

Project Fiche – IPA National programmes / Component I

1 IDENTIFICATION

Project Title	Support to SME development		
CRIS Decision number	2012/022-967		
Project no.	07		
MIPD Sector Code	3. Private Sector Development		
ELARG Statistical code	02.20		
DAC Sector code	32130		
Total cost (VAT excluded)¹	EUR 7.865 m		
EU contribution	EUR 6.181 m		
Management mode	Joint management with European Bank for Reconstruction and Development (EBRD) for Component I. Centralised management for Component II.		
<i>Centralisedmngmt:</i> EU Delegation in charge	EU Delegation to the Republic of Serbia		
Implementation management	The Ministry of Finance and Economy The Ministry of Foreign and Internal Trade and Telecommunications		
Implementing modality	Stand-alone project		
Project implementation type	<i>Project-type interventions</i>	C01	Project-type inter
Zone benefiting from the action(s)	Republic of Serbia		

2 RATIONALE

2.1 PROJECT CONTEXT: ISSUES TO BE TACKLED AND NEEDS ADDRESSED

The Government of the Republic of Serbia aims to develop a strong domestic private sector, using the SME sector as the key to economic restoration. The SME sector accounts for 99.8% of the total number of enterprises with its business base relatively similar in structure to the EU-27, but skewed towards the smallest firms². The SME sector has a large influence on the performance of the Serbian economy accounting for more than 66% of all employees, 67% of its turnover and 57% of GVA³. However, in spite of being vibrant and dynamic, the global economic crisis has significantly affected SMEs. It is more difficult for these businesses to reduce their cost base as they are already small; they are individually less diversified in their economic activities; they have a weaker financial structure; they often have a low or no credit rating; have limited access to specialised and technical services, and are vulnerable to problems being experienced by large firms. The SME sector, however, has the potential to generate jobs, even when large firms are shedding labour, and if the sector can also improve its productivity to

¹ The total project cost should be net of VAT and/or of other taxes. Should this not be the case, clearly indicate the amount of VAT and the reasons why it is considered eligible.

² 96.3% micro enterprises (compared with an average of 92.3% in the EU-27), 3% are small enterprises (6.63% in the EU-27), while only 0.7% make medium-sized enterprises (1.05% in the EU-27). It is estimated that in 2010 SME sector accounted for 33% of the national GDP, 45.4% of total employment, and 44.5% of export and 52.3% of import (Source: Report on SMEs and Entrepreneurship 2010 published by the Ministry for Economy and Regional Development).

³ Report on SME and Entrepreneurship 2009, published by the Ministry of Economy and Regional Development in 2010.

approach the levels of larger enterprises, then the combined effect of more jobs and higher output per worker could potentially increase GDP. Therefore, Serbia needs to:

- **Help those SMEs with realistic growth ambitions** to raise their performance levels, and compete effectively in domestic and international markets;
- Elicit higher levels of competitiveness and **improve the environment for all SMEs**, which requires further institutional and administrative reform, over and above improvements achieved in recent years.

Serbian SMEs are currently provided with *general* advice and support by Business Service Providers (BSPs)⁴ in areas such as business planning, organisation development, human resources & leadership management, marketing communication, market research, branding and PR, as well as consultancy for start-ups. SMEs with growth prospects are currently held back by the limited management capacity across a wide range of areas (e.g. organisation and strategy, finance, production, marketing and sales, quality, access to new markets, etc.). There is insufficient advisory capacity on the Serbian market that can help entrepreneurs to overcome these limitations. General consulting offered by local consultants is rarely adapted to specific individual needs of SMEs or specific industries. Hence, the SME sector needs high quality professional support services, specifically targeting improvements in productivity and efficiency levels, with emphasis on the most promising sectors where SMEs can significantly improve their results and increase the volume of higher value products to become competitive on international markets. Serbia needs to focus on the long term development of the SME sector which requires access to market opportunities, as well as to new technology and best practice management. The challenge is to provide direct and immediate help to SMEs that need it, while at the same time building capacity within the SME consultancy sector to provide these services on a sustainable basis.

Serbia needs to continue with reduction of administrative barriers facing SMEs through engaging in development of e-business that increases efficiency, cuts costs and raises their competitiveness. So far, Serbia has been unable to reap the full benefits of information and communication technologies (ICT), due to continuing underinvestment, organisational innovation and digital skills. Citizens and businesses alike need to be stimulated to use ICT more often and more effectively. According to the data of the Statistical Office of the Republic of Serbia⁵ 52.1% of households own a computer, whereas 41.2% of households have internet access. There is a growing trend in the number of computer users⁶ and internet users⁷ as well as purchases being made via the internet⁸. At the same time, 98.1% of enterprises use computers in their business operation and 97.2% of them use the internet for the some aspect of their business. Enterprises mostly use the internet for banking and financial services⁹, however, and insufficient use of internet technologies in doing business is holding back the ability to seize the opportunities¹⁰ that e-business offers. Furthermore, on-line purchasing by Serbian SMEs is less than the EU average, which shows potential to improve supply chain activities (e.g. application of the 'just-in-time' concept) and reduce purchasing costs. In terms of the overall sophistication of e-Government services, Serbia stands at 51% of full online availability of services¹¹, compared to the European average of 83%¹². Serbia needs to improve and invest in e-Government services to strengthen the efficiency of public institutions and their interaction with private sector to be able to fulfill their needs.

⁴ Survey of over 500 BSPs to SMEs across Serbia

⁵ <http://webzrzs.stat.gov.rs/WebSite/public/PublicationView.aspx?pKey=41&pLevel=1&pubType=2&pubKey=728>

⁶ 59.9% in 2011 in relation to 56.3% in 2010

⁷ 47% in 2011, 45.9% in 2010

⁸ 18.1% in 2011, 13% in 2010)

⁹ 80%, according to the Report on SME and Entrepreneurship 2009, published by the Ministry of Economy and Regional Development in 2010.

