

Standard Summary Project Fiche – IPA centralised programmes

Project number 18: Improved SME Competitiveness and Innovation

1. Basic information

- 1.1 CRIS Number:** 2008/020-406
- 1.2 Title:** **Improved SME Competitiveness and Innovation**
- 1.3 ELARG Statistical code:** 02.20
- 1.4 Location:** Republic of Serbia

Implementing arrangements:

- 1.5 Contracting Authority:** EC Delegation to the Republic of Serbia
- 1.6 Implementing Agency:** EC Delegation to the Republic of Serbia

1.7 Beneficiary (including details of project manager):

Ministry of Economy and Regional Development
Department for SMEE Development
Bulevar kralja Aleksandra 15
11000 Belgrade

Serbian Agency for the Development of Small and Medium-sized Enterprises and Entrepreneurship
Toplicin venac 19
11000 Belgrade

The Project Implementation Unit (PIU) will be based in the Serbian Agency for the Development of SMEs and Entrepreneurship. The PIU will be responsible for the day-to-day management of the project. They will provide a secretariat for the Project Steering Committee (see below) and they will provide assistance to the service contractor in order to identify appropriate participants for training, liaise with stakeholders and ensure that project results are disseminated within their institutions.

A project Steering Committee will be established prior to the initiation of the technical assistance. The role of the Steering Committee is to provide strategic guidance and direction regarding the technical issues on the project. The Committee will meet every 6 months during the implementation of the project to discuss and endorse the 6-monthly progress reports. The Steering Committee will include representatives of all key stakeholders, including RASME and MOERD

Financing:

- 1.8 Overall cost (VAT excluded)¹:** **3.000.000 EUR**
- 1.9 EU contribution:** **3.000.000 EUR**

¹ The total cost of the project should be net of VAT and/or other taxes. Should this not be the case, the amount of VAT and the reasons why it should be considered eligible should be clearly indicated (see Section 7.6)

- 1.10 Final date for contracting:** 3 years after the signature of the Financing Agreement
- 1.11 Final date for execution of contracts:** 5 years after the signature of the Financing Agreement
- 1.12 Final date for disbursements:** 6 years after the signature of the Financing Agreement

2. Overall Objective and Project Purpose

2.1 Overall Objective: To contribute to the development of the SME sector and improve the competitiveness of new and existing businesses.

2.2 Project purpose:

Component 1: Improved quality, range and availability of business support services in Serbia (for newly established and existing SMEs and entrepreneurs) by creating a standardised model and improving the business support infrastructure.

Component 2: Strengthening the institutional capacity and support framework for increased level of innovation in enterprises

2.3 Link with AP/NPAA/EP/SAA

The European Council, in its Decision concerning **European Partnership** with among others Serbia², stressed the importance to strengthen the business environment to promote the development of the private sector and employment as short and medium term priorities. Further aspects include:

- Increased efforts to create a modern vocational education and training system and to improve the overall education system;
- Implementing the European Charter for SME and further develop local and regional business support structures, such as clusters, business incubators and technology parks.

These priorities are reiterated in the **Stabilisation and Association Agreement**, focusing on industrial co-operation, SMEs and education / training. It has been declared that joint activities and co-operation shall aim at³:

- Modernising and restructuring the industry and individual sectors in Serbia while establishing a framework for the improvement of management, managerial know-how and the business environment (Art. 94);
- Establishing efficient export promotion activities - as it has been realised in various projects so far – and further strengthen these efforts (Art. 94);
- Developing the SME sector and support economic co-operation between Serbia and the member states (Art. 95);
- Raising the level of VET and (management) training by designing programmes that contribute to the upgrading of educational and training structures and activities in Serbia (Art. 102).

² "Council Decision of 30 January 2006 on the principles, priorities and conditions contained in the European Partnership with Serbia and Montenegro including Kosovo as defined by the United Nations Security Council Resolution 1244 of 10 June 1999 and repealing Decision 2004/520/EC" (2006/56/EC) Official Journal of the European Union L35, 7.2.2006.

³ EU/ Serbia Draft SAA Text of 21 September 2006.

The **latest Progress Report** on Serbia⁴ highlights the good progress made in the area of industry and SME support. It is further acknowledged that Serbia has “*improved entrepreneurship education, business support and training services and on the promotion of innovation and competitiveness*”, which is clearly linked with the establishment and well functioning of SIEPA and Serbian Agency for the Development of SMEs and Entrepreneurship. However, there is still room for improvement especially in the field of overall business education and fostering entrepreneurship.

However, it is clearly stated in the **Serbia’s Action Plan**⁵ that a number of programs are still pending (a deadline has been set by the Ministry of Economy and Regional Development for the 4th quarter of 2007) including programs for the support of cluster development, creation of business incubators, raising enterprise productivity levels, while activities dealing with SME support are well under way.

2.4 Link with MIPD

The Multi-Annual Indicative Planning Document 2007-2009 (MIPD) addresses the strategic priorities and objectives as presented in the European Partnership document for Serbia, Serbia's Action Plan for the Implementation of the Priorities of the European Partnership, as well as other relevant strategic documents of the Serbian government, highlighting programme objectives, expected results and conditionality in the priority areas of co-operation for the period 2007-2009.

One aspect to be kept in mind is that donor co-ordination is of key importance to avoid overlaps between projects, notably in the sphere of (management) training and business / company support as stated in the MIPD. Furthermore, lessons from previous projects and funding instruments such as PHARE suggest that major project success is depending on “buy-in” from the relevant stakeholders and institutions.

Of particular relevance for private sector support are the EC priorities, objectives and results presented in the MIPD under IPA Component 1 “Transition Assistance and Institution Building” (Chapter 2.2 of MIPD). The relevant priorities are listed below with the relevant Component identified for each one.

1. Business and SME support:

- Enable access to services, capital and know-how, and support to competitiveness, including investment and import/export promotion (this is addressed by Components 1, 2 and 3);
- Develop a competitive Serbian business environment and industry capable of sustaining the competitive pressure of the European market;
- Develop Serbia's capacity to benefit from the knowledge based society; (this is addressed by Component 2)
- Develop local/regional business support structures (clusters, incubators, business/technology parks, etc.) in order to promote business, research and innovation related activities and public services; (This is addressed by Components 1 and 2)

⁴ Serbia 2006 Progress Report, Commission Staff Working Document, COM (2006)649final, SEC (2006)1389 of 8 November 2006.

⁵ Action Plan for the Implementation of Priorities of European Partnership, adopted by the Serbian Government on 7 April 2006

- Develop and implement Serbia's industrial, innovation and FDI strategies and action plans (Component 2 focuses on the implementation of the innovation Action Plan) ;
 - Promote FDI and export- oriented companies (this is addressed by Component 1 and 3);
 - Assist SME and Regional Economic Development Support institutions (this is addressed by Components 1 and 2).
2. Economic and cultural links:
- Promoting business related activities and public services and to facilitate economic and cultural links within Europe (this is facilitated by Component 3).

Relevant expected results, as stated in the MIPD, include the improved co-operation between educational institutions and business, improved investment climate and business environment through support to SME and overall SME development.

“Enhancing the investment climate and support to small and medium sized enterprises through a favourable legislative and policy framework, economic environment, access to services, capital and know-how, and support to competitiveness, including investment and import/export promotion. Support to job creation potential in specific branches and activities related to tourism. Develop national institutional capacities for the implementation of anti-trust policy, a competitive Serbian business environment and industry capable of sustaining the competitive pressure of the European market. Develop Serbia's capacity to benefit from the knowledge based society. Further develop local/regional business support structures (clusters, incubators, business/technology parks, etc.) in order to promote business, research and innovation related activities and public services. Development and implementation of Serbia's industrial, innovation and FDI strategies and action plans. Promotion of FDI and export-oriented companies. Assist SME and Regional Economic Development Support institutions.” (p. 19)

2.5 Link with National Development Plan (where applicable)

N/A

2.6 Link with national/ sectoral investment plans(where applicable)

National Strategy of Serbia for Serbia and Montenegro's Accession to the European Union

“The development of SMEs in Serbia is important because of the social nature of the SME sector, i.e. because it would create job opportunities for special categories (young people, women, pensioner, the disabled, etc.). This complies with the structural adjustment of the economy, following the example of the economies of the EU countries. Lisbon Strategy has marked the SME sector as one of the pillars of economic growth of the EU” (p. 107)

Link with National Economic Development Strategy (NEDS)

The National Strategy for Economic Development of Serbia 2006-2012 is the first development document defining, in a consistent and integral way, the country's basic development priorities.

The main development goals are to increase the standard of living of all citizens as well as dynamic and sustainable economic development. This implies the basic strategic orientations:

1. Creating an attractive business environment as a basic condition for increasing the overall competitiveness of Serbian economy, i.e.

- Pursuing of all transition and reform processes that could activate the country's development potentials – human, material and natural - and make Serbia attractive for faster development of the domestic private sector and higher foreign capital inflow (FDI).
2. Knowledge-based development, i.e.
- Strengthening efforts to bring knowledge as a basic development factor for Serbia, and knowledge-based product innovation, new technologies and system of services into the foreground to foster international competitiveness;
 - Further reforms of education and employment services to link business development needs with the improved supply of educational and training services.

