



This action is funded by the European Union

ANNEX 4

of the Commission Implementing Decision on the ENI East Regional Action Programme
2016 and 2017, Part I

Action Document for Integrating SMEs from the EaP countries into domestic and global value chains

1. Title/basic act/ CRIS number	Integrating SMEs from the EaP countries into domestic and global value chains CRIS number: ENI/2016/039-369 financed under European Neighbourhood Instrument			
2. Zone benefiting from the action/location	The action shall be carried out at the following location: Eastern Partnership countries (Armenia, Azerbaijan, Belarus, Georgia, Republic of Moldova ¹ and Ukraine)			
3. Programming document	Programming of the European Neighbourhood Instrument (ENI) 2014-2020- Regional East Strategy Paper (2014-2020) and Multiannual Indicative Programme (2014-2017)			
4. Sector of concentration	Trade Related Technical Assistance - Aid for Trade			
5. Amounts concerned	Total estimated cost: EUR 6 000 000 Total amount of EU budget contribution EUR 6 000 000			
6. Aid modality(ies) and implementation modality(ies)	Project Modality Indirect management with the International Trade Centre (ITC)			
7. DAC code(s)	250 business and other services 25010 Business support services and institutions 331 Trade policy regulations and trade-related adjustments			
8. Markers (from CRIS DAC form)	General policy objective	Not targeted	Significant objective	Main objective
	Participation development/good governance	<input type="checkbox"/>	x	<input type="checkbox"/>

¹ Hereinafter referred to as Moldova.

	Aid to environment	x	<input type="checkbox"/>	<input type="checkbox"/>
	Gender equality (including Women In Development)	x	<input type="checkbox"/>	<input type="checkbox"/>
	Trade Development	<input type="checkbox"/>	<input type="checkbox"/>	x
	Reproductive, Maternal, New born and child health	x	<input type="checkbox"/>	<input type="checkbox"/>
	RIO Convention markers	Not targeted	Significant objective	Main objective
	Biological diversity	x	<input type="checkbox"/>	<input type="checkbox"/>
	Combat desertification	x	<input type="checkbox"/>	<input type="checkbox"/>
	Climate change mitigation	x	<input type="checkbox"/>	<input type="checkbox"/>
	Climate change adaptation	x	<input type="checkbox"/>	<input type="checkbox"/>
9. Global Public Goods and Challenges (GPGC) thematic flags	4. Human development			

SUMMARY

The project will help small and medium sized enterprises (SMEs) from Eastern Partnership (EaP) countries integrate into domestic and global value chains and access new markets with a focus on the European Union. This will be done by (a) assisting SMEs to produce value added goods in accordance with international and EU market requirements; (b) improving sector specific services for SMEs along the selected value chains; and (c) linking SMEs to domestic and global value chains and markets in particular within the EU. Although the agribusiness sector has been preliminary identified as a sector of priority for the region, the specific sectors of intervention for each country will be identified and validated during the inception phases of the project.

As a first step, a detailed roadmap (strategy) will be developed for each country based on thorough value chain analyses of the target product groups to identify major competitiveness constraints and market opportunities. Specific technical assistance solutions will then be developed based on the sector’s needs in each country as well as the requirements of target markets to boost SME competitiveness and increase value added in selected value chains. This will involve comprehensive consultations with sectoral stakeholders from the private and public sectors.

Based on the value chains roadmaps, the project will enhance SME capacities and competencies in areas affecting SME competitiveness, including supply chain management, quality management and packaging, marketing and sales, financing options, trade promotion and trade fair participation. Once improvements are made, the pilot SMEs will be linked to target markets and value chains, domestically and abroad, with particular focus on the EU, in order to ensure that enhanced competitiveness results in increased sales, value chain integration, and diversification. The experience of the pilot group will be shared with a wider group of beneficiaries and best practices will be replicated.

The project will also help SMEs access finance by connecting them to existing financing mechanisms, for example the facilities of the European Investment Bank (EIB) and the European Bank for Reconstruction and Development (EBRD). Steps may be also taken to

stimulate productivity enhancements by facilitating European technology transfer to EaP countries.

Furthermore, the project will support existing sectoral business support organisations (BSOs)² or assist in establishing new ones, if needed, which will act as vehicles to improving SME capacities through the provision of quality and relevant business services. They will receive advisory services, training and coaching in sector-specific market intelligence and provision of various sectoral business development services to SMEs, in particular quality management and certification services according to European requirements.

1. Context

1.1 Sector/Country/Regional context/Thematic area

In the past years the Eastern Partnership countries have achieved significant progress in reforming their economies and integrating into global market place. Closer cooperation with the EU has led to the signing of Association Agreements (AA) including Deep and Comprehensive Free Trade Areas (DCFTAs) with three EaP countries: Georgia, Moldova and Ukraine. The European Union is a key trading partner for most of the EaP countries, accounting for around half of Moldova's imports, more than 30% of goods imported into Azerbaijan and Ukraine, and around 25% of the goods imported into the Georgia, Belarus and Armenia. Similarly, the EU accounted for roughly 50% of all exports from Azerbaijan and Moldova, more than 30% of Armenia's exports, over 25% of exports from Belarus and Ukraine, and 20% of exports from Georgia.

To fully benefit from the opportunities offered by closer economic cooperation with the EU, the EaP countries need to further modernise their regulatory and business environment and ensure that it is harmonised with that of the EU. Businesses simultaneously need to learn to produce goods according to EU standards and requirements. As such, efforts need to be made to enhance SME capacities to design, produce, and promote products that conform to the expectations of the new markets. The three countries that signed an Association Agreement (Georgia, Moldova and Ukraine) face a particular challenge: as their legislatures harmonise their respective food safety laws and technical regulations to those of the EU, SMEs will be required to adapt to the new regulations in order to remain competitive at both domestic and international markets. Should they fail to do this, the lack of compliance could be damaging for local producers as they may lose traditional market share to importers.

Enhancing SME capacities to connect to new value chains is especially pertinent today given recent geopolitical events in the region. SMEs face challenges resulting from the deteriorated business environment and disruption of market linkages, as many SMEs have been cut off from traditional markets and value chains. Although the agribusiness sector has been preliminary identified as a sector of priority for the region, the specific sectors of intervention for each country will need to be identified and validated during the inception phases of the project.

² BSOs include: sector business and trade associations, sector departments within the Chambers of Commerce and Industry and other trade support institutions, quality management institutions (including laboratories), sector-specific consulting companies as well as other formal and informal establishments supporting the sector.

The proposed project will therefore address SME competitiveness constraints providing support to SMEs and BSOs. The project will also help SMEs access global and domestic value chains and markets. Although fostering trade cooperation and value-chain integration between EaP countries and the EU will be the project's ultimate objective, opportunities for increasing intra-regional trade between the six beneficiary countries will be investigated as well. To this end, the project may look for ways to increase value addition through intra-regional value chain integration.

If needed, potential support can also be provided on ad hoc basis in the context of countries World Trade Organisation (WTO) accession process and in terms of compliance with specific WTO requirements (for Belarus and Azerbaijan).