¹⁰ For example, easier market monitoring, tracing and communicating potential business partners, cutting procurement costs, usage of the electronic service of public government, electronic payment

¹¹ 43% in 2007

¹² 76% in 2007

The proposed project will address the above mentioned needs and challenges as follows:

- **Component I:** The EBRD Enterprise Growth Programme (EGP)¹³ and Business Advisory Services (BAS), under the EBRD's Small Business Support Team, will facilitate access to high quality business support services, enhancing managerial capacity in all areas, and striving to develop local SMEs as well as the business advisory service market. Individual enterprises will be able to engage with consultants on narrowly-focused, specific projects with a rapid benefit aimed at improving management effectiveness and enterprise competitiveness.
- **Component II** will set out necessary actions to create a solid foundation and environment for rapid growth in the use of e-business¹⁴ by both SMEs and consumers. This Component will propel the development and use e-business by strengthening the legal and institutional framework, developing the technical environment and fostering the use of electronic trade between businesses through the introduction of eServices for businesses. Furthermore, it will review the present state of e-business taking into account the development of eServices the Government provides for businesses and prepare a roadmap for the upgrade of those services. The roadmap will be based on the impact the services have in reducing compliance costs for SMEs. In addition, this project will create legal and institutional preconditions for introduction of eInvoicing and eOrdering frameworks, and set the grounds for their full implementation while creating a universal platform for all G2B services (G2B Service bus) which will be able to carry all existing and future electronic services for business.

2.2 LINK WITH MIPD AND NATIONAL SECTOR STRATEGIES

One of the priorities identified by **the Enlargement Strategy 2010-2011 and the MIPD 2011-2013** is to overcome the economic crisis and achieve sustainable growth. The MIPD sets out some specific objectives including: to improve the regulatory and administrative environment for doing business; to increase the competitiveness of Serbian enterprises and industry in the EU market; to promote the establishment of SMEs and strengthen their capacities; to develop public services and information businesses. The project will promote the growth of SMEs by helping them to improve their market performance, management effectiveness and provide the SMEs with adequate advice. In addition, the project will improve the legal and institutional framework for e-business development and build the capacity and knowledge of all relevant institutions and stakeholders, including SMEs and consumers thus contributing to private sector development.

The project's objective correlates with the first priority of the competitiveness sector in the **Needs of the Republic of Serbia for International Assistance in the Period 2011-2013** by creating pre-conditions for further development of the SME sector. The proposed project will address the needs of the SME sector for high quality business support services and raise the competitiveness of Serbian companies. In addition, the project will enhance the environment for e-business and e-commerce and encourage greater and more effective use of ICT and e-business by Serbian enterprises as drivers for increasing their competitiveness.

The **National Programme for Integration with the European Union (NPI) (December 2009)** defines strengthening of SME capacities through more efficient system of business services as one of the main priorities for the SME sector, including improvement of managerial skills and development of a professional and skilled work force. The project will support SMEs to adapt to the demands of a market economy by providing them with specific advice and best international expertise regarding challenges relevant to their expansion and growth. Furthermore, the project

¹³ Enterprise Growth Programme (EGP) is a new name for the formally known Turn Around Management (TAM). The new name better demonstrates the Programme's primary purpose to work with and support companies with high growth potential.

¹⁴ For the purpose of this project, e-business means conducting business processes, sale or purchase of goods or services between businesses, households, individuals and public or private organizations, with application of information and communication technologies

will support the development of e-business services which will contribute to strengthening the SMEs ability to become more efficient and conduct business in a new innovative way.

The National Strategy for the Economic Development of Serbia (2006 - 2012) highlights the need to increase the overall competitiveness of the Serbian economy through the restructuring of existing enterprises and supporting SME establishment and growth. The project will support SMEs to adapt to the demands of a market economy by providing them with tailor made advice and best international expertise in order to increase their productivity and export. Moreover, the project will encourage the development G2B services which will contribute to SME growth.

One of the main objectives identified in **the Strategy for Development of Competitive and Innovative Small and Medium-sized Enterprises (2008 - 2013)** is to develop a framework for sustainable, international competitive and export-oriented sector of SMEs based on knowledge and innovation. The project will support SMEs by providing the specific, tailor-made consultancy services customised to the needs of each SME in the most promising sectors and helping them to become more productive and competitive. Further improving e-business, especially G2B services will enhance the environment for e-Business solutions and raise awareness of SMEs on the importance of using ICT in different parts of the business process.

Strategy and Policy for Development of Industry of the Republic of Serbia from 2011 to 2020 emphasises SMEs as the engine of industrial development and employment and the need for encouragement of entrepreneurship through the support to start-ups, human resources development, different sources of financing, development of competitive advantages of SMEs at foreign markets and creation of favourable business environment. The project will contribute to the objectives of the strategy through raising capacities of SMEs to tackle their individual problems and realising their potential competitive advantages. Introduction of e-business will reduce administrative burden and costs for the SMEs thus contributing to the creation of a favourable business environment.

The Strategy for development of ICT sector in the Republic of Serbia (up to 2020) represents a strategic policy document for further development of ICT in different areas. Main priorities of the Strategy are: improvement of e-commerce, eliminating normative barriers for e-business, electronic bills and electronic payment, electronic identity, stimulating development of e-business, protection of consumers in e-commerce, institutional framework in the area of e-commerce, improvement of legal and institutional framework for information security, fight against cyber crime. The project will directly promote the increase in accessibility of public e-services for enterprises through the development of an e-invoicing and e-ordering framework, boost the use of e-business within SME sector and raise the knowledge levels of all relevant stakeholders on e-business.

The **Strategy for Development of eGovernment in the Republic of Serbia 2009-2013** has identified the objectives that the project will contribute to through achieving high level of users' satisfaction with public services, benefits that the e-government brings to the citizens, severe reduction of administration burden for companies and citizens as well as increased efficiency of public administration with the use of ICTs.

2.3 LINK WITH ACCESSION PARTNERSHIP (AP) / EUROPEAN PARTNERSHIP (EP) / STABILISATION AND ASSOCIATION AGREEMENT (SAA) / ANNUAL PROGRESS REPORT

The project will address the key priorities in the **European Partnership**, specifically those intended to strengthen the business environment through developing mechanisms for institutional support to SMEs and entrepreneurship. Furthermore, the project will develop business support structures and meet clients' needs with the blend of local know-how and international best practice. It will serve as a training ground for potential consultants; build local capacity and an indigenous consultancy industry thus contributing to the implementation of the Small Business Act which emphasises the importance of the country's framework for SME growth and expansion.

The second component of this project is in line with the principles of the SBA implementation concerning the necessity for the upgrading of skills and all forms of innovation support, specifically through developing of an electronic identity for businesses, enabling e-invoicing and e-ordering transactions.