Strategy of Balanced Regional Development – Sustainable development, Enhancement of regional competitiveness, Diminishing regional discrepancies and alleviation of poverty, chapter VI

“Strategy of Institutional Development”

“Activities to implement local development strategy are:

1. Support to SME development
2. Support to establishment of new companies
3. Promotion of foreign and local investments
4. Promotion of cluster development
5. Improvement of infrastructure
6. Other support measures: support to research and development, providing business advisory services, providing access to finance, support to establishment and development of business associations, enabling business links” (p. 185)

Strategy for the Development of SMEs and Entrepreneurship in Serbia, 2003 – 2008

“The priority objective of the Strategy for the Development of Small and Medium-sized Enterprises and Entrepreneurship in the Republic of Serbia is to create a framework for the development of a sustainable, internationally competitive and export oriented SME sector” (p. 3)

Programme for Business Incubators and Clusters Development in the Republic of Serbia 2007 – 2012 (December 2006)

“The Programme's objective is to generate new jobs, new enterprises and increase competitiveness through development of entrepreneurs, enterprises and SME institutions in the Republic of Serbia.” (p. 6)

Strategy for Competitive and Innovative SMEs (to be approved in Q1-2008)

“MEASURE 2: Improving and capacity building of the network of regional SME development agencies” (p. 42)

“**Pillar 4:** Competitive advantages of SMEs in export markets – innovation, quality, cluster development and subcontracting” (p. 28)

Copenhagen Economic Criteria: enabling businesses to sustain the pressure of EU business competitiveness it emphasizes the importance of taking actions that will increase the

competitiveness of domestic enterprises, in accordance with the procedures, standards and regulations of EU;

Lisbon Agenda (2000): the activities would contribute to the fulfilling of the ambitious goals of the Lisbon Strategy of making the European economy the most competitive and dynamic knowledge-based economy in the world, capable of sustainable economic growth with more and better jobs and greater social cohesion, by 2010

Barcelona Objective (2002): investment in European research and development (R&D) must be increased with the aim of approaching 3% of GDP by 2010, with the level of business R&D funding increased to two-thirds of total R&D investment. Building capacity of key stakeholders to manage innovation and to develop effective innovation policies will contribute to greater competitiveness and stimulate business R&D.

3. Description of project

3.1 Background and justification:

Serbia's economic development has been hindered by a number of problems which have been encountered over the last decade. These include:

- Inefficient economical structure in Serbia, inherited from the previous period such as unsolved property relations according to the previous legal regulations;
- chronic lack of funds;
- instability of regulations on transactions and investments in economy,
- undefined macroeconomic coordination,
- non-entrepreneurial management of economy,
- motivation etc

These factors have created the current, unfavourable position of SMEs and entrepreneurs in Serbia. Changes in economy and the choice of market principles of business transactions, are encountering numerous high limits regarding the insufficient stimulation of the environment and construction of institutional infrastructure necessary for their harmonized and successful development.

Economic growth in Serbia is currently constrained by a number of factors, not the least of which is the low level of competitiveness of many enterprises. To help improve this situation, the Serbian SME Council has adopted a National Innovation Strategy. At present, too many firms are ill-prepared to compete in export markets primarily due to a lack of market knowledge, outdated equipment and technology, and insufficient access to affordable finance. A number of issues need to be addressed in the short to medium term, to enhance Serbian competitiveness through innovation, and to enable Serbian enterprises to compete more effectively in international markets.

The weakness of linkages between businesses and science, and insufficiently developed innovation support system, are further inhibiting factors on the way of businesses to enhanced competitiveness. This project is aimed at improving capacity of relevant stakeholders and environment for business competitiveness and innovation.

In Serbia, the supply side in terms of needs oriented management training, business education and vocational training still remains a rather weak link in the process chain of creating efficient and effective enterprises with a high economic and sustainable performance.

Training courses offered, often lack the necessary linkage to actual company needs or simply the necessary quality due to the lack of agreed quality standards. On the demand side, awareness has to be increased, in order to allow for capacity enhancement, creating new companies, creation of new jobs and competition.

Due to the lack of a unified government approach in management training and life-long learning, a discussion on management development needs to be fostered involving all stakeholders to develop an integrated, needs-oriented policy as well as to promote the principles of life-long learning.

As a result of the ongoing privatisation process, it has to be expected that the number of unemployed will rise in the short-term. This puts additional pressure on training and re-training efforts supported by the government and the international donor community to strengthen Serbian capacities to bridge skills mismatches and shortages and therefore increase employment.

By establishing the Republic Agency, the Government of the Republic of Serbia has shown willingness to solve numerous problems of SMEs, to start the process of establishing institutional infrastructure for support to SMEs and entrepreneurship in Serbia and to create more favourable environment for business.

Since the establishment, Republic Agency for the Development of SMEs and Entrepreneurship has implemented many activities and stimulative measures aiming at creating an environment with positive effect on business and development of SMEs.

The Agency is an institution of central importance for the Development of SMEs and Entrepreneurship in Serbia. The mission of the Republic Agency is to support sustainable development of successful and competitive SME sector and entrepreneurship.

Entrepreneurial Service of the Republic Agency provides financial and legal consulting, analysis of business plans in different phases of development, information on legal forms of business, requirements for the establishment of enterprises and shops, loan conditions in commercial banks and Fund for Development of the Republic of Serbia, direct linking of local and foreign companies.

In order to eliminate one of the limiting factors for the development of entrepreneurship, lack of knowledge and skills from this field education and training activities of the Agency are focused on the development of new knowledge and skills, education and training in the SME sector, and on bringing in accordance educational and research services with the demands of a new market economy. These activities include:

- Education of unemployed people registered with the National Employment Agency, and redundant labour
- Education of entrepreneurs for business planning and business operations
- Training of trainers in entrepreneurship areas – skills development for institutions and individuals on regional level
- Mentoring as a direct in-house support
- Strengthening of educational processes in formal education (vocational schools, university and advanced schools) in Serbia

New contents were introduced into *education programmes prepared by the Republic agency*, with the engagement of regional agencies for the SMEE development. The programmes are

aimed at trainers' trainings, business starters, strengthening of managerial, marketing and financial skills of entrepreneurs. The cooperation between the Republic Agency and the National Employment Agency in education expanded to mentoring for persons who were given grant aid for selfemployment. All planned trainings in 2006, 56 seminars with 1,323 participants, were organized in branches of the National Employment Agency.

The project entitled design by the Republic agency, '*Support to the Implementation of Activities/Services of Regional Agencies/Centres*' is financed from the budget of the Republic of Serbia, and is realized by the network of regional agencies and centres in coordination with the Republic Agency.

In accordance with an open competition of the Ministry of Economy and Regional Development for granting incentive loans to business start-ups – entrepreneurs and legal entities, presentations and basic trainings in entrepreneurship and building of business plans for a large number of interested clients were organized by Republic agency and through reg. agencies/centres. Expert assistance in collecting the necessary documentation and loan applications was provided to all interested persons. 1,125 loan applications requesting funds in a total amount of 1,522 million RSD were collected via the Republic network and municipal offices in coordination of the Republic agency.

Promotion programmes of the SMEE sector during 2001.-2007 were realized through the promotion of national programmes aimed at the SMEE sector, promotion of good examples from practice, organization of specialized fair manifestations for entrepreneurs (the VI International Fair "Business Base 2007" organized at 5000m² of exhibition area with almost 15000 visitors), etc. Workshops and two competitions for the best business plan were organized in the first half of 2007 in cooperation with British American Tobacco Company, i.e. within the project financed by the Government of the Kingdom of Spain. In cooperation with GTZ, the training programme for entrepreneurs in the area of tourism was continued, and the manual for entrepreneurs and instructors was printed.

By the end of July 2007, the Ministry of Economy and Regional Development announced a competition for start up loans without mortgage and start up loans for legal entities, as well as the competition for micro loans for self-employment.

The target groups of the Credit line for start-ups are younger persons, with the first priority rank given to persons up to 24 years of age, and the second priority to persons from 25-40 years. Pledge on movable objects is recently approved collateral which aroused great interest of potential entrepreneurs. Of 2,507 applications, 1,507 were approved in the total amount of 1.947.8 million RSD.

The support to faster development of start-ups is provided through programmes related to **the establishment of business incubators**. In December 2006, the Council for the development of small and medium-sized enterprises of the Serbian Government adopted the '*Programme for the Development of Business Incubators and Clusters in the Republic of Serbia 2007-2010*'. The Centre for support to the establishment of business incubators was founded in the Republic Agency defining the types of support for already established and new incubators in the development stage.

The concept of establishment of business incubators was devised in accordance with the development strategies on the national and regional-local level (*Strategy for SMEE Development, Plan of the Government of the Republic of Serbia for Stimulating the Development of SME and Entrepreneurship 2005-2007, Poverty Alleviation Strategy, local development strategies*). Experience and recommendations of the National Programme for the establishment of business incubators and scientific-technology parks in the Republic of Serbia

were initiated in 2004 in partnership with the Ministry of Foreign Affairs of the Kingdom of Norway, Ministry of Economy, Republic Agency for SMEE Development, and SINTEF Institute. In order to develop business incubators for the purpose of stimulating entrepreneurship in Serbia, 255.008.000.00 dinars were provided from the funds of the National Investment Plan for the following municipalities: **Bor, Valjevo, Zajecar, Zrenjanin, Kragujevac, Krusevac, Leskovac, Medvedja, Nis, Novi Pazar, Prokuplje, Rakovica, Smederevska Palanka, Uzice**. These funds were earmarked either for infrastructural equipment or building facilities for the establishment of business incubators in selected locations.

The Executive Council of AP Vojvodina implements 14 programmes under the Development Strategy, with one of them referring to the support for the establishment of business incubators in Vojvodina (Zrenjanin, Subotica, and Novi Sad).

Companies with growth prospects and export potential are currently held back by a limited management capacity across a wide range of areas (e.g. finance, production, marketing, standards, export planning, product design, technology capabilities, etc.). There also remains a general lack of awareness in Serbia of the importance of innovation for the improvement of competitiveness of the Serbian economy.

On this background, offering an international benchmarking and learning experience to a substantial number of Serbian managers can trigger a broader development towards sustained efforts in promoting management training. The current momentum should be used, where regional SME agencies are looking for new, relevant and high-quality services to be offered – or are already offering services - such as in the field of training and consulting, and where the national demand for training services is slowly increasing.

During the period 2001-2007 the institutional infrastructure for SME development was established and supported both from Government of Serbia and various donor programs. The EC has been providing significant support to RASME and regional SME agencies through CARDS assistance (“Support to SMEs in Serbia” RSEDP - Regional Socio-economic Development Programme”). Significant support under a variety of instruments is provided by GTZ, UNDP, UNIDO, SDC, USAID and other bilateral donors.

