

1. Basic information

- 1.1 CRIS Number:** 2010/022-264
- 1.2 Title:** Capacity building to institutions involved in implementation of the Industrial Policy
- 1.3 ELARG Statistical code:** 02.20
- 1.4 Location:** Skopje, Ministry of Economy, selected activities covering entire country

Implementing arrangements:

1.5 Implementing Agency:

The Central Financing and Contracting Department (CFCD) will be the contracting authority and will be responsible for all administrative and procedural aspects of the procurement, contracting and financial management including payment of the project activities. The Head of CFCD will act as the Programme Authorising Officer (PAO) of the project.

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1.6 Beneficiary (including details of SPO):

The main beneficiary is the Ministry of Economy. Other beneficiaries include all relevant stakeholders concerned with the implementation of the industrial policy , such as: Ministry of local self-government, Ministry of environment, Ministry of agriculture and forestry, Ministry of education and science, Ministry for information society, the Ministerial Competitiveness Council (MCC) and the Inter-ministerial Expert (IMEG), APPRM, ASIRM, regional development agencies as well as other institutions and bodies implementing industrial policy such as NECC, sector associations, innovation associations) and other.

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Financing:

1.7 Overall cost (VAT excluded¹): EUR 2 970 000

1.8 EU contribution: EUR 2 673 000

1.9 Final date for contracting:

The final date for contracting is two years from the signature of the Financing Agreement.

1.10. Final date for execution of contracts:

Two years from the final date for contracting.

1.11. Final date for disbursements:

The final date for disbursements is one year from the final date of the execution of the contract.

2. Overall Objective and Project Purpose

2.1 Overall Objective:

The overall objective of the project is to maintain sustainable growth, increase competitiveness of the private sector and provide a healthy business environment for investment and employment based on knowledge and innovation enhancement.

2.2 Project purpose:

The project purpose is to strengthen the capacity of the Ministry of Economy and other development stakeholders to implement and monitor proactive Industrial Policy which will enable them to design and execute efficient programs and action initiatives in support of the growth and competitiveness of industry.

2.3 Link with AP/NPAA / EP/ SAA

The **Accession Partnership** priorities referring to the enterprise and industrial policy sector focus on the following abilities to assume obligations of membership on medium term:

- Define and implement industrial strategy conducive to growth and innovation;
- Further develop support mechanisms for SME's and improve access for SME's to financial services;
- Finalise and implement the strategy development on the mainstreaming of entrepreneurship education based on successful donor supported pilot projects.

The **National Programme for the Adoption of Acquis** 2009 envisages creation and implementation of functional and proactive industrial policy conducive to growth based on knowledge, innovation and collaboration. The key principles of enterprise policy are linked to NPAA – Chapter 20: Enterprise and industrial policy, Chapter 22: Regional Policy and coordination of structural instruments, Chapter 25: Science and Research.

The project will contribute towards the implementation of the **Stabilisation and Association Agreement**:

- Article 85: on Industrial co-operation, which promote modernisation and restructuring of the industry and individual sectors in the former Yugoslav Republic of Macedonia, with particular focus on strengthening the private sector

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.

under conditions that ensure that the environment is protected. Industrial cooperation initiatives will reflect the priorities, taking into account the regional aspects of industrial development, promoting translational partnership when relevant. In particular, establishing a suitable framework for undertakings, to improve management know-how and to promote markets, market transparency and the business environment;

- Article 86: on Small and medium – sized enterprises including in particular: developing and strengthening private sector, small and medium-sized enterprises, establishment of new undertakings in areas offering potential for growth and cooperation between SMEs in the Community and the former Yugoslav Republic of Macedonia.

2.4 Link with MIPD

According to the **Multi-Annual Indicative Planning Document (MIPD)** 2009-2011, the focus in the field of enterprise policy and enhancing competitiveness the support will be given to supporting economic development and enhancing social cohesion, in particular by strengthening the business environment, especially the SME sector and by supporting the implementation of national and regional development plans.

2.5 Link with National Development Plan

N/A

2.6. Link with national/ sectoral investment plans

The project is directly linked to the recently adopted Industrial Policy of the former Yugoslav Republic of Macedonia 2009-2020 which focuses on encouraging country industry to re-orient its operations towards higher value added products and services based on knowledge, innovation and collaboration. Industrial policy's priorities are to accelerate development of the country industry in the following five areas: international cooperation and FDI enhancement, applicable research and development and innovation, eco-friendly technologies, products and services for sustainable development, SME development and entrepreneurship, collaboration in clusters and networks.

The revised National Strategy for the Development of Small and Medium Enterprises (2002-2013) and the Programmes for Development of Entrepreneurship, Competitiveness and Innovation of the Small and Medium Enterprises are key documents adopted by the Government that offer organised support for development of SMEs in the country. They promote entrepreneurship development and strengthening the competitiveness of SMEs.

3. Description of project

3.1 Background and justification:

The country's' industry operates in a business environment which is relatively open to international competition and is getting more and more stable in recent years in terms of GDP growth, inflation and employment. Significant improvements have been made in the area of business climate in terms of time required to start a business, extent and effects of taxation, flexibility of wage determination. Public spending on education is stable and provides relatively favourable qualification structure of population and high share of young educated people.

The national industry builds its competitiveness on relatively inexpensive and skilled workforce, flexible production processes which enable tailor made and smaller size series with good terms of delivery. Production processes are being improved based on moderate

introduction of new technology and equipment. Computerization of industry is improving, more and more companies are adopting ISO and other quality standards. Products and services offered by Domestic companies generally provide good quality to price proposition. Some companies mainly in food, beverage production have developed relatively good international brand name recognition.

However, Domestic companies are demonstrating relatively low bargaining power with suppliers. Partnership acceleration to create economies of scale in purchasing and other operations still needs to evolve. Major exporters are operating in the markets of basic metals, textiles, food and beverage where generally price is the primary driver of competitiveness. 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. Moving up the value-added chain requires differentiation of products and services, which is done based on innovation, research and development - capabilities which are significantly underdeveloped in country's industry. Company spending on research and development has decreased in recent years. Financial soundness of industry and investment capability is rather weak.

Significant competitive weaknesses of the domestic industry remain in the area of reliance on professional management, availability of latest technologies and firm-level technology absorption, state of cluster development and production process sophistication. Quality of scientific research institutions to facilitate new product and service development for industry is rather poor.

In June 2009 the Government approved the Document “Industrial Policy of the former Yugoslav Republic of Macedonia 2009-2020” and the related “Action Plan”, which aims to support the key factors of competitive advantages within its five areas of intervention: (i) international cooperation and FDI enhancement, (ii) applicable research and development and innovation, (iii) eco-friendly technologies, products and services for sustainable development, (iv) SME development and entrepreneurship, (v) collaboration in clusters and networks.

The policy will support the country' industry to cope with competitive pressures and global market forces and by doing so lead to economic growth and improved competitiveness of the national economy. The policy provides stimulus for pro-active domestic companies to develop and enhance their competitive capabilities and re-orient towards higher value added products and services which will enable their sustainable long-term operation on the international markets. The industrial policy is based on encouragement of endogenous national industry to create marketable, higher value added products and services based on knowledge, innovation and collaboration, through assistance to the private sector in industrial restructuring, as well as diversifying the economy, modernizing key sectors and improving specific areas.