1.1.1 Public Policy Assessment and EU Policy Framework

The project seeks to directly address the EU priority of greater economic integration with its eastern neighbours. Launched in 2004, the European Neighbourhood Policy (ENP) was designed to help the EU support and foster stability, security and prosperity in the countries closest to its borders. At the last review of its ENP in 2015, the EU introduced its renewed approach to its neighbouring countries, with differentiation and greater mutual ownership being the key elements of the new ENP. The ENP will take stabilisation as its main political priority in this mandate. Economic and social development will be at the heart of the EU's contribution to stabilising the neighbourhood and building partnerships.

In 2009, the EU and its six Eastern partners (Armenia, Azerbaijan, Belarus, Georgia, Moldova, and Ukraine) launched the Eastern Partnership, based on a commitment to fundamental values a market economy, sustainable development and good governance. Since then, the EaP has developed into a vibrant forum for exchange and cooperation on issues ranging from trade to energy, transport and education or environment. The 2015 EaP Summit in Riga listed the strengthening of institutions and good governance, mobility and people-to-people contacts, market opportunities and interconnections as shared priorities which will be taken forward with partners.

The signing of agreements on a Deep and Comprehensive Free Trade Area, as part of Association Agreements with three EaP countries, Ukraine, Georgia, and Moldova, will allow close economic integration with the EU. As set out at the Eastern Partnership summits in Vilnius in 2013 and Riga in 2015, the implementation of AA/DCFTAs, accompanied by reforms, will result in the partners' comprehensive approximation with international standards and EU legislation and standards. This will lead to the gradual economic integration of partners in the EU internal market and therefore to the creation of an economic area. However, for other partners who do not currently wish to pursue such a model, other alternatives will be sought to promote integration and strengthening trade and investment relations.

Having recognised the role that SMEs can play in furthering growth in the EaP countries, the EU launched the SME Flagship Initiative in 2009. This wide-ranging initiative supports SMEs in EaP countries to address common challenges, access finance, and enter new markets. Today, the initiative sponsors over EUR 100 million of active projects. Those countries that signed AAs have access to an extended program through the DCFTA Facility for SMEs.

The project will also support the goal of economic integration and trade between the EaP and EU by helping SMEs meet EU market requirements, connecting EaP SMEs to EU buyers and investors, facilitating technology transfer, building networks between EaP and EU trade and investment support institutions, and promoting investment between the two regions. The project will therefore also respond to the EURONEST Parliamentary Assembly key recommendations to enhance intra-regional cooperation and integration³. This project would also be in line with the EC Communication "Trade for All"⁴ which calls for more responsible, effective, more transparent to continue delivering economic opportunities.

The project shall support partner countries' economic priorities (as evidenced in the roll out of the ENP review- economic development) and existing strategies (i.e. SME development, regional development, agriculture, rural development or other relevant sectoral strategies depending on the results of the inception period and value chains selected).

1.1.2 Stakeholder analysis

The project will work with a wide array of stakeholders from both the public and private sectors in order to ensure a holistic approach to value chain and trade development. Direct beneficiaries will include SMEs and sectoral BSOs and other sector representative bodies.

The sector as well as the beneficiary SMEs will be chosen during the initial phases of the project according to a variety of criteria such as market and export readiness, level of cost-sharing, and commitment to investing time and resources in implementing project recommendations. The project may also apply other criteria, such as women ownership and the number of women employed to ensure that women are benefiting from the project.

In addition to providing direct assistance and coaching to the pilot group of SMEs, the project will also include a broader group of enterprises in its seminars and workshops. This will ensure a wider dissemination of information and knowledge, thereby contributing to the project's sustainability. The selection of enterprises will be done in cooperation with the projects partner BSOs.

The ultimate beneficiaries of the project's interventions will be the general populations in EaP countries. By improving competitiveness and connecting SMEs to target markets and value-chains, the project will lead to increased trade and improved investment opportunities in EaP countries. In addition, the project will result in numerous spill-over effects such as increased job creation and earning opportunities, improved health and safety for local consumers (as local quality management processes and infrastructure are harmonized with those of the EU), improved public-private dialogue, greater coordination between governmental institutions, institutional networking and knowledge transfer.

1.1.3 Priority areas for support/problem analysis

³ Euronest [Draft report on EU multiannual financial perspectives and their impact on economic cooperation among Eastern Partnership countries](http://www.euronest.europarl.europa.eu/euronest/webdav/site/mySite/shared/general_documents/fifth_ordinary_session_2016/draft%20reports/econ_draft_report_2016_en.pdf), 17.12.2015, http://www.euronest.europarl.europa.eu/euronest/webdav/site/mySite/shared/general_documents/fifth_ordinary_session_2016/draft%20reports/econ_draft_report_2016_en.pdf.

⁴ http://trade.ec.europa.eu/doclib/docs/2015/october/tradoc_153846.pdf

While SMEs challenges in specific sectors may differ from country to country, SMEs in all six countries also share the following common constraints that hinder their competitiveness and prevent them from accessing global and EU markets and value chains.

Limited awareness of SMEs and BSOs on the global market requirements, in particular EU

In order to successfully produce and sell goods in accordance with market demand, SMEs must rely on accurate and up-to-date trade information which allows them to design products according to consumer preferences, ensure that standards and requirements are met and devise effective sales and marketing strategies. Most SMEs in the beneficiary countries have limited access to such information as well as a limited understanding of international and European market requirements.

In addition, SMEs in DCFTAs countries often fail to understand the scale and scope of changes resulting from AA/DCFTA compliance and new market access conditions, and how they will be practically affected by the agreements⁵. On the other hand, there are only few BSOs with knowledge of AA/DCFTA in any of the three countries and therefore BSOs themselves need support in this area, in particular, in provision of targeted and sector specific data.

Limited capacity of SMEs to meet market requirements, in particular those of the EU (including DCFTA requirements for Ukraine, Georgia, and Moldova)

Although some larger enterprises have succeeded in interpreting and conforming to international and European quality requirements, SMEs have thus far found it difficult to meet the voluntary and mandatory conditions for selling their goods in the EU and/or to become providers of international investors active in their respective countries (in particular sanitary and phyto-sanitary - SPS - and technical barrier to trade - TBT - measures). For many SMEs the challenge is to shift from meeting CIS requirements to meeting those of Europe. Particularly, SMEs in the DCFTA countries lack technical capacity and resources to comply with AA/DCFTA requirements and find it difficult to justify the relatively high compliance cost. To address this challenge, SMEs do not only need reliable information and knowledge of the change required, but also strategy for implementation and compliance, internal management and process changes, investment in equipment and external certification⁶. As a consequence, many smaller companies have difficulties to conclude agreements with international players, refrain from exporting to the EU, or choose to enter the market with lower-value-added products.

Small contribution of SMEs to domestic value chains

Many SMEs from EaP countries are absent from domestic value chains. This is to a large extent due to the inability of smaller producers to consolidate production, which is further complicated by limited BSO support (also see below). The existing sectoral BSOs lack capacity to help local producers meet the many requirements of established domestic buyers (with regards to consistency of supply, quality, delivery credit, consolidation, packaging,

⁵ "EU Support to the Private Sector in the context of Association Agreements including DCFTAs (Georgia, Moldova and Ukraine)", final report of EU-funded project " EU Support to the private sector in the context of Association Agreements/DCFTAs", DAI Europe, 2014,
<http://www.east-invest.eu/uploads/Modules/Documents/final-report-dcfta.pdf>.