Knowledge and skills of entrepreneurs are lagging far behind the needs of creating a competitive, export-oriented SMEE sector. The most important results achieved under the Project entitled the Reform of vocational education and training– stage 2 (CARDS) are the following: the *Strategy for Vocational Education and Training in the Republic of Serbia* and the *Strategy for Adult Education* adopted by the Government of Serbia in December 2006, as well as the formulation of the *Action Plan for the implementation of the Strategy for Vocational Education and Training*. Non-formal education programmes are continually implemented by the official institutions for the development of entrepreneurship, the Republic Agency for the Development of SMEE with the network of regional agencies/centres, the National Employment Agency, SIEPA, with constant adjustment of the programme to new circumstances and users’ needs. Educational programmes of state institutions realized independently or with donor support are free of charge for users. In some cases, subsidized price is offered. The quality of educational programmes is inconsistent, owing to the fact that mechanisms for issuing licenses and certificates for lecturers and models for monitoring and assessment of training results that are estimated by direct users have still not been established.

Rankings of responses by degree of need for non-financial services

Need for non-financial services

Share in total responses (%)

1 Advertising of enterprises/shops	18.7
2 Connecting with business partners	15.7
3 Market research and analysis	12.5
4 Education	10.2
5 Marketing of new products	10.0
6 Consulting	9.7
7 Information on technology	7.2
8 Quality management	4.2
9 Installation and usage of equipment	3.9
10 Technology transfer	3.3
11 Monitoring/assessment of technology	2.4
12 ICT support	1.5
13 Something else	0.4
14 No need for any support	0.3
No. of SMEE – respondents	100.0

Source: Survey of the Republic Agency for Development of SME and entrepreneurship

With regards to progress assessment indicators in this area and coordinates of the European Charter on Small Enterprises, Serbia was ranked 2nd in 2006 since 20,000 potential and existing entrepreneurs had various trainings. In order to achieve 3rd ranking 11-30% enterprises should be included in educational programmes.

It is necessary to put additional effort and integrate the existing offer in this area in the coming period, so that it becomes more transparent and available to direct users. The database of service providers should be established through mutual projects of relevant institutions, the system of standardization of services should be introduced as well as licensing and certification.

The purpose of this project is to expand and improve the means for dissemination of services, information and training and to better reach potential and existing SMEs and entrepreneurs in Serbia.

The aim is to ensure equal opportunities for would-be entrepreneurs and SMEs all over the country in order to achieve economic stability, and balanced regional development.

According to the data of the Business Registration Agency (December 2007), total number of businesses in the Republic of Serbia is 95,924 (SMEs account for 99%), and entrepreneurs 207,458 SMEs also account for 63.1% of all employees, which significantly contribute to the decreasing number of unemployed.

In 2007 the number of newly established SMEs is around 10 000 and more than 35 000 entrepreneurs registered their business.

This figures show the significantly increased need for business support services of standardized quality as well as broader portfolio of offered services. The institutional infrastructure will be expanded by establishing branch offices of RASME. Continued efforts in improving the business advisory services, remain necessary.

The **Ministry of Economy and Regional Development** (MOERD) is the policy making body responsible for defining and implementing the overall economic development policy, including the SME development strategy, foreign direct investment strategy, employment policy etc. This ministry is made of five departments: International economic relations, Regional Development, Employment, Tourism and Industry. The Ministry mandate covers 6 other

bodies dealing with sector specific policy implementation, namely: Privatization Agency, Business Registration Agency, Export Insurance and Financing Agency, Agency for the Development of Small and Medium-Sized Enterprises and Entrepreneurship, Serbia Investment and Export Promotion Agency, Bankruptcy Supervision Agency and the Tourist Organization of Serbia.

Serbian Agency for the Development of Small and Medium-sized Enterprises and Entrepreneurship was established by the Law on the Agency for the Development of Small and Medium-sized Enterprises ("RS Official Gazette" no. 65, November 23, 2001). The Agency is established with the basic aim to support (help, advise and protect) the development and interests of SME sector, which should contribute to balancing of economic structure, invigorating of economic development and revival of economic flows in the country.

- Support to the creation of enabling environment for SME development
- Participating in the creation of republic regulations and creation of institutional (market) infrastructure for the establishment and development of SMEs
- Direct non-financial support for SMEs (consulting, info, matchmaking, networking, facilitation of access to finance&)
- Preparation and realisation of educational programmes for trainers and for training of entrepreneurs and SME managers (trainings for unemployed, training of trainers, mentoring...)
- Coordination of the Republic Network of regional agencies/centres
- International cooperation
- Promotion of entrepreneurship
- Support for SMEs in the area of new technologies and support to their innovation activities (creating links between R&D, universities and SMEs)

Ten regional agencies and centres were founded in the period December 2001-December 2002, with the support of EAR (Kragujevac, Nis, Krusevac, Zajecar, Zrenjanin, Uzice and Belgrade), GTZ (Novi Sad and Subotica) and SDC (Novi Pazar). In 2003, the Serbian Government founded the Regional Agency 'Sombor' (covers the territory of the South Backa District). The Serbian Government is also a co-founder of seven regional centres (Zajecar, Zrenjanin, Uzice, Beograd, Kragujevac, Nis, and Subotica). In 2004, regional agencies (Vranje and Leskovac) were founded with ILO support. Their founders are relevant factors from the territories they cover (local governments, regional chambers of commerce, association of entrepreneurs, business associations, banks, institutes, faculties etc.). In April 2007 Regional Centre d.o.o. Sabac for the territories of Macva and Kolubara districts was founded. This regional centre was founded by eight municipalities from the mentioned districts and the Regional Chamber of Commerce from Valjevo, with the support of UNDP.

In May 2003. Republic Agency established the Republic Network for non-financial support to SMEs sector in Serbia, consists of regional agencies/centers.

The basis of the **institutional infrastructure for non-financial support** to SMEE is the Republic Agency for the development of SMEE with 13 regional agencies/centres and a new regional centre in Sabac joined to the Agency in 2007. The joint action of the Republic network is carried out according to the project task approved by the responsible Ministry of Economy and regional development. Republic agency established during 2007. 6 offices in

Kraljevo, Subotica, Sremska Mitrovica, Nis, Pozarevac and Loznica and will open 6 more in order to complete the institutional network for support SMEs and entrepreneurs in Serbia.

Serbia Investment and Export Promotion Agency (SIEPA) is a government organization dedicated to effectively helping foreign investors and buyers, while raising Serbia's profile in the minds of international business decision-makers. Created in 2001 by the Government of the Republic of Serbia, SIEPA's mission is to support foreign companies seeking to set up or expand in Serbia and assist Serbian companies when doing business worldwide.

Created as a one-stop-information-shop for investors, SIEPA acts as a reliable partner for international companies throughout the investment project to ensure its best results, offering a wide range of services to prospective and existing investors alike.

To help potential investors speed up the completion of their projects, SIEPA networks with all FDI-related public and private sector bodies, including ministries and other Government bodies, municipal authorities and local self-government, building land agencies, tax and customs authorities, etc.

SIEPA also assists Serbian companies in becoming more competitive on foreign markets. Serbian companies are offered a wide range of free consultative services, as well as a number of programmes that offer financial support. SIEPA organizes and finances up to 20 national booths at the most prominent international trade shows world wide. Up to 15 companies are able to participate in the national booths, drawing on SIEPA promotional skills and expertise. The success of this programme of international promotion has been such, that on average 10 companies participate per international trade show, which generates approximately €3 million exports short-term.

Serbian companies prior to exhibiting are able to, through a cost-sharing grant programme test and certify their products or introduce international standard, upgrade their products and packaging, enhance their promotional materials, as well as apply for international intellectual right protection. SIEPA has secured a budget of approximately USD 1 million for grants for companies for the 2008 fiscal year.

- Relevant legislation (include in Annex 4 but here state the project linkage)

Law on ministries (article 10.regulates the mandate of MOERD, article 37. regulates the mandate of SIEPA)

Law on Serbian Agency for the Development of Small and Medium-sized Enterprises

Law on Innovation

- Relevant policy and strategy (or lack of). Consider EU, National and other International strategies e.g. the UN's Rights of the Child

IPA - Multi-Annual Indicative Programme Document : Serbia, 2007/2009 (September 2006)

EU Charter for Small Enterprises, Report on Implementation Progress, Serbia, 2007

The Government of Serbia, the European Union and other bi-lateral donors all attach high priority to the development and growth of the SME sector and entrepreneurship in general. This is importance and the relevance to Serbia is reflected in the EU Charter for Small Enterprises.

The need to improve the form and standard of business support services has been consistently identified as a priority for Serbia.

Strategy for the Development of SMEs and Entrepreneurship in Serbia, 2003 – 2008

Strategy for Competitive and Innovative SMEs (to be approved in Q1-2008)

National Economic Development Strategy

Poverty Reduction Strategy

Programme for the Stimulation of SMEs and Entrepreneurship Development; 2005 - 2007

Regional Development Strategy of the Republic of Serbia 2007 – 2012 (January 2007)

Programme for Business Incubators and Clusters Development in the Republic of Serbia 2007 – 2012 (December 2006)

Justification

According to the Plan for Realization of Priorities from European Partnership:

“7.1.1. to continue implementation of the European Charter for Small Enterprises (creation of start-up fund and voucher system, institutional development)”

“7.1.5. additionally develop local/regional SME support structures

According to “Needs of the Republic of Serbia for International Assistance 2007-2009”:

SME sector has achieved significant growth, but it is still facing significant problems (...)

SME sector is facing insufficient support from educational institutions in all levels of education in terms of developing knowledge and skills for entrepreneurship. Formal and informal education has not significantly develop the offer of educational offer in entrepreneurship through curricula, trainings and seminars, whereas on the other hand, owners and managers of SMEs do not sufficiently use the market of consulting services.

According to the experience and research of all relevant institutions for support and development of SMEs (relevant ministries, agencies, funds, bureaus, services, , R&D institutions, donors, banks, associations, etc.), it is obvious that potential and existing SMEs encounter numerous problems regarding the establishment and running of the business.