The national Industrial Policy Document complies with the provisions of the EU documents related to strengthening the competitiveness of the industry (Council Decision 96/413/EC on implementation of a Community Action Programme to strengthen the competitiveness of European industry and with the European Commission Communication on “Industrial Policy in an Enlarged Europe” (COM 13 May 2003); “Implementing the Community Lisbon programme: A policy framework to strengthen EU manufacturing – towards a more integrated approach for industrial policy” COM (2005), mid-term review of industrial policy, contribution to the EU’s Growth and Jobs Strategy” (COM (2007)374).

At this stage, the central public administration needs to increase capacities to promote the modern industrial policy and to develop and put in place new concepts supporting the

implementation such as business support programs for competitiveness enhancement and continuous improvement through innovation, introducing new eco friendly technologies, support an enhancement of internationalisation processes and business partnership acceleration, policy benchmarking and best practice for raising productivity and performance. In addition, it is very important to strengthen the capacities for a regular public private dialogue between key stakeholders in creation and implementation of policies and programs.

Since the industrial policy is applicable on national and regional level the project purpose is also to enhance the development of pro-active, innovative regions that economically specialise according to their authentic competitive advantages. Measures of industrial policy will support regional development stakeholders in their efforts to define and implement unique and successful regional development initiatives.

Improvement of interactions between university/research institutions and industry for innovation, applicable research and development of new products and services is in fact one of the opportunities for the enterprises to move up the value-added chain and start producing products and services for the needs of international niche markets.

This project aims at improving institutional capabilities for implementation, evaluation and renewal of pro-active Industrial policy aimed at improving capacity of relevant stakeholders and environment for business competitiveness and innovation throughout two closely linked complementary components: (i) institution building, (ii) programs and actions development and implemented in the four projects priority areas (innovation, eco-friendly initiatives, business partnership acceleration and internationalisation, facilitation of the consultation process with the business community). Both components cover a whole spectrum of interlinked actors of competitiveness enhancement - moving from national/institutional/governmental to regional level and finally to micro enterprise and cluster level. It has been proven many times in the most successful regions and countries worldwide that competitiveness enhancement can be best leveraged by simultaneous mobilization and coherent competence building of all economic development stakeholders.

This proposed technical assistance is intended to provide support to the Ministry of Economy and other related stakeholders on national and regional level to improve their ability, to further develop, elaborate, implement, and monitor the industrial policy, as well as related programs and actions and sector strategies, in line with the needs and perspectives of the country industry. The Ministry of Economy is expected to be able to promote provision of good quality support services to various industries, in areas such as innovation, management, marketing, best practices, policy benchmarking and others.

The capacity building of the institutions that create and implement the industrial policy is identified as one of the preconditions and a first step for successful implementation of the process in increasing competitiveness especially in programming and managing tasks defined in sectoral operational programme for increasing competitiveness of the economy. In such a way development related policies will be coordinated and synergy effect will be increased, as well as new measures and instruments for their implementation, especially defining priorities in increasing competitiveness, will be introduced.

Also, the role of implementation agencies, Agency for Entrepreneurship Support and Agency for Foreign Investments (extended with export promotion activities) will be strengthened and their improved capacities and operational programs will give stronger institutional support to the companies.

Second component of the project aims to improving the competitiveness of the companies that will be supported by programs and actions development and implemented in the four

projects priority areas (innovation, eco-friendly initiatives, business partnership acceleration and internationalisation, facilitation of the consultation process with the business community). The development of concrete action initiatives and pilot projects in consultation process with private sector - will be identified throughout all regions in the country. Businesses will benefit from training, international knowledge exchange and pilot projects in the area of innovation enhancement, acceleration of partnership with other businesses and research/education providers, internationalisation enhancement and new eco friendly technologies, products and services. In this way will be enabled preconditions for sustainable growth, opportunities and knowledge for enterprises to compete more effectively in international markets.

3.2 Assessment of project impact, catalytic effect, sustainability and cross border impact

The project will enhance and strengthen the capacities of wide range of economic development stakeholders for designing and implementing industrial policies, and will improve the cooperation and coordination among them. As result, companies will be able to capitalise on the opportunities deriving from innovation, eco-technologies, business cooperation and internationalisation. Among many factors and issues that influence the business integration of the companies on open market, as high level priorities, are innovation, internationalisation and eco-technology. Such approach will support the industry in preparation towards globalisation and a knowledge based economy and their harmonisation with competitive cycles in the open market oriented economy.

This project will focus on ensuring effective achievements and progress in the areas of innovation, technology transfer, internationalisation and eco production.

The improvement of business environment and strengthening the capacities of development stakeholders will create synergy with other areas of business support, and will have positive impact on the competitiveness of the overall national economy.

Internationalisation of national companies and FDI, as one action initiative to be tackled by this project will strive to increase the cross border cooperation of the economic operators.

3.3 Results and measurable indicators:

Results and measurable indicators for Component 1: Institution building for implementation, evaluation and revision of proactive industrial policy

Results:

- Ministerial Competitiveness Council to become a functional body promoting competitiveness as a joint platform among ministries with efficient coordination and cooperation presented through Inter ministerial Expert Group;
- Key ministries and public institutions (implementing agencies) to become competent actors prepared for joint development and implementation of proactive industrial policy conducive to growth, enhancing competitiveness and innovation following the priorities and trends of the EU with close cooperation with business community and other relevant organisations;
- Mechanisms for continuous and regular communication and cooperation between the Ministry of Economy and other relevant ministries with business community and actors in development, are designed and functional;
- Developed institutional competence and increased capacities for developing and implementing proactive policies that lead towards increased competitiveness, increased export, increased FDI, enhancing entrepreneurship, innovation, technology development, R&D;

- Optimal organisational design, the institutional structure, internal organisational structure and system of procedures of the managing authorities are defined, established and fully functional;
- Staff from the Ministry of Economy and implementing bodies, as well as other relevant line Ministries and institutions is trained and skilled for efficient and effective management of the annual programs of measures and its corresponding projects(action initiatives) with respect to programming, implementation, monitoring and controlling, evaluation, financial management and control and publicity activities/measures are developed;
- Increased skills and capacities of the staff from ministry and other national enterprise and competitiveness and innovation actors for developing and designing projects for utilising various EU funds (especially IPA, FP7, CIP and other programmes);
- The industrial policy 2009-2020 is re-assessed and an updated industrial policy document is drafted.

Measurable indicators:

- Number of trainings, study visits and other capacity building activities provided to the Competitiveness Council and IMEG;
- Number of joint initiatives among different ministries for implementation of industrial policy;
- Number of awareness raising events and other events for dialogue between ministries and business community;
- Capacity building activities provided to the institutions to implement and renew industrial policy measures;
- Optimal organisational structure in place. Rulebook(s) on internal operational procedure adopted;
- Trainings implemented for the staff of the Ministry of Economy and other stakeholders in the area of CIP, FP7, IPA and other;
- On the job counselling and mentoring expert days provided to the institutions to implement and revise the industrial policy measures;
- Prepared and approved updated industrial policy document.