This project is also in line with **Article 89 of Stabilisation and Association Agreement** which states the following“...the Community and Serbia shall cooperate to promote wider cooperation with the aim to speed up the inflow of know-how and access to new technologies.” The project is also in line with the Articles 94 and 95 **of the Stabilisation and Association Agreement (SAA)** and will contribute to strengthening of private businesses with potential for growth. It is also in line with the **Article 105**, which requires cooperation “with a view to further developing the Information Society in Serbia. Global objectives will be preparing society as a whole for the digital age, attracting investments and ensuring the interoperability of networks and services”.

The EC Analytical Report notes that complex legislation and excessive red-tape continue to hamper the business environment. Also, it notes that SMEs are faced with inadequate access to favourable financial resources, late payments and inadequate cooperation with research and development institutions, resulting in low investment in innovative activities. The project will create preconditions for better capacities of Serbian SMEs to compete on the market. This project will support continuous efforts towards improving the business climate and create preconditions for better (G2B) linkages between public and private sector.

Europe 2020 Strategy sets out a vision of Europe's social market economy delivering high levels of employment, productivity and social cohesion, and based on mutually reinforcing priorities. The Europe 2020 Strategy has proposed three flagship initiatives in the field of competitiveness. The project will promote growth of SMEs by helping them to improve their market and export performance and to benefit from economic potential of ICT, most notably the internet thus contributing to "An industrial policy for the globalisation era" and "A digital agenda for Europe" initiatives. In accordance with the Europe 2020, the European Commission has recently adopted the Communication on E-commerce¹⁵ presenting targeted initiatives aimed at doubling the share of e-commerce in retail sales. Five priorities to be addressed through this action plan are: develop the legal and cross-border offer of online products and services; improve operators information and consumer protection; providing reliable and efficient payment and delivery systems; combating abuse and resolving disputes more effectively; deploy high-speed networks and advanced technological solutions.

2.4 PROBLEM ANALYSIS

Serbia is continuing the transition to a market economy, but further reform is necessary to improve the business climate and continue to attract foreign investment. Deficiencies in the legal framework, access to public services for business, the regulatory environment, institutional capacity, administrative procedures, and infrastructure bottlenecks remain barriers to the development of the private sector. The under-developed business environment is affecting establishment and growth of the SME sector in Serbia; in spite of good progress in implementing the European SME Charter and thereby improving the public policy environment for small firms, the OECD 2009 assessment¹⁶ indicates that there is still much to be done to help Serbian SMEs to increase their competitiveness. This finding is reinforced by the rankings of the World Economic Forum's Global Competitiveness Index¹⁷ and the World Bank's Doing Business index¹⁸. There are over 300,000 SMEs in Serbia, but the economy is currently reliant on micro-

¹⁵ COM (2011) 942 Commission Communication to the European Parliament, the Council, the Economic and Social Committee and the Committee of Regions - A Coherent Framework for Building Trust in the Digital Single Market for E-Commerce and On-Line Activities

¹⁶ Progress in the Implementation of the European Charter for Small Enterprises in the Western Balkans: 2009 SME Policy Index, OECD

¹⁷ 95 out of 142 nations

¹⁸ 89 out of 183 economies

businesses in low value manufacturing and service sectors, which don't operate in international markets. Within the SME sector, the level of exports has covered 35% of imports levels - indicating the low penetration and competitiveness of their products and services in international markets, and an over-reliance on imports for inputs. However in 2009, the level of exports has shown noticeable increase, covering 52.8% of import levels, and within the SME sector covering almost 44%, which can be partly attributed to the devaluation of the national currency. The potential benefits to Serbia if exporting is increased reveal a 'virtuous circle': SMEs must offer products and services at the right price, to recognized standards, and meet customers' quality and delivery needs, in order to enter international markets; by competing in these markets, SMEs become leaner and fitter, enhancing their productivity and their capacity to export further, as well as compete in the domestic market. Serbia needs to broaden and upgrade its SME base that will be able to meet those demands and requirements set by competitive markets.

SMEs face obstacles in developing their businesses such as: limited management skills and experience among owners; limited ability to evaluate their own problems and define needs; lack of attention to strategic planning and strategic management in order to maintain or improve market position; limited use of market research and forming new channels for sales; out-dated technology and limited automation of manufacturing process; insufficient level of innovation; lack of business information about foreign markets; low awareness of the importance of e-business utilisation and limited ability to comply with European standards. Furthermore, consultancy services in Serbia don't always reflect the specific individual needs of SMEs. Easily accessible, high-quality and tailor-made consultancy services to strengthen SMEs' abilities for growth, development and export are lacking. Also, awareness among SMEs themselves on the importance of upgrading knowledge and skills in innovation and opportunities of e-business, is very low. Understanding of the innovations necessary to access international markets is limited to provision of new machinery and equipment, while recognition of the necessity for innovation in processes, systems, management, and introduction of e-business is at an early stage of development.

SMEs still do not realize the full potential of ICT for enhancing their competitiveness. They are not fully informed on the advantages the internet gives to their everyday business and reduction of costs in spite of initiatives such as the Foreign Investors Council that stressed the need for improvement of the e-business environment in Serbia in their annual publication White Book¹⁹. At firm level, e-business solutions can make communication within the firm faster and make the management of the firm's resources more efficient. At inter-firm level, the Internet and e-commerce have great potential for reducing transaction costs, increasing speed and reliability of transactions and extracting maximum value from transactions in their value chains. They can also reduce inefficiencies resulting from lack of coordination between firms in the value chain. Internet-based B2B interaction and real-time communication can reduce information asymmetries between **buyers and suppliers** and build closer relationships among trading partners. Also, e-commerce brings the advantage of expanding market potential and better satisfaction of **consumer** needs²⁰ as well as improvement in customer relations²¹. In addition, development of e-commerce will enable the employment of persons with disabilities, but will also facilitate their everyday life (e.g. when purchasing goods and services) and therefore help their easier and full integration into society. eInvoicing and eOrdering are important steps for e-commerce development.

