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**Sector: PRIVATE SECTOR DEVELOPMENT**

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**SECTOR PLAN**

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## **Introduction**

This plan identifies the areas where multi-beneficiary support is expected to have the highest added value, the instruments for providing the assistance and the methods for preparing and implementing the support under the IPA programmes 2011, 2012 and 2013. The plan provides the lines of support covered by the IPA multi-beneficiary programmes and supports the IPA beneficiaries, the European Commission and the other donors in their annual and multi-annual planning. The plan is the basis for the IPA Multi-annual Indicative Planning Document (MIPD) for 2011-2013 which will be adopted in 2010.

The plan covers Albania, Bosnia and Herzegovina, Croatia, the former Yugoslav Republic of Macedonia, Montenegro, Serbia as well as Kosovo under UNSCR 1244/99, and Turkey. These IPA Partners are at different stages of the accession and association process. They are also at different levels of Private Sector Development and they also have different conditions with regards to the Investment Climate.

Significant input to this plan was provided following a series of Working Group meetings in Brussels, 30 October 2009, Sarajevo, 24 February 2010 and one separate meeting with focus on Competence in Turin, 4 March 2010.

The Working Group consisted of participants from the IPA Partners, other stakeholders such as OECD, Regional Cooperation Council (RCC), European Bank for Reconstruction and Development (EBRD), European Investment Bank (EIB), Kreditanstalt für Wiederaufbau (KfW) as well as representatives from other Commission services. There has also been internal consultation with the Geographical Desks covering the Region, this in order to prevent potential doubling.

The objective of the Working Group was to provide input into the process of formulating the Multi-annual Indicative Planning document (MIPD) 2011 - 2013. This is to be the programming document of the IPA for the Regional/horizontal level. The discussion was focused on strategic medium/long-term planning for regional/horizontal programming. In the planning there is an increased focus on stronger stakeholder involvement and ownership of the IPA Partners right from the initiation phase and then on through to the whole programming process, including project preparation.

## **1 PART I - BACKGROUND AND STATE OF PLAY**

### **1.1 The role of the Private sector development in the enlargement process**

The competitiveness of the economies of the Western Balkans represents a strategic European interest. Well-functioning market economies resistant to global competitive pressures will further contribute to the political stabilisation of the Western Balkan region, but also for achieving the EU's main policy objective for the years to come: the 2020 Strategy. Enhancing competitiveness and preparing the region for future EU accession will entail attracting investments and promoting private sector development. It is crucial that these objectives be pursued at a regional level.

Further regional economic integration will better prepare the economies of the Western Balkans for the EU Single Market as well as increase their appeal as destinations for much needed investment. In view of the global competition to attract investment, dedicated investment and private sector development policies are needed to enable countries to gain a comparative advantage. It is therefore important for governments to identify what such sources of competitive advantage might be, and to remove sector-specific policy barriers in order to achieve them.

Regional cooperation in South-East Europe has made important progress and the region has assumed increased ownership of the process. However, regional cooperation is not working as well as it should. Bilateral disputes and disagreements often unduly affect regional cooperation. The efficiency of regional structures and initiatives also needs to be improved.

The Western Balkan countries have limited scope for a strong regional and domestic macroeconomic policy response to the current economic and financial crisis. There are significant constraints on monetary and fiscal policy measures because of previous pro-cyclical fiscal stances, foreign currency denominated credits and mortgages and large external imbalances.

Private sector development and improvement of the investment climate are one of the major conditions for the overall sustainable development, stability and prosperity of the region. The development of the Private Sector and of the Investment Climate has strong links with other policy areas, in particular the Public Sector and Infrastructure, including Environmental Infrastructure. The development within each and respective sector are conditions for the development in the others. In short, a well functioning Public Sector with social security and with predictable legal framework and good conditions for SMEs also encourages start up of businesses and entrepreneurship. Finally, well developed Infrastructure is a condition for making business. The circle is closed by a thriving private sector that provides the means for the other two, read taxes.

Regional cooperation is also one of the main prerequisites for the overall enlargement process, supporting the beneficiaries in the Private Sector in order to increase competitiveness, inter-regional trade, and export.