Results and measurable indicators for Component 2: Creation and implementation of programs and action initiatives set forth in the country's Industrial policy

Results:

- Designed and implemented programs and measures in four priority area of the national Industrial Policy: (i) innovation enhancement program, (ii) program for eco-friendly technologies, products and services and (iii) business partnership acceleration and internationalisation program; and (iv) facilitation of the consultation process with business community;
- A number of pilot projects in all four areas developed, implemented, monitored and evaluated;
- Regularly practiced consultation process between public and private sector and regional conferences (based on public-private dialogue) for economic development are organized in different regions throughout the country;
- Increased capacities of a number of business associations/clusters of enterprises to strengthen industry sectors where the country has a competitive advantage and/or where is and economical/social need to maintain specific industry sectors; They are fully informed about the available techniques, best practices and recommendations to achieve self-sustainability of the respective associations;
- A group of trained and skilled local experts to facilitate public-private dialogue

- actively operate in the country;
- Developed local capacities (public and/or private) to conceive and design projects for utilising available EU funding (such as IPA, CIP, FP7 and other programmes open to businesses).

Measurable indicators:

- Innovation enhancement program developed and in implementation;
- Program for eco-friendly technologies, products and services developed and in implementation;
- Program for business partnership acceleration and internationalisation developed and in implementation;
- Number of regional conferences based on public-private dialogue for economic development;
- Number of pilot projects identified, implemented, monitored and evaluated;
- Number of trainings and study visits for institutions and companies;
- Techniques and best practices for public-private dialogue developed;
- Number of trainers trained for public-private dialogue facilitation;
- Number of trainers trained for project priority areas;
- Capacity building for the ministries and other stakeholders to design projects;
- Number of action plans of business associations/clusters developed.

3.4 Activities:

Activities for Component 1: Institution building for implementation, evaluation and revision of proactive industrial policy - will be directed toward development and further improvement of the capacities of all relevant public and private bodies involved in implementation of the national Industrial policy and the corresponding set of action initiatives (measures). More specifically, the following activities are foreseen to be undertaken under this component:

- Capacity building of the MCC, IMEG and other industrial policy implementation institutions, agencies and bodies on national and regional level. Capacity building activities may include: on-the job training, counselling, seminars, workshops, study visits in EU member state, etc. Special focus will be given to trainings for efficient and effective management of the annual programmes of measures, i.e. for programming, implementation, monitoring and controlling, evaluation and financial management;
- Promoting and awareness raising activities on the concept and benefits of the industrial policy among public administration, business sector and knowledge providers on national and regional level;
- Facilitating and leading dialogue within Inter-ministerial Expert Group (IMEG) and submit analyses and proposals to Ministerial Competitiveness Council (MCC);
- Leading continuous dialogue with the private sector when policies and programs are created; Dialogue is to established with: relevant Councils and associations (NECC, Chambers, associations, clusters etc.), individual companies and institutions;
- Assessment and recommendations in the areas of intervention of the industrial policy, as well as an assessment of the current and development of advanced measures of renewed industrial policy;
- Periodical assessment of the established (if any) and further upgrading of the organisational structure and procedure system design which support effective creation, implementation and revision of the industrial policy and corresponding measures;
- Consultancy support to the process development of the annual Program of measures

aimed to increase of the economy competitiveness, targeting major competitiveness problems from a national perspective and multi national programming;

- Analyses of the impediments for the development, and creation of proposals/studies/programs for overcoming the situation;
- Assessment of the current industrial policy and designing of updated document with a list of new prospective measures;
- Supporting the national public authorities and other national or regional enterprise and competitiveness and innovation actors to develop capacities to conceive and design projects for utilising IPA, FP7, CIP, and other programmes.

Activities for Component 2: Creation and implementation of programs and action initiatives set forth in the country's Industrial policy shall lead to creation and implementation of programs and action initiatives (or measures) in the areas of: (i) innovation enhancement, (ii) new eco-friendly technologies, products and services for sustainable development, and (iii) business partnership acceleration, and internationalisation; and (iv) facilitation of the consultation process with business community.

- Development of programmes for further increase of knowledge and skills of company managers;
- Development of studies for strategic positioning of the industry on key international markets;
- Improving companies' access to business information (such as available government programmes, relevant laws, info about foreign markets, info about EU standards, etc.);
- Development of support measures for increased cooperation between business and research institution and innovation enhancement;
- Introduction of mechanisms for public support of commercialisation of new product and services and deployment of researchers in companies;
- Initiation of actions for elimination of barriers for import and use of sophisticated technology in the country;
- Development of support measures for internationalisation process of companies;
- Designing of activities aiming at increased public awareness of company producers and national consumers about eco-products and services;
- Introduction of environmental aspects in public procurements;
- Assisting wider acceptance and certification for organic and eco products by the producers;
- Training (on the job, seminars, workshops, study visits, etc) of the staff from implementing institutions, companies and business organisations (including business, research and education institutions) in all four priority areas. Special focus will be given to creation of staff competent for implementation of the created programs related to innovation, new eco friendly technologies, business partnership acceleration and internationalisation;
- Identification and realisation of pilot projects for identified priority areas;
- Identification and assistance for capacity building to the business associations/clusters of enterprises to strengthen industry sectors where the country has a competitive advantage and/or where is and economical/social need to maintain specific industry sectors;
- Monitoring of pilot projects implementation;
- Measuring of pilot projects results;
- Facilitation of the consultation process between public and private sector related to enhancement of competitiveness of the national industry. Within this activity , the project will also assist in organisation of regional development conferences based on

public-private dialogue for economic development in different regions throughout the country;

- Implementation of train the trainers program for public-private dialogue facilitation;
- Provision of advices, best practices and recommendations on the sustainability of public-private dialogue;
- On job training to develop specific project proposal for CIP, FP7, IPA and other for all priority area components of the Industrial policy paper.

Management and contracting arrangements

A project steering committee will be established. The detailed project management and implementation structure, with full descriptions of roles and responsibilities will be specified during the preparation of ToRs.

The Team leader for the project will be responsible for the overall management, representation (co-ordination with the other international bodies), and reporting. The co-ordination of activity development in the different components of the activity is significantly important. The team leader shall be responsible for the appropriate management of resources. During the inception phase of the project, a detailed deployment plan will be developed under the coordination of a Steering Committee in which each co-operating national institution will be represented to ensure appropriate inclusion. Short and long term expertise will be engaged in the areas of capacity development, trainings, preparation of programs, and implementation of programs - etc. A pool of short-term expertise will be made available to assist the key experts and to carry out activities in the specialised areas.

Workspace for experts from the project will be provided and allocated in the facilities of the Ministry of Economy.

The expected contracting arrangements are:

One Service Contract will be signed for the implementation of the Component 1: Institution Building and component 2: Programs and action initiatives, facilitation of the consultation process with business community. The TORs will be developed during 2010/2011 and launched within 2011. The contract has an expected duration of up to 24 months, and has a budget of approximately EUR 2 673 000 financed by IPA, and EUR 297 000 financed by national budget, which brings the total project amount of EUR 2 970 000.

Due to the complexity of the project, support for technical assistance for preparation of detailed TOR is envisaged under the Project Preparation Facility.

3.5 Conditionality and sequencing:

Contributions expected from the Beneficiary include:

- Strong involvement and commitment of the Ministry of Economy staff at all levels;
- Assignment of indispensable personnel to activities connected with the project;
- Strong involvement and commitment of the staff from implementation agencies and bodies at all levels;
- Functional Ministerial Competitiveness Council and IMWG;
- Allocation of workspace in the Ministry of Economy for TA;
- Responsibilities for implementation of individual programs assigned (innovation, eco, internationalisation);
- Organisation, selection and appointment of members of working groups, steering and coordination committees;
- Sufficient budget approved (funds are available) for implementation of the industrial policy measures in accordance with the annual action plans.