There is a need for reinforcement and alignment of the legal framework related to e-business particularly in import and export of goods of small value purchased electronically, taxation of turnover (realised electronically), market inspection and market surveillance procedures and

¹⁹ White Book 2011 – Proposals for improvement of the business environment in Serbia, FIC, 2011

²⁰ availability of products and services 24h a day globally, easier checking of prices, more comfortable purchase

²¹ support informations offered on-line, customers surveys etc

specific electronic market institutions,²² and to transpose the Directive 2000/31/EC on e-commerce into the Serbian legal system.

Furthermore, improvement in cooperation and capacity building within line ministries such as the Ministry of External and Internal Trade and Telecommunications (Centre for Trade Development), the Ministry for Finance and Economy, the Ministry of Interior, the Ministry of Justice and Public Administration are needed in order to strengthen their abilities to develop and implement relevant legislation strategies, measures and instruments and their monitoring in accordance with the EU best practice.

Development of e-government services amongst SMEs improves their overall competitiveness by increasing their efficiency of doing business. By diverting resources away from traditional, administrative and complex tasks towards more efficient ways of employing resources, SMEs can focus resources on the core business and on making productivity improvements. In order for SMEs to be able to benefit from truly effective government to business (G2B) services, there is a need for an “information system to information system” communication – this means that the day-to-day software utilised by SMEs will be able to directly communicate with Government software systems without the need to transpose or interpret the data. The technical name for the system is a “G2B service bus” and this is an essential component of effective G2B services as it will provide a basis for universal communication between all public administration institutions and enterprises in Serbia. The G2B service bus will provide direct access for an enterprise information system to the information system of the public administration. The two different automated systems will be integrated through the G2B service bus. This universal platform will increase inter-operability and significantly reduce the costs of implementing new G2B services for both the information systems of service providers (the public administration) and for the information systems of service consumers (SMEs). Firstly, eInvoicing and eOrdering will be implemented as a pilot G2B services. However, the G2B service bus will form the basis of a number of eGovernment initiatives commencing with:

- Improved eBusiness Registration
- Improved eTaxation
- Improved eEmployment.

One example of efficiency improvement is in the area of invoicing. It has been calculated that an average business spends between 9 and 15 minutes receiving, opening and typing or scanning an invoice, and another 5 minutes per invoice correcting mistakes. Mistakes on traditional invoices are costly because they can end up delaying payment for extra weeks while companies are trying to sort out the problem. Electronic invoicing and ordering avoid many of the problems that can occur when invoicing using traditional methods. Additionally, e-Invoicing enables a recurring invoice option that allows businesses to deal with repeat customers more easily. All interested parties are allowed immediate access to the status of the invoice, as e-Invoicing and e-Ordering services keep constant track of the status of financial documents. Although development of these services demands significant financial resources by the government, investments by the SMEs are almost symbolic and related to adjustments of the accounting software which a majority of Serbian SMEs are already using. There are also factors other than cutting costs and becoming more efficient and competitive that drive SMEs to use e-Invoicing and e-Ordering. Exporting SMEs are usually geographically distant from the market they supply so eServices give them the opportunity to operate faster and more accurately. Additionally, some SMEs are suppliers to large multinational companies that have specific requirements, particularly for invoicing. Industry is another driver of the use of e-Invoicing and e-Ordering, as the companies using it tend to encourage other SMEs that are using more traditional means of doing business to use new and innovative ways. Importance of development of e-Invoicing and e-Ordering is

²² such as on-line auction, e-fair etc

underlined by the fact that these two services have been measured for the first time in the latest EC's annual e-Government benchmark.²³

eInvoicing is part of the European Commission's flagship initiative *A Digital Agenda for Europe*²⁴ which gives prominence to achieving a single digital market and calls for removal of the regulatory and technical barriers that prevent mass adoption of eInvoicing. E-Invoicing is "an essential part of an efficient financial supply chain and it links the internal processes of enterprises to the payment systems"²⁵.

The project will focus on addressing the identified needs and challenges through two components:

Component I EBRD EGP/BAS is taking a twofold approach in addressing the challenges: it combines direct assistance to SMEs through provision of specific, tailor-made consultancy services customised to the needs of each SME, with systemic market development and capacity building interventions, such as training for SMEs and consultancies and dissemination of market economy best practices. EGP focuses on substantial managerial and structural change within companies, by providing the advisory services of experienced senior executives from economically developed countries. BAS supports short-term projects that have narrowly-defined objectives. Furthermore, it is focusing on enhancing the capacity and capability of local advisory service providers, increasing their skills and competences necessary to provide business advice and guidance to SMEs. Thereby, the project achieves enterprise level change and the development of a sustainable infrastructure of business advisory services.

Component II will provide thorough analysis of the existing legal framework for conducting e-business and e-commerce, draft amendments to the Law on E-commerce, the Law on VAT, the Law on Accounting, the Law on Electronic Signature (in accordance with the currently ongoing work at the EU level in relation to eIdentification, eAuthentication and eIdentification which is expected to be adopted by end of May) and other e-business related legislation. In addition, this project will develop procedures for companies and consumers to report potential acts of high-technology crime to police authorities and judiciary. The component also addresses the issues of cyber crime through training programmes for judiciary and police authorities. The aim is to ensure better cooperation between judiciary and police on one hand, and businesses and consumers on the other, in detecting and reporting abuse in the field of e-business. It will support the establishment of an e-business portal²⁶, recognized by the EU as good instrument in raising the knowledge of relevant stakeholders related to e-business. In addition, through this Component, the project will provide direct support to SMEs²⁷ for the development of e-business strategies. This exercise will serve as good practice example for the future support activities in this domain. Preconditions for introduction of eInvoicing and eOrdering services will be met. This project will benefit SMEs and consumers in informing and educating them on the use and advantages of e-business, e-commerce and G2B electronic services and establishing their trust in security of electronic transactions, their privacy and personal data in line with the European Strategy for Internet Security which should be adopted by the European Commission in the Q3 2012. On-line based applications developed by the project will provide consumers with easy

²³ These services are measured as a part of eProcurement services. The 9th benchmark measurement "Digitizing Public Services in Europe: Putting ambition into Action", is available at

http://storage.vuzit.com/public/2c2bh/Digitizing_Public_Services_in_Europe_Putting_Ambition_into_Action.pdf

PayStream Advisors, Electronic Invoicing Adoption Survey, 2009,

http://www.ariba.com/resource/library/content/assets/eINVAdoptionSurveyReport_Ariba.pdf

²⁴ COM(2010) 245, <http://eur-lex.europa.eu/LexUriServ/LexUriServ.do?uri=COM:2010:0245:FIN:EN:PDF>.