Regional trade is particularly important in the Western Balkans' economic development and for reconciliation. It can also contribute to limiting the impact of the economic crisis. The role of the regional free trade area established through CEFTA is a key-factor. Further important steps in trade liberalisation, notably in agricultural trade, have been successfully negotiated in CEFTA but are not in force yet, while work is under way on removing technical barriers to trade.

Provisions for continued harmonisation between the EU and some Western Balkan countries have taken effect, enhancing regional trade integration. However, there is a risk of paralysis of CEFTA due to disagreements over the Kosovo status issue, which is already preventing the adoption of the protocol on agricultural trade liberalisation. Protectionist pressures as a result of the international crisis are on the increase leading to the adoption of certain measures in breach of contractual obligations.

This trend should be reversed and such breaches need to be addressed by the appropriate mechanisms.

## **1.2 Current situation of the Private Sector development and the Investment Climate, and Common Needs and shared challenges of the Partners in the region**

During the recent years the governments in the region have in general made good progress in the policy areas that have a direct effect on the operational environment for small and medium enterprises. Access to financing and the range of financial products has also improved. However, it should be noted that the region has started from relatively low levels and the development in some cases has been unevenly distributed.

Human capital and competence remains a particular constraint to the economies of the region.

The main challenges of the regional Private Sector Development and Investment Climate were during the Working Group meeting identified as:

- Financing
- Competitiveness and Competence
- Marketing and Access to Markets

## **1.3 Financing**

Already there are a number of financing facilities in place, mainly via International Financial Institutions (IFIs) such as EIB, EBRD and KfW. Nevertheless these facilities do not always meet sufficiently the needs, especially for the "traditional" SME and SMEs are often not aware of available financing facilities.

There is a shortage of capital for investments, Foreign Direct Investment (FDI) and of venture capital (including business angel support), and public private partnerships (PPP) are still immature.

In addition to the already limited access to financing, the crisis that started to affect the region in mid 2008 also had the negative effect that FDI decreased.

Also, abiding to EU standards (technical, sanitary and phyto-sanitary) is a key condition in order to be able to export. The picture in the region is very heterogeneous, from very high harmonisation to a very low. This is a cross cutting issue that affects also the two other priorities Competitiveness/competence and access to markets.

## **1.4 Competitiveness and Competence**

At present the Region's competitive edge is low labour cost and export is concentrated to commodities of lower value. This is not sustainable in the long term. SMEs must “climb” the value chain by increasing the technical content in the products and aim for more completed manufactured goods and more knowledge intensive services. This could be done by increased knowledge transfer, intensified R&D efforts and well developed R&D and Innovation Strategies. Only to produce standard products for the international market provides a considerable challenge for SMEs in the region.

Legislation on Intellectual Property Rights (IPR), which is an imperative for innovation, is to a large extent in place but implementation is lagging behind.

The competence as well as the pure skills of the workforce does not meet the needs of the industry in the region. It is even more challenging to come up and meet future needs as indicated under competitiveness.

## **1.5 Marketing and Access to markets**

Marketing and access to markets is to be seen in the wider sense. Marketing is not only sales and export activities but also research and intelligence in support of SMEs in order to broaden their market and to adopt and upgrade their product or service range to new markets. At present export is concentrated to commodities or products with low added value. The knowledge and the experience of making business outside the region are limited.

When it comes to access to markets CEFTA (the Western Balkan Free Trade Agreement) provides the legal framework. The agreement is an ongoing activity that continuously facilitates inter-regional trade, but it also has the positive side effect to foster regional cooperation.

In order to support the accomplishments of the CEFTA agreement there is need to improve trade logistics and to harmonise the legislative framework for free movement of goods.

## **1.6 The need for a multi-beneficiary (regional) approach**

Private Sector Development has as mentioned strong links with other sectors, in particular infrastructure. This view is also applicable for the regional approach, and is underlined by the EU Baltic Sea Strategy (2009) and the present process of the EU Strategy for the Danube Region which includes Croatia, Serbia, Bosnia and Herzegovina, and Montenegro. In this strategy one of the three pillars is to reinforce the potential for socio-economic development.

Further, the Regional approach has two major aspects. One aspect is driven by binding agreements and legislation. One successful example is the Central European Free Trade Agreement (CEFTA) that facilitates inter-regional trade.