⁶ *Ibidem*.

etc.). This is further complicated by weak distribution networks and poor support infrastructure (including lack of cooling and processing facilities, and poor transport infrastructure). Integration with domestic value chains would offer numerous advantages, as it would allow local SMEs to capture the opportunities of the domestic market, and serve as a stepping stone to international markets.

Limited availability of quality sector-specific services to SMEs

There are only a very few sectoral BSOs in EaP countries that are capable to provide adequate services to SMEs. Most of the existing sectoral BSOs lack capacities to assist SMEs in trade and business development activities, whether in performing market research and designing marketing strategies, providing quality management and certification services, identifying buyers and/or investors (both domestic and international), or organising participation in trade fairs and follow up. This is further complicated by a lack of networks between BSOs and their foreign counterparts, weak sustainability of many BSOs and absence of experience to deal with the more complex demands of companies looking to export to more developed markets. In Georgia, Moldova and Ukraine, there are few BSOs with knowledge of AA/DCFTA; they offer only limited services to SMEs to improve their understanding of the new market access conditions and to help them comply with DCFTA requirements.

Poor quality control and certification system

Most EaP countries have quality control systems that are suited for exporting to neighbouring countries from the CIS region. These systems are not in full compliance with international requirements, and only a small number of laboratories can meet the surveillance, certification, and inspection requirements of the EU, with only a few of them being internationally accredited. Although different inspection agencies are responsible for various parts of production processes, overlaps and excessive requirements often lead to unnecessary repetitiveness with regards to inspections and laboratory analyses. Even though the beneficiary countries have updated their general food safety and agricultural health laws to comply with WTO requirements, the proper implementation and enforcement of these laws is still lacking.

Lack of skills to connect to new buyers in target markets and investors

SMEs in the EaP countries often lack the ability to locate, analyse, and pursue commercial opportunities in the local and foreign markets. While limited analysis, strategy, marketing and sales capacities within SMEs are key constraints to access value chains and markets, the inadequate sector-specific business support services represent an additional hindrance (see above about limited availability of quality sector-specific services).

Access to finance and capital constraints

SMEs in the EaP countries are facing challenges accessing finance, which has become even more difficult in light of depreciating currencies and increasing interest rates associated with the recent economic crisis. These challenges are further complicated by limited financial literacy among small business owners in the EaP region, a factor which makes it difficult for them to apply for and manage traditional loans and credit lines. In addition, the region's small business owners tend to have little knowledge of potential sources of finance, whether through traditional private sector channels or development facilities, and they do not know how to identify and approach appropriate lenders.

2 RISKS AND ASSUMPTIONS

The conditions in the field pose a number of risks that could affect the full realization of project objectives. For this reason, the project will be flexible in its implementation, adjusting activities according to the changing realities on the ground. It will also try to ensure that risks are managed to the maximum extent possible.

Risks	Risk level (H/M/L)	Mitigating measures
Wavering government commitment / changes in beneficiary government priorities	L	The project will anchor as much responsibility with the private sector as possible, including private-sector business support organisations. This will serve to mute any negative changes in the policy environment. Even so, project management will follow up on any potentially relevant changes in the political environment, evaluate the consequences of likely scenarios, and make the necessary adjustments to the project activities.
Expanding conflict zone in Ukraine	M	Should conflict spread and impact one of the beneficiary regions in Ukraine, project management will look for ways to leverage e-learning and/or include affected beneficiaries in the activities of the non-affected regions.
Global economic / financial crisis	M	The focus on consumer staples will reduce risk in the face of a downturn. Regardless, project interventions are geared at assisting countries to develop sustainable capacities for the long-term, and project interventions would likely help lessen the negative impact of any such crisis.
Limited interest, trust, and/or stakeholder buy-in	L	The project has been developed in direct response to demand from beneficiary governmental and private sector stakeholders. As such, it is extremely unlikely that partners will not remain committed. Even so, any lack of interest, trust and/or buy-in will be overcome through the demonstration of concrete results that can be derived from cooperation. In addition, all areas of interventions will be demand driven. Project activities will be adjusted accordingly should there be limited interest.
BSOs are not open to collaborating with the project, and are not willing to implement project recommendations	L	The project will provide a framework in which BSOs can monetise any improvements they make: by helping BSOs improve their ability to provide relevant services, and by helping them connect with new clients (project SME beneficiaries), the project provides BSOs with a direct incentive to implement project recommendations.
SMEs are not open to changing existing practices; are not committed to implementing project	L	By connecting SMEs to markets, the project will help transform improved business practices into concrete results (i.e. higher sales). In this way SMEs will be provided a direct incentive to change current practices. In addition, the selection of committed and dynamic participating SMEs will ensure a sufficient degree of

recommendations; or are not ready to cost share		collaboration and cost-sharing.
Regional programmes have sometimes difficulties to be implemented in Belarus due to absence of financing agreement with the government and the need to register all actions	L	Smooth implementation in Belarus will be ensured through early notification of the government (Ministry of Foreign Affairs, Ministry of economy) about the programme, as well as possibly identifying a local partner (a BSO, for instance) to facilitate registration of the programme activities in Belarus – especially when it comes to direct advisory services, grants, coaching, trainings etc.
Sustainability of capacity building actions: trainings and workshops could have limited effect, if organised on an ad-hoc basis.	L	The project will establish two regional liaison offices: one for the three Caucasus countries and one for the three Eastern European countries to ensure close contact with partner countries stakeholders and beneficiaries, including with the private sector.
Assumptions		
The political and security situation allows for the implementation of project activities and does not deteriorate to an unacceptable level. Local partners identified for capacity building have the internal capacity to absorb the intervention. National government partners remain committed and support project implementation. Trust is built among stakeholders.		

3 LESSONS LEARNT, COMPLEMENTARITY AND CROSS-CUTTING ISSUES

3.1 Lessons learnt

From the previous and ongoing programmes implementation under the SME flagship, such as East Invest, it can be concluded that there is a need to have a tailor made approach that is sector specific via concrete assistance and advice to a given sector and group of companies, to complement the more general support such as is implemented under East Invest to strengthen BSOs.

In a recent European Commission commissioned study aimed at advising on the design of EU support to the private sector in the process of implementation of the AAs/DCFTAs, it was found that SMEs and BSOs had limited understanding of the implications of the DCFTA for SME companies and on how to benefit from it (management, technical and marketing capacities). However, among the majority of SMEs surveyed that wanted to export to the EU (predominance is amongst agricultural producers) 75% did not even know where to obtain information on exporting to the EU. The study therefore recommended to provide very specific know how and support to SMEs and BSOs and the best way to do this would actually be to take a more sectorial and value chain and supply chain approach to accompany EaP

SMEs to increase their export competitiveness. Models and guidance manuals and best practise should be developed and encouraged on a sector by sector basis. The sectors to be targeted in each country have to be large enough to make the formation of associations sustainable; there need to be enough large successful firms to identify angels (usually a small percentage) with enough smaller entities and to justify any costs by EU associations. Therefore, the focus of such activities should be in sectors with a large number of SMEs in each country.