If the conditions are not met, suspension or cancellation of the project will be considered.

3.6 Linked activities

- The process of development of the strategic document Industrial Policy of the former Yugoslav Republic of Macedonia was supported by the World Bank Project BERIS. This project is expected to be finalised by June 2010. The present project will provide assistance in awareness raising activities;
- USAID Competitiveness Project contributes by technical assistance to support foreign investments and enhanced linkages into global supply chains for domestic firms. Project interventions are focused on alleviating constraints and building capacity related to:
 1. Workforce development;
 2. Productivity, supply chain effectiveness and technology;
 3. Access to markets and financing;
 4. Infrastructural services, including industrial and logistical parks.
- GTZ Investment and export promotion project works directly with clusters and companies on increasing the capacities of the ICT cluster, Textile cluster and Automotive industry cluster in the field of export promotion. The part of the project related to investment promotion is realized in cooperation with Macinvest;
- Austrian Development Agency Project for building capacities for creating economy based on knowledge. The project will last for 3 years since 01.07.2009 until 30.06.2012. The aim of the project is promotion of entrepreneurship education, “innovation and knowledge”, creating economy based on knowledge that will contribute towards increased competitiveness.

3.7 Lessons learned

Implementation of other projects highlighted a number of common difficulties, including insufficient administrative capacities and availability of national staff, insufficient budget, insufficient coordination between stakeholders, insufficient implementation infrastructure and programmes, insufficient involvement of private sector in program development etc. With this Technical Assistance, it is intended to contribute towards strengthened administrative capacity by elaborating and implementing strategies, developing and adapting relevant EU legislation, improving coordination between local institutions, establishing more training opportunities and creating a better culture of cooperation between the different stakeholders.

During the preparation of this project the experiences of the programming and implementation of the previous projects in the field were taken into account, in particular to avoid the mistakes being observed. These lessons learned have been translated into the pre-conditions noted above, i.e. ensuring efficient co-ordination of the project by strengthening the partnership between institutions and bodies involved in process of programming, implementation and evaluation; ensuring and preserving the quality of the administrative capacity of the implementation structure, improving the quality of the implementation programs enhancing competitiveness drivers; ensuring a legal framework for the introduction of changes resulting from the project; ensuring access to indispensable information and documents; providing training sessions and on job training that will be held under the project for all stakeholders; initiating and ensuring closer cooperation between public and private sector.

4. Indicative Budget (amounts in EUR)

			SOURCES OF FUNDING										
			TOTAL EXP.RE	TOTAL PUBLIC EXP.RE	IPA COMMUNITY CONTRIBUTION		NATIONAL PUBLIC CONTRIBUTION					PRIVATE CONTRIBUTION	
ACTIVITIES	IB (1)	INV (1)	EUR (a)=(b)+(e)	EUR (b)=(c)+(d)	EUR (c)	% (2)	Total EUR (d)=(x)+(y)+(z)	% (2)	Central EUR (x)	Regional/ Local EUR (y)	IFIs EUR (z)	EUR (e)	% (3)
Service Contract	X		2 970 000	2 970 000	2 673 000	90	297 000	10	297 000				
TOTAL IB			2 970 000	2 970 000	2 673 000	90	297 000	10	297 000				
TOTAL INV													
TOTAL PROJECT			2 970 000	2 970 000	2 673 000	90%	297 000	10%	297 000				

NOTE: DO NOT MIX IB AND INV IN THE SAME ACTIVITY ROW. USE SEPARATE ROW

Amounts net of VAT

(1) In the Activity row use "X" to identify whether IB or INV

(2) Expressed in % of the **Public** Expenditure (column (b))

(3) Expressed in % of the **Total** Expenditure (column (a))

5. Indicative Implementation Schedule²

Contracts	Start of Tendering	Signature of contract	Project Completion
Service Contract 1	Q2 2011	Q4 2011	Q4 2013

The project should in principle be ready for tendering in the 1ST Quarter following the signature of the FA.

6. Cross cutting issues

The cross-cutting issues will be addressed throughout the project. Up to 10% of the budget of the service contract for tender support supervision and training may be allocated to assist the different beneficiaries to comply with European standards and best practices, implement relevant existing Government strategies and develop internal measures to ensure each cross-cutting issue is appropriately mainstreamed.

Throughout the project cycle, in particular when developing project ToR, state actors specifically addressing (one of) the cross cutting issues shall be consulted.

The mainstreaming of the cross cutting issues is regarded on two different levels: (a) Ensuring that the internal policies, structure or operating procedures of the beneficiary agency will conform to and promote the relevant principles outlined per section below and (b) ensuring that the products, outputs produced by the beneficiaries (e.g. laws, regulations, policies, and strategies) will conform to and promote the relevant principles outlined per section below.

6.1 Equal Opportunity and non- discrimination

Equal opportunity principles and practices in ensuring equitable gender participation in the project will be guaranteed. Male and female participation in the project will be based on the relevant standards of the EU and will be assured by official announcements published to recruit staff needed for the project. The main criteria for recruitment will be based on appropriate qualifications and experience in similar projects regardless of gender or age. Both men and women will have equal opportunities.

6.2 Environmental considerations

The environmental issues will be taken in consideration within the project implementation activities , where relevant , having in mind that the project mainly includes capacity building activities.

The second component of this project makes reference to the environmental issues, as it will focus on development of measures for introduction of environmental aspects in public procurements, eco-products and eco friendly technologies.

6.3 Support to minorities and vulnerable groups

Equal representation of minorities and vulnerable groups will be guaranteed project principle. Minority and vulnerable groups' concerns will be reflected in all activities programmed in particular when it concerns public services, legislative matters and socio-economic development.

6.4 Civil Society development and dialogue

Both components of the project will have positive impact on the civil society development and dialogue. Through project implementation, the key stakeholders for development and

² Due to the importance and complexity of the project, an effort will be made to commence the project earlier, through a suspension clause.

competitiveness enhancement will be regularly consulted. In addition some of the project activities will aim to improve and strongly support communication and cooperation between public authorities and the business community, associations and civil society.

6.5 Good governance, with particular attention to fight against corruption

The beneficiaries and Consultant will be required to take proper consideration for the issues related to good governance and fight against corruption where relevant and appropriate throughout project activities.