The other aspect could be defined as the need for networking and building partnerships in order to reap economies of scale. The IPA beneficiaries often have common challenges that need to be tackled regionally and by forming partnerships, win-win situations are created. By "branding" the Region and Regional cooperation, integration with the EU is facilitated. This is shown in terms of pure trade aspects, as well as in terms of standardisation and access to financing and cooperation with International Financial Institutions (IFIs). These activities are supplemented by national programmes that address the specific needs.

## 1.7 Results and lessons learnt from past and ongoing assistance

The Instrument for Pre-Accession (IPA) adopted by the Council in July 2006<sup>1</sup> aims to assist candidate and potential candidate countries in their approximation to the EU, to provide assistance to support public administration and economic reforms, and to foster social inclusion and for the protection and promotion of human rights and the rights of minorities in the region. The IPA regulation indicates that the Commission and Member States are committed to ensuring coordination, coherence and complementarities of their assistance to the region. In this context, the Regulation refers specifically to the need for the Commission to ensure proper coordination, harmonisation and cooperation with IFIs.

## 1.8 Main Activities and Projects

**“Defining and Strengthening Sector Specific Sources of Competitiveness in the Western Balkans region”:** Implementation Period 31 May 2007 to 1 June 2010

The project *Defining and Strengthening Sector Specific Sources of Competitiveness in the Western Balkans (SSSC)* is designed to assist the region to attract more investment and increase trade through the implementation of sector specific policy actions.

The project provides the Western Balkans with targeted policy making assistance specific to key sectors that have significant regional employment potential. Based on analysis undertaken by the Organisation for Economic Co-operation and Development (OECD), the following sectors were identified: traditional sectors (apparel manufacturing and automotive components) that represent a higher proportion of investments and employment that can be further leveraged; and more niche sectors (business process and technology outsourcing - BPTO) that can be developed further. The project was designed to consist of two phases:

Phase 1, Developing a regional investment strategy (July 2007 – October 2008);

Phase 2, Targeted implementation of the regional investment strategy.

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<sup>1</sup> Council Regulation N. 1085/2006 of 17 July 2006 establishing an Instrument for Pre-Accession

There is also an ongoing support to the **CEFTA Secretariat** and its activities; this includes procurement of Technical Assistance following the priorities set by the rotating Presidency.

The overarching rationale for regional trade integration in the Western Balkans is its contribution to political stability and growth in the region, and, following from the region's European Perspective, its contribution to European political stability, security and prosperity - the top priority of overall EU policy.

The European Commission continues its support for the **European Fund for South East Europe (EFSE)**, which provides sustainable, long-term funding to financial institutions in South East Europe, helping micro and small enterprises to grow and improving the quality of life for thousands of private households.

The European Commission has recently signed a Contribution Agreement with European Bank for Reconstruction and Development (EBRD) for a “**Private Sector Support Facility for the Western Balkans**”. This programme aims at providing economic actors in the Western Balkans region with the necessary financial and human resources, including technical skills, to offer competitive products and services and support them to face the challenges of the economic and financial crisis in the short and longer term.

For Turkey there are two newly signed agreements.

- European Bank for Reconstruction and Development (EBRD) - “**Private Sector Support Facility for Turkey**”
- European Investment Bank (EIB) - “**SME Recovery Support Loan**”

Both agreements have the overall aim to provide economic actors in Turkey with the necessary financial and human resources, including technical skills, to offer competitive products and services and support them to face the challenges of the economic and financial crisis in the short and longer term.

By the end of 2009 the European Commission signed a three year agreement with the **Regional Entrepreneurial Learning Centre**. This project shall lay the foundations for a more developed entrepreneurship culture across the region and foster alignment with the EU in the field of entrepreneurial learning.

The overall purpose of this project is to contribute to the implementation of the Small Business Act for Europe using the experience and the instruments developed in the application of the European Charter for Small Enterprises<sup>2</sup>, in particular the elements of entrepreneurship and education and improved skills for enterprises.

In connection to this there is for 2010 a planned project on the implementation of the Small Business Act in Western Balkan and Turkey.

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<sup>2</sup> In June 2008, the European Commission adopted the Communication: ‘A Small Business Act for Europe’, which is the new reference document for the SME policy in EU. The candidate countries and potential candidates should follow this document when developing their own policy. The human capital elements of the Charter are also included in the SBA, and the possibility of continuing the same process for SBA as for the Charter is under discussion.



