



EUROPEAN COMMISSION

Directorate-General Enlargement

D - IPA STRATEGY

D.3 - REGIONAL COOPERATION AND PROGRAMMES

## **Background note: Private Sector Development (PSD) Plan 2011 – 2013**

The Sector Approach was introduced in early 2009 and then further developed during 2009 and 2010. The Private Sector (Development) was one out of eight identified sectors.

The first PSD Working Group (WG) was held in Brussels in October 2009. This meeting included a wide range of stakeholders, including international organisations and financial institutions, RCC and various Commission services. In November 2009 there was a follow up meeting with National IPA Coordinators in Skopje. The PSD Plan was then developed and formulated in spring 2010 taking into account the views from all stakeholders.

The Sector Plan was the basis for the IPA Multi-annual Indicative Planning Document (MIPD) for 2011-2013 adopted in 2010.

Together with projects already decided and contracted (mainly under the MIPD 2009), the Sector Plan is now under implementation. The project for Intellectual Property Rights (IPR) has been taken out from the Sector Plan, this upon request from the beneficiaries. IPR activities are now implemented at the national level. Other activities under the heading Financing in the Sector Plan are now incorporated under the Western Balkan Enterprise Development and Innovation Facility (EDIF). EDIF is now being put into operation financed through IPA 2011, and IPA 2012 (decision pending), to be replenished with resources from IPA 2013 (currently under consideration).

It is also proposed to update the Sector Plan to include a project on Banking Supervision. The project on 'Macro and Micro-prudential supervision in SEE (see project summary note) was launched at the beginning of 2010 as part of the 2009 'crisis response package', though not initially included in the Sector Plan. The project was implemented by the ECB in close cooperation with the Eurosystem banks and it ended in January 2012. Given the new challenges, primarily the crisis in the Eurozone affecting the region to an important extent and the renewed interest in the topic (also expressed in initiatives such as Vienna 2.0), continuation of the support to the SEE banking supervision authorities is being considered. Due to the savings done in the first project this can be done at zero additional cost. On the other hand, however, activities should be streamlined and the ECB is also re-focussing its priorities in view of the current euro-zone crisis.

In practice, the two headings "Competitiveness & Competence" and "Marketing & Access to Markets" have also been approached differently to strengthen the sectoral approach while retaining all the original components/activities in place. The actions undertaken can thus be divided into the legislation related projects, in particular actions

in the field of Trade and CEFTA 2006 Agreement, and actions in the area of Human Capital Development (HCD), Competitiveness and Innovation.

During the implementation, several occasions have been used to share information about, and discuss the development of, the Sector Plan. They included meetings with the participating Ministries in the region, and Working Groups within the framework of cooperation with the European Training Foundation (ETF), South East European Centre for Entrepreneurial Learning (SEECEL), Regional Competitiveness Initiative (RCI) and Regional Cooperation Council (RCC).

There are three projects from the original Sector Plan still to be implemented. In the 'Financing' category, it is the EDIF project. In the 'Competitiveness and Competence' category, it is the Second Generation Support to South East European Centre for Entrepreneurial Learning (SEECEL), and Next Generation Competitiveness project to be implemented by the OECD.

The SEECEL project aims to support the needs for the economies of South East Europe (SEE) for structured strategic regional cooperation in the development of a lifelong entrepreneurial learning (LLEL) system as a part of their implementation of the Small Business Act for Europe (SBA) human capital dimension (principle 1 and 8), their pre-accession process and the overall Europe 2020 strategy.

The Next Generation Competitiveness project in the Western Balkans (NGC) is a follow-up project to the Regional Competitiveness Initiative (RCI) 2010 – 2013 funded under IPA and the Sector Specific Sources of Competitiveness (SSSC) project 2007-2010. The NGC will assist the beneficiaries to meet their commitments contained in the South East Europe (SEE) 2020 Vision by addressing the lack of a competitive and innovative private sector in the Western Balkans.

Regarding the EDIF project, the Sector Plan 2011-2013 provided for up to around EUR 60 million of financing for support to SMEs. These resources were subsequently earmarked to be channelled through the Western Balkan Investment Framework (WBIF), which provided a competent forum and methodology to develop a long-term multi-pillar facility enhancing provision of SME financing in the region. The project has been designed to include two equity funds, a portfolio guarantee facility and a TA component supporting targeted reform interventions by the beneficiary governments.

Under the 2013 Multibeneficiary IPA programming process which has already started, Project Identification Fiches (PIFs) – the first stage in programming - are developed for the three projects included in the 2011-2013 Sector Plan. The PIFs have been submitted to NIPACs and subsequently to this Programming Working Group for consultation (see PIFs). Based on the feedback received, the PIFs will be developed in the next phase into complete Project Fiches (PFs).

Other activities have been proposed following the adoption of the 2011-2013 Sector Plan that evolved from the current work by partner organisations. These proposals merit consideration with a view to achieving synergies and better coordination. They include Reparis – the World Bank Financial Reporting Regional Programme (see in the separate note) and the Small Business Act Process implemented by OECD (see in the separate note) in the region, as well as a number of other World Bank proposals for the work on regional PSD-related indicators (see the World Bank/IFC proposal).

Given the gradual move towards the sectoral approach (to be fully implemented under IPA 2 and the 2014-2020 perspective), it is recommended to complement the sector plan by adding the Reparis and the SBA projects, as elements of the EDIF TA component. Reparis, by enhancing the accounting and financial reporting standards,

will further contribute to the improvement of the overall business climate, capacity building of market participants and their attractiveness/credibility vis-à-vis banks and investors and thus reinforce the other - financial pillars of EDIF. The SBA process on the other hand can provide a useful monitoring mechanism for the EDIF beneficiary policy commitments.

Regarding the World Bank/IFC proposals on PSD indicators, they include a wide array of elements where the World Bank/IFC work could be of interest to the regional stakeholders. They include the Regional Doing Business, Investing Across Borders, Women Business and the Law, Enterprise Surveys and aggregate products building on that work, such as a synthesis report, economy profiles and data dashboard. These may be of varying interest for stakeholders and would need to be seen within a broader strategic context and other developments.