workers and client's attitudes need to change. A transition like this cannot be executed overnight. Long, dedicated and concentrated work is needed to gradually change the situation. Seven steps will be taken that concentrate on the following issues.

1. Subscriptions from clients and visitors
2. Improved marketing & change of image
3. Increasing amount of visitors and clients
4. Improved quality programs
5. Engagement of multiple donors
6. Better embedding in local and international society
7. Optimising sources of own income

We call this policy program The Seven Steps Solution. The program is a transition process rather than a cold turkey turn-around. In the following chapters we will describe the seven steps that will turn the attitude of the PMC from a NGO into a Cultural Institution.

3.2. Subscriptions from clients and visitors

The first and the most important step to the planned goal is the gradual introduction of paid services. It is planned to start with this process carefully due to fact that all the PMC activities so far were for free and people will need some time to accept this change. Drastic steps in that direction could lead to serious reduction of the PMC's number of clients. Through conversations with parents of the children, youngsters and other people we have the impression that the majority is ready to start with paying. But this willingness was accompanied by comments about the current bad economic situation in B-H and especially in Mostar. Counting with these comments the price forming will follow the economic development in B-H and will trace it proportionally.

3.2.1. subscriptions for cultural-educational programs

For the first year it is planned to introduce gradually monthly fees for the clients in amounts of 5,00KM (€ 2,56) with a tendency of growth as is shown in table 1. All total amounts are mentioned in the local currency Konvertible Mark (KM) as well as in Euro (€). The current exchange rate is KM 1,9558 = € 1.

It is very important to take care about the clients from families in difficult social and economic situations. They will have a discount or, if possible, participate in the PMC activities for free.

Table 1.

Number of clients of the PMC projects	Subscription	Number of months	2005	2006	2007	2008
400	KM 5	5	KM 10.000			
500	KM 5	10		KM 25.000		
600	KM 7	10			KM 42.000	
700	KM 7	10				KM 49.000
Admin.costs 15%			KM 1.500 -	KM 3.750 -	KM 6.300 -	KM 7.350 -
<i>Total KM</i>			<i>KM 8.500</i>	<i>KM 21.250</i>	<i>KM 35.700</i>	<i>KM 41.650</i>
<i>Total €</i>			<i>€ 4.346</i>	<i>€ 10.865</i>	<i>€ 18.253</i>	<i>€ 21.296</i>

3.2.2. Introduction of paid tickets for visitors programs

As it is presented in the beginning beside different cultural-educational and therapeutic projects, the PMC also in organizes different cultural-educational events in the centre (performance hall, max.120 visitors and courtyard, max. 500 visitors). These activities were for free for the audience. One of the main reasons, beside the bad economic situation of Mostar's citizens, is that the centre does not possess adequate space where it would be possible to accommodate large numbers of visitors. By charging for the tickets we will be able to cover part of the organizational costs, promotional costs although taxes will have to be paid.

Aside for suspiciousness of a large number of the PMC employees in the economic justification and the possibility of reduction of the number of visitors, it is decided to start experimenting with charging for tickets for the different programs as shown in table 2.

Table 2.

Program description	Yearly minimal number	Number of visitors	KM	2005	KM	2.006	KM	2007	KM	2008
Big events	5	250	5	6.250	6	7.500	8	10.000	10	12.500
Classical	15	75	3	3.150	3	3.150	4	4.200	5	5.250
Popular	10	150	3	4.500	3	4.500	4	6.000	5	7.500
Others	10	100	3	3.000	3	3.000	4	4.000	5	5.000
<i>Total KM</i>		<i>KM 4.800</i>		<i>KM 16.900</i>		<i>KM 18.150</i>		<i>KM 24.200</i>		<i>KM 30.250</i>
<i>Total €</i>		<i>€ 2.454</i>		<i>€ 8.641</i>		<i>€ 9.280</i>		<i>€ 12.374</i>		<i>€ 15.467</i>

We are aware that these changes will bring only small profit, especially during the first year. The risk exists in the number of visitors and clients, as well as a possible loss with event organization. Within the period of four years it is planned that by the 2008 all clients of the PMC services (projects and programs) are paying. The modest profits will cover part of the Centre's costs.

3.3. Improved marketing & change of image

So far, the area of marketing and writing of proposals were obligations only for management, without bigger engagement of other employees and others involved in the PMC. Apart from marketing activities, which will be discussed later², we want to introduce a 'marketing mentality' in the Centre.

3.3.1 changing employees attitude

In the future employees will be involved in writing of proposals. Actually in the first draft where it will be possible to bring basic ideas about new projects or expansion and innovations in current activities, which would be developed furthermore by the management. Within the period of four years these abilities should be developed up to the level where all leaders are able to write complete and high quality proposals. This quality should meet professional standards to forward them to the management and to the board as well as organizations and foundations in B-H and abroad.

Except being involved in proposal writing, everybody engaged with the PMC has to become more involved in the Centre's promotion through marketing activities, contacts with other organizations and individuals, exchange of experience and thus increasing the number of interested target groups for specific projects. This increasing engagement will stimulate the responsibility for projects and the Centre. We believe this will lead to a sense of pleasure and credits for being responsible for the continuation and development of projects.

With this kind of policy competent persons who are not yet involved with the Centre would not be limited to apply. They will be invited to suggest new or expand current projects. The way for achieving this goal is the proper marketing, through interviews on radio and television programs and public announcements in order to involve bigger number of people.