²⁵ http://ec.europa.eu/internal_market/payments/einvoicing/index_en.htm

²⁶ E-business portal should be designed in a way to help SMEs managers to understand and use IT and e-business, to improve competitiveness according to the best practice examples (E-business portal will contain basic information regarding e-business related issues, data base of e-business providers, case studies of companies that implemented e-business solutions, tool for assessment the e-business development in SME, data base of trainings and trainings providers related to e-business etc).

²⁷ At least 35 export oriented SMEs (including SMEs within clusters) will be selected according to transparent criteria which will be developed through the TA support, during the implementation of the project and with prior approval from the EU Delegation. In order to ensure fairness and equal opportunity for all potential participants, it is important that information about this project activity is disseminated broadly through existing institutional structures as well as mass media. Trained e-business consultants will accompany the Project's experts who will provide consultancy support to SMEs, with the aim that e-business consultants gain more experience (learning by doing exercise).

access to information on how to choose from a wider range of products and services compared to traditional trading and the ways to exercise their rights. Finally, the component will additionally seek to improve the conditions for doing business through assessing the existing legislative situation with respect to G2B services and the existing provision of those services.

Described G2B services will be based on the “G2B service bus” and will provide a basis for universal communication between all public administration institutions and enterprises in Serbia²⁸. The Component will create institutional and legal pre-conditions for the supply of equipment necessary for the introduction of G2B service bus through aligning the legal framework, increasing the capacities of relevant institutions and preparing a tender dossier for the supply of equipment. Furthermore, it will promote the increase in accessibility of public e-services for enterprises through the development of an e-invoicing and e-ordering framework, as well as to boost the use of e-business within SME sector.

2.5 LINKED ACTIVITIES AND DONOR COORDINATION

Several current and prior projects are linked with the proposed project. The activities under these projects have been developing the capacities of national stakeholders to provide support for SMEs the quality, range and availability of business support, and the business environment that will foster development and competitiveness of innovative and export-oriented SMEs.

World Bank 2012 – Strengthening Institutional Capacity for eGovernment - The overall objective of the project is to provide strategic guidance on institutional strengthening and capacity building support to the Ministry of External and Internal Trade and Telecommunications for implementation of the e-Government Strategy and the corresponding Action Plan. One of priorities is to identify actions for successful implementation of the e-Government Strategy. The analysis will be done based on the status of the Action Plan detailed in the Serbian eGovernment development strategy 2009-2013 and the twenty priority eGovernment services identified within the strategy.

IPA 2010 - Support to e-Government Development is focusing on creating an inter-operability framework and the necessary human and technical background for further activities that enable effective e-Government for citizens. The project started in the beginning of 2011 and will last until September 2012. Through the supply contract a central server infrastructure for eGovernment services will be provided. The project is focused on the development of three eServices for citizens: building permits, taxation services and issuing of personal documents, while this particular project is focused on establishing a base for further development of eServices for businesses through the G2B service bus and eInvoicing and eOrdering. IPA 2012 project proposal for the Public Administration Reform also continues activities of IPA 2010 ‘Support to eGovernment Development’ project, but it foresees necessary equipment for further development of the central server infrastructure as a step towards a cloud computing model. Connecting the Central Register of Citizens with other national registers is also an important part of that project, thus putting the focus on citizens again.

IPA 2010 - Integrated Innovation Support Program is focusing on development of the institutional capacity and new financial instruments/programmes for efficient support to innovative SMEs and technology transfer. This IPA 2012 project will complement these activities through further development of institutional capacities for SME support and through raising awareness of targeted SMEs for engaging in innovation in products and processes as well as the benefits of e-business.

IPA 2009 - Strengthening consumer protection in Serbia - the implementation started in August 2011, with the objective to improve the legislative framework through further alignment with EU acquis and strengthen capacities and cooperation among all institutions included into the consumer protection system. This IPA 2012 project will increase institutional capacities to

²⁸ Other than those utilised through the government’s web portal

further protect consumer rights and interests in e-transactions and raise awareness and educate consumers to use e-commerce more and benefit from the advantages of on-line purchasing.

IPA 2008 - Improved SME Competitiveness and Innovation Project (ICIP) is focusing on supporting competitiveness and innovation through capacity building of both government institutions and specialist Business Innovation Support Organisations (BISOs). The project will build on the activities from ICIP project by further raising the capacities of local consultants to provide expertise and advice to SMEs as well as increase the awareness of enterprises of the importance of innovation for productivity growth and profitability.

WBIF 2011 - The Western Balkan Enterprise Development and Innovation Facility (EDIF) project. On 7th December, the Steering Committee of the Western Balkans Investment Framework (WBIF) approved EDIF project. The overall objective of the EDIF is to contribute to the growth and competitiveness of Western Balkans' SMEs by improving access to finance and creating of preconditions for the establishment and development of innovative and high-potential companies. The EDIF will comprise four pillars – an innovation fund, an expansion fund, a guarantee facility and a technical assistance pillar aimed at enabling relevant policy reforms. This project will complement the activities envisaged by the EDIF through provision of specific, tailor-made business advice services targeting improvement of SMEs performance.

EBRD Business Advisory Services (BAS) programme - Since 2006 the government of the Netherlands has funded the EBRD Business Advisory Services (BAS) programme in Serbia with EUR 3 million. The BAS programme enabled micro, small and medium-sized enterprises to access a diverse range of consulting services by facilitating projects with local consultants on a cost sharing basis.

Assistance to the Competitiveness and Compatibility for the EU of Serbian SME (ACCESS) Programme - This programme is implemented by Deutsche Gesellschaft für Internationale Zusammenarbeit (GIZ) GmbH and has the overall objective to improve the conditions for an enhanced competitiveness of Serbian SMEs on regional and EU-markets. This IPA 2012 project will complement these activities through identification and dissemination of good practices and recommendations for further development of adjusted demand-oriented business services.

Municipal economic development in the Danube Region (2007-2014) – This programme implemented by German Agency for International Cooperation (GIZ) is focusing on development of relevant national, regional and local institutions in their efforts to facilitate regional development and enable private sector growth as a precondition for further socio-economic development in Serbia. Within the framework of the project, 10 pilot municipalities in Eastern Serbia receive support in developing their capacities to provide services to the private sector and civil society. The project also supports capacity building for regional development agencies and networks to equip them with the skills and resources they need to assist respective municipalities.