ANNEX 1 - Log frame in standard format

LOGFRAME PLANNING MATRIX FOR Project Fiche: Strengthening the capacities for implementation, evaluation and revision of proactive industrial policy		Programme name and number: National Programme for the former Yugoslav Republic of Macedonia under the IPA Transition Assistance and Institution Building Component for 2010 CRIS number :	
		Contracting period expires two years from the date of the conclusion of the Financing Agreement	Execution period expires two years from the final date for contracting
		Disbursement period expires one year from the final date for execution of contracts.	
		Total budget: 2 970 0 00 EUR	
		IPA budget: 2 673 000 EUR	
Overall objective	Objectively verifiable indicators	Sources of Verification	
To maintain sustainable growth and increase competitiveness of the private sector and provide a healthy business environment for investment and employment based on knowledge and innovation enhancement.	<ul style="list-style-type: none"> - Improved country ranking on Doing Business Index (World Bank) and Competitiveness Index (World economic Forum); - GDP growth; - Increase in export; - Increase in employment. 	<ul style="list-style-type: none"> - Statistical data; - Doing Business Index (World Bank) and Competitiveness Index (World economic Forum); - Regular revision for evaluation impact of industrial policy and action plan implemented; - Reports prepared for implementation of Industrial policy and submitted to the Government; - Monthly monitoring progress report from SPO to CFCD. 	
Project purpose	Objectively verifiable indicators	Sources of Verification	Assumption
<ul style="list-style-type: none"> - To strengthen the capacities of the Ministry of Economy and other development stakeholders to implement and monitor pro-active Industrial Policy; - To design and execute efficient programmes and action initiatives in support of industry growth and competitiveness; - To increase the competitiveness of the national companies based on knowledge, innovation and collaboration by successful implementation of a number of projects. 	<ul style="list-style-type: none"> - Implementation of the Action plan of Industrial Policy; - A number of programs and action initiatives for support of the companies are designed and executed (or on-going); - Number of pilot projects implemented. 	<ul style="list-style-type: none"> - Statistical data; - Regular revision for evaluation impact of industrial policy and action plan implemented; - Survey among companies about business environment and supporting measures from the Government; - Reports on the implementation of the project; - Final Progress Reports on the technical implementation of the projects concerned to CFCD; 	<ul style="list-style-type: none"> - Remained Commitment of the top management of the Ministry of Economy for the project and outcomes; - Commitment of relevant institutions; - Commitment of companies, research and educational institutions and other stakeholders; - Changes in the Government and continuity of commitment; - Sufficient budget for implementation of the measures approved.

		<ul style="list-style-type: none"> - Irregularity Report; - Quarterly Irregularity; - Report/Zero "Irregularity Report to CFCD. 	
Results	Objectively verifiable indicators	Sources of Verification	Assumptions
<p>General results for whole project:</p> <ul style="list-style-type: none"> - Effective relationship established and strengthened partnership between all stakeholders in the process of programming, implementation and evaluation of industrial policy; - Effective programs in place for implementation of industrial policy; - Effective pilot projects designed and implemented by the companies and associations/clusters for increasing competitiveness in the field of innovation, eco-technology, business partnership acceleration and internationalisation. <p>Component 1: Institution building</p> <ul style="list-style-type: none"> - Ministerial Competitiveness Council to become a functional body promoting competitiveness as a joint platform among ministries with efficient coordination and cooperation presented through Inter ministerial Expert Group; - Key ministries and public institutions (implementing agencies) to become competent actors prepared for joint development and implementation of proactive industrial policy conducive to growth, enhancing competitiveness and innovation following the priorities and trends of the EU with close cooperation with business community and other relevant organisations; - Mechanisms for continuous and regular communication and cooperation between the 	<ul style="list-style-type: none"> - Number of companies supported with the programs; - Number of initiated and implemented projects in the field of innovation enhancement; - Number of initiated and implemented projects in the field of new eco-friendly technologies, products and services as well as; - Number of initiated and implemented projects in the field of business partnership acceleration and internationalisation of companies. - Number of trainings, study visits and other capacity building activities provided to the Competitiveness Council and IMEG; - Number of joint initiatives among different ministries for implementation of industrial policy; - Number of awareness raising events and other events for dialogue between ministries and business community; - Capacity building activities provided to the institutions to implement and renew industrial policy measures; 	<ul style="list-style-type: none"> - Project Progress Reports and lists of participation on the capacity building activities for the Council; - Project Progress Reports and other relevant inter-ministerial correspondence; - Project Progress Report and lists of participation of relevant stakeholders on the events; - Project Progress and Final Report; - Project Progress Report, lists of participation on the trainings; - Project Final Report; - Project Progress and Final Report; - Pilot projects application forms; 	<ul style="list-style-type: none"> - Effective co-operations between institutions; - Willingness of the companies to participate in the programs; - Willingness of the business support institutions to co-operate; - Political will expressed in commitment of all relevant ministries to actively participate in the Competitiveness Council's capacity building and other activities; - Participation of relevant ministries in the process of program development; - Willingness of regional stakeholders to collaborate in the process of public-private dialogue; - Interest and motivation of regional stakeholders to get involved in the pilot projects; - Motivation of future trainers to participate in the train the trainers programmes;

<p>Ministry of Economy and other relevant ministries with business community and actors in development, are designed and functional;</p> <ul style="list-style-type: none"> - Developed institutional competence and increased capacities for developing and implementing proactive policies that lead towards increased competitiveness, increased export, increased FDI, enhancing entrepreneurship, innovation, technology development, R&D; - Optimal organisational design, the institutional structure, internal organisational structure and system of procedures of the managing authorities are defined, established and fully functional; - Staff from the Ministry of Economy and implementing bodies, as well as other relevant line Ministries and institutions is trained and skilled for efficient and effective management of the annual programs of measures and its corresponding projects(action initiatives) with respect to programming, implementation, monitoring & controlling, evaluation, financial management and control and publicity activities/measures are developed; - Increased skills and capacities of the staff from ministry and other national enterprise and competitiveness and innovation actors for developing and designing projects for utilising various EU funds (especially IPA, FP7, CIP and other programmes); - The industrial policy 2009-2020 is re-assessed and an updated industrial policy document is drafted. 	<ul style="list-style-type: none"> - Optimal organisational structure developed; - Trainings implemented for the staff of the Ministry of Economy in the area of Operational Programmes development; - Capacity building activities provided to the institutions to implement and renew industrial policy measures. 		<ul style="list-style-type: none"> - Motivation of staff from relevant ministries to be trained about project design; - Motivation of relevant stakeholders to participate in clustering; - Motivation and financial capability of companies and clusters to participate on study visits; - Cash-flow of the project consistent with the needs of the pilot project financing.
<p>Component 2: Designed and implemented programs and measures in four priority area of the national Industrial Policy</p> <ul style="list-style-type: none"> - Designed and implemented programs and measures in four priority area of the 	<ul style="list-style-type: none"> - Innovation enhancement program developed; - Program for eco-friendly technologies, products and 	<ul style="list-style-type: none"> - Project Progress and Final Report; - application forms - Status reports on implementation of individual programmes ; 	

<p>national Industrial Policy: (i) innovation enhancement program, (ii) program for eco-friendly technologies, products and services and (iii) business partnership acceleration and internationalisation program; and (iv) facilitation of the consultation process with business community;</p> <ul style="list-style-type: none"> - A number of pilot projects in all four areas developed, implemented, monitored and evaluated; - Regularly practiced consultation process between public and private sector and regional conferences (based on public-private dialogue) for economic development are organized in different regions throughout the country; - Increased capacities of a number of business associations/clusters of enterprises to strengthen industry sectors where the country has a competitive advantage and/or where is and economical/social need to maintain specific industry sectors; They are fully informed about the available techniques, best practices and recommendations to achieve self-sustainability of the respective associations; - A group of trained and skilled local experts to facilitate public-private dialogue actively operate in the country; - Developed local capacities (public and/or private) to conceive and design projects for utilising available EU funding (such as IPA, CIP, FP7 and other programmes open to domestic businesses). 	<p>services developed;</p> <ul style="list-style-type: none"> - Program for business partnership acceleration and internationalisation developed; - Numbers of trainings realised with key stakeholders - Number of pilot projects identified, developed and successfully implemented; - Number of companies benefiting from the programmes; - Number of companies benefiting from the pilot proejcts; - Number of regional conferences based on public-private dialogue for economic development held; - Number of trainings and study visits; - Techniques and best practices for public-private dialogue developed; - Number of trainers trained for public-private dialogue facilitation - Number of trainers trained for project priority areas. 	<ul style="list-style-type: none"> - Action plans of business associations/clusters; - Project Progress and Final Report, list of participation; - Project Progress and Final Report and application forms for pilot projects; - Project Progress and Final Report, co-financing provided. 	
Activities	Means	Costs	Assumptions
Component 1: Institution Building	One Service Contract for two	IPA EUR 2 673 000 EUR + EUR 297	