In April 2010 DG Enlargement signed a three year contract with OECD on the **Regional Competitiveness Initiative (RCI)**. The objective is to strengthen long-term competitiveness of the Western Balkan economies through improving human capital development and boosting innovation; in particular

- assist beneficiaries to develop and monitor policies designed to close identified skills gaps and foster and strengthen innovation capacities;
- establish effective national and regional structures to review and adapt policy reforms in the field of competitiveness;
- stimulate dialogue between governments and industry; and
- assist the region to expedite the implementation of policy reforms in sectors that possess of comparative advantage and which have economic significance across the region.

During the first six months of the project OECD will identify the main issues in skill needs and technology absorption in sectors key to the economies of Western Balkan. In the later phase (2013) additional activities are envisaged in the field of business development and export promotion. Thereby the contract already addresses some of the identified priorities.

## **2 PART II - PRIORITY AREAS AND RESPONSE STRATEGIES**

This plan refers to the IPA budget years 2011 – 2013. The operational implementation of the assistance funded from these budget years is planned to start in 2011 or early 2012. The future assistance could, to a large extent, be categorised as continued support of previous interventions with some adjustments in the respective area.

Other activities will be phased out, or alternatively, the financial support will be decreased in order to progressively transfer the ownership to the IPA partners.

### **2.1 Financing**

There is a need for new instruments in order to create jobs in the region's economies through the creation of adequate funding mechanisms and a possible venture capital market. Well functioning financial markets is an important condition for stimulating employment and growth. Economies in the region have been highly exposed to the international financial volatility. Therefore there is a need to reduce the foreign currency risk, enhancing of innovation and competitiveness within SMEs and support of proactive risk management.

Companies also need support to abide to EU legislation and standards. This particular area touches upon financing needs and support for competitiveness. Especially the priority aims to:

- Address lack of awareness and information dissemination
- Address skills gaps at the level of local advisory services

- Facilitating most costly/challenging Acquis chapters, e.g. agriculture, rural development, food safety and environment

In the same intersection there is the need for the development of venture capital funds, funds addressing certain areas such as in the field of new technologies, and other innovative projects.

The objective is to support competitiveness by increasing equity investment coupled with mentoring and business development support. There is a need to increase the knowledge driven economy and mobilize untapped potential through patents/copyrights, Intellectual Property Rights (IPR) and the emergence of new sectors, productivity increase at firm level and equity enhancement schemes.

Future assistance in the financing area will be provided through continued cooperation with the IFIs, together with Technical Assistance to support the final beneficiaries (SMEs) in their business planning.

Similar previous support has been designed in the field of Energy Efficiency and a more general support for SME development. The next generation of support is still to be decided in detail with the objective to target a specific area with high growth potential.

Two long term initiatives could be further explored: the establishment of a Regional Investment and Development Bank and the establishment of a Technology Fund (as suggested by Serbia). The proposal is in line with the observations that there is a need to strengthen competitiveness through increased efforts in R&D and in Innovation Strategies. The proposal still needs to be further investigated and assessed. Additional directly targeted fund initiatives need also to be identified and explored. Such areas are the Service and Tourism Industry, the more knowledge based service and manufacturing industries alternatively initiatives for women entrepreneurship and micro enterprises (EFSE). Together with the assessment of the need for a Technology Fund it should also be investigated if this Fund could be financed via National IPA programmes.

During the programming period 2011 – 2013 it is planned to investigate the necessary conditions for the eventual creation of a Regional Development Bank.

A final decision on specific business areas should be taken by mid 2011 when final reports of two ongoing projects are expected: from the OECD project Defining and Strengthening Sector Specific Sources of Competitiveness in the Western Balkans Region and the Regional Competitiveness Initiative (RCI). A second IFI project in another area with start in 2013 should not be excluded.

The more "high risk" support is to be found in the pure R&D/Innovation, and in new or export driven sectors. In this area attracting FDI and/or venture capital, including a regional investment space would provide the well needed economies of scale.