3.3.2. Change of the PMC's image

In the planned process of change from typical NGO into cultural-educational institution it is important to achieve a change of the current image. Since the beginning, because of the free services provided by the PMC, the PMC gained the image of a rich NGO without any difficulty to cover its costs. The Centre will need some time to change this image in people's minds and to completely accept that the PMC is an institution that provides different cultural-educational services but for these services they have to pay. It is important to make clients aware that their

² See paragraph 4.3.

contribution will cover some costs of projects and programs and give the PMC a better position in future. We have to take care about the fact that in the early beginning of the Centre's work, the idea for was to provide a space for the children and young people where they would have chance to be involved in different projects for free. Because the prime aim was therapeutic help to come over post-war traumas and experiences. On the other hand the Centre should provide a safe place and conditions for development of creativity and talents. A place where they would have a chance to learn a lot and a place where they would spend free time usefully and creatively. These aspects have resulted in the image of NGO.

Since the primary planned goal is achieved, it is necessary to establish new goals based on the population's needs and interests as well as on needs and interests of the PMC. This change of the PMC image will probably have positive psychological influence on the general attitude about the Centre. In the post-war B-H and Mostar many NGO's provided services for free. Nowadays NGO's withdraw from this area and head for new crisis areas. The PMC was always considered to be a long-term organization.

3.4. Increasing amount of visitors and clients

Since the opening the Centre has a goal to provide a place for the children and young people of Mostar and B-H where, beside music therapy as an important segment, they would have a chance to develop and improve its skills and talents through different therapeutic-creative activities. This idea will still stay presented in the PMC's future plans. The children and young people will be the primary target groups although also programs for adults will be organized.

3.4.1. Target groups and number of users

So far, since the opening, through different activities within the Centre or in outreach projects, 2000 users have been involved annually and nowadays about 400 children and young people weekly. Development of current projects and with new projects, it is planned to increase the number of users with minimum 100 per year. So in 2008 we should have a minimum of 700 weekly users

Different steps partly mentioned before and partly later, will lead to the realization of the planned users increase:

- an interesting offer of quality projects both in the PMC as well as outreach projects
- regular marketing activities not only via media but also by promo materials, SMS, e-mail and mouth-to-mouth promotion.
- good organization and terms for project's work
- quality leaders of projects
- regular contacts with the children and young people through open debates or questionnaires in order to recognize interest for specific activities
- regular promotion of achievements because of the Centre's promotion and young people as well as to keep current engagement and to increase interest of users.

We are aware that this kind of plan includes an increased number of leaders and assistants and considerably bigger costs of organization and maintenance of the projects. But if we manage to realize our plan, the income from subscriptions will increase and, which is also very important, the PMC space will be used better. The flow of people will be bigger and the Centre's image will be positive.

3.4.2. Number of PMC's cultural-artistic programs visitors

The PMC has given significant contribution to cultural life in Mostar. Beside the organization of creative-educational projects, the PMC organizes cultural-artistic programs (events). During the last six years the PMC has organized more than 300 cultural programs with minimal costs. More than 90% of these programs were for free for visitors. We have to be realistic and point out that all offered programs did not have high quality but the majority of programs did. Also, we must not forget that without a budget for the organization of these programs, we had to refuse very high quality programs as we could not financially support it. For the same reason we were not able to make long term plans for the organization of that kind of events. A large number of artists accepted to perform for free thanks to the humanitarian character of the PMC. But with one condition, it has to be a present to Mostar's citizens for free. The aim that we would like to achieve by 2008 is that all offered programs have high artistic levels. Even if this would have consequences on the number of events. The choice for quality includes the rejection of events that can't guarantee sufficient artistic quality. The number of programs planned is 40 programs of different characters in order to attract different target groups varying from children to elderly people. The number of visitors in 2007 should be 4800. This would be accompanied by charging for tickets from 3,00-5,00 KM in 2004 till 5,00-10,00KM (min.) in 2008 as it is already shown in table 2.

3.5. Engagement of multiple donors

So far, one big donor has financed the PMC. From the opening until September 1999 all funds for the Centre's work were provided completely by Decca Records through War Child UK. Since January 2000 War Child Netherlands became involved by covering the Music Therapy Department costs and from September 2000 by partly covering the School's project. Other costs were covered by smaller donations from Decca and other organizations and by own sources of self-financing (studio, restaurant, space renting). Our recent experience of withdrawal of the main donor puts the future of the financially most demanding but also most important PMC's project - Music Therapy - in question. We plan to find at least three smaller donors who would cover the project's costs. With multiple donors the present situation with which the Centre is faced can be avoided. Having three or more donors it would be much easier to cross over the situation when one of the donors would decide to withdraw.

Therefore we try to get in touch with potential donors in different ways:

- internet research
- membership in associations which have developed data base about grants in order to be updated about coming international programs of financing

- exchange of information with other organizations and institutions.

Even if we manage to find donors to cover the projects' costs, the biggest problem of covering the PMC's general costs will still stay open. The only way, according to our opinion, is taking over of founder's rights and obligations, the City of Mostar and War Child UK, as it regulated under the B-H legislative and it is important to find ways to involve founders to cover general costs. Without this support there is no future for the projects as well, no matter do they have funds provided or not. The ways of PMC's financing is shown in appendix 1 and the PMC budget and funding needs are shown in appendix 2.