<ul style="list-style-type: none"> - Capacity building of MCC, IMEG (Inter-Ministerial Expert Group) and industrial policy implementation institutions, agencies and bodies on national and regional level: organisation and implementation of seminars, workshops and other training sessions, organisation of study visits; - Awareness raising activities for industrial policy among public administration, business sector and knowledge providers on national and regional level; - Leading permanent dialogue with private sector when policies and programs are created; dialogue with: relevant Councils and associations (NECC, Chambers, associations, clusters etc.), individual companies and institutions; - Assessment and recommendations for areas of intervention of industrial policy, assessment of current and development of advanced measures of renewed industrial policy; - Re-assessment and development of optimal organisational structure and procedure systems design which will support effective implementation and renewal of industrial policy; - Consultancy support to the process development of the annual Program of measures aimed to increase of the Economy Competitiveness, targeting major competitiveness problems from a national perspective; - Training to the staff from the Ministry of Economy and intermediate bodies, as well as other line institutions and relevant institutions will be trained and efficiently informed in order to run the annual programme of measures and its projects with respect to Programming, Implementation, 	<p>components</p>	<p>000 National Co-finance TOTAL budget EUR 2 970 000</p>	
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<p>Monitoring & Controlling, Evaluation, Financial Management and Control as well as publicity activities/measures developed;</p> <ul style="list-style-type: none"> - Assessment of the industrial policy and drafting a new updated document with proposed new measures; - Support ministry and other national enterprise and competitiveness and innovation actors for developing capacities to conceive and design projects for utilising IPA, CIP and other programme support. <p>Component 2: Creation and implementation of Programs and action initiatives</p> <ul style="list-style-type: none"> - Development and implementation of action programs and measures for four project priority areas (i) innovation enhancement program, (ii) program for eco-friendly technologies, products and services and (iii) business partnership acceleration program and internationalisation, and (iv) facilitation of the consultation process with business community; - Implementation of trainings for the implementing institutions, companies and clusters and organisation of study visits for business, research and education institutions representatives in all four project priority areas; - Identification and realisation of pilot projects for identified priority areas; - Initiate and support business associations/clusters of enterprises to strengthen industry sectors where the country has a competitive advantage and/or where is and economical/social need to maintain specific industry sectors; - Monitoring of pilot projects implementation; - Measuring of pilot projects results; - Facilitation of consultation process between 			
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<p>public and private sector for competitiveness enhancement of country industry;</p> <ul style="list-style-type: none"> - Organisation of regional development conferences based on public-private dialogue for economic development in different regions throughout the country; - Provision of techniques, best practices and recommendations on sustainability of public-private dialogue will be provided to the beneficiary; - Implementation of train the trainers program for public-private dialogue facilitation; - Create a cadre competent for implementation of the created programs related to innovation, new eco friendly technologies, business partnership acceleration and internationalisation; - On job training to develop specific project proposal for CIP, FP7,IPA and other programs for all priority areas components. 			
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Pre-conditions:

- Strong involvement and commitment of the Ministry of Economy staff at all levels;
- Assignment of indispensable personnel to activities connected with the project;
- Strong involvement and commitment of the staff from implementation agencies and bodies at all levels;
- Functional Ministerial Competitiveness Council and IMWG;
- Allocation of workspace in the Ministry of Economy for TA;
- Responsibilities for implementation of individual programs assigned (innovation, eco, internationalisation);
- Organisation, selection and appointment of members of working groups, steering and coordination committees;
- Sufficient budget approved (funds are available) for implementation of the industrial policy measures in accordance with the annual action plans.

If the conditions are not met, suspension or cancellation of the project will be considered.

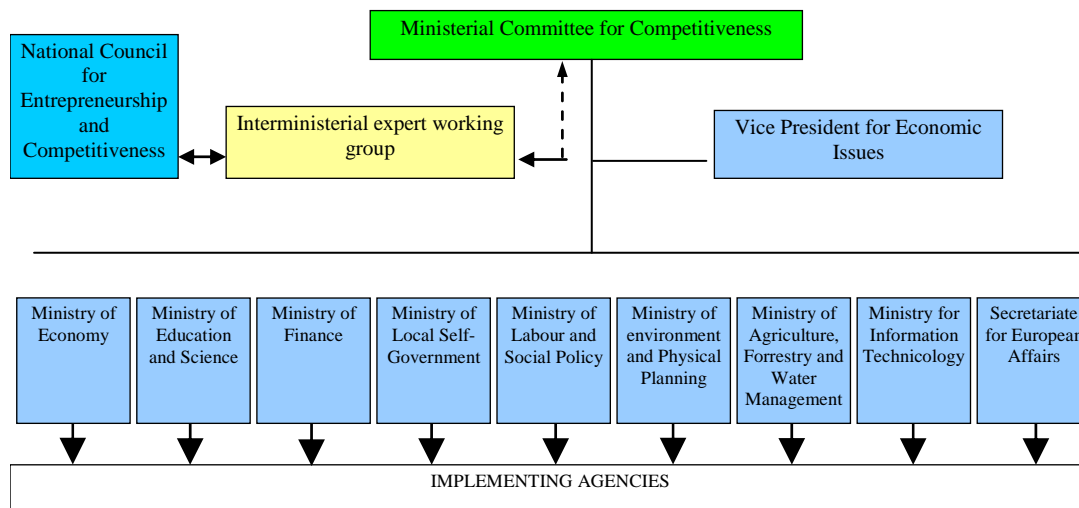
ANNEX II - Amounts (in EUR) contracted and disbursed per Quarter over the full duration of Programme

	2011				2012				2013			
Contracted	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
Service Contract				2 970 000								
Cumulated				2 970 000								
Disbursed												
Service Contract				891 000			891 000			891 000		297 000
Cumulated				891 000			1 782 000			2 673 000		2 970 000

ANNEX III - Description of Institutional Framework

Institutional capacity

Figure 4: Interministerial implementation structure for industrial policy



Implementation of industrial policy requires inter ministerial cooperation since the measures would be implemented in several ministries and institutions (agencies for implementation). Inter ministerial cooperation would enable exchange of information, preventing potential overlapping of measures, leading consistent implementation of policy, and thus, the best return of investments in industrial development. Due to this new implementation structure should be introduced.

Industrial policy implementation will be supervised by the Competitiveness Committee of Ministers, whose members are the Vice-president for Economic Affairs, the Minister of Economy, Minister of Finance, Minister of Education and science, Minister of Agriculture, Minister of Local Self-Government Minister of Environment and Physical Planning, Minister of Labour and Social Policy, Minister of Information Society, Secretariat for European Affairs. The Committee is a decision-making body that approves all relevant programs for competitiveness and decides on the renewal of industrial policy.