Reforming vocational education – The overall objective of the project implemented by German Agency for International Cooperation (GIZ) is to increase employability of young people equipped with useful qualifications from a secondary vocational school. The project enables establishment of vocational training system and development of occupational profiles such as business administrator, financial administrator, bank clerk, insurance clerk etc.

German business internship programme for the countries of the Western Balkans (2011-2013) - This regional project implemented by German Agency for International Cooperation (GIZ) enables young people at the start of their careers to gain practical experience in German companies and to use their skills to help drive economic development in Western Balkan countries. Working in close cooperation with the German private sector, corporate internship

placements are arranged with German businesses for highly qualified students and young graduates from the participating countries.

Development of the Financial System in Rural Areas - The overall objective of this EUR 45.5 million grant-loan programme financially supported by German Development Bank (KfW) is to promote rural development and modernisation of the agricultural and food processing sectors by providing SMEs and farms in rural areas with favourable loans through commercial banks and micro-finance institutions. The loans will be complemented by technical assistance to support banks in developing adequate financing products as well as creating awareness among SME and farmers in rural areas to decrease existing barriers to finance from their end.

Promotion of Municipal Investments in Energy Efficiency and Environmental Measures - The overall objective of this EUR 23 million grant-loan programme financially supported by German Development Bank (KfW) is to promote energy efficiency sectors by providing SMEs with favourable loans through commercial banks. The loans will be complemented by technical assistance to support banks in developing adequate financing products as well as creating awareness among SMEs to decrease existing barriers to finance from their end.

Italian Credit Facility to support Small and Medium Enterprises through local banking system and sustain the local development through Local Public Utilities in Serbia - The overall objective of this EUR 30 million grant-loan programme is to contribute to the economic growth of Serbia through the promotion of private sector development and widening trade relations with the European Union, as well as supporting balanced regional development by enhancing local infrastructures and municipal services. Main purposes of the Programme are: 1) strengthening the private sector and reinforcing SMEs by providing easier access to favourable credit opportunities through local banks, and 2) enhancing local infrastructures and municipal services allowing the Local Public Utilities (LPUs) to access the Credit Line Facility for the supplying of goods, equipment, plants and related services to support local development and inter-municipal cooperation.

2.6 LESSONS LEARNED

This proposal builds on previous EBRD assistance in various countries, such as FYR of Macedonia²⁹ and Bosnia and Herzegovina³⁰, including current and past EBRD EGP (formally TAM) and BAS programmes in Serbia.

EGP Serbia has been active since 2001 in Serbia with 184 projects implemented and €9.51 million mobilised. The BAS program funded by the Government of the Netherlands started in 2006 and has supported 257 projects of direct assistance to local companies, engaging 127 local consultants and utilizing €3 million. The majority of companies assisted were operating in the food industry, chemical/pharmaceutical industry, metal/machinery/equipment production. According to EGP and BAS, poor financial management, inefficient organisational structures, lack of adequate strategic planning and difficulties in accessing markets are frequent problems among companies in Serbia. Access to credit still remains a main constraint that the programmes address by improving financial management, while also assisting with investment project preparation. Both programmes emphasise the importance of cost-share from the beneficiary in order to ensure commitment when advisory services are provided.

Serbia is in the early phases of e-Government development, only having recently commenced the IPA 2010 technical assistance, which will lay the foundations for this project. Nevertheless, this project will take on board the best practice from international experience in e-Government strategies and their implementation, in the field of services to business, including lessons learned from World Bank and UN e-Government initiatives, and EU Member States. The project will

²⁹ IPA 2008 "Implementation of the TAM/BAS Programme"

³⁰ IPA 2009 "Support to the Small and Medium Sized Enterprises Sector and Deposit Insurance Scheme in Bosnia and Herzegovina"

also build on experiences gained in the preparation and implementation of the IPA 2010 project Support to implementation of Public Administration Reform process.

Furthermore, past experience has shown that the lack of inter-ministerial relations, coordination and communication has a potential to undermine the implementation of government policy, especially in policy fields such as e-business/commerce, which is a cross-cutting issue and requires a joint approach by government bodies. This need has been addressed in the project by defining procedures for coordination and monitoring by all relevant stakeholders which usually proves essential for the implementation of the projects, given the complexities of interoperability and the number of institutions involved.

3 DESCRIPTION

3.1 OVERALL OBJECTIVE OF THE PROJECT

To enhance the competitiveness of Serbian economy through the strengthening of private sector and its performance.

The project aim is to increase the productivity and competitiveness of Serbian private sector, its internationalisation and capacity to innovate, by creating a more favourable environment, customised business services and promotion of e-business in order to strengthen the efficiency, quality and accessibility of products and services as well as cutting costs and administrative procedures.

3.2 SPECIFIC OBJECTIVE(S) OF THE PROJECT

Specific objectives are:

1. Improve SME performance by providing quality professional support services
2. Improve e-business environment by strengthening the legal and institutional framework

3.3 RESULTS

Component 1: Implementing the Enterprise Growth Programme (EGP) and Business Advisory Service (BAS)

Result 1.1: Enterprise-level change and enhanced performance in assisted SMEs

Indicator related to Result 1.1:

- Minimum 240 companies assisted through both programmes (minimum 30 EGP projects and minimum 210 BAS projects)

Result 1.2: Best Practices and management models disseminated

Indicator related to Result 1.2:

- Minimum of 90 companies trained on the common problems identified through a series of projects

Result 1.3: Sustainable infrastructure of local business advisory services strengthened and improved

Indicator related to Result 1.3:

- Minimum of 60 local consultants trained to deliver business support to SMEs and other companies

Component 2: e-Business development

Result 2.1: E-business Legal framework improved

Indicators related to Result 2.1:

- At least 3 legislative acts drafted
- At least 4 procedures and guidelines for implementation developed

Result 2.2: Institutional and capacity building of project beneficiaries for effective implementation and enforcement of prepared legislation

Indicators related to Result 2.2:

- At least 20 training/workshop sessions organised for representatives of relevant ministries, consumers organisations, prosecutors and judges
- Minimum 400 participants on the training/workshop sessions
- 1 Rulebook on internal systematization of the MATFWM drafted
- 1 E-commerce Unit within MATFWM operational