As the biggest problem and cause of their failures or bad business operations, entrepreneurs recognize the lack of finance. However, there is an evident lack of knowledge in the area of business planning, regulations, management, innovation and new technologies, business communication, e-business, marketing, design, etc. which significantly leads our SMEs to bad business results and failures. SMEs are most vulnerable in the first years of existence, and it is especially the case with small firms where founders are also managers, and where there is a big lack of necessary resources.

It is necessary to raise awareness of entrepreneurs about the need to be involved in life long learning process, as well as of the use of the consulting services market as ways to overcome business problems.

In previous donor and national programmes (2001-2007) various business support institutions were created, wide range of services established, initial awareness on innovation raised.

There is a constant need for upgrading the level of knowledge and practical experience of both institutions and businesses.

By introducing **component 1** of this project, the standardized model of business services for newly established and existing SMEs and entrepreneurs (consulting, training ,specialized individual services, mentoring, business information etc) will be created, built on the experiences, best practices and lessons learned.**Component 2** (innovation) will allow for higher access to innovation and innovation processes at the entrepreneurial level and linkages

to a nation wide network of innovation and business service providers as well as connection with R&D institutions.

This project through its three components offers SMEs a customized means to enhance their competitiveness based on the level of their development and that will contribute to their better positioning in the market and business success.

Sustainability will be assured by partnership of MOERD, Serbian agency for the development of SMEs and entrepreneurship and SIEPA as key players in policy development and implementation as well as by implementation of related activities within the mandate of each.

It is widely considered that the bottom up approach of knowledge and skills with the standardization is on the right track, and it is expected to strengthen these efforts with additional actions by capacity building and more active involvement of all partners (MOERD, RASME, the network of Regional Agencies/Centres and new offices of RASME and SIEPA) and business community

3.2 Assessment of project impact, catalytic effect, sustainability and cross border impact (where applicable)

Component 1: The Project will contribute to the sustainability of RASME and the Regional Agencies/Centres/Offices by actively involving the private sector, associations of SMEs, municipalities, donors and others by undertaking the following:

- Further consolidating the local capacity to deliver effective and standardised business support service
- Improve long-term partnerships between Serbian institutions and SMEs and members of the international community

The Project builds on existing infrastructure, i.e. the network of regional agencies/centres, the financial sustainability of which has been confirmed since the end of EAR project in 2003. and on Governmental support for establishing 12 new offices through RASME. Standardised and finely elaborated scope of business support services achieved within the project will significantly expand already existing market of clients, thus adding to financial stability and operations of business providers. In the future period, RASME will establish 12 more SME development offices throughout Serbia, which will also need substantial capacity building.

The Project will provide continuity in the development of business support infrastructure. It foresees further strengthening of cooperation between various organisations taking forward the responsibility for SME development.

By this means continuity of support will be sustained and the activities of Regional Agencies/Centres will continue to be focused on economic development.

Project will include initial introduction of best practice models of:

- quality standards manual for business support services
- regulatory documents and relevant regulation for the certification of consultants (using best practice from countries in the region)
- rules and procedures of voucher scheme (based on best practice from countries in the region – Serbia being the only country in the region without the voucher system)

Component 2: Business innovation can be defined in its broadest sense to include the development of new products and services, new ways of working, new commercial arrangements with the marketplace and ways of getting the best out of people. Innovation is now universally recognized as crucial to enterprise competitiveness.

The main research into the overall state of innovation in Serbia is contained in the Draft National Innovation Strategy for Serbia and an accompanying survey of 600 enterprises, which was prepared by the EU funded Support to Enterprise Development and Entrepreneurship Programme, managed by the European Agency for Reconstruction. This draft strategy, sets out the framework for the development of Serbia as an innovative and knowledge-based society and as a more competitive player in world markets and addresses a number of major issues affecting innovation development: legal and regulatory environment, improved access to finance, support infrastructure, linkages between science and industry and development of an innovative culture in education. In fact, some steps to improve the environment for innovation in Serbia have already been taken, particularly in the area of legislation for innovation and scientific research.

The Project will contribute to the sustainability of RASME and the Regional Agencies/Centres/Offices by actively involving the Universities and faculties, R&D institutes, private sector, associations of SMEs, municipalities, donors and others by undertaking the following:

- Further consolidating the local capacity to deliver effective and standardised business support service in field of innovation

Improve long-term partnerships between Serbian institutions and SMEs and members of the international community

3.3 Results and measurable indicators:

Component 1:

1.1. - Standard Set of Services Established by RASME to be Delivered by Regional SME and Development Agencies/offices

Manual of Business Support Services for SMEs will be developed within the project, adopted by RASME and the Ministry of Economy and Regional Development and published.

1.2. Established and Implemented Quality Standards for the delivery of Business Support Services

Quality standards manual for the delivery of the BSS will be developed and published, and disseminated to SME development agencies and business service providers through trainings.

Component 2:

2.1. - Improved capacity of the governmental institutions to develop and co-ordinate policies affecting competitiveness and innovation of enterprises

Number of trainings and capacity building for government administration institutions ((at least 225 participants on national and local level trained trough 6 trainings)

2.2. Improved capacity and competence of business and innovation support organisations (BISOs) to provide general and specialist innovation services which would improve enterprise competitiveness

Number of trainings and capacity building for business and innovation support organisations (15 basic training courses for 300 participants and 15 advanced training courses for 300 participants)

2.3. Pool of certified Business Support Providers Created

Regulatory documents and relevant regulation for the certification of consultants will be developed and adopted, and databases of business service providers established (at least 450 service providers in the data base)

2.4. Established and well-coordinated nation-wide networks of specialized innovation and business service providers

Number of Business and Innovation Support Providers in the established network(at least 200)

2.5. Increased level of awareness of enterprises of the importance of innovation for productivity growth and profitability, access to sources of technological information and improved access to the innovation support services designed to enhance their competitiveness and productivity

Increased number of SMEs and other organisations contacting institutions within the innovation support framework

2.6. Innovation scanning in selected regions in Serbia completed

Identified measures for improving level of innovation and removing existing gaps in a number of selected enterprises(5 000 SMEs within the innovation scanning procedures)

3.4 Activities:

Component 1:

1.1. - Standard Set of Services Established by RASME to be Delivered by Regional SME and Development Agencies

1.1.1. Perform Business Support Services needs assessment

1.1.2. Develop and produce the set of Business information and advice services – including the provision of sign-posting, information on standards and regulations, market and technology information, intellectual property protection, search for partners, export support, technology transfer and product development – targeted at new and developing businesses

1.2. Established and Implemented Quality Standards for the delivery of Business Support Services

1.2.1. Define Quality standards for the delivery of business support services in accordance with EU standards

1.2.2. Define appropriate ‘benchmarks’ for Regional SME and Development Agencies

Define appropriate ‘benchmarks’ for all business support providers

1.2.3. Establish Quality monitoring and inspection system by RASME and undertake initial ‘quality control’ of all Regional SME and Development Agencies

Component 2:

2.1. - Capacity building of public institutions

2.1.1. Provide practical assistance in developing effective mechanisms for continuous inter-ministerial policy co-ordination and learning in all policy areas affecting enterprise competitiveness (such as innovation, regional, industrial, trade, FDI, enterprise, environmental, ICT and other policies)

2.1.2. Analyse training needs of civil servants related to innovation policy development and implementation, as well as related policy areas (competition, trade, education, R&D, standards, environment, export, investment, WTO, CEFTA, etc)

2.1.3. Develop related training plans to increase effectiveness of policy-making, programming and co-ordination, and the delivery of information and public services to enterprises

2.1.4. Deliver training and technical support to policy-makers at the national and local levels

2.1.5. Assistance to the Government of Serbia in establishing the “Innovation Watch” programme.

2.2. - Capacity building of business and innovation support organisations (BISOs)

2.2.1. Define and identify key specialised business and innovation support institutions in Serbia

2.2.2. Assess the business support institutions' capacity to deliver a wide range of services to support private sector competitiveness

2.2.3. Analyse training and capacity building needs of business support institutions

2.2.4. Agency selecting BISOs and their operations. Selection and grouping of BISOs for relevant training sessions and courses based on the training needs analysis results

2.2.5. Deliver training to BISOs (seminars, workshops, study tours and round tables for exchange of experience and best practice on the relevant topics

2.2.6. Encourage and provide assistance to BISOs wishing to join international business and innovation support networks and access EU and other funding

2.3. Pool of certified Business Support Providers Created

2.3.1. Create regulatory document and relevant regulation for the certification of consultants

2.3.2. Process of certification of business support providers

2.3.3. Establish nation-wide network of all business support organizations and consultants

2.3.4. Develop data bases as well as web portal that will provide on-line information for SMEs and entrepreneurs

2.3.5. Establish regular quality monitoring system to be implemented by RASME and MoERD, and independent assessment organisation

2.4. – Development of the nation-wide innovation support network (portal)

2.4.1. Establish a nation-wide Innovation Support Network (with a web-portal) to provide access to the following:

- An integrated, searchable and regularly updated databases of all innovation support organisations and innovation consultants in Serbia

- An electronic library of methodological and training materials accessible on-line on a membership basis. The materials should be developed with the help of BISOs, on a competitive basis

- Online 'business and innovation market' for match-making of products and technologies (requests and offers). This activity should be linked to the activities of the Innovation Relay Centre (IRC) and other existing technology transfer organisations

- Established and expanding links to sources of innovation and business support in other countries

2.5. – Promotion and awareness of competitiveness through innovation

2.5.1. Develop and implement public awareness campaigns aimed at improving innovation and competitiveness in business

2.5.2. Improve government information materials, web-sites and information services to ensure up-to-date information is easily available to enterprises. Provide access to these materials through the Innovation Support Portal

2.5.3. Organise events, national fairs/conferences where innovation and business support organisations from all over Serbia could exchange their experience, knowledge and establish face-to-face contacts with potential partners and clients

2.6. – Innovation scanning in selected regions in Serbia completed

2.6.1. Training course in European Innovation Scoreboard methodology

2.6.2. Definition of methodology, selection criteria for businesses, and creation of questionnaire

2.6.3. Survey of selected companies in all regions covered by regional agencies/centres/offices

2.6.4. Design of the database for survey/survey data processing and analysis of results

2.6.5. Report on innovation potentials in selected companies

2.6.6. Workshop – proposing measure for raising the level of innovation and removing existing gaps

Contracting Arrangement:

The project is to be delivered through one service contract.