3.2 Complementarity, synergy and donor coordination

The project will work closely with all relevant development projects and programmes in six beneficiary countries in order to avoid duplications, harness synergies, and ensure that the project builds upon the results achieved under other interventions. The project will thoroughly investigate opportunities for collaboration in each country during the development of the value chain roadmaps and the inception phase.

At this stage, the most complementary EU-funded projects are as follows:

- **East Invest project:** The East Invest project is a regional investment and trade facilitation project for the economic development of the Eastern Neighbourhood region, launched in the framework of the European Eastern Partnership initiative. It targets BSOs and SMEs from the 6 Eastern Partnership countries, with potential for developing mutual cooperation and investment relations with the European Union. East Invest contributes to the general business climate and to improved performance of SMEs. The proposed project can further build on these achievements by offering a range of technical assistance services, tailored to the specific needs of the selected value chains. In particular, the project will involve East Invest in consultations during the value chain road map development in order to identify areas for collaboration to increase impact of both projects. The project will also make use of all the studies and analysis conducted by the East Invest project, in particular, BSOs audits and gaps analysis. When possible, the trainings for BSOs will build upon the knowledge which BSOs have gained from East Invest Academy management trainings.
- **ENPARD** (Armenia, Georgia and Moldova), the European Neighbourhood Programme for Agriculture and Rural Development, aims at supporting these three EaP countries in their rural and agricultural development. The main focus of the ENPARD technical assistance is at strengthening and formation of producer groups and providing support to them by building physical infrastructure as well as enhancing human capacities to increase value addition in the agribusiness sector. The proposed project will closely study the experience and lessons learnt of the ENPARD projects in all three countries to build upon the results achieved, and will closely cooperate and engage the already established producers groups in the target subsectors as beneficiaries of the project.
- **Small Business Support (SBS)** implemented by EBRD. SBS programme is providing a wide range of capacity-building assistance to BSOs and SMEs in the EaP countries. The proposed project will leverage the results achieved by the SBS programme and utilize its consultants, when possible, for the provision of technical assistance to the

agribusiness SMEs. This will help SBS beneficiaries reinforce their skills through on-the-job training and network with potential clients.

- In **Moldova**, the International Trade Centre ITC will also need to coordinate with a number of projects involved in SME support, including:
 - o **DCFTA Technical Assistance Service Contract** (EUR 2.5 million) covering quality infrastructure, market surveillance and Internal and external markets and Competitiveness awareness in a AA/DCFTA context;
 - o **Twinning light for MOLDAC** (EUR 0.2 million) to "Support for the National Accreditation Centre MOLDAC";
 - o The **EU High-Level adviser on economic development policy** issues to the Ministry of Economy;
 - o Support to Agriculture and Rural Development through Confidence Building Measures (EUR 6.5 million) which includes a component on local entrepreneurship and SMEs development;
 - o the **Comprehensive Institution Building Programme (CIB)**: twinning and technical assistance projects supporting the DCFTA implementation including support to Intellectual Property Rights, Customs Service, food safety agency (to enhance the commercial and export potential of the agro-business food chain in Moldova in line with EU standards and DCFTA technical requirements)
 - o **Several planned projects (Annual Action Programme 2016)** including "Support to SMEs in rural areas"; "Technical assistance support to BSOs"; "Increase of competitiveness in agricultural sector" which includes facilitating access to markets and establishing market linkages through domestic and international value chain.

- **The on-going sector budget support to DCFTA-SME in Georgia**, which purpose is to support the implementation of the DCFTA related institutional and regulatory reforms in Georgia, with a strong focus on strengthening the capacities of Georgian SMEs, both to increase their competitiveness and to ensure their adaptation to the new regulatory environment. The project will be implemented in four components (improvement of the enterprise development framework and SME participation in the political dialogue; capacity development for SME support institutions; Promotion of enterprise development via clustering and support to business networks on national, sector and local levels; Integration of business clusters and networks in relevant existing EU networks for enterprise development, investment and trade promotion. Additionally, supporting the development of SMEs and the creation of new jobs is one of the priorities of the Regional Development Programme 2015-2017.

- **EU Support to Ukraine to Re-launch the Economy (EU SURE 2016-2020)**: The EUR 95 million project provides advice on legal approximation with the EU, capacity building and infrastructural support in priority areas covered by the EU-Ukraine Association Agreement. EU SURE will support the development of the SMEs via technical assistance including business advice, using a network of business support centres (BSC) in cooperation with the EBRD. The BSCs will connect local small businesses to a network of local consultants and international industry experts. Business advice will be tailored according to the size of the company and the

complexity of the challenges. BSC will also advise SMEs on how to access to financing and how to adapt to and benefit from the establishment of the DCFTA between the EU and Ukraine. The project will also provide policy advice to complete the ongoing SMEs deregulation and the national and regional economic development strategies. A complementary Loan Guarantee Facility worth EUR 40 million will be run in cooperation with EIB. This loan facility will provide local commercial banks with an effective risk management tool to increase their capacity to absorb increased funding demand from SMEs. Support for small businesses is one of the measures identified with a view to increased competitiveness of regions in Ukraine's State Strategy of Regional Development for the period until 2020.

- **Strengthening Private Initiative Growth in Belarus (SPRING).** This programme is planned as part of the EU Annual Action Programme 2016 for Belarus. Component 1 focuses on promotion of small and medium enterprises as core engine of local and regional growth. It will be done through direct bilateral contribution to the EBRD Small Business Support programme with distinct regional and local focus: qualified business advice will target specifically local (rayon) level beneficiaries. Component 2 strives to support to economic initiative, competitiveness and innovation for local inclusive development. Indicative activities, planned to be implemented by UNDP, include supporting drafting and implementation of the local employment-generating strategies and action plans, as well as provide improved access to finance and related technical assistance through a funding facility (microfinance, grants) for micro, small and medium sized enterprises (MSMEs) and social enterprises to support the implementation of these strategies and plans. Considering the direct SME emphasis of this bilateral programme, necessary coordination should be ensured with the implementing organisations in Belarus: EBRD and UNDP.
- **Supporting SME Competitiveness Reforms in the EaP Countries-** Implementing the recommendations of the SME Policy Index 2012 (2013-2016, EUR 2.5 million). This includes special support to Belarus on the Upgrading SME skills through Business Support Services. This project implemented by the OECD as a follow-up to the 2016 Small Business Act Assessment advises the government of Belarus on the implementation of concrete measures to support policy reform roadmap for SME support and enhance convergence with the SBA.
- **The EBRD Women in Business (WiB) Programme** promotes and supports women entrepreneurship and more broadly women's participation in business by facilitating access to finance and advice for women-led SME.
- The possible **opening of the EIB operations to Belarus** should be considered, as the project will also help SMEs access finance by connecting them to existing financing mechanisms.
- **The future twinning project on Supporting Accreditation System of Azerbaijan** should be taken into account to avoid overlaps; in particular as one of the activities will be to "*assist selected laboratories to prepare for international accreditation/certification*" Accreditation plays indeed a very important role for increasing competitiveness of national economy and promoting its export potential. Accreditation according to international standards provides confidence to consumers,

regulators, industry and other interested parties. It can facilitate trade, market access, fair competition and consumer acceptance of products on a national, regional and international level. Currently, Azerbaijani goods are often denied access to EU markets because they lack safety and compliance certificates from accredited certification bodies. Azerbaijani producers are not always aware of the necessity to get these certificates and if they know, they cannot test and certify their goods in Azerbaijan: they have to use foreign services of accreditations to get internationally recognised certificates. This increases the price of the goods to be exported and contributes to poor competitiveness of many Azerbaijani non-oil goods. Supporting the testing laboratories towards international accreditation will be beneficial to both laboratories and the private sector.