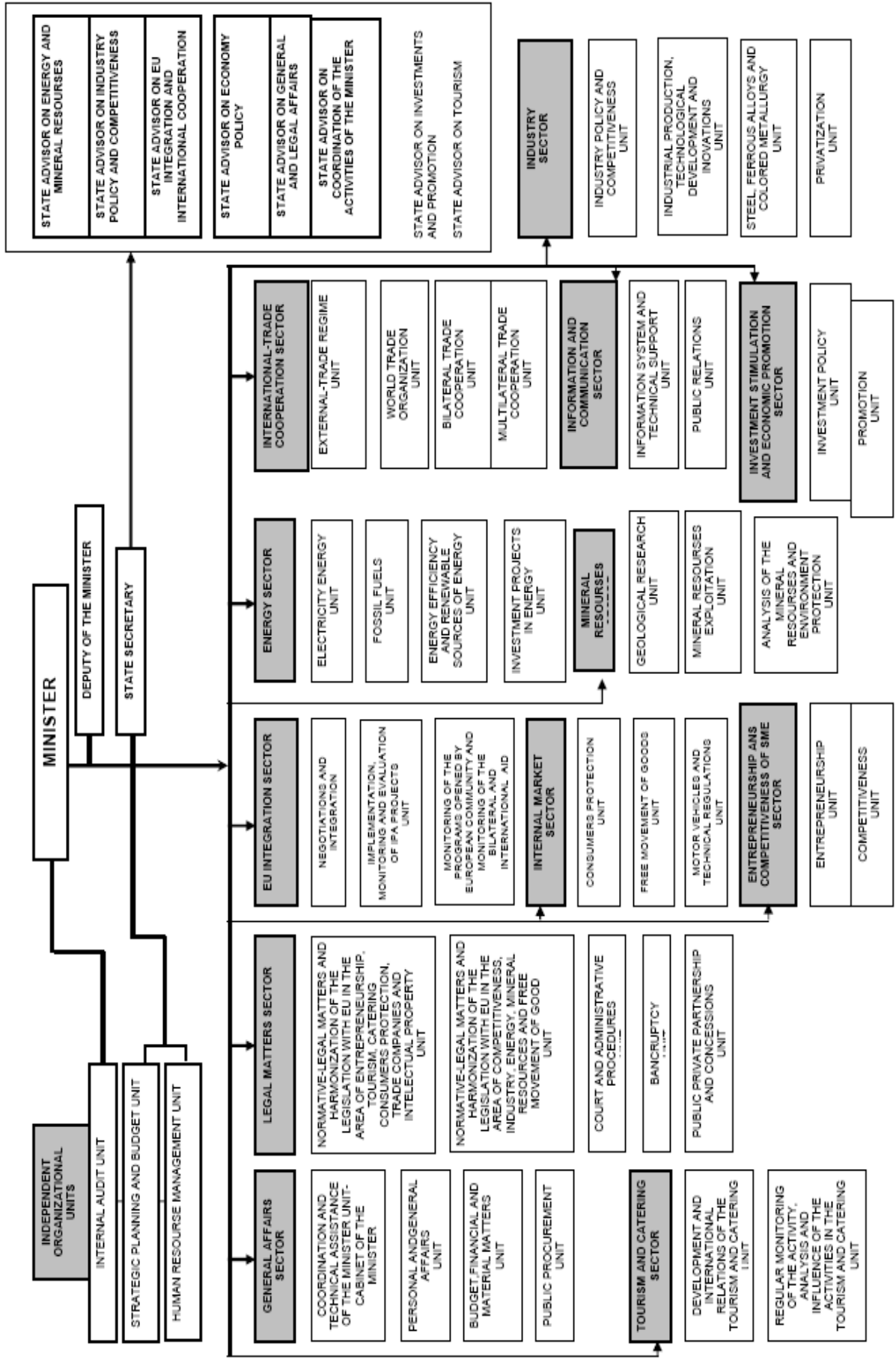
The Competitiveness committee will be assisted by the Inter-ministerial Expert Group for Industrial Policy (IMEG). The IMEG will act as an expert body of Competitiveness Committee with the following tasks: Professional and technical assistance for the Committee;

- Professional and technical support to the Committee;
- Coordination of programs for policy implementation and development of all relevant inputs for Committee decisions;
- Development of public-private dialogue for policy implementation and renewal (with individual companies and representative organisations, like National Entrepreneurship and Competitiveness Council);
- Institution building and awareness raising activities for industrial policy implementation;
- Other tasks defined by the Committee.

The general orientation of the Industrial policy of the former Yugoslav Republic of Macedonia 2009-2020 is for ministries to develop policies and programs and implementing agencies to manage the program implementation. However, there are selected areas of policy implementation, like innovation, research and development and internationalisation where appropriate institutional solution for implementation still needs to be addressed.

Organisational structure of the Ministry of Economy

The present organisational structure of the Ministry of Economy is shown below. At the moment, within the Ministry of Economy's few department deal with programs for increasing competitiveness: Industry Department, Department for Entrepreneurship and Competitiveness of SMEs, Department for stimulating investments and economic promotion. Industry Department deals with Industrial policy and closely cooperate with other departments. Within Industry Department there are 4 units: Unit for Industrial Policy and Competitiveness, Steel Unit, Privatisation Unit, Unit for Industrial Production, Technology Development and Innovation.



In the Industry Department a new unit responsible for monitoring and evaluation of the implementation of the Industrial policy is planned to be founded.

The total number of employees in the Industry Department is 14 people, 3 of which comprise the Industrial Policy Unit.

The department suffers from lack of capacity to develop, implement and monitor industrial policy and lead the dialogue within the different departments of the Ministry of economy and other institutions responsible for increasing competitiveness as well as dialog with business community.

The successful implementation of the industrial policy is essential for the further economic development of the country. The framework of an proactive industrial policy is designed including areas of intervention and concrete measures, but the detailed programs and strengthen institutional infrastructure is essential as a prerequisite for implementation. For now there is weakness in leading the dialogue, coordination and collaboration in creating integrated programs, lack of links between industry and universities,

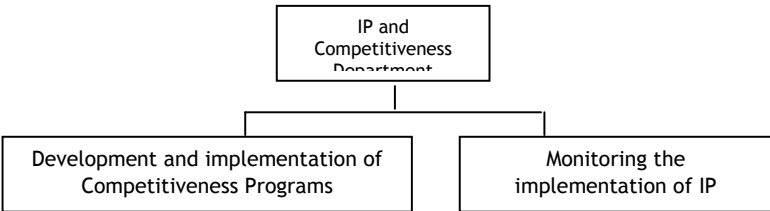
In the document for Industrial Policy the following implementation structure of the Ministry of Economy is presented.

The implementation of proactive industrial policy would create a new focus in the competence of the Ministry of Economy, i.e. competitiveness, implementation of industrial policy and its renewal.

The competence of the Department for Industrial Policy and Competitiveness should be extended in two basic fields:

- Coordination of implementation of industrial policy and renewing the fields of action;
- Internal monitoring of implementation of industrial policy.