3.5 Conditionality and sequencing:

- Serbia will experience macroeconomic and political stability that will provide a basis for local market development, and trust among entrepreneurs to develop their businesses;
- Government of Serbia will maintain their commitment to private sector development, this includes continuation of ongoing business environment reform work;

The project is to be delivered through one service contract so there are no issues in relation to sequencing. The components should all start at the same time but activities under each component are independent of each other. Lessons learned should of course be shared across the components through regular co-ordination meetings between the technical assistance teams and the respective institutions.

3.6 Linked activities

The project is completely in line with the Operational Annual Programme of the Serbian Agency for the Development of SMEs and Entrepreneurship, with particular focus on the establishment of new SME development offices, and their necessary capacity building.

The project is well combined and synchronized with the current and upcoming activities. It presents a logical continuation of previously completed CARDS 2001 and CARDS 2004 programme in Enterprise Development and Entrepreneurship, thus achieving a rounded and completed process in the establishment of stable, standardised and high-quality business support infrastructure in Serbia.

The project directly supports implementation of the priorities from the Strategy for Competitive and Innovative SMEs (to be approved in Q1-2008) - Pillar 2.

The proposed project builds upon

- 1) the completed CARDS 2001 and CARDS 2004 programme in Enterprise Development and Entrepreneurship;
- 2) the completed CARDS 2003 and 2005 programmes to assist the pre- and post-privatisation restructuring and development of SMEs, implemented by the EBRD TurnAround Management programme;
- 3) CARDS 2004 “Serbian Investment Promotion Programme (SIPP)”, providing support in institutional development to the Serbian Investment and Export Promotion Agency (SIEPA);
- 4) CARDS 2002, 2003, 2004, and 2005 programmes supporting socially-owned enterprise restructuring and privatisation;
- 5) ongoing CARDS 2003/CARDS 2005 Regional Socio-Economic Development Initiatives programme (Banat region, Central and Southern Serbia) with objectives, inter alia, to build-up local economic and social development partnerships, develop regional economic development plans, and establish a fund for local economic development projects;

6) ongoing CARDS 2003 / CARDS 2005 Municipal Support programmes in eastern and north-eastern Serbia promoting effective decentralisation and participation, and development and implementation of municipal actions plans, and

7) CARDS 2003 export development programme supporting institutional and policy development, training to enterprises, and the operation of two cost-sharing export development schemes.

Other main donor activities include: 1) UNIDO funded support to the Serbian Agency for SME Development, 2) Japanese Government funded support to the Serbian Agency for SME Development; 4) GTZ funded support to business advisory services, business linkages and previously to the Vojvodina Investment Promotion Agency; 5) World Bank funded support to business registration; export credit and IFC SEED funded support to business associations, consultancy services to individual enterprises, and introduction of financial products such as leasing and factoring, 6) Swiss Development Cooperation funded support for business development services; 7) recently completed SIDA funded support for development of a national FDI strategy; 8) ILO, UNDP, Dutch Government funding for economic development initiatives in Southern Serbia; and 9) Danish funded support for business support services, credit facilities, corporate social responsibility, etc. in the Nis district.

3.7 Lessons learned

According to previous experience, During the period 2001-2007 the institutional infrastructure for SME development was established and supported both from Government of Serbia and various donor programs. The EC has been providing significant support to RASME and regional SME agencies through CARDS assistance (“Support to SMEs in Serbia” RSEDP - Regional Socio-economic Development Programme”). Significant support under a variety of instruments is provided by GTZ, UNDP, UNIDO, SDC, USAID and other bilateral donors.

According to the 6 years of work of RASME and inputs from local and regional level, as well as the increase in the number of SMEs and entrepreneurs, infrastructure capacity needs further development.

Previous experience shows to need to create equal opportunities in all regions in the Republic of Serbia, and thus develop a unique market of consulting services.

Lessons learnt shows that there is a need for quality standards, and standardized business support services for SMEs and entrepreneurs.

Project will be based on lessons learned from the results of Governmental supporting measures and donor programs. It will have great impact on: creation of SMEs, job creation, skills development and productivity, fostering the innovation and competitiveness of SME sector in Serbia as well as on improving the institutional infrastructure on national and regional level.

The findings of the pilot innovation survey conducted within CARDS 2004 suggests that rates of investment in innovation expenditure are very low and most innovation activity is concentrated in the acquisition of machinery, equipment and software and related training. The share of total employment located in medium/high technology manufacturing and in high-tech services is significantly below EU25 levels and even below the levels of neighbouring Bulgaria and Romania (except for the high-tech services in Romania, where Serbia performs better).

A summary of the survey findings is set out below:

Major strengths of Serbia comparable to 25 EU Member States:

- The proportion of population with tertiary education is comparable with the EU25 average

Major weaknesses of Serbia relative to 25 EU Member States:

- Public R&D expenditure
- Science & Engineering graduates
- Business R&D
- Participation in life-long learning
- Employment in high-tech manufacturing and services
- High-tech manufacturing value-added share

Data is not available for the following indicators in Serbia:

- High-tech patenting (EPO, USPTO)
- Overall patenting (EPO, USPTO)
- SME innovating in-house
- SME involved in innovation cooperation
- Innovation expenditures /turnover
- SME non-technological innovation
- High-tech venture capital share
- Early stage venture capital / GDP
- Sales 'new to market' products / turnover
- Sales 'new to firm' products / turnover
- Composite indicator on Internet access
- ICT expenditures / GDP.

The lack of data under such a large number of headings is a worrying indicator of the low priority accorded to innovation in Serbia.

Serbian companies' competitiveness has been the issue of a number of governmental and donor programmes, each focusing on introducing new ideas and business practices to SMEs. Previous CARDS 2003 Export Development Programme and TAM programmes have shown that Serbian companies are very open to the introduction of new skills and new opportunities. They are as competitive as their managers are open to new ideas and willing to provide for change.

One of the lessons learned from ongoing CARDS 2004 Serbia Investment Promotion Programme component called Local Supplier Development Programme (which focuses on building the capacity of local companies in order to make them more competitive and constant suppliers to multinational companies) has been that best results are provided by enabling companies. Learning by doing and then implementing the learned into everyday processes provides not only for creativity and improvement within the business processes, but also allows for the management of the company to grow and develop new skills.

Feedback from companies, both domestic and foreign, is that the managerial community of Serbia needs focused introduction to the global trends. Not many programmes have focused on developing managerial skills and these have been identified as deficient.

4. Indicative Budget (amounts in EUR)

			TOTAL EXP.RE	SOURCES OF FUNDING								
				IPA COMMUNITY CONTRIBUTION		NATIONAL CONTRIBUTION					PRIVATE CONTRIBUTION	
ACTIVITIES	IB (1)	INV (1)	EUR (a)=(b)+(c)+(d)	EUR (b)	%(2)	Total EUR (c)=(x)+(y)+(z)	% (2)	Central EUR (x)	Regional/ Local EUR (y)	IFIs EUR (z)	EUR (d)	% (2)
Activity 1												
contract 1.1	x		3.000.000	3.000.000	100							-
.....												
TOTAL IB			3.000.000	3.000.000	100							
TOTAL INV			-	-								
TOTAL PROJECT			3.000.000	3.000.000	100							

Amounts net of VAT

- (1) In the Activity row use "X" to identify whether IB or INV
- (2) Expressed in % of the **Total** Expenditure (column (a))

5. Indicative Implementation Schedule (periods broken down per quarter)

Contracts	Start of Tendering	Signature of contract	Project Completion
Contract	T + 1Q	T + 4Q	T + 12Q

All projects should in principle be ready for tendering in the 1ST Quarter following the signature of the FA

6. Cross cutting issues (where applicable)

Equal opportunities

Implementing organisations will be encouraged to take the different roles and responsibilities of men and women into consideration when planning interventions. Considering the special difficulties faced by women engaged in business activities such as production, manufacturing, trading, enterprise development etc. special measures to address the needs of women will be pursued.

Environment

Managing businesses in an environmentally sustainable way is a requirement across the EU. The training courses and consultancy services developed under Component 1 of this programme will include modules and issues which directly relate to environmental good practice for SMEs. The development of environmentally efficient practices and adoption of environmental technology will be covered under Component 2. Those placed in EU companies under Component 3 will also be requested to identify issues related to environmental sustainability which are being implemented in EU companies.

Minorities and vulnerable groups

The project will not discriminate in any way against individuals wishing to participate in the project activities on account of their race, religion or ethnicity. The project technical assistance will be expected to provide information on those participating in the training and consultancy programmes so that any issues related to the participation of minority and vulnerable groups and be identified and appropriate corrective action taken.