3.6. Better embedding in local and international society

The PMC has had cooperation with numerous local organizations. Since 1997, the number local partners has grown and in 2003 reached the number of over 25 different local and international institutions and organizations, which work in the area of Mostar and Bosnia and Herzegovina. Cooperation is expressed through joint organization of projects and programs, lending of PMC's space and equipment, joint presentations on different manifestations in town, providing services of the Centre to different institutions and organizations etc.

3.6.1. Cooperation with local community

In next four years we aim for continuation of the cooperation with current partners, expansion of cooperation with new organizations in order to present them, on the best possible way, community's cultural-educational life enrichment, expansion of the activities through cooperation, exchange of opinions and experiences, organization and participation in seminars for professionals, round tables, etc.

3.6.2. Advisory board for the organization of cultural – artistic programs

As is pointed out in section 3.4.2. the PMC plans to offer cultural-artistic programs of high artistic quality. In order to achieve this it an advisory board will be set up. The members will be recognized and famous artists from different fields of art. Their role will be to give a judgment, based on offered programs by the PMC, about the quality and to approve the organization of such events. Besides that role, their assignments would be monitoring of current cultural-artistic scene in B-H and suggestions for new programs. It would be desirable to "use" their image in order to make contacts with other famous artists, institutions, and organizations and with potential sponsors. The underlying agenda is also to achieve in better embedding in the cultural infrastructure of B-H.

3.6.3. Student – ambassadors

In respect of the best possible promotion and building up of the PMC image with the usual promotion (written and electronic medias, posters, e-mail advertising, SMS, etc.) it is planned to expand it with the engagement of the PMC's students-ambassadors.

The PMC's ambassador "title" would get each child and young person that helps in PMC's projects and programs promotion among its friends from school or

neighbourhood. Everybody who become an Ambassador will have certain benefits in order to keep them motivated and to attract others to join them. Benefits would be awards for the most successful ambassadors, lower subscriptions, free entrance in some concerts etc. We think this way, beside a better promotion, the PMC would act positively on their sense for value and appurtenance to the Centre and a bigger engagement in projects.

3.6.4. Business clubs

Another way for the PMC's enrolment in the local community are contacts with present business clubs. The idea is to offer the PMC's facilities to those clubs for meetings, celebrations, the organization of events, etc. This gives us the possibility to present the PMC's work to businessmen. A better level of information for more people would be achieved as well as the possibility for the involvement of their clubs or their business associates to finance of some Centre's segments.

3.6.5. Exchange projects

One of the most successful PMC's projects was the cooperation with organizations outside the B-H. Since the beginning the PMC has had good cooperation with the Music Academy in Edinburgh, Music Academy in Hanover, Orff Orchestra from Hanover, European Union Baroque Orchestra (EUBO). Also many musicians acted not only as performers but they also organized workshops for members of PMC's workshops due to reinstate and establish PMC's music projects and to exchange experiences of local and international musicians.

The first successful project of mutual exchange was in 2000. It was a cooperation between PMC and the youth organization Fortuna from Monte Negro on a theatre project "A Little Prince". It was the first cooperation of that kind in this area after the war. In 2003 in Mostar and Drammenu organised the project "How Do You Sleep?" based on the UN convention on child rights. It proved itself as a very successful project and has contributed to PMC's promotion both locally and outside the B-H. There is a good chance for that project to become a traditional cooperative project between Norway and B-H with the tendency to grow and involve more partners. Through this kind of projects the PMC would have good opportunity to improve the image and promotion as well outside B-H as in Mostar. The risks are very small and benefits are significant

3.6.6. Membership in EMU/ELIA/AES

One of the PMC's larger problems is the access from a local level to information about programs that are financed by different organizations or foundations in which the PMC could be also included. Regardless is it for projects or cultural-artistic programs. Membership in associations such as EMU, ELIA or AES would help to improve the situation. As the access to these organizations demands some funds, it is necessary to try to get membership for free or with some minimal charge until the time when the PMC is able to become a full paying member.

3.6.6. The PMC friend's foundation and musicians-ambassadors

As the situation in B-H and Mostar is pretty complicated and its positive improvements are slow, it is not possible in near future to count on significant contribution from local organisations. One of the interesting solutions would be to establish a Foundation Friends of the PMC with headquarters out of B-H. The Foundation will gather together artists and cultural workers that could support the international promotion of the PMC, could organise different events to benefit the Centre activities and to promote and explore the PMC's professional recording studio. This studio is one of the pure commercial parts that we count on in self-funding process (see paragraph 3.7.5).

Realisation of this plan will depend on the involvement of the PMC employees and our international partners that can help in setting up the Foundation. In that respect it is planned to engage some musicians as the PMC ambassadors that would take part in these activities. Compensation will be found in offering the PMC Studio for free or at discount prices. To set up this category of the PMC ambassadors is easier to achieve and will be the priority to concentrate ourselves in the first year. Through development of this category we believe it will be easier to set up the Foundation in the future. It is planned to present this idea to all future studio clients, especially to internationals, and to involve them in the realisation.

3.7. Optimising sources of own income

Beside the above-mentioned ways of financing it is important to develop all available possibilities of self-funding. It is not only important for the PMC founders and for possible future donors, for the PMC this is vital because we cannot expect to receive the full budget from either founders or donors. Based on experiences so far the best source of self-funding is the PMC Studio and it is a matter of separate study shown in chapter 3.7.5. First we will discuss some other sources of income.

3.7.1. Voluntary contributions

Voluntary contributions, beside the fact that this is not such a common thing in the local community, are planned to start up with in the first year on a experimental base and to develop it in upcoming years. Income raised trough this would not be significant for this plan and will not be included in the financial planning.