- Regarding the development by ITC of roadmap or strategy for selected value chains in the agribusiness sector, coordination will need to be ensured in Azerbaijan as EU experts already developed selected value chain analysis in agribusiness (upon request from the government). These results should be analysed to avoid duplication. In some countries, like Azerbaijan, the government has or is developing export promotion strategy. The ITC project should be aware of these strategies and ensure coordination with the European Commission support towards these strategies' implementation.
- **Support to Rural and Regional Development** project in Azerbaijan (2017-2019; EUR 3.25 million) This project will a) strengthen national and local authorities' capacities to plan, implement and administer programmes directed to enhance socio-economic development of regions; and b) support local and national authorities in the prioritization, identification and appraisal of sustainable regional investment projects that have a clear strategic impact in the development of regions and that can be further financed through blending mechanisms and/or state budget.
- Overall coordination will also need to be ensured with the **Enterprise Europe Network** (EEN). EEN consortia are already in place in all EaP countries except Azerbaijan. They provide a number of services to SMEs including match-making, brokerage events, participation in trade fairs, information provision on EU laws and laws in partner countries. ITC should work with the EEN consortia on the ground and include them in their activities (also in order to enhance their capacity).

The proposed project will also explore ways for cooperation with other donors that currently provide trade related support in the six countries, including: World Bank⁷, International Finance Corporation (IFC), American development agency USAID, Canadian development agency CIDA (for Ukraine) and Swedish development agency SIDA.

3.3 Cross-cutting issues

The project will place particular focus on enhancing women's economic empowerment, enabling job creation for youth, minimizing negative environmental impacts, and introducing corporate social responsibility principles to the regions' SMEs. This will be done by including

⁷ In Azerbaijan for example, the World Bank agriculture competitiveness improvement project is intending to produce about 10 value chain analyses.

gender related indicators (i.e.: % of women owned SMEs). Youth employment will be enabled by creating greater job opportunities for young people by stimulating economic activities in the rural areas. The project will be mainstreamed such that it: ensures equal opportunities for women; avoids negative environmental impacts; and promotes youth employment and/or entrepreneurship.

As a labour intensive value chain, the agribusiness sector (which has been preliminarily identified as a priority) provides significant potential for social inclusion of marginalized people, increasing their share of the total value of production. In addition, there are low barriers to entry for poorer producers (capital, knowledge, regulations etc.). As such, the sector serves as a driver of employment, entrepreneurial activity, and income generation for under-served people, including women and youth with few other earning opportunities.

With regards to the environment, the project will ensure the propagation of environmentally friendly production methods during its trainings and technical assistance to both enterprises and BSOs. Consumers, particularly in the EU, are becoming more demanding, requiring vegetables of a higher quality that are produced in sustainable manner. Although current production methods in the target countries are not always environmentally sound, the sector's long-term survival will require environmentally appropriate production to be marketable. In addition, the need for companies to apply the EU standards will also lead to a more environmental sustainable production. Furthermore, the project may include awareness building workshops on environmental issues and organic agriculture.

4 DESCRIPTION OF THE ACTION

4.1 Objectives/results

The project will help SMEs from the six Eastern Partnership countries improve their competitiveness aiming towards an increased integration into domestic, regional and global value chains and markets, with a focus on the European Union.

The project's objective will be achieved through the following outputs:

Output 1: Roadmap (strategy) developed for selected value chains in each country

Output 2: Capacities of SMEs strengthened to increase value added production and improve competitiveness

Output 3: Capacities of sectoral BSOs enhanced to provide SMEs with quality and relevant services along selected value chains

Output 4: Business linkages created for SMEs to expand sales in domestic and international markets and value chains, in particular the EU

4.2 Main activities

In particular, the following activities will be implemented:

Output 1: Roadmap (strategy) developed for selected value chains in each country

Activity 1.1: Conduct analysis of the selected value chains and identify constraints and opportunities for SME competitiveness, based on public-private consultations

Activity 1.2: Validate findings and strategic orientations of roadmaps through organising public-private forums in beneficiary countries

Activity 1.3: Draft and finalize value chain development roadmap documents, including country specific technical assistance solutions, to enhance international competitiveness

Activity 1.4: Select group of beneficiaries (enterprises and their supplier/producer clusters) based on supply potential, enterprise characterisation studies, and commitment to cost-sharing, in each beneficiary country. The level of cost-sharing will be determined during the inception phase and customised for each beneficiary country

Activity 1.5: Identify potential buyers in the domestic, EU and other target markets, including EaP countries, interested to source in the region and engage them from the start of the project.

Output 2: Capacities of SMEs strengthened to increase value added production and improve competitiveness

Activity 2.1: Conduct awareness-raising and information events on key issues critical for trade success in domestic and global markets with focus on the European market (including CSR and core labour standards)

Activity 2.2: Develop doing-business guides for targeted sectors with focus on DCFTA requirements together with other tools, such as business, market (access) and import/export intelligence studies, in order to provide tailor-made information to SMEs

Activity 2.3: Provide coaching, training and business advisory services to pilot group of SMEs in areas identified and outlined in the value chain development roadmaps

Activity 2.4: Conduct cost/benefit analysis on the establishment of producers groups and/or other forms of SMEs clusters with the aim to improve sector competitiveness

Activity 2.5: Raise awareness of equipment supplied by European manufacturers and link with EU suppliers

Activity 2.6: Connect SMEs to financing facilities and investors, where possible.

Output 3: Capacities of sectoral BSOs enhanced to provide SMEs with quality and relevant services along the value chains⁸

Activity 3.1: Assess capacities of sectoral BSOs to meet the needs of SMEs in the selected domestic and global value chains (both service provision and management)

Activity 3.2: Develop specialised service portfolio for selected sectoral BSOs, and/or establish new entities (such as sector trade associations or sector task force), when needed, to fill in the gaps in sector support infrastructure

Activity 3.3: Conduct training for sectoral BSOs (existing or new) on key areas for improvement in areas identified and outlined in the value chain development roadmaps.

⁸ Grants may be provided to partner BSOs for capacity-building activities, where appropriate (see paragraph on grants, page 19).

Activity 3.4: Establish an information-knowledge sharing platform and facilitate technical and commercial collaboration linkages with professional institutions and sector organisations from the target markets.