ANNEX I: LOGFRAME PLANNING MATRIX FOR Project Fiche	IMPROVED SME COMPETITIVENESS AND INNOVATION	
	Contracting period expires 3 years after the signature of the Financing Agreement	Disbursement period expires 6 years after the signature of the Financing Agreement
	Total budget : 3.000.000 EUR	IPA budget: 3.000.000 EUR

Overall objective	Objectively verifiable indicators	Sources of Verification	
To contribute to the development of the SME sector and improve the competitiveness of new and existing businesses	<ol style="list-style-type: none"> 1. Serbian macroeconomic and microeconomic indicators 2. Number of new SMEs established 3. Number of new jobs created 4. Increased tax revenues from SMEs 5. Increased number of innovative SMEs 	<ol style="list-style-type: none"> 1. Statistical reports from Republic Statistical Office and Ministry of Economy annual and periodic reports, etc. 2. Statistical reports from Serbian Business Registers Agency 3. Reports on implementation progress, EU Charter for Small Enterprises 4. Serbian Tax Office reports 5. Republic agency reports 	
Project purpose	Objectively verifiable indicators	Sources of Verification	Assumptions
Component 1: Improved quality, range and availability of business support services in Serbia (for newly established and existing SMEs and entrepreneurs) by creating a standardised model and improving the business support infrastructure.	<u>Comp. 1</u> <ol style="list-style-type: none"> 1. Standardised range of business support services developed and in place 2. Efficiency and client satisfaction improved (SMEs and entrepreneurs) 3. Quality standards for the delivery of business support services developed and applied successfully 4. System for the approval and certification of business support service providers developed and established successfully 5. Compliance with EU standards achieved 	<ol style="list-style-type: none"> 1. Republic Agency and regional agencies/centres/offices activity reports 2. Activity reports and client surveys 3. Clients surveys and monitoring and evaluation reports 4. Republic Agency activity reports 5. EU charter policy paper and EU standards in business support services 	Effective Government measures for improvement of business environment in Serbia

<p>Component 2:</p> <p>Strengthening the institutional capacity and support framework for increased level of innovation in enterprises</p>	<p><u>Comp 2</u></p> <ol style="list-style-type: none"> 1. Number of institutions in government administration (policy making institutions, public officers) trained to develop and co-ordinate policies affecting enterprise competitiveness, innovation, export and investment 2. Number of business and innovation support organisations trained to implement government policies and provide services 3. Cooperation activities, meetings and raising awareness actions on competitiveness, innovation and export Promotion events and actions conducted 	<ol style="list-style-type: none"> 2.1 Republic Agency and regional agencies/centres activity reports 2.2 Republic Agency and regional agencies/centres activity reports 2.3 Internal Agency reports 2.4 Promotion materials, reports and media reports 	<p>Effective Government measures for improvement of business environment in Serbia through developing institutions for improvement of competitiveness</p>
<p>Results</p>	<p>Objectively verifiable indicators</p>	<p>Sources of Verification</p>	<p>Assumptions</p>
<p><u>Comp. 1</u></p> <ol style="list-style-type: none"> 1. - Standard Set of Services Established by RASME to be Delivered by Regional SME and Development Agencies 2. Established and Implemented Quality Standards for the delivery of Business Support Services <p><u>Comp. 2</u></p> <ol style="list-style-type: none"> 1. - Improved capacity of the 	<p><u>Comp. 1</u></p> <ol style="list-style-type: none"> 1. Manual of BSS for SMEs and entrepreneurs developed and published 2.1 Quality standards manual for the delivery of the BSS developed and published 2.2 Regulatory documents and relevant regulation for the certification of consultants <p><u>Comp. 2</u></p> <ol style="list-style-type: none"> 1. Number of trainings and 	<p><u>Comp. 1</u></p> <ol style="list-style-type: none"> 1. Document adopted by the RASME and MoERD 2. Document adopted by the RASME and MoERD 3. An electronic data bases fully operative Serbian network of business service providers established. 	<ol style="list-style-type: none"> - Existing and new regional agencies/centres sustainable and operational - Management and staff of regional agencies/centres dedicated to the implementation of the new procedures and services

<p>governmental institutions to develop and co-ordinate policies affecting competitiveness and innovation of enterprises</p> <p>2. Improved capacity and competence of business and innovation support organisations (BISOs) to provide general and specialist innovation services which would improve enterprise competitiveness</p> <p>3. Pool of certified Business Support Providers Created</p> <p>4. Established and well-coordinated nation-wide networks of specialized innovation and business service providers</p> <p>5. Increased level of awareness of enterprises of the importance of innovation for productivity growth and profitability, access to sources of technological information and improved access to the innovation support services designed to enhance their competitiveness and productivity</p> <p>6. Innovation scanning in selected regions in Serbia completed</p>	<p>capacity building for government administration institutions (at least 225 participants on national and local level trained trough 6 trainings)</p> <p>2. Number of trainings and capacity building for business and innovation support organisations (15 basic training courses for 300 participants and 15 advanced training courses for 300 participants)</p> <p>3. Data bases of business service providers established (at least 450 service providers in the data base)</p> <p>4. Number of Business and Innovation Support Providers in the established network(at least 200)</p> <p>5. Awareness of enterprises on innovation related issues raised (increased number of SMEs contacting institutions within the innovation support network)</p> <p>6. Identified measures for improving level of innovation and removing existing gaps in a number of selected enterprises (5 000 SMEs within the innovation scanning procedures)</p>	<p>Comp. 2</p> <ol style="list-style-type: none"> 1. Training evaluation reports 2. Training evaluation reports 3. Database of Business and Innovation Support Providers 4. Enterprise surveys 5. Reports of innovation scanning 	<p>Comp. 2</p> <p>Management and staff of government administration institutions dedicated to the project objectives, willing to cooperate and strengthen links among institutions</p>
<p>Activities</p>	<p>Means</p>	<p>Costs</p>	<p>Assumptions/ Remarks</p>
<p>Comp. 1</p>	<p>Comp. 1</p>	<p></p>	<p>Comp. 1</p>
<p>1.1. - Standard Set of</p>	<p>1. Expert team (RASME and regional</p>	<p>One TA service contract, total value 3.000.000 EUR</p>	<p>- Current operational</p>

<p><u>Services Established by RASME to be Delivered by Regional SME and Development Agencies</u></p> <p>1.1.1 Perform Business Support Services needs assessment</p> <p>1.1.2. Develop and produce the set of Business information and advice services – including the provision of sign-posting, information on standards and regulations, market and technology information, intellectual property protection, search for partners, export support, technology transfer and product development – targeted at new and developing businesses</p>	<p>agencies/centres/offices and local and international consultants) will conduct needs assessment through desk and field research (Q1)</p> <p>2. Expert team will elaborate results of needs assessment, relevant benchmarking and best practice, and lessons learned to a unique set of standardised set of services (Business Support Services) and eventually to a BSS Manual for SMEs (Q1 + Q2)</p>		<p>processes properly put in force in order to create a sustainable and operational system</p>
<p><u>1.2. Established and Implemented Quality Standards for the delivery of Business Support Services</u></p> <p>1.2.1. Define Quality standards for the delivery of business support services in accordance with EU standards</p> <p>1.2.2. Define appropriate ‘benchmarks’ for Regional SME and Development Agencies Define appropriate ‘benchmarks’ for all business support providers</p> <p>1.2.3. Establish Quality monitoring and inspection system by RASME and undertake initial ‘quality control’ of all Regional SME and Development Agencies</p>	<p>1. Team of experts (3 local and 1 international expert) developing quality standards by using EU experience (Q1 + Q2)</p> <p>2. Training in Quality Standards for staff of Republic Agency and regional agencies/centres/offices by experts in specific fields (Q2)</p> <p>3. Benchmarks defined according to EU standards by Team of experts (3 local and 1 international expert) (Q1 + Q2)</p> <p>4. Monitoring and control of the system Team of experts (3</p>		<p>- Internal and external experts performance and execution according to the plans</p>

	local and 1 international expert) (Q3 + Q4)		
	1.		- Legal framework for certification body and processes in place
<p><u>Comp. 2</u></p> <p><u>2.1. - Capacity building of public institutions</u></p> <p>2.1.1 Provide practical assistance in developing effective mechanisms for continuous inter-ministerial policy co-ordination and learning in all policy areas affecting enterprise competitiveness (such as innovation, regional, industrial, trade, FDI, enterprise, environmental, ICT and other policies)</p> <p>2.1.2. Analyse training needs of civil servants related to innovation policy development and implementation, as well as related policy areas (competition, trade, education, R&D, standards, environment, export, investment, WTO, CEFTA, etc)</p> <p>2.1.3. Develop related training plans to increase effectiveness of policy-making, programming and co-ordination, and the delivery of information and public services to enterprises</p> <p>2.1.4. Deliver training and technical support to policy-makers at the national and local levels</p>	<p><u>Comp. 2</u></p> <p>1. Technical assistance and strengthening links between institutions for the development of effective mechanisms in enterprise competitiveness through meetings, focus groups, round tables and workshops (Q1 + Q2)</p> <p>2. Training needs assessment of civil servants related to innovation policy areas (Q1 + Q2)</p> <p>3. Development of training plans and modules for civil servants for increase of effectiveness in innovation related activities (Q2 + Q3)</p> <p>4. Delivery of training and technical support to policy makers at the national and local levels through workshops, seminars, round tables, study tours, manuals and handbooks with examples or best practice, mentoring and individual consultations (Q3 + Q4)</p>		<p><u>Comp. 2</u></p> <p>-Willingness of all relevant stakeholders (ministries, agencies, institutes...) to cooperate</p>