3.7.2. Restaurant renting

In the long run (2006) we want to achieve a franchise contract with an entrepreneur. To fill "the gap" until franchising we plan to open a bar during events in 2005 in order to achieve a higher flow of visitors. In the case of renting a certain percentage will be negotiated for profits raised during concerts organized by the PMC beside the monthly rent (table 3.).

Table 3.

PMC programs	2005		2006	2007	2008
5x 250 visitors	KM 7.500	Rent	KM 12.000	KM 12.000	KM 12.000
15x 70	KM 3.150	% of program.	KM 2.000	KM 2.000	KM 2.000
10x 150	KM 9.000				
10x100	KM 3.000				
Costs	KM 12.458				
<i>Total KM</i>	<i>KM 10.193</i>		<i>KM 14.000</i>	<i>KM 14.000</i>	<i>KM 14.000</i>
<i>Total €</i>	<i>€ 5.212</i>		<i>€ 7.158</i>	<i>€ 7.158</i>	<i>€ 7.158</i>

3.7.3. Renting other facilities ,

The venue of the PMC has several spaces such as performance rooms and apartments that can be hired to other organisations and individuals (see table 4)

Table 4.

	Num/day	Price	2005	2006	2007	2008
Apartments	80	KM 70 (per day)	KM 5.600	KM 5.600	KM 5.600	KM 5.600
Perform.hall	50	KM 40(per hour)	KM 2.000	KM 2.200	KM 2.400	KM 2.600
PH with discount	20	KM 20 (per h)	KM 400	KM 440	KM 480	KM 520
Small hall	50	KM 15 (per h)	KM 750	KM 825	KM 900	KM 975
SH with discount	20	KM (10 per h)	KM 200	KM 220	KM 240	KM 260
Tax			KM 895	KM 929	KM 962	KM 996
<i>Total KM</i>			<i>KM 8.055</i>	<i>KM 8.357</i>	<i>KM 8.658</i>	<i>KM 8.960</i>
<i>Total €</i>			<i>€ 4.119</i>	<i>€ 4.273</i>	<i>€ 4.427</i>	<i>€ 4.581</i>

3.7.4. Seminars and courses

The Music Therapy is widely respected in the region as a highly professional department. Not only because high-qualified foreign therapists work in the department it attracts attention of professionals and the national and local media.

Also the character of the work is unique and important in South-East Europe. We will organise seminars and courses primarily in Music Therapy (table 5)

Table 5.

	Annual	Num. of participants	Price per participant	2005	2006	2007	2008
Seminars	2	50	KM 50	KM 5.000	KM 5.500	KM 6.050	KM 6.655
Courses	1	6	KM 350	KM 2.100	KM 2.310	KM 2.541	KM 2.795
Total				KM 7.100	KM 7.810	KM 8.591	KM 9.450
Costs*				KM 2.400	KM 2.640	KM 2.904	KM 3.194
<i>Total KM</i>				<i>KM 4.700</i>	<i>KM 5.170</i>	<i>KM 5.687</i>	<i>KM 6.256</i>
<i>Total €</i>				<i>€ 2.401</i>	<i>€ 2.643</i>	<i>€ 2.908</i>	<i>€ 3.199</i>

*Related costs such as printing material, books etc.

3.7.5. Recording studio

The PMC Studio as a unique commercial part of the PMC presents special chances for improvement of the self-funding process. When the studio started in 1998 media and the international (music) community and artists paid a lot of attention. The PMC had a chance to explore the studio internationally and locally and to make some reservations for the time after the guaranty period regarding funding the PMC and to invest in equipment maintaining and new equipment. Unfortunately this opportunity has not been used. Recognizing the possibility to explore the studio and to generate some income, we made a lot of changes about studio policy since 2000. Since than until now the studio exploitation and interest of musicians are growing up. At the time of writing a modest profit is generated from the studio.

In next four years it is planned to approach the studio promotion more aggressively, to buy missing equipment in order to have the best possible studio offer in this part of Europe and to insure a constant income for the PMC.

One of the first steps is the design of a separate studio web site with full information about the available equipment, prices, accommodation possibilities, etc and the design and production of a brochure which will be distributed to musicians, producers, agents and record labels. We already made contacts with some of record labels from former Yugoslavia to try to make contracts of permanent cooperation. This will lead to a better and secured studio exploitation and income.

Also, arrangements are made with some producers and studio musicians. We have to be able to answer on demand to engage producers and musicians for recording projects. It is planned to engage music agents who will be paid on percentage of amount from projects they brought to the studio. Being aware of the competition by other recording studios and to attract a fairly large number of artists it is planned to offer the studio to celebrities occasionally for discount prices or even for free in the case of short projects. That could help the Studio promotion, as it was the case with the free recording of the single for finalists of the TV OBN music talent competition or the cooperation with the annual B-H music award Davorin for the best achievement in the B-H music scene.

Until 2007 it is planned to achieve 150 working days in the Studio. That would give an important contribution in the self-funding process. If we manage to achieve the plan there is a good opportunity to gradually raise the studio price. This process will follow the economical situation and general development of Studio. Expected Studio revenues are shown in Table 6.