For such high risk financing the adequate form would be through regional cooperation to attract FDI and venture capital including possible business angels. Tactical objectives are to develop pure regional policies (and not only summaries of

national programmes and policies). Present initiatives like the Western Balkan Investment Framework (WBIF), and in particular the SEE Investment Committee is the natural means to pursue these objectives. The RCI contract will run until 2013 thereby a continued project initiative would start to be implemented.

The CEFTA Agreement plays also a role in order to create the favourable regional conditions.

## **2.2 Competitiveness and Competence**

*Competitiveness refers to the competitive strength of the SMEs, competence refers to the employees in the SMEs and their skills, working experience and training needs.*

### **2.2.1 Competitiveness**

The competitive edge of the Western Balkans and Turkey relies at present on low wages and labour cost, and trade is concentrated to commodities and/or relatively limited added value. This is not sustainable, therefore the SMEs in the region must climb the value chain and manufacture more finished goods and provide more knowledge intensive services. The means to make this possible is Technology Transfer, Research & Development, and Innovation & Entrepreneurship.

A key role of regional programmes and projects is to provide an efficient and effective platform for an exchange of information and best practices, development of a common understanding of aspects of EU Acquis or other relevant international standards and regulations and for the establishment and maintenance of technical networks among officials, the business community, civil society and international experts in specific fields.

Previous regional programmes in these areas have focused on the Western Balkan beneficiaries and Turkey only had a limited role if any. While in some cases this is unavoidable – e.g. Turkey is not a party to the regional free trade agreement, CEFTA, but has a customs union with the EU, efforts should be made to integrate Turkey in regional activities in these areas as appropriate.

A key challenge for all programmes is the capacity and willingness of both government ministries/agencies and the private sector to participate as necessary in the various initiatives. In all cases, the programmes should build on current or forthcoming programmes under IPA.

The following points summarise the proposed developments for enhancement of the competitiveness of the region:

- Enhance competitiveness through technology transfer;
- Development of regional and national innovation strategies;
- Development of regional and national Research and Development strategies;
- Increase the competitiveness of the SMEs, develop the research capacity of SMEs
- Develop entrepreneurial learning and education, women entrepreneurs

- Improve the legislative framework and Intellectual Property Rights

Regional actors; Public, Private and Academia must create closer links to, and learn from their Member State counterparts. In the EU, the Commission via DG Enterprise and Industry is managing extensive Programmes such as the Competitiveness and Innovation Framework Programme (CIP), including Enterprise Europe Network, PRO INNO and the European Cluster Alliance. These programmes provide a vast resource of contact points, initiatives and experiences that the IPA partners can take advantage of. However, it must be noted that not all IPA beneficiaries have signed the relevant agreements.

The recently signed RCI contract with OECD will in year three (2013) address these issues. During the first six months of the contract OECD will assess the very needs of the IPA partners.

Legislation on IPR is relatively developed in the region but not yet properly implemented. Thereby, initiatives for R&D and Innovation must be complemented with an activity for basic implementation of IPR in the Region.

Analysis presented by OECD stated that a main prerequisite for the development the competitiveness in the region is improvement of the investment climate. The development of human resources and specific interventions for promoting innovation were further described as crucial for further progress in the area. The beneficiaries described the establishment of a common economic area as a step forward.

The focus of the beneficiaries on R&D rather than on innovation was in contradiction with the presented work of the Directorate Innovation from DG Enterprise. The new EU Innovation strategy concentrates on the understanding of innovation as development of competitive and innovative ideas in any sector of human activity rather than on R&D.

Regarding the strengthening the R&D capacity of the countries in the region the more specific objectives must reflect the key needs to be addressed at regional level. In particular this concern creative and innovative industry; the knowledge based industry and society. Finally the so called knowledge triangle (intersection between research, private and public actors) must be strengthened.

The quality of business regulation must be improved with a focus on existing networks, partnerships, and processes. There must be regular and well established communication between business community, universities and other relevant institutions on development of the policies and regulation.

Entrepreneurship is a key success factor on company level. However, this must be addressed and acknowledged on regional policy level.

The specific **objectives** reflecting these key needs to be addressed at regional level:

- Further internationalisation of SEECCEL
- The creation of structures that will deal with topics arising from the region – innovation, high growth;
- The creation of entrepreneurial environment – especially for women

- The development of entrepreneurial and management skills, training on innovation, support to high growth.