<p>2.1.5. Assistance to the Government of Serbia in establishing the “Innovation Watch” programme.</p> <p><u>2.2. - Capacity building of business and innovation support organisations (BISOs)</u></p> <p>2.2.1 Define and identify key specialised business and innovation support institutions in Serbia</p> <p>2.2.2. Assess the business support institutions’ capacity to deliver a wide range of services to support private sector competitiveness</p> <p>2.2.3. Analyse training and capacity building needs of business support institutions</p> <p>2.2.4. Agency selecting BISOs and their operations. Selection and grouping of BISOs for relevant training sessions and courses based on the training needs analysis results</p> <p>2.2.5. Deliver training to BISOs (seminars, workshops, study tours and round tables for exchange of experience and best practice on the relevant topics</p> <p>2.2.6. Encourage and provide assistance to BISOs wishing to join international business and innovation support networks and access EU and other funding</p>	<p>5. Technical assistance to develop methodology and procedures for regular innovation statistical surveys, to undertake specific surveys and to provide analytical reports as part of the informed policy development process (Q1 + Q2)</p> <p>1. Survey of innovation-related innovation and business support institutions (Q1)</p> <p>2. SWOT analysis and assessment of capabilities of determined business and innovation support organisations in terms of support to private sector competitiveness (Q1)</p> <p>3. Training and capacity building needs assessment of business related institutions, particularly related to :</p> <ul style="list-style-type: none"> - Business and innovation diagnostic methods and tools - Provision of technology and market information - Market research and analysis - Innovation management training for enterprises - Consultancy skills (general and specialised, e.g. strategic marketing, management of innovation, change management, idea generation and product development, intellectual property, quality and standards, certification, environmental issues, etc.) - Technology transfer (spin-offs, spin-outs and licensing) - Export support - Investor relations support - Partner search for innovation and R&D projects - Access of enterprises to Community Programmes like CIP and FP7, to be completed in Q2 <p>4. Selection of BISO by the Agency and selection and grouping of BISOs for relevant training sessions and courses based on the training needs analysis results Q3</p>		<p>- Business and innovation support institutions dedicated and fully participating in capacity building</p>
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<p><u>2.3. Pool of certified Business Support Providers Created</u></p> <p>2.3.1. Create regulatory document and relevant regulation for the certification of consultants</p> <p>2.3.2. Process of certification of business support providers</p> <p>2.3.3. Establish nation-wide network of all business support organizations and consultants</p> <p>2.3.4. Develop data bases as well as web portal that will provide on-line information for SMEs and entrepreneurs</p> <p>2.3.5. Establish regular quality monitoring system to be implemented by RASME and MoERD, and independent assessment organisation</p> <p><u>2.4.- Development of the nation-wide innovation support network (portal)</u></p> <p>2.4.1 Establish a nation-wide Innovation Support Network (with a web-portal) to provide access to the following:</p> <p>2.4.2 An integrated, searchable and regularly updated databases of all innovation support organisations and innovation</p>	<p>5. Delivery of trainings to BISOs Q3</p> <p>6. Assistance to BISOs in joining international business and innovation support networks (Q3.... + Q8)</p> <p>1. Team of experts (3 local and international expert) creating a regulatory document and relevant documentation (Q1+Q2)</p> <p>2. In accordance with the procedures defined in the regulatory document, certification body conducts the process (application, testing and certification) (Q4)</p> <p>3. RASME initiating and implementing the process of establishing network-association of business support organisations and consultants (Q4)</p> <p>4. Contracted design and implementation of database and web portal development (Q4)</p> <p>5. Monitoring and inspection body (consisting of RASME and MoERD) performs periodical control of certified providers (Q7)</p> <p>1. Establishing an Innovation Support Network with the web-portal</p> <p>2. Compilation of relevant database of innovation support institutions and consultants for the web-portal</p> <p>3. Compilation of relevant documentation and training</p>		<p>- Commitment of relevant members of Innovation Support Network</p> <p>- Commitment of all relevant stakeholders in promotion</p>
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<p>consultants in Serbia</p> <p>2.4.3. An electronic library of methodological and training materials accessible on-line on a membership basis. The materials should be developed with the help of BISOs, on a competitive basis</p> <p>2.4.4. Online 'business and innovation market' for match-making of products and technologies (requests and offers). This activity should be linked to the activities of the Innovation Relay Centre (IRC) and other existing technology transfer organisations</p> <p>2.4.5. Established and expanding links to sources of innovation and business support in other countries</p> <p><i><u>2.5. – Promotion and awareness of competitiveness through innovation</u></i></p> <p>2.5.1 Develop and implement public awareness campaigns aimed at improving innovation and competitiveness in business</p> <p>2.5.2. Improve government information materials, web-sites and information services to ensure up-to-date information is easily available to enterprises. Provide access to these materials through the Innovation Support Portal</p> <p>2.5.3. Organise events, national fairs/conferences where innovation and business support organisations from all over Serbia could exchange their experience, knowledge and</p>	<p>materials for web-portal</p> <p>4. Establishing mechanisms and data for online "business innovation market"</p> <p>5. Establishing and strengthening links with international innovation and business support systems (Q3 + Q4)</p> <p>1. Public awareness campaigns on innovation and competitiveness in business, Innovation Support Network and web-portal (Q5,Q6,Q7,Q8)</p> <p>2. Coordination of relevant government institutions and their sources of expertise and mechanisms with the Innovation Support Network (Q5)</p> <p>3. Strengthening links between business and innovation support organisations and business community through conferences, fairs and workshops (Q5,Q6,Q7,Q8)</p>		<p>- Commitment of all relevant stakeholders in innovation scanning of selected regions</p>
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<p>establish face-to-face contacts with potential partners and clients</p> <p><u>2.6. – Innovation scanning in selected regions in Serbia completed</u></p> <p>2.6.1. Training course in European Innovation Scoreboard methodology</p> <p>2.6.2. Definition of methodology, selection criteria for businesses, and creation of questionnaire</p> <p>2.6.3. Survey of selected companies in all regions covered by regional agencies/centres/offices</p> <p>2.6.4. Design of the database for survey/survey data processing and analysis of results</p> <p>2.6.5. Report on innovation potentials in selected companies</p> <p>2.6.6. Workshop – proposing measure for raising the level of innovation and removing existing gaps</p>	<ol style="list-style-type: none"> 1. Training course will be conducted for regional SME development agencies/centres/offices in the methodology European Innovation Scoreboard (14 existing + 12 new) (Q1) 2. Team of local experts experienced in European Innovation Scoreboard Methodology will define methodology, selection criteria and questionnaire (Q1 + Q2) 3. Teams consisting of 5 staff of each regional agency/centre/office will conduct surveys in their regions based on defined methodology and questionnaire (Q2 + Q3) 4. Creation of the database will be contracted and data input and processing will be conducted bgy teams of each regional agency/centre/office (Q3 + Q4) 5. Teams of each regional agency/centre/office will create reports on innovation situation in their regions (Q5) 6. Final workshop will be organised for the presentation of final innovation results, discussions and proposal of measures and actions (Q5) 		
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**ANNEX II: amounts (in €) Contracted and disbursed by quarter for the project
(IPA contribution only)**

Contracted	QR1	QR2	QR3	QR4	QR5	QR6	QR7	QR8	QR9	QR10	QR11	QR12	Total
Contract 1.1				3.000.000									3.000.000
Cumulated				3.000.000									3.000.000
Disbursed													
Contract 1.1				300.000		675.000		675.000		675.000		675.000	3.000.000
Cumulated				300.000		975.000		1.650.000		2.325.000		3.000.000	3.000.000

ANNEX III

Institutional framework – legal responsibilities and statutes

The **Ministry of Economy and Regional Development** (MOERD) is the policy making body responsible for defining and implementing the overall economic development policy, including the SME development strategy, foreign direct investment strategy, employment policy etc. This ministry is made of five departments: International economic relations, Regional Development, Employment, Tourism and Industry. The Ministry mandate covers 6 other bodies dealing with sector specific policy implementation, namely: Privatization Agency, Business Registration Agency, Export Insurance and Financing Agency, Agency for the Development of Small and Medium-Sized Enterprises and Entrepreneurship, Serbia Investment and Export Promotion Agency, Bankruptcy Supervision Agency and the Tourist Organization of Serbia.

Serbian Agency for the Development of Small and Medium-sized Enterprises and Entrepreneurship was established by the Law on the Agency for the Development of Small and Medium-sized Enterprises ("RS Official Gazette" no. 65, November 23, 2001). The Agency is established with the basic aim to support (help, advise and protect) the development and interests of SME sector, which should contribute to balancing of economic structure, invigorating of economic development and revival of economic flows in the country.

- Support to the creation of enabling environment for SME development
- Participating in the creation of republic regulations and creation of institutional (market) infrastructure for the establishment and development of SMEs
- Direct non-financial support for SMEs (consulting, info, matchmaking, networking, facilitation of access to finance&)
- Preparation and realisation of educational programmes for trainers and for training of entrepreneurs and SME managers (trainings for unemployed, training of trainers, mentoring...)
- Coordination of the Republic Network of regional agencies/centres
- International cooperation
- Promotion of entrepreneurship
- Support for SMEs in the area of new technologies and support to their innovation activities (creating links between R&D, universities and SMEs)

Ten regional agencies and centres were founded in the period December 2001-December 2002, with the support of EAR (Kragujevac, Nis, Krusevac, Zajecar, Zrenjanin, Uzice and Belgrade), GTZ (Novi Sad and Subotica) and SDC (Novi Pazar). In 2003, the Serbian Government founded the Regional Agency 'Sombor' (covers the territory of the South Backa District). The Serbian Government is also a co-founder of seven regional centres (Zajecar, Zrenjanin, Uzice, Beograd, Kragujevac, Nis, and Subotica). In 2004, regional agencies (Vranje and Leskovac) were founded with ILO support. Their founders are relevant factors from the territories they cover (local governments, regional chambers of commerce, association of entrepreneurs, business associations, banks, institutes, faculties etc.). In April 2007 Regional Centre d.o.o. Sabac for the territories of Macva and Kolubara districts was founded. This regional centre was founded by eight municipalities from the mentioned districts and the Regional Chamber of Commerce from Valjevo, with the support of UNDP. In May 2003. Republic Agency established the Republic Network for non-financial support to SMEs sector in Serbia, consists of regional agencies/centers.

The basis of the **institutional infrastructure for non-financial support** to SMEE is the Republic Agency for the development of SMEE with 13 regional agencies/centres and a new regional centre in Sabac joined to the Agency in 2007. The joint action of the Republic network is carried out according to the project task approved by the responsible Ministry of Economy and regional development. Republic agency established during 2007. 6 offices in Kraljevo, Subotica, Sremska Mitrovica, Nis, Pozarevac and Loznica and will open 6 more in order to complete the institutional network for support SMEs and entrepreneurs in Serbia.