Table 6.

	price	2005	2006	2007	price	2008
Number of days		120	130	140		150
Price 1 day (8h)	KM 360	KM 43.200	KM 46.800	KM 50.400	KM 400	KM 60.000
Tax	10%	KM 4.320 -	KM 4.680 -	KM 5.040 -	10%	KM 6.000 -
<i>Total KM</i>		<i>KM 38.880</i>	<i>KM 42.120</i>	<i>KM 45.360</i>		<i>KM 54.000</i>
<i>Total €</i>		<i>€ 19.879</i>	<i>€ 21.536</i>	<i>€ 21.193</i>		<i>€ 27.610</i>

4. Prior Conditions

4.1. Different range and high quality projects and programs

With this plan a new approach in the realisation of projects and programs is foreseen, especially in the introduction of subscription for the PMC services. Therefore it is important to point out the plan to achieve that all employees and artists have all necessary qualifications. Or they should be recognized and awarded as highly professional in order to provide the best possible quality of work as well as good artistic programs. The PMC should be recognized in the local as well in the international community by the global quality of the offered activities. In respect to that it is necessary to make a verification of the current PMC staff (even though attention to this was paid especially in the case of engagement of project's leaders). Also we will take more care about the quality of artists performing in the PMC. Especially during the period that is needed to set up the advisory committee. And in the case of new employments we will pay attention to qualifications, experience and available referees for candidates.

Also it is necessary to introduce and apply regular inquiries every six months about the offered programs and projects of the PMC to gain information on the percentage of satisfied clients and visitors. It is our goal to reach minimum 75% satisfied clients.

4.2. Development of organisational structure

Following all planned changes and developments from NGO to cultural-educational institution in the next four years it is necessary to make certain changes in organisational structures. In the first place is to work out four years business plan as well as annual financial and working plans as it was so far. A very important item is to make detailed job descriptions for all employees including internal contracts describing rights and obligations of the employee, system of rewards and promotions as well as disciplinary regulations and actions in the case of non-proper fulfilling of tasks, interruption of regulations and misbehavior in the PMC. (The organizational hierarchy is shown in appendix 3).

In order to build up more professional relationships between employees and management it is planned to develop annual meetings between manager and each employee. Purpose of these meetings is to offer a chance to present suggestions and comments on the PMC work, other employees and management. The minutes will be taken and filed into a personal file and the shared information will be strictly confidential and not available to others.

4.3. Marketing and publicity

A very important part is a good marketing and promotion plan for different PMC activities. In the early stage of realisation, it is planned to use and develop existing methods of promotion and advertising of projects and programs that does not involve a larger budget. Methods so far are based on forwarding information and announcements

via fax and e-mail, invitations (for some priorities), posters, radio and TV promotion, flyers etc. Also it is planned to use SMS and to engage student-ambassadors in order to distribute posters and flyers in their schools, local cafes and other organisations and institution. For more important events it is planned to put up jumbo posters as well as twice a year jumbo posters to promote all activities of the PMC.

Regular maintenance of the PMC web site is planned as well as gradual redesigning in order to have a modern web, easy-to-survey and attractive design for the targeted population. In 2008 it is foreseen to engage a marketing expert who will make a marketing plan for the next four years and will be responsible for its improvement.

Summarizing the main marketing activities will consist of:

- promotion by written and electronic media, posters, SMS and e-mail messages,
- organizing mouth-to-mouth promotion
- press conferences for programs of famous artists
- monthly brochures about planned programs
- better coordination with different organizations who also organizes cultural-artistic programs and avoid organizing of similar programs at the same time.

We expect that the recent establishing of a unique City administration – instead of seven municipalities - will lead to a cultural department on city level which will help better coordination of local institutions.