Result 2.3: Improved conditions for SMEs to use e-business

Indicators related to Result 2.3:

- 1 e-business portal linked to the SME portal of National Agency for Regional Development created
- 1 consolidated report on EU and national E-business support initiatives and policy recommendations
- At least 1 Programme instrument for support to SMEs to introduce e-business developed
- At least 35 SMEs supported in developing e-business strategies

Result 2.4: Preparatory work and needs assessment completed to establish the G2B service bus and eInvoicing/eOrdering over G2B service bus

Indicator related to Result 2.4:

- Blueprint and functionalities for G2B service bus developed
- One system specification and financing plan for launching eInvoicing and eOrdering framework via G2B ESB developed
- One technical specification for the supply of equipment for G2B service bus developed

Result 2.5: Higher level of awareness for the use of e-business

Indicator related to Result 2.5:

- A communication plan is developed.
- At least 10 promotional events are organised to create maximum awareness (round tables, conferences, advertisements, etc)
- Number of visits to established portal increasing by at least 10% a month by the end of the project

3.4 MAIN ACTIVITIES

COMPONENT I

Activities related to Result 1.1: Enterprise-level change and enhanced performance in assisted SMEs

EBRD project cycle for assisting SMEs through EGP and BAS includes the following activities:

1.1.1. Screening of enterprises;

- 1.1.2. Selection of beneficiary enterprises;
- 1.1.3. Approval of selected screened enterprises;
- 1.1.4. Project development;
- 1.1.5. Project implementation;
- 1.1.6. Monitoring and Evaluation.

According to the needs of assisted SMEs, either EGP or BAS will be applied, using their standard methodology and team composition (as per the **Annex 4**).

The EBRD EGP³¹ supports the introduction of international best practices in SME's with the potential of becoming future leaders in their market. International advisors from developed countries with 15 to 20+ years of professional experience in the specific business sector from existing market economies, assist the enterprise to become future leaders in their market.

BAS activities include assisting individual enterprises to engage with local consultants on narrowly-based, specific projects with a rapid payback. Additionally, BAS carries out systemic market development activities to develop the capacity of SMEs and local business advisory providers.

Detailed information on all steps of the project cycle including selection criteria, the client cost-sharing mechanisms and principles of the grant structure, as well as monitoring and evaluation practices, are all provided in **Annex 4**.

Activities related to Result 1.2: Best Practices and management models disseminated

EBRD EGP and BAS in Serbia will undertake the following dissemination activities:

- 1.2.1 Identification of good practices and common problems which can be introduced to other enterprises from the same industry area;
- 1.2.2 Implementation of workshops/training sessions in order to introduce commonly encountered issues and the “good practice” solutions to other enterprises in the same area.

To maximize project impact, EBRD EGP and BAS carries out dissemination activities, which are meant to address wider groups of beneficiaries.

Often, EGP projects provide a successful case study, when they identify key practical, technical changes and good practice, which can be introduced to other enterprises from the same industry area. EGP then organizes Sector Development Activities (SDA), where these commonly encountered issues and the “good practice” solutions will be disseminated to other enterprises.

BAS identifies common problems of SMEs in different areas of management and offers workshops and other Market Development Activities (MDA) to address these problems. Wide dissemination is ensured by involving SMEs from EGP and BAS databases, as well as through cooperation with Chambers of Commerce, industry associations and other relevant stakeholders.

Activities related to Result 1.3: Sustainable infrastructure of local business advisory services strengthened and improved

EBRD EGP and BAS in Serbia will undertake the following activities in order to develop a sustainable local business advisory infrastructure:

- 1.3.1 Raising awareness about consultancy services and increasing demand from SMEs through implementation of workshops, conferences, round tables and/or other activities;
- 1.3.2 Implementation of training sessions targeting the capacity building of local consultants to increase supply of services available to local SMEs and improve their quality;
- 1.3.3 Consolidation of local consultancy market through supporting associations of consultants

³¹Please make reference to <http://www.ebrd.com/pages/workingwithus/tambas.shtml> - EGP is the new name of TAM (TurnAround Management)

Consolidation of local consultancy market will be implemented through supporting associations of consultants by encouraging introduction of internationally recognized industry standards, such as CMC and others.

In addition, assistance will be provided to local SME support infrastructure (Regional Development Agencies, Chambers of Commerce etc.), where gaps are identified by local stakeholders and communicated to EGP/BAS during Steering Committee meetings.

COMPONENT II

Activities related to result 2.1: e-Business legal framework improved

2.1.1. Review and gap analysis of the legal framework and procedures (including recommendations) for e-business development

2.1.2 Drafting amendments to the relevant laws and standards, Law on E-Commerce (full transposition of Directive 2000/31/EC) and proposing amendments to other e-business related legislation

2.1.3. Drafting of an action plan for the implementation of an eInvoicing and eOrdering framework.

2.1.4. Drafting of eInvoicing and eOrdering interoperability standards, guidelines, compliance testing tools and the proof of concept implementation.

2.1.5. Developing procedures for companies and consumers to report potential acts of high-technology crime to police authorities and judiciary

2.1.6. Establishing an e-Trustmark (certification of reliable traders)

- *Defining the criteria,*

- *Defining the certification procedure*

- *Defining a Code of Conduct*

Activities related to result 2.2: Institutional and capacity building of project beneficiaries for effective implementation and enforcement of prepared legislation

2.2.1. Establishment of e-commerce unit within MATFWM, through preparation of organizational structure, job profiles, work plan, coaching, on-the-job training)

2.2.2. Establishment of monitoring through an efficient coordination mechanism involving all relevant authorities

2.2.3. Preparation of TNA and ToT plan for the key Project beneficiaries and institutional stakeholders (ministries, judiciary, police, customs, consumer organisations) and their implementation

2.2.4. Preparation of manuals on topics related to e-business and e-commerce with examples of best practices

Activities related to result 2.3: SMEs supported to use e-business

2.3.1. Develop an e-business portal linked to the SME portal of National Agency for Regional Development

2.3.2. Prepare an overview of the most relevant EU and national E-business support initiatives, with policy recommendations

2.3.3 Design Programme instruments for support to SMEs to introduce e-business that would be financed and implemented from national budget.