### *2.2.2 Competence and Responsiveness of Vocational Education and Training to private sector needs.*

There is a significant gap between the education, training, skills and experiences in the work force and the needs of the industry, in order to be competitive at international level. The Workshop in Turin on 4 - 5 March 2010 with representatives from different regional stakeholders identified the knowledge gap between the industry needs and employee's skills, training and experience as a common challenge. There is already well developed cooperation between these stakeholder's respective organisations. However, cooperation at public level must be strengthened.

This will be addressed via close cooperation between OECD (RCI Contract), European Training Foundation (ETF), SEECEL and other stakeholders such as employer's organisations. To secure complementarities and to avoid possible doubling both ETF and SEECEL are represented in the RCI Steering Committee.

Specific **objectives** reflecting key needs to be addressed at regional level:

- Need for regional sector skill analysis
- Transition from school to work, including career guidance
- Promote shift from theoretical based learning to work-based learning of skills
- Increase adult learning
- Foster national qualification frameworks, including mutual recognition of qualifications and regulated professions

## **2.3 Marketing and Access to markets**

### *2.3.1 Marketing*

SMEs in the region need market intelligence and information how markets in the EU Member States work and what are the needs and standards on these markets. The best way to get integrated in new markets is to find ways to network in order to create partnerships with other businesses. In Western Balkans and Turkey this should be complemented with Technical Assistance and direct business support in the form of building common platforms.

One great advantage for the Western Balkans (and Turkey) is the relative geographical proximity to the EU Member States. However, this must be supported by adequate measures to facilitate the physical movement (road transport) across borders, both interregional as well as with the Member States.

It could be envisaged to launch a joint activity with an international organisation with contacts in the region and in the EU Member States in order to create partnerships. Different kind of business/SME events such as SME fairs have been tested with different levels of success and similar initiatives in the Western Balkans could be planned. The third year (2013) of RCI contract includes this activity.

### *2.3.2 Further implementation of CEFTA*

The CEFTA Agreement has played and will play an important role in the future by providing a framework for intra- and inter-regional trade as well as by providing the legal framework for business development in the region, in line with the accession perspective of the region. This will be complemented with activities in the field of improvement of trade logistics and harmonisation of the legislative framework for free movement of goods. In addition each annual presidency is setting its priorities. There should thereby be space to further develop objectives and activities.

### *2.3.3 Reducing logistic related administrative constraints and harmonizing cross border systems and procedures*

The overall objective is further trade integration through reducing barriers to cross-border passing, systems and services to support this. This aims to simplify and harmonize trade regulations and support implementation of standardised procedures to facilitate the flow of goods. The objective is also to support progress in cross-border trade management, with the expected result of an increased volume of trade. Indicators to follow for monitoring progress could be costs in connection to trade, improvement of simultaneous inspection and mutual recognition of standards. This specific objective could be addresses under so called quality infrastructure development.

## **3 INDICATORS**

Due to the complexity in the area as well as the high interdependence between Private Sector Development and other areas such as Infrastructure, Environment or Public Administration & Governance it is difficult to develop SMART<sup>3</sup> indicators for the different interventions. Consequently the set indicators also might include aspect from other policy fields. Even if a period of three years is rather short in the perspective it should be possible to have indication for improvements.

Publications and Annual Reports from IFIs, OECD and other organisations are also sources of input.

### **3.1 Financing**

As the objective is to direct the lending to a certain sector it is also possible to measure the lending as such. However, since there are also other activities for investment promotion it is not possible to set certain objectives for the amounts and volumes, but it should be possible to have indications for increase or decrease.

### **3.2 Competitiveness and Competence**

Trade and export statistics are good sources for information although it is difficult to set objectives in concrete figures. When it comes to competence for information could be investment in education, number of exams on different levels and employment statistics.

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<sup>3</sup> Specific, Measurable, Achievable, Realistic and Timely

### **3.3 Marketing and Access to Markets**

Indicators for possible success in marketing could as be derived from trade and export statistics. For CEFTA agreement indicators as well as other technical activities under the same heading could be measured in forms of closed agreements and/or number of harmonised standards. Although these are only indications for improved conditions, the real objective is to increase the volume of trade.