Output 4: Business linkages created for SMEs to expand sales in domestic and international markets and value chains, in particular the EU

Activity 4.1: Prepare SMEs for participation in trade fairs and enhance their skills on marketing and sales strategies through training and advisory services

Activity 4.2: Develop networks of potential buyers, both domestic and international, for the target product groups in each country

Activity 4.3: Outline profiles and prepare SME marketing material to be promoted towards potentially interested international and European buyers and investors

Activity 4.4: Facilitate partnerships with buyers, finance providers and investors (both domestic and international) by helping SMEs participate in technical study tours, technical collaboration meetings, trade fair participation and buyer/seller meetings

Activity 4.5: Develop e-trade platforms to facilitate access to domestic and global markets (the need to be confirmed by the value chain analysis)

Activity 4.6: Plan and organise buyers/investors country visits, providing support to beneficiary SMEs in the match making

4.3 Intervention logic

The project will start with an inception phase, which will last around 6 months. During this period, the sectoral focus for the project will be validated, and priority product groups will be identified through expert analysis and stakeholder consultations in the six EaP countries according to their development priorities and export potential (minimum one product group per country).

Existing countries' value chains sectoral studies will be assessed during the inception phase. For example, in the case of Georgia, under the sector budget support programme DCFTA-SME, the Enterprise Development Agency Analytical Unit is already requested to conduct every year at least 2 SME sectorial value chain studies. A recent one has been focused on the export potential of Georgian herbal market.

During the inception phase, the project will also perform the tasks required to set up an appropriate project management and implementation infrastructure.

OUTPUT 1: The project will conduct a thorough value chain analysis for the selected product groups in each country to identify bottlenecks, market inefficiencies and opportunities for value chain and trade development. This will involve inclusive consultations with sectoral stakeholders (both public and private). The work will also include mapping and assessment of capacities of sectoral BSOs and networks along the value chains. The results of the value chain analyses will be used to **formulate country-specific value chain development roadmaps for the selected subsectors/product groups**. These will include labour-oriented regulatory framework. These roadmaps will detail specific technical assistance solutions and

activities for each country that will allow the target subsectors to increase value addition and integration into domestic, global and EU value chains and markets. Following the development of these roadmaps, the project will select an initial group of pilot SMEs based on the capabilities of entrepreneurs, motivations for growth, access to additional factors of production, initial levels of product/service quality compliance, and commitment to cost sharing.

OUTPUT 2: The capacities of SMEs to produce goods in accordance with global and EU market demands will be enhanced by **implementing the activities detailed in the country specific value chain development roadmaps. SME-level assistance will be delivered through direct advisory services, coaching and trainings.** Support areas may comprise: supply chain management, quality management and packaging, marketing strategies and sales, financing options, trade promotion and trade fair participation. The project may also include awareness building workshops on organic agriculture and its environmental benefits.

The project will involve local BSOs in all project and training activities, strengthening them as appropriate, and using international technical expertise only to the extent that qualified local expertise is unavailable.

Awareness raising and information workshops and seminars will also be conducted on the requirements for access to international and EU markets. For Georgia, Moldova, and Ukraine, particular focus will be placed on technical sector-specific aspects of the DCFTA, including the administrative and production process, standards and investment needs, as well as the changes to market regimes in both their own countries and the EU. Practical support to SMEs will be provided to help them understand the changes resulting from AA/DCFTA and assist them to comply with the new requirements.

Furthermore, the project will facilitate investment opportunities for SMEs. To this end, the project will help SMEs access finance by connecting them to existing financing mechanisms, for example, the facilities of the EIB and EBRD. This will be done by raising awareness of opportunities and building capacities so as to make SMEs better equipped for such financing.

OUTPUT 3: **The project will also improve sector-specific business development services** in each country as well as existing regional sector-specific BSOs. Interventions and capacity-building activities for sectoral BSOs or other private business services providers will be designed based on the value chain development roadmaps⁹. Preliminary areas for support include: sectoral trade intelligence, quality management and certification procedures, marketing strategies, trade fair participation and financing options. For Georgia, Moldova and Ukraine, special attention will be given to the thematic topics related to AA/DCFTA requirements, such as technical regulations, standards, conformity assessment and labelling, SPS measures, genetically modified organisms (GMO) provisions, etc.

In addition to benefiting from direct training, BSOs will have the opportunity to expand their skills and network with potential clients by participating in training and consulting events for sector SMEs. Moreover, mechanisms for cooperation between European and other international counterparts will be created or strengthened. This will serve to facilitate

⁹ Vocational education and training (VET) centres/councils - as a form of BSOs - could also be supported along each value-chain process.

knowledge transfer and open up new business opportunities for export-oriented SMEs. When necessary and if resources permit the project will assist selected laboratories to prepare for international accreditation/certification.

OUTPUT 4: Special focus will be placed on **developing linkages** for pilot SMEs with value-chains and markets so that improvements in SMEs competitiveness result in business generation and the establishment of potential joint ventures. In particular, the Project will help SMEs to **identify potential buyers, both domestic and international**, in pursuit of their trade objectives. SMEs that are currently able to export will be linked to the global and EU target markets. The project will also help SMEs to **prepare for and organize trade fair participation in target markets, study tours, buyer/seller meetings, etc.** Moreover, SMEs will be shown how to **evaluate and choose between various sales** strategies by performing market and value chain risk analyses, calculating landed costs, and evaluating financing requirements.

The project will ensure continuous monitoring of the implementation of outputs. This will allow project activities to be adapted to changing circumstances, EaP countries beneficiaries' evolving needs, and developments in international markets. Particular attention will be paid to the achievement of sustainable results that are beneficial to a significant number of SMEs and BSOs beyond the duration of the project.

Country management and implementation

It is envisaged that two regional project liaison offices will be established in two countries for managing project activities: one for Caucasus countries (Armenia, Azerbaijan and Georgia) and one for East European countries (Belarus, Moldova and Ukraine). The exact locations will be selected during the project inception phase in close consultation with the EU and the partner countries. Regional Programme Managers (RPMs) will be appointed to administer and coordinate the project activities for the two respective groups of countries. RPMs will also liaise with the public and private sector BSOs and the business community, and co-operate locally with other donor projects. Furthermore, the country level implementation will be supported by national consultants in each country who will work closely with the RPMs and ITC headquarters. The national consultants will also provide technical inputs for different project activities.

5 IMPLEMENTATION

5.1 Financing agreement

In order to implement this action, it is not foreseen to conclude a financing agreement with the partner country, referred to in Article 184(2)(b) of Regulation (EU, Euratom) No 966/2012.

5.2 Indicative implementation period

The indicative operational implementation period of this action, during which the activities described in section 4.1 will be carried out and the corresponding contracts and agreements implemented, is 54 months (indicative duration of the contract is 36 months) from the date of adoption by the Commission of this Action Document.

Extensions of the implementation period may be agreed by the Commission's authorising officer responsible by amending this decision and the relevant contracts and agreements; such amendments to this decision constitute technical amendments in the sense of point (i) of Article 2(3)(c) of Regulation (EU) No 236/2014.

5.3 Implementation modalities

5.3.1.1 Indirect management with international organisation

This action may be implemented in indirect management with the International Trade Centre (ITC) in accordance with Article 58(1)(c) of Regulation (EU, Euratom) No 966/2012.