Department for Industrial Policy and Competitiveness in the Ministry of Economy



Duties of the Unit for Implementation of Competitiveness Programs should be:

- Facilitation of relevant analysis of competitiveness of the national economy;
- Co-ordination and organisation of the work of the Inter-ministerial Expert Group for Industrial policy – an expert group of the Competitiveness Committee of Ministers;
- Coordination of programs integrating horizontal measures of IP in all areas of intervention with other units/sectors within the Ministry of Economy, all other relevant ministries and institutions;
- Awareness raising activities for industrial policy;
- Consultations with the Competition Commission for issues related to state aid;

- Leading public-private dialog for implementation of policies;
- Activities for building the capacities of the agencies for implementation of industrial policy;
- Coordination and development of operational programs and project in the area of increasing the competitiveness for IPA and other international development financing schemes (i.e. GTZ, USAID etc.).

The tasks of the Unit for monitoring and implementation of the industrial policy should be:

- Facilitation of external evaluation of industrial policy implementation;
- Following-up competitiveness indicators of the country industry;
- Studying best practices and developments in EU in the area of industrial policy;
- Testing the applicability of modern industrial policy measures in the country in a number of private-public dialogues and discussions;
- Industrial policy renewal – development of the horizontal instruments for competitiveness enhancement;
- Reporting on the progress in the area of industrial policy (Chapter 20: Enterprise and Industrial Policy) to the EC Sub-committees and participation in pre-accession negotiations.

In the NPAA for the needs of functional Industrial policy implementation structure within the Ministry of Economy, will be required establishment of new unit and at least 4 new employments.

ANNEX IV – Reference to laws, regulations and strategic documents:

Reference to AP/NPAA/SAA

The **Accession Partnership** priorities referring to the enterprise and industrial policy sector focus on the following abilities to assume obligations of membership on short term:

- Define and implement industrial strategy conducive to growth and innovation;
- Strengthen resources of the SME department and the SME agency and ensure implementation of SME strategy and Action plan and the European Charter for Small Enterprises;
- Introduce systematic assessment of the impact of new regulations on enterprises;
- Continue work on regulatory simplification, "regulatory guillotine" and reduction of bureaucratic barriers to doing business; introduce regulatory impact assessments.

And on medium term

- Define and implement industrial strategy conducive to growth and innovation;
- Further develop support mechanisms for SMEs and improve access for SMEs to financial services;
- Finalise and implement the strategy development on the mainstreaming of entrepreneurship education based on successful donor supported pilot projects.

The National Programme for the Adoption of *Acquis* envisages creation and implementation of functional and proactive industrial policy conducive to growth based on knowledge, innovation and collaboration. The key principles of enterprise policy are linked to NPAA – Chapter 20: Enterprise and industrial policy, Chapter 22: Regional Policy and coordination of structural instruments, Chapter 25: Science and Research

The project will contribute towards the implementation of the **Stabilisation and Association Agreement**:

- Article 85: on Industrial co-operation, which promote modernisation and restructuring of the industry and individual sectors in the former Yugoslav Republic of Macedonia, with particular focus on strengthening the private sector under conditions that ensure that the environment is protected. Industrial cooperation initiatives will reflect the priorities, taking into account the regional aspects of industrial development, promoting trans-national partnership when relevant. In particular: establishing a suitable framework for undertakings, to improve management know-how and to promote markets, market transparency and the business environment.

- Article 86: on Small and medium – sized enterprises including in particular: developing and strengthening private sector, small and medium-sized enterprises, establishment of new undertakings in areas offering potential for growth and cooperation between SMEs in the Community and the former Yugoslav Republic of Macedonia.

The **2009 Progress Report** notes good, but uneven, progress in the area of **enterprise and industrial policy instruments**. The financial resources and administrative capacity of public bodies for implementation of enterprise and industrial policy instruments are modest. Alignment with the *acquis* in this chapter is moderately advanced.

The industrial strategy for 2009-2020 to promote growth and innovation was adopted. It is based on five main pillars: international cooperation and foreign investment; research and

innovation; eco-friendly products and services; SME development and entrepreneurship; and collaboration in clusters and networks. No budget was allocated for implementation of the strategy in 2009.

Reference to MIPD

According to the Multi-Annual Indicative Planning Document (MIPD) 2009-2011, the focus of pre-accession assistance will be on the adoption of the *acquis* including building institutional and administrative capacity for transposing, implementing and enforcing the *acquis* according to the priorities identified in the Accession Partnership.

In the field of enterprise policy and enhancing competitiveness the support will be given to supporting economic development and enhancing social cohesion, in particular by strengthening the business environment, especially the SME sector and by supporting the implementation of national and regional development plans.

In the field of Socio-Economic criteria, the aim of Multi-beneficiary IPA assistance is to support the operations and objectives of strengthening the *competitiveness* of the economy and further improving the *investment climate* and business environment, in particular by supporting small businesses and the implementation of the European Charter for SMEs, improving administrative procedures and by completing the registration of land and real estate as well as strengthening the cadastre. Furthermore, it is crucial to assist the country in establishing well regulated and properly controlled and supervised financial markets, as they are essential to sustainable growth and a prerequisite for attracting investment. The support to innovation and strengthening the technological capacity of private and public sectors is also important. So far, IPA support has been given to improve supervision in the insurance and support the regulatory bodies in the energy sector.

Reference to national/ sectoral investment plans

The project is directly linked to the recently adopted Industrial Policy of the former Yugoslav Republic of Macedonia 2009-2020 which focuses on encouraging Country industry to re-orient its operations towards higher value added products and services based on knowledge, innovation and collaboration. Industrial policy's priorities are to accelerate development of Country industry in the following five areas: international cooperation and FDI enhancement, applicable research and development and innovation, eco-friendly technologies, products and services for sustainable development, SME development and entrepreneurship, collaboration in clusters and networks.

Also, it complies with the Program for development of the entrepreneurship, competitiveness and innovation of SME's 2007-2010, as a key document aimed to support and enhance SME development.

ANNEX V - Details per EU funded contract

Management and contracting arrangements

A project steering committee will be established. The detailed project management and implementation structure, with full descriptions of roles and responsibilities will be specified during the preparation of ToRs.

The Team leader for the project will be responsible for the overall management, representation (co-ordination with the other international bodies), and reporting. The co-ordination of activity development in the different components of the activity is significantly important. The team leader shall be responsible for the appropriate management of resources. During the inception phase of the project, a detailed deployment plan will be developed under the coordination of a Steering Committee in which each co-operating national institution will be represented to ensure appropriate inclusion. Short and long term expertise will be engaged in the areas of capacity development, trainings, preparation of programs, and implementation of programs - etc. A pool of short-term expertise will be made available to assist the key experts and to carry out activities in the specialised areas.

Workspace for experts from the project will be provided and allocated in the facilities of the Ministry of Economy.

The expected contracting arrangements are:

One Service contract will be signed for the implementation of the Component 1: Institution Building and component 2: Programs and action initiatives, facilitation of the consultation process with business community. The TORs will be developed during 2010/2011 and launched within 2011. The contract has an expected duration of up to 24 months, and has a budget of approximately EUR 2 673 000 financed by IPA, and EUR 297 000 financed by national budget, which brings the total project amount of EUR 2 970 000.

Due to the complexity of the project, support for technical assistance for preparation of detailed TOR is envisaged under the Project Preparation Facility.