5. Epilogue

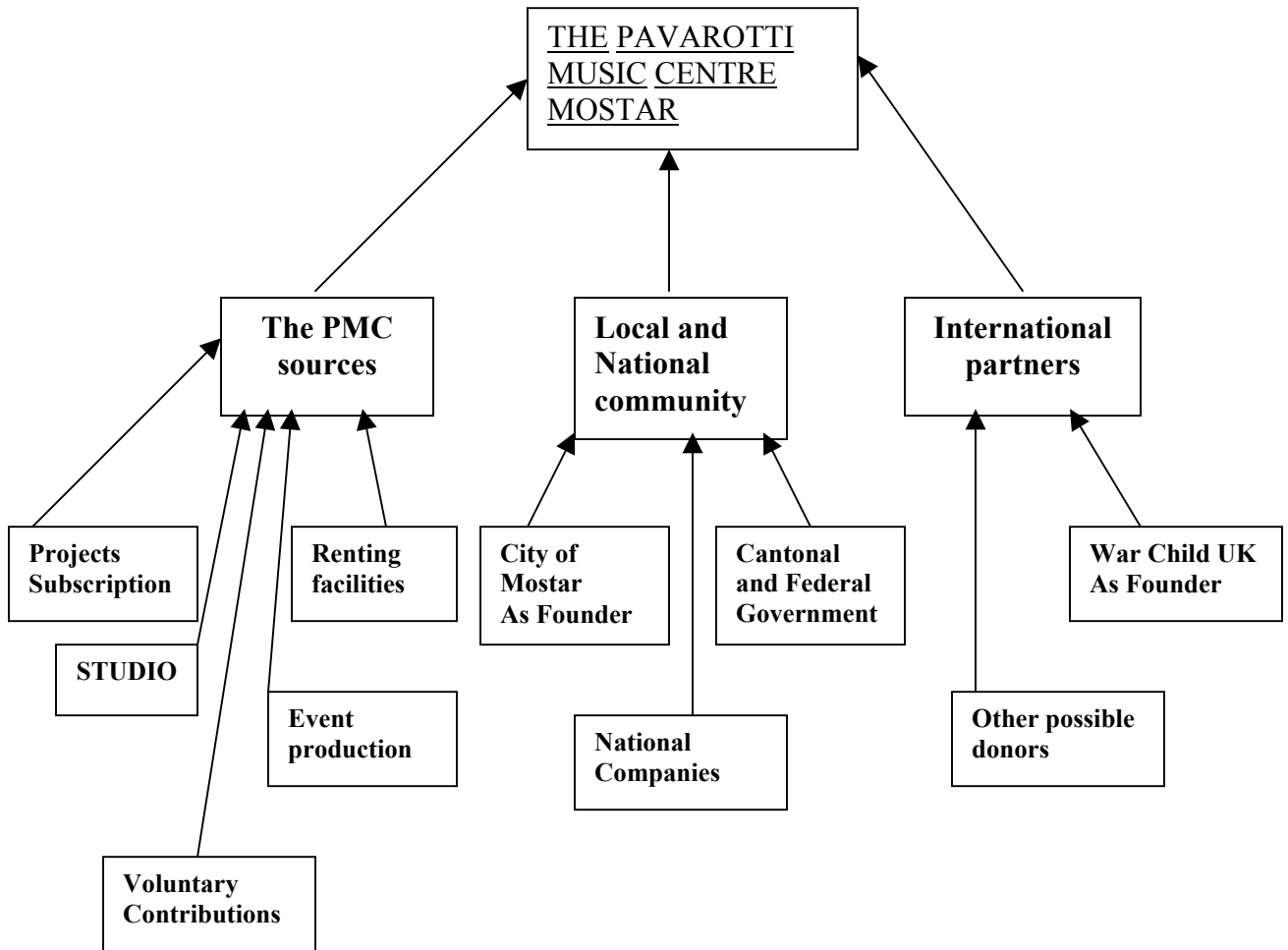
Keys in the business planning are commercializing, cost-effectiveness and a focus on local markets. Only the studio will aim for international clients. Implementing this business planning will hopefully lead to a new starting position from which future growth, along with the growth of the economy, is possible. The future cannot be conquered with the behaviors of today. Therefore a commitment is needed from all stakeholders to focus on the future of the institute rather than on own positions.

The PMC has a great potential to become an important cultural center in Mostar en B-H. But in many aspects the organization suffers from the past and time is running out. The strong point of the PMC is the people. Many staff is very dedicated and has not lost their enthusiasm despite blows in the past or insecure working conditions. With these staffs the PMC should be able head for the future.

Although the future is insecure the PMC has plenty of potential to develop into a lively cultural center and a reliable partner for foreign funds. The challenge is to explore this potential fully and to find a stable financial basis that is not relying on external financial sources only but on growing own revenues also.

Appendix 1

WAYS OF FUNDING



Appendix 2

The PMC budget

Description	NoE	2005		NoE	2006		NoE	2007		NoE	2008	
		KM	€		KM	€		KM	€		KM	€
General staff												
1. Administration												
1a. Director	1			1			1			1		
1b. Administrator	1			1			1			1		
2. Coordination	1			1			1			1		
3. Technical department	5			5			5			5		
4. Reception (24 hours)	5			5			5			5		
5. Studio	2			2			2			2		
Music Therapy												
6. International staff	3			3			2			1		
6a. Accommodation												
7. Local staff	3			3			4			4		
8. Supervisors												
9. Project leaders	10			12			14			17		
Other costs												
Electricity		15.600	7.976		16.380	8.375		17.199	8.794		18.059	9.234
Heating		8.400	4.295		8.820	4.510		9.261	4.735		9.724	4.972
Water		3.600	1.841		3.780	1.933		3.969	2.029		4.167	2.131
Telephone/Internet		11.000	5.624		11.550	5.906		12.128	6.201		12.734	6.511
Rubbish removal		1.680	859		1.764	902		1.852	947		1.945	994
Travel costs												
International		8.100	4.142		8.505	4.349		8.930	4.566		9.377	4.794
Local		6.000	3.068		6.300	3.221		6.615	3.382		6.946	3.551
Vehicle costs		11.100	5.675		11.655	5.959		12.238	6.257		12.850	6.570
Equipment		10.000	5.113		10.500	5.369		11.025	5.637		11.576	5.919
Stationary		12.000	6.136		12.600	6.442		13.230	6.764		13.892	7.103
Maintaining		3.600	1.841		3.780	1.933		3.969	2.029		4.167	2.131
Other related costs		9.600	4.908		10.080	5.154		10.584	5.412		11.113	5.682
TOTAL		484.699	247.827	0	516.608	264.141	0	529.351	270.657	0	530.076	271.026

Explanation:

1. All salaries are conservatively estimated to raise yearly by 5%. The percentage of the average annual raise of the average salary in the last five years was 8,8%³. Also other cost are increased with an estimated 5% yearly.
2. Item 1 to 5 includes gross salaries for general (non-project) staff including Studio staff.
3. Item 4 includes daily (2 persons) and night (3 persons) reception staff.
4. Item 6 to 8 includes gross salaries for the Music Therapy staff and external supervisor for Music therapists and includes accommodation for therapists as there is no music therapists in Mostar.

³ Source: Federation of Bosnia and Herzegovina, Federal Office of Statistics.