ITC is a joint agency of the World Trade Organization and the United Nations, and is dedicated to the internalisation of SMEs. As regards its compliance with the Financial Regulation requirements for indirect management, ITC falls under the umbrella of the United Nations General Secretariat.

This implementation entails assistance to SMEs from EaP countries to integrate them into the global and European value chains and markets. This implementation is justified because ITC's core activity is holistic sector value chain development conducted through wide participation of beneficiaries and aligned with specific market and social development objectives. ITC has a unique track record of connecting SMEs to value chains, building sustainable market linkages and delivering positive development outcomes, in wide range of sectors of economy. Furthermore, ITC has a long-lasting cooperation in Eastern Europe and Central Asia. For over 25 years it has worked in the region, providing technical assistance in priority areas such as WTO accession, trade and sectoral value chain based strategies, sector BSO strengthening, trade facilitation, SMEs competitiveness and quality management. ITC is also directly linked to the WTO.

ITC will implement the action in cooperation with the Dutch Centre for Promotion of Imports from developing countries (CBI), which is part of the Netherlands Enterprise Agency and is commissioned by the Ministry of Foreign Affairs of the Netherlands. It was established to support producers/exporters to get a foothold on the market in the Netherlands, support to Business Support Organisations in improving their capabilities and to act as a Matchmaker between suppliers and buyers. Its activities cover the whole EU.

ITC's strong expertise in offering practical solutions to increase SME competitiveness along value chains combined with CBI's strong knowledge of European markets and importer networks represent a unique partnership which will allow efficiently and effectively delivering results of the project and maximising its impact on the beneficiary countries. One of the services that CBI offers to SMEs is market intelligence, providing up-to-date insights on the EU market and a valuable source of intelligence for exporters to prepare and maintain their export marketing activities. CBI market intelligence is produced by experienced CBI market researchers, in collaboration with CBI sector experts.

Both organisations together have strong track record and success in supporting business development organisations worldwide, which will further reinforce the sustainability of the project.

The entrusted entity would carry out the following budget-implementation tasks:

- Grants with local implementing partners, mainly institutions. This mechanism will add to local ownership and sustainability and should entail an inherent capacity building element for the grantee;
- Procurement of commercial contracts.

The entrusted international organisation is currently undergoing the ex-ante assessment in accordance with Article 61(1) of Regulation (EU, Euratom) No 966/2012. The Commission’s authorising officer responsible deems that, based on the compliance with the ex-ante assessment based on Regulation (EU, Euratom) No 1605/2002 and long-lasting problem-free cooperation, the international organisation can be entrusted with budget-implementation tasks under indirect management

5.4 Scope of geographical eligibility for procurement and grants

The geographical eligibility in terms of place of establishment for participating in procurement and grant award procedures and in terms of origin of supplies purchased as established in the basic act and set out in the relevant contractual documents shall apply.

The Commission’s authorising officer responsible may extend the geographical eligibility in accordance with Article 9(2)(b) of Regulation (EU) No 236/2014 on the basis of urgency or of unavailability of products and services in the markets of the countries concerned, or in other duly substantiated cases where the eligibility rules would make the realization of this action impossible or exceedingly difficult.

5.5 Indicative budget

	EU contribution in EUR
Indirect management with ITC	6 000 000
Total	6 000 000

5.6 Organisational set-up and responsibilities

Implementation of the projects shall be monitored by a steering committee chaired by the Commission (Directorate-General for Neighbourhood and Enlargement Negotiations) and shall include representatives of any other concerned services of Commission, ITC as well as CBI. The steering committee will be responsible for monitoring the implementation of the project on the basis of the progress reports presented by the ITC. The steering committee shall meet at least once a year. Annual activity reports shall be drafted and structured on the basis of the results/outcomes that have been achieved.

This project will be part of the Eastern Partnership SME Flagship and will therefore also be included in the annual steering committee meeting of the SME Flagship to ensure complementarity with other EU funded initiatives. The SME Flagship Secretariat is preparing

a consolidated report on the SME Flagship impact and results. This will also include results achieved under this project.

Annual steering committee meeting in each of the six EaP countries could also take place to further ensure coordination with other related programmes funded by the EU or by other donors, as well as to enhance the ownership of the project by the partner countries (government representatives, BSOs, SMEs). The project's team leader/regional programme managers will attend donor coordination group/workshop on private sector development in all EaP countries. The ITC will also conduct a quarterly Technical meetings at national level with EU Delegations and relevant stakeholders to monitor project activities, ensure synergy and complementary with other EU funded and donor actions.

5.7 Performance monitoring and reporting

The day-to-day technical and financial monitoring of the implementation of this action will be a continuous process and part of the implementing partner's responsibilities. To this aim, the implementing partner shall establish a permanent internal, technical and financial monitoring system for the action and elaborate regular progress reports (not less than annual) and final reports. Every report shall provide an accurate account of implementation of the action, difficulties encountered, changes introduced, as well as the degree of achievement of its results (outputs and direct outcomes) as measured by corresponding indicators, using as reference the logframe matrix. The report shall be laid out in such a way as to allow monitoring of the means envisaged and employed and of the budget details for the action. The final report, narrative and financial, will cover the entire period of the action implementation.

The Commission may undertake additional project monitoring visits both through its own staff and through independent consultants recruited directly by the Commission for independent monitoring reviews (or recruited by the responsible agent contracted by the Commission for implementing such reviews).

5.8 Evaluation

Having regard to the nature of the action, a mid-term evaluation will be carried out for problem solving and learning purposes. This evaluation may be carried out by independent consultants contracted by the Commission or through a joint mission via an implementing partner.

The Commission shall inform the implementing partner at least 3 months in advance of the dates foreseen for the evaluation missions. The implementing partner shall collaborate efficiently and effectively with the evaluation experts, and inter alia provide them with all necessary information and documentation, as well as access to the project premises and activities.

The evaluation reports shall be shared with the partner countries and other key stakeholders. The implementing partner and the Commission shall analyse the conclusions and

recommendations of the evaluations and, where appropriate, in agreement with the partner countries, jointly decide on the follow-up actions to be taken and any adjustments necessary, including, if indicated, the reorientation of the project.

The financing of the evaluation shall be covered by another measure constituting a financing decision.

5.9 Audit

Without prejudice to the obligations applicable to contracts concluded for the implementation of this action, the Commission may, on the basis of a risk assessment, contract independent audits or expenditure verification assignments for one or several contracts or agreements.

The financing of the audit shall be covered by another measure constituting a financing decision.

5.10 Communication and visibility

Communication and visibility of the EU are a legal obligation for all external actions funded by the EU. Communication and visibility will be given high importance during the implementation of the Action.

This action shall contain communication and visibility measures which shall be based on a specific Communication and Visibility Plan of the Action, to be elaborated at the start of implementation and supported with the budget indicated in section 5.5 above.

In terms of legal obligations on communication and visibility, the measures shall be implemented by the entrusted entities. Appropriate contractual obligations shall be included in the delegation agreement.

The Communication and Visibility Manual for European Union External Action shall be used to establish the Communication and Visibility Plan of the Action and the appropriate contractual obligations. Additional Visibility Guidelines developed by the Directorate-General for Neighbourhood and Enlargement Negotiations shall be followed where relevant.