## **4 IMPLEMENTATION ARRANGEMENTS**

There are already a number of contractual agreements in place, some of which signed recently. Two contracts, one with the Regional Entrepreneurial Learning Centre (SEECCEL) and one with OECD for the Regional Competitiveness Initiative (RCI), will run until late 2012 or early 2013. During 2010 the OECD will under this contract identify key issues in skills needs and technology absorption in sectors key to the economies of Western Balkan. In the later phase (2013) additional activities are envisaged in the field of business development and export promotion.

A possible new contract taking stock of the experiences from the RCI contract with additional focus on business support and export activities should be foreseen in 2013.

Support for the CEFTA Secretariat is foreseen until 2011 and continued support is scheduled for the 2011 – 2013 programming period.

Finally there are a number of agreements with IFIs in support of SMEs and Energy Efficiency in the Region. The implementation of the Small Business Act under the Multi-beneficiary programme 2010 will be sub-delegated to DG Enterprise & Industry.

There will be efforts to make limited number of contractual agreements. However, these agreements should include all relevant activities.

Priority	Timing	Present Activity	Future Activity	Partner	Budgetary Requirements Million €	Comments
<b>Financing</b>	2009 up to 2020	Agreements with IFIs in support for SME development and Energy Efficiency in the region		IFIs and Western Balkans Investment Framework		During 2009 there were five such agreements signed, including one on continuation in EFSE.
	2011 - 2020		Agreements with IFIs in support for SME to abide EU standards in their products and services, specific sectors to be investigated.	IFIs and Western Balkan Investment Framework	30 - 60	In the consultations this was considered as high priority.
	2011 - 2016		TA to SMEs for abiding with standards, including Business Planning.	Service Provider and/or IFI	5	
	2012 - 2013		Assessing the conditions for Balkan Technology Fund and the establishment of a Regional Development Bank.	Study		Source for a possible IPA Technology Fund to be considered National vs. Regional IPA. The establishment of a Regional Development Bank will need to be assessed taking into account the presence of European IFIs.
	2012 - 2013		Assessing the conditions for Venture Capital	OECD		Under the RCI Innovation Pillar.



<b>Competitiveness &amp; Competence</b>	2009-2012	Regional Entrepreneurial Learning Centre, € 1,7 million	Possible continuation in 2013	SEECCEL	1,5	3 year contract signed December 2009
	2010 - 2013	Regional Competitiveness Initiative (RCI) €3,8 million.3 pillars; Human Capital Development, Innovation, Sector Specific Policy Reform; During the 1st year the project shall investigate the specific needs.	Possible continuation in 2013 that includes business assistance and export promotion, see under Marketing.	OECD	3,5	3 year contract signed April 2010
	2012 - 2016		Assistance to Industry, Academia and the Public Sector to come closer to MS Initiatives in Research and Development, Innovation as well as business development and export promotion.	OECD 2013		There are already a number of MS initiatives in place to increase the competitiveness of European Industry that the Region could benefit from. This is a RCI year 3 component.
	2011 - 2016		Arrangement with European Training Foundation and stakeholders in the Region in order to find better match between the work force skills and the needs in the industry.	ETF		Must be closely monitored to find complementarities and to avoid doubling with above RCI. (ETF and SEECCEL are represented in the RCI Steering Committee.)

	2012 - 2015		Implementation of Intellectual Property Rights (IPR) legislation	Services / European Patent Office	1	OECD Project Investment Reform Index clearly indicates that transposition of legislation is rather satisfactory. Implementation is lagging behind.
<b>Marketing &amp; Access to Markets</b>	2010 - 2011	Support to CEFTA and CEFTA Secretariat				
	2012 - 2015		Support to CEFTA and CEFTA Secretariat - annual decrease of EU Contribution (2009 € 325 000.		1	
	2012 - 2015		Business/SME Events in order to create partnerships between MS and SMEs in the Region.			Agreement with relevant international organisation, with possible input from CEFTA.
	2011 - 2016		Support to SMEs to abide to EU standards			See under Financing.
	2011 - 2013		Quality Infrastructure; Free Movement of Goods	European Committee for Standardization (CEN) and EFTA	2,5	Requested
	2011 - 2012		Reducing Trade Logistics Constraints and Harmonising X-Border Clearance	International Finance Corporation IFC	1,5	Requested