Law on ministries (article 10.regulates the mandate of MOERD)

Law on Serbian Agency for the Development of Small and Medium-sized Enterprises

Law on Innovation

ANNEX 4: REFERENCE TO LAWS, REGULATIONS AND STRATEGIC DOCUMENTS:

Laws/Regulations adopted:

- Labour Law, 2005
- Law on Ministries, 2007
- Law on the Agency for the Development of Small and Medium Enterprises, 2001
- Statute of the Republic Agency for the Development of Small and Medium Enterprises, 2001
- Law on Innovation, 2006
- Foreign Investment Law, 2005

Reference to AP (applies only to Candidate Countries, not applicable to Serbia, which is a Potential Candidate Country)

Reference to NPAA (applies only to candidate countries, not applicable to Serbia which is Potential Candidate Country)

Reference to European Partnership

European Partnership emphasises the need to adopt mechanism for institutional support to SMEs and entrepreneurship development. As defined by “Council Decision of 30 January 2006”, Serbia has to continue implementing the European Charter for Small Enterprises and to:

- “Further develop local/regional business support structures (clusters, incubators, business/technology parks” (p. 40);
- Implement civil service human resources development measures. Strengthen capacity (policy-making and inter-ministerial coordination) of the public administration at government and local level... Strengthen the economic policy-making process”(p. 43);

This programme addresses several key objectives as highlighted in the European Partnership, specifically those intended to strengthen the business environment to promote the development of the private sector and employment as short and medium term priorities. Further aspects include:

- Increased efforts to create a modern vocational education and training system and to improve the overall education system;
- Implementing the European Charter for SME and further develop local and regional business support structures, such as clusters, business incubators and technology parks.

In response the European Partnership, the **Government of Serbia’s plan adopted in April 2006** identifies the following relevant priorities:

- Strengthened European integration structures at all levels and improved co-operation between them;
- Strengthen policy-making capacity and inter-ministerial coordination at government and local levels;
- Strengthened economic policy-making process;
- Strengthen the business environment to promote the development of the private sector and employment with competitive markets;

Reference to SAA

The SAA negotiations opened in October 2005 were subsequently called off in May 2006 since Serbia and Montenegro did not meet agreed political conditions for the process to be continued. After the recent positive developments and encouraging signs for co-operation of Serbia with the ICTY, the beginning of new talks on the SAA with the European Commission is planned for mid-June 2007.

“The development of SMEs in Serbia is important because of the social nature of the SME sector, i.e. because it would create job opportunities for special categories (young people, women, pensioner, the disabled, etc.). This complies with the structural adjustment of the economy, following the example of the economies of the EU countries. Lisbon Strategy has marked the SME sector as one of the pillars of economic growth of the EU” (p. 107)

Reference to MIPD

The Multi-Annual Indicative Planning Document 2007-2009 (MIPD) addresses the strategic priorities and objectives as presented in the European Partnership document for Serbia, Serbia's Action Plan for the Implementation of the Priorities of the European Partnership, as well as other relevant strategic documents of the Serbian government, highlighting programme objectives, expected results and conditionality in the priority areas of co-operation for the period 2007-2009.

One aspect to be kept in mind is that donor co-ordination is of key importance to avoid overlaps between projects, notably in the sphere of (management) training and business / company support as stated in the MIPD. Furthermore, lessons from previous projects and funding instruments such as PHARE suggest that major project success is depending on “buy-in” from the relevant stakeholders and institutions.

Of particular relevance for private sector support are the EC priorities, objectives and results presented in the MIPD under IPA Component 1 “Transition Assistance and Institution Building” (Chapter 2.2 of MIPD) specifically in the fields of:

1. Business and SME support:

- Enable access to services, capital and know-how, and support to competitiveness, including investment and import/export promotion;
- Develop a competitive Serbian business environment and industry capable of sustaining the competitive pressure of the European market;
- Develop Serbia's capacity to benefit from the knowledge based society;
- Develop local/regional business support structures (clusters, incubators, business/technology parks, etc.) in order to promote business, research and innovation related activities and public services;
- Develop and implement Serbia's industrial, innovation and FDI strategies and action plans;
- Promote FDI and export- oriented companies;
- Assist SME and Regional Economic Development Support institutions.

2. Economic and cultural links:

- Promoting business related activities and public services and to facilitate economic and cultural links within Europe.

Relevant expected results, as stated in the MIPD, include the improved co-operation between educational institutions and business, improved investment climate and business environment through support to SME and overall SME development.

Among the annual programmes 2007-2009 to be implemented in pursuit of these objectives, internships/ placements in EU companies as well as support to the implementation of corporate restructuring, turn-around management and business advisory actions can be found. Additionally, activities include support to VET and functional education for adults in a life-long learning concept.

The interventions supported in the area of education and training shall be implemented in close co-ordination with the Tempus programme, which will be part of the Multi-Beneficiary MIPD 2007-2009. The dissemination and exchange of best practice in the targeted areas should be further enhanced.

“Enhancing the investment climate and support to small and medium sized enterprises through a favourable legislative and policy framework, economic environment, access to services, capital and know-how, and support to competitiveness, including investment and import/export promotion. Support to job creation potential in specific branches and activities related to tourism. Develop national institutional capacities for the implementation of anti-trust policy, a competitive Serbian business environment and industry capable of sustaining the competitive pressure of the European market. Develop Serbia's capacity to benefit from the knowledge based society. Further develop local/regional business support structures (clusters, incubators, business/technology parks, etc.) in order to promote business, research and innovation related activities and public services. Development and implementation of Serbia's industrial, innovation and FDI strategies and action plans. Promotion of FDI and export- oriented companies. Assist SME and Regional Economic Development Support institutions.” (p. 19)

Reference to National Development Plans

The National Strategy for Economic Development of Serbia 2006-2012 is the first development document defining, in a consistent and integral way, the country's basic development priorities.

The main development goals are to increase the standard of living of all citizens as well as dynamic and sustainable economic development. This implies the basic strategic orientations:

1. Creating an attractive business environment as a basic condition for increasing the overall competitiveness of Serbian economy, i.e.
 - Pursuing of all transition and reform processes that could activate the country's development potentials – human, material and natural - and make Serbia attractive for faster development of the domestic private sector and higher foreign capital inflow (FDI).
2. Knowledge-based development, i.e.
 - Strengthening efforts to bring knowledge as a basic development factor for Serbia, and knowledge-based product innovation, new technologies and system of services into the foreground to foster international competitiveness;
 - Further reforms of education and employment services to link business development needs with the improved supply of educational and training services.

Strategy of Balanced Regional Development – Sustainable development, Enhancement of regional competitiveness, Diminishing regional discrepancies and alleviation of poverty, **chapter VI “Strategy of Institutional Development”**

“Activities to implement local development strategy are:

1. Support to SME development
2. Support to establishment of new companies
3. Promotion of foreign and local investments
4. Promotion of cluster development
5. Improvement of infrastructure (...)
6. Other support measures: (...), support to research and development, providing business advisory services, providing access to finance, support to establishment and development of business associations, enabling business links (...)” (p. 185)

Strategy for the Development of SMEs and Entrepreneurship in Serbia, 2003 – 2008

“The priority objective of the Strategy for the Development of Small and Medium-sized Enterprises and Entrepreneurship in the Republic of Serbia is to create a framework for the development of a sustainable, internationally competitive and export oriented SME sector” (p. 3)

Programme for Business Incubators and Clusters Development in the Republic of Serbia 2007 – 2012 (December 2006)

“The Programme’s objective is to generate new jobs, new enterprises and increase competitiveness through development of entrepreneurs, enterprises and SME institutions in the Republic of Serbia.” (p. 6)

Strategy for Competitive and Innovative SMEs (to be approved in Q1-2008)

“**MEASURE 2:** Improving and capacity building of the network of regional SME development agencies” (p. 42)

Pillar 4: “Competitive advantages of SMEs in export markets – innovation, quality, cluster development and subcontracting” (p. 28)

The project also directly links to the following key government strategies and action plans:

- National Employment Strategy 2005-2010;
- National Plan of Employment Activities for the period of 2006-2008;
- National Action Plan for Education;
- National Strategy for the Development of Vocational Education (under preparation), i.e. “White paper” for new strategy in Education and VET has been approved, Action Plan still to be endorsed;
- Nis: Strategy of local economic development will be completed till the end of July – on the basis of Study of Local Economic Development, prepared by World Bank project (EPP). In the Strategy key economic sectors and branches will be determined;
- Action Plan on SMEE Development for 2005 – 2007.

Copenhagen Economic Criteria: enabling businesses to sustain the pressure of EU business competitiveness it emphasizes the importance of taking actions that will increase the competitiveness of domestic enterprises, in accordance with the procedures, standards and regulations of EU;

Lisbon Agenda (2000): the activities would contribute to the fulfilling of the ambitious goals of the Lisbon Strategy of making the European economy the most competitive and dynamic knowledge-based economy in the world, capable of sustainable economic growth with more and better jobs and greater social cohesion, by 2010

Barcelona Objective (2002): investment in European research and development (R&D) must be increased with the aim of approaching 3% of GDP by 2010, with the level of business R&D funding increased to two-thirds of total R&D investment. Building capacity of key stakeholders to manage innovation and to develop effective innovation policies will contribute to greater competitiveness and stimulate business R&D.

ANNEX 5

Within the single technical assistance service contract, the following will be delivered:

- Business support services need assessment
- Creation of the standardized training program
- Perform needs assessment, benchmarking and best practice assessment to generate standardized set of services
- Provide monitoring and quality control
- Provide assistance in the establishment of service provider certification body with all necessary procedures, regulations and certification regulations
- Assist in the development of a nation-wide BSO network
- Develop a Support Services Voucher Scheme (researching international best practices and designing rules and procedures for operation of the scheme)
- Development of methodology and procedures for the establishment of “Innovation Watch”
- Provide support to business and innovation support organizations (BSIOs), perform SWAT analysis, and coordinate links between government institutions, intra-institutional links, links with innovation support organizations and links innovation organizations and business.
- Support the development of the Innovation Support Network and assist it in developing international linkages.
- Design, implement and provide supervision of Management Traineeship scheme (including the identification of competitive Serbian companies and matching EU based companies).
- Assist in the creation of a Management Trainee Alumni (EUROPA Alumni)
- Design a set of databases and interlinked web portals
- Conduct training needs analysis
- Create training materials
- Provide logistics for and organize various trainings, seminars and workshops.
- Perform training (to project partners, BSIO, support organizations and SMEs)
- Organize and provide logistics for study tours
- Conduct promotion and raise awareness to the particular project components goals and activities
- Provide visibility of the program and all its components.