Visibility and communication actions shall demonstrate how the intervention contributes to the agreed programme objectives. Actions shall be aimed at strengthening general public awareness and support of interventions financed and the objectives pursued. The actions shall aim at highlighting to the relevant target audiences the added value and impact of the EU's interventions. Visibility actions should also promote transparency and accountability on the use of funds.

It shall be the responsibility of the implementing partners to keep the EU Delegations fully informed of the planning and implementation of the specific visibility and communication activities.

The implementing partners shall report on visibility and communication activities in the report submitted to the ENI monitoring committee and the sectoral monitoring committees.

The action shall use common branding regarding all EU support to SME in the Eastern Partnership, in particular, the name EU for Business (EU4Business) shall be used for all relevant SME activities both in English and in local official languages.

APPENDIX - INDICATIVE LOGFRAME MATRIX (FOR PROJECT MODALITY) ¹⁰

The activities, the expected outputs and all the indicators, targets and baselines included in the logframe matrix are indicative and may be updated during the implementation of the action without an amendment to the financing decision. The indicative logframe matrix will evolve during the lifetime of the action: new lines will be added for listing the activities as well as new columns for intermediary targets (milestones) when it is relevant and for reporting purpose on the achievement of results as measured by indicators.

	Intervention logic	Indicators	Baselines (incl. reference year)	Targets¹¹ (incl. reference year)	Sources and means of verification	Assumptions
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¹⁰ Mark indicators aligned with the relevant programming document mark with '*' and indicators aligned to the EU Results Framework with '**'.

¹¹ All targets are indicative. The targets will be validated, and revised during the inception phase. All targets are set for the entire project duration period.

Overall objective: Impact	The project will contribute to the increased integration of EaP countries' SMEs into domestic and global value chains and markets with focus on the EU	<ul style="list-style-type: none"> - Total sector trade between the EaP region and global markets - Total sector trade between the EaP region and EU countries <ul style="list-style-type: none"> - Inward Investment flows to the EaP region (within the target sector) per partner country 	To be collected during the inception phase ¹²	To be defined during the inception phase	<ul style="list-style-type: none"> - National statistics - SME surveys 	- All assumptions under Outcome / outputs (see below)
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¹² During the inception phase, individual requests will be made to each country statistical services to obtain the data on investment flows in the target sector.

<p>Specific objective(s): Outcome(s)</p>	<p>Increased competitiveness and export growth of SMEs from Eastern Partnership countries</p>	<ul style="list-style-type: none"> - Number of SMEs reporting improved international competitiveness¹³ - Number of SMEs reporting improved international competitiveness that are women owned/operated/control led or with majority women employed¹⁴ - Exports of pilot SMEs compared to baseline - Number of new markets accessed by SMEs - Number of SMEs that have transacted business, both internationally and domestically¹⁵ - Number of SMEs that have transacted international business are women owned/operated/control led or with majority women employed - Number of sectoral BSOs reporting 	<p>To be collected during the inception phase</p>	<ul style="list-style-type: none"> - min 200 – max 280 - min 60 – max 80 - min 1 – max 3 per country - min 20 – max 30 per country - min 6 – max 10 per country - min 18 – max 30 	<ul style="list-style-type: none"> - Baseline study for participating enterprises - After event reports/feedback forms /training evaluations - Project progress reports - Final report - National statistics - SME surveys 	<ul style="list-style-type: none"> - National government partners remain committed - Trust is built among stakeholders - SMEs are open to changing existing practices; are committed to implementing project recommendations; and are ready to cost share - BSOs have sufficient absorption capacities; are open to collaborating with the project; and are willing to implement project recommendations and introduce new/improved services to their clients
	<p>Number of SMEs reporting changes in their business practices as the result of project trainings and advisory services. This indicator will be fine-tuned after inception phase, when the structure of the target sector is analysed.</p>	<p>Number of SMEs transacting sales or purchases with a foreign or domestic firm as a result of project support.</p>				

Output 1	Roadmap (strategy) developed for selected value chains in each country	<ul style="list-style-type: none"> - Value chain analysed for the selected sector / product groups in each country(at least one per country) - Number of roadmaps developed for each country (at least one per country) 		<p>At least one value chain analysis per country</p> <p>At least one roadmap per country</p>	<ul style="list-style-type: none"> - Roadmaps / intervention strategies endorsed by regional stakeholders and published - Project reports and evaluation forms 	<ul style="list-style-type: none"> - National government partners are committed - Trust is built among stakeholders - SMEs are willing to share sensitive information - There is sufficient interest in selected areas of intervention
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	<p>Capacities of SMEs strengthened to increase value added production and improve competitiveness¹⁶</p>	<ul style="list-style-type: none"> - Number of training courses, seminars and workshops conducted - Number of advisory services provided - Number of SMEs trained - Number of SMEs trained that are women owned/operated/control led or with majority women employed - Number of participants at workshops - Number of women participants - Number of participants of the workshops reporting increased knowledge of the specific subject area - Number of SMEs introduced quality management principles to align with EU requirements - increased volume of production/sales 		<ul style="list-style-type: none"> - min 70- max 120 - 6 advisory services per country - min 250- max 350 - Min 75 – max 105 - min 1200- max 2000 - min 500 – max 800 - 90 % participants - min 30 – max 50 	<ul style="list-style-type: none"> - Project monitoring reports - After event evaluation reports/Feedback forms - Company surveys/baseline analysis 	<ul style="list-style-type: none"> - Trust is built among stakeholders - SMEs are open to changing existing practices; are committed to implementing project recommendations; and are ready to cost share
Output 2	<p>¹⁶ Priority capacity building areas for SMEs will be defined in the roadmaps based on value chain analysis.</p>					

Output 3	Capacities of sectoral BSOs enhanced to provide SMEs with quality and relevant along the value chains	<ul style="list-style-type: none"> - Number of training courses, seminars and workshops conducted - Number of BSOs trained -Number of participants - Number of women participants - Number of new/improved services provided by sectoral BSOs 		<ul style="list-style-type: none"> - min 25 – max 35 - min 30- max 50 - min 450- max 750 - min 180 – max 300 - 5 per country 	<ul style="list-style-type: none"> - Project reports - After event reports/feedback forms - Survey of selected BSOs 	<ul style="list-style-type: none"> - Trust is built among stakeholders - BSOs have sufficient absorption capacities; are open to collaborating with the project; and are willing to implement project recommendations and introduce new/improved services to their clients
Output 4	Business linkages created for SMEs to expand sales in domestic and international markets and value chains, in particular the EU	<ul style="list-style-type: none"> - Number of trade fairs/buyer-seller meetings attended by beneficiaries - Number of companies participating - Number of women-owned companies participating -Number of business contacts made as a result of participation in trade fairs/buyer-seller meetings 		<ul style="list-style-type: none"> - 3 per country - min 45 – max 60 per country - min 14 – max 18 per country - min 400 – max 800 per country 	<ul style="list-style-type: none"> - Company surveys - After event evaluation reports - Company sales figures (reported by companies) - Project reports 	<ul style="list-style-type: none"> - SMEs are open to changing existing practices; are committed to implementing project recommendations; and are ready to cost share