5. Item 9 includes part time gross salaries for project leaders.
6. Music Therapy Department will go through changes in personnel as it is planned to localize MTh staff. In 2005 and 2006 is planned to keep the same staff structure as it was since the beginning. The MTh team consists of three Music Therapists (internationals; 2 senior and 1 junior position) and three local assistants. In 2007 is planned to replace one senior position by local therapist and to keep all three assistants (one assistant would be redirected on administrative work.). In 2008 is planned to have one international and one local senior therapist, local junior therapist and two assistants.
7. Following planned development in number of projects participants; number of project leaders will grow from 10 in 2005 to 17 in 2008.

Projection of the PMC costs and funding

Incomes	2005		2006		2007		2008	
	KM	€	KM	€	KM	€	KM	€
Projects- Tab.1								
Programs- Tab.2								
Restaurant- Tab.3								
Renting facilities- Tab.4								
Seminars and courses- Tab.5								
Studio- Tab.6								
Total:	87.228	44.600	109.046	55.755	133.605	68.312	155.115	79.310
Costs:	484.699	247.827	516.608	264.141	529.351	270.657	530.076	271.027
Losses:	-397.471	-203.227	-407.562	-208.386	-395.746	-202.345	-374.961	-191.717

Funding	2005		2006		2007		2008	
	KM	€	KM	€	KM	€	KM	€
City of Mostar Government								
Other donors								
Funding MTh								
Project and event funding	<i>pm</i>	<i>pm</i>	<i>pm</i>	<i>pm</i>	<i>pm</i>	<i>pm</i>	<i>pm</i>	<i>pm</i>
Total:	397.471	203.227	407.562	208.386	395.746	202.345	374.961	191.717

As mentioned before negotiations with the City of Mostar are still ongoing. Since the results are not yet known we have assumed that the city will not be able to completely cover the costs in the next four years. We strive to full financing by the city after approximately another three years. The amount covered by other donors will decrease gradually until zero.

Overview overhead costs and project costs

A projection of overhead costs and project related costs show a ratio of 26,07% overhead and 73,93% project costs. 85% of the total overhead costs consist of salaries and 15% of material costs. In the following table we have assigned running costs of the building for 33% to overhead costs and 67% to project costs. The studio is considered to be a project because it is ment to run on full capacity in 2008. At the moment (2004) part of the studio costs could be debated as overhead costs but this is a temporary situation. On the other hand some of the overhead personell also support projects. Reception staff e.g. also inform clients, distribute application forms and helps with filling them in, support with the execution of performances and concerts, etcetera.

Overhead costs

Description	NoE	2005		NoE	2006		NoE	2007		NoE	2008	
		KM	€		KM	€		KM	€		KM	€
management												
Personnel costs												
Director	1			1			1			1		
Administrator	1			1			1			1		
Coordination	1			1			1			1		
Reception (24 hours)	5			5			5			5		
<i>subtotal overheads</i>												
material costs												
Electricity												
Heating												
Water												
Telephone/Internet												
Rubbish removal												
Stationary												
Maintaining												
<i>subtotal overheads</i>												
total overheads		126.338	64.597		132.655	67.827		139.288	71.218		146.252	74.779

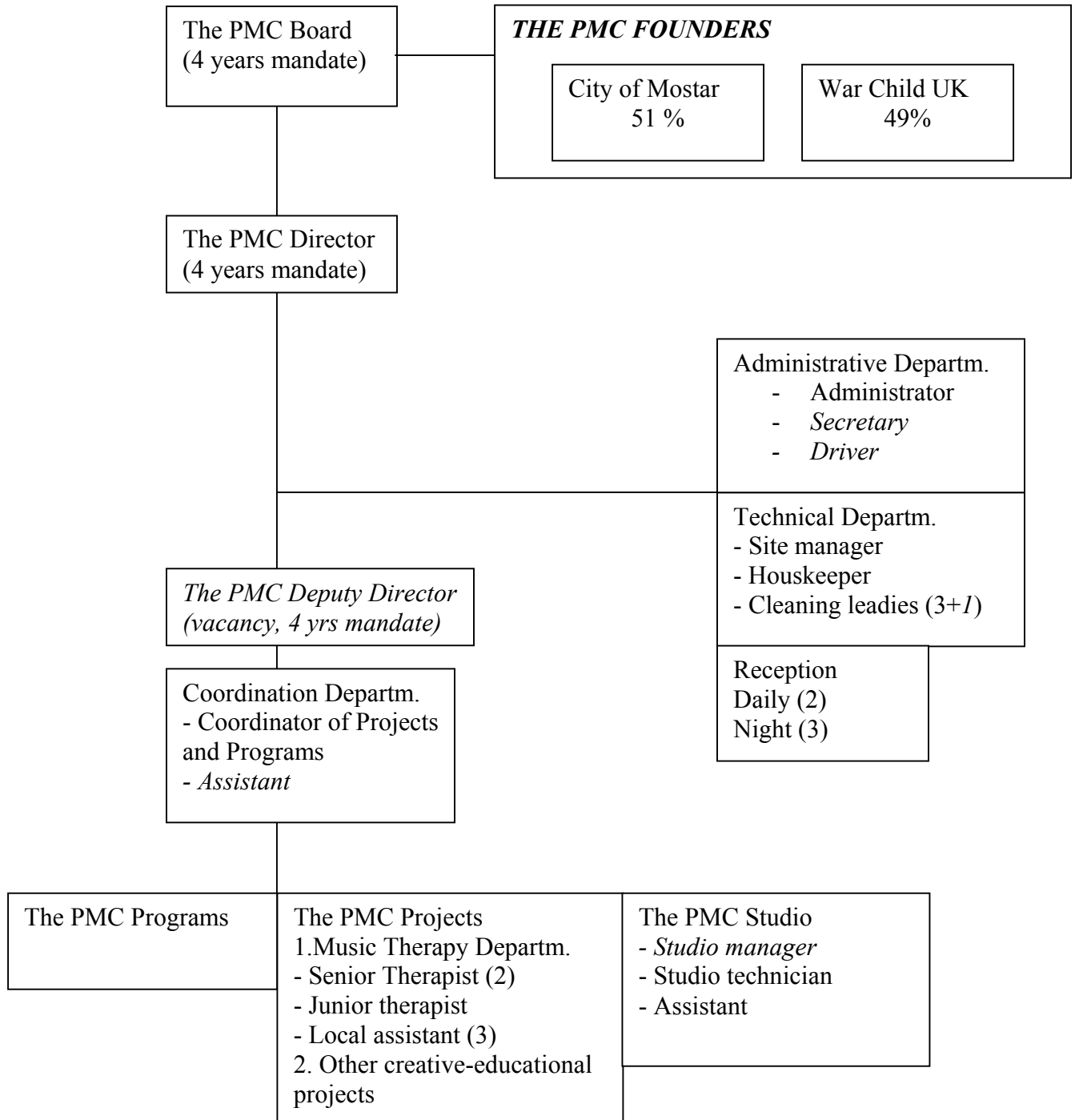
project costs

Vehicle costs												
Equipment												
Other related costs												
Technical department	5			5			5			5		
Studio	2			2			2			2		
International staff												
MTh.	3			3			2			1		
Local staff	3			3			4			4		
Accommodation MTh												
Supervisors												

	NoE	2005		NoE	2006		NoE	2007		NoE	2008	
		KM	€		KM	€		KM	€		KM	€
Travel costs:												
International												
Local												
Project leaders	10			12			14			17		
Electricity												
Heating												
Water												
Telephone/Internet												
Rubbish removal												
Stationary												
Maintaining												
total project costs		358.361	183.230		384.431	196.559		391.087	199.963		385.465	197.088
percentages												
<i>overhead %</i>		<i>26,07</i>	<i>26,07</i>		<i>25,65</i>	<i>25,65</i>		<i>26,26</i>	<i>26,26</i>		<i>27,51</i>	<i>27,51</i>
<i>project %</i>		<i>73,93</i>	<i>73,93</i>		<i>74,35</i>	<i>74,35</i>		<i>73,74</i>	<i>73,74</i>		<i>72,49</i>	<i>72,49</i>

Appendix 3

The PMC organisational hierarchy



Appendix 4

The PMC background

Background on Bosnia and Herzegovina

Bosnia and Herzegovina (BiH) is located in Balkan peninsula in Southern Europe. The population of BiH is 3.922.205 (July 2001 estimate) and according to the last census taken in 1991, it is 44% Bosnians, 31% Serbs, 17% Croats, 5,5% Yugoslavs and 2,5% others.

BiH was one of the six federal republics of Yugoslavia. On a referendum that was held on 29th of February 1992 most of the citizens of BiH expressed the will to live in an independent and sovereign state. At the same time, the Serbian population in BiH held a referendum where more than 90% voted to stay in Yugoslavia. In April 1992 the conflict between allied forces of Bosnian Croats and Bosniacs and the remnants of the Yugoslavian National Army started. In May 1993 this alliance ended and fighting began between Bosniacs and Bosnian Croats forces. This conflict was most prominent in the City of Mostar. The town was divided into an eastern (Bosniac) and western (Bosnian Croat) side. The Bosnian Croats forces in the western part of the city began a 10-months siege of the eastern side of Mostar. The conflict ended with the American intervention at the beginning of 1994 and the signing of the Washington Peace Agreement on 18th of March. This agreement established the Federation of Bosnia and Herzegovina as an union between Bosniacs and Bosnian Croats. The four-year war between all three forces (Croats, Serbs and Bosniacs) ended with the signing of the Dayton Peace Agreement on December 14, 1995. This agreement recognized BiH as a single state consisting of two entities: the Federation of BiH and the Republic of Srpska.

The general effects of war on Mostar and BiH

The current population of Mostar is 105.357 (December 31, 2002 estimate), which is about 70% of pre-war population. It is believed that only 15% of the population is native to Mostar.

The war destroyed much of BiH's infrastructure and severely disrupted its economical life.

Stability Forces (SFOR) are stationed throughout BiH, including Mostar, to enforce the new constitution as outlined in the Peace Agreement.

The last Federal election took place in October 2002 and showed a low voter turnout (53.8%) due to increasing citizen mistrust of government infrastructure. In both entities, nationalist parties dominated the election, producing 32% for SDA, 16% for HDZ in Federation of BiH and 31% for SDS in Republic of Srpska. These elections results are closely the same as in 1990.

Weak economical situation in BiH and Mostar leads to low average income levels with the average salary amounting 525 KM (about 265 Euro) in Federation of BiH and the average pension amounts 190 KM (about 97 Euro).

Unemployment rate is about 45 % in Mostar and it leads to atmosphere of depression, unsecured future and different consequences such as drug and alcohol abuse.

Reconstruction of the city is far from finished. The City of Mostar has insufficient financial means so international money is needed. But, international NGOs tend to withdraw from BiH and Mostar gradually.

The City of Mostar consisted of six municipalities and District but reorganisation of the local structure by merging municipalities into one city council is recently completed.