2.3.4. Select at least 35 export oriented SMEs and provide support for development of an e-business strategy

Activities related to result 2.4: Preparatory work and needs assessment completed to establish the G2B service bus and eInvoicing/eOrdering over G2B service bus

2.4.1. Development of specification which is based on standard protocols and implementation guidelines for G2B service bus in terms of common infrastructure for integration and messaging, data management, security and system interaction;

2.4.2. Gap analysis of current state of standardisation issues in Public Administration, especially the Serbian Tax Administration and the State Treasury in terms of implementation guidelines for G2B service bus

2.4.3. Developing open-standards-based protocol specification and implementation guidelines for the G2B service bus

2.4.4 Identifying system requirements and hardware/software platform requirements for G2B service bus

2.4.5 Preparing system specification for launching the eInvoicing and eOrdering framework via G2B ESB technical specification

Activities related to result 2.5: Higher level of awareness for the use of e-business

2.5.1. Creating a web site mirroring the eYou guide for consumers in the digital world

2.5.2. Develop and carry out a communication campaign aiming at promoting the opportunities of e-business and e-commerce for 2 target groups: companies and consumers. The communication campaign will take into account findings of the Report on EU and national E-business support initiatives and policy recommendations.

3.5 ASSESSMENT OF PROJECT IMPACT, CATALYTIC EFFECT AND CROSS BORDER IMPACT (WHERE APPLICABLE)

The two Components of this project will have **significant impacts** through providing Serbian SMEs with the opportunity to increase their competitiveness and exports.

EBRD EGP and BAS impact on SME sector performance is achieved through:

- Enhanced competitiveness of assisted SMEs (increased exports, productivity and sales, new foreign contacts, new production line/technology, changes in product ranges and production processes);
- Strengthened and sustainable infrastructure of local business advisory services (increased supply of services, broadened range of services, improved quality, and increased consolidation of the industry).

Significant impact will be realized through direct consultancy assistance to SMEs, and through awareness raising activities which will influence uptake of e-business and e-commerce, among different target groups. The introduction of eInvoicing and eOrdering will provide more time for small and especially micro businesses to be able to devote more time and focus their human resources on their core business. Improving G2B services, through implementation of the G2B service bus and piloting of the eInvoicing service, will save time and significantly improve everyday work of Serbian SMEs. Thus it will directly reduce their everyday costs and resources, and increase their effectiveness and competitiveness. Through this project, the G2B service bus will be established as a basis for the successful implementation of all G2B services. After the piloting of eInvoicing, introduction of other services electronically is foreseen and eInvoicing will be followed with electronic services related to business registration, taxation and employment. Implementation of these services should help to improve Serbia's competitiveness and make it a more attractive location for starting and running a business. As such, it is likely to support the establishment and growth of new enterprises, and stimulate inward investment, which together should contribute to the creation of job opportunities.

In addition, the introduction of eServices is a valuable weapon in the fight against corruption. By automating the processes of dealing with Government, it removes the risks and temptations of bribery. By reducing the administrative burden, it should also encourage a decline in the informal sector. Together, these actions create a more level playing field for competition between businesses and should help to increase the tax and other revenue base for public services from bringing more businesses into the formal economy.

The **catalytic effect** of the project is present on various levels, including contributions to improvement of the business environment through informed contributions to policy dialogue. EGP and BAS teams will assist the EBRD Regional Offices to obtain and collate information from small and medium enterprises on the overall business environment. EGP and BAS teams will play a role in strengthening the capacity of local institutions, such as industry associations, Consultants' Associations, and Chambers of Commerce to influence government through a policy dialogue regarding the SME environment and particularly over issues that affect the development of the local consultancy sector. EGP and BAS regularly monitor beneficiaries' needs for external financing and facilitate contacts with financial institutions including EBRD partner banks.

Direct support to SME's and training will contribute to acceleration of uptake of e-business. Furthermore, strengthened security when dealing with e-commerce, as well as enhanced knowledge on the advantages of using e-commerce, will encourage consumers to buy more via Internet, which will be the stimulus for other companies to offer and sell products and services electronically and thus to develop and extend their business. The benefits of the project described under 'project impact' above can only be partly realised through the services being piloted under this project. The full impact will be felt as e-government is successfully rolled out across a wide range of public services and interaction with businesses. Successful introduction of institutional recommendations and setting the technical basis for piloting of the eInvoicing initiative is likely to lead to further actions based on the G2B service bus including eTaxation, extension of eBusiness registration and eEmployment. These will all lead to significantly reduced costs for both the public administration and SMEs.

Cross-border impact is achieved through on-going cooperation and sharing of best practices with EGP and BAS projects operating in other countries of the region. Joint market development activities such as trainings can be carried out, involving beneficiaries from more than one country. The development of the export dimension for local business consultants can also be supported through BAS network. Likewise, EGP projects often promote export linkages amongst and between regions.

3.6 SUSTAINABILITY

Sustainability, perceived as continuation of benefits to SMEs beyond EGP and BAS intervention (Component I), is at the core of the project. The increased competitiveness of EGP and BAS client firms puts pressure on their peers, forcing them to improve their operation to survive, hence providing an impact at the sector level. Understanding of common problems enterprises are facing in particular sectors and countries, acquired while working at the enterprise level, allows EGP and BAS to identify common threats and bottlenecks facing SMEs. Development of an infrastructure of local business advisory services ensures SMEs benefit from qualified business advice and so the improve their performance once EBRD EGPBAS exits the country. Existing SMEs and local consultancy institutions will be strengthened, and assistance given to the planning of any new institutions proposed by government or the private sector. It is important to stress that the process of creating sustainable benefits for SMEs is to a certain extent contingent on an adequate broader institutional infrastructure.

Sustainability of the advisory process both in BAS and EGP is further ensured by cost-sharing. Long-term experience has shown that cost-sharing is vital to secure beneficiaries' commitment to working with business advisory service providers, taking ownership of the consultancy

process and delivering long-term project impacts. At the project level, actual and potential EGP and BAS projects are assessed to determine the level of cost-share, with less cost-share for those with higher additionality and transition impact, and higher company contributions to the project costs for those with less additionality and impact. Over time, a gradual escalation in cost-share by EGP and BAS projects is expected in the SME market. Gradually, the more the client pays for international advisory services, the less EGP and BAS will operate in a given country/sector. The ultimate aim is for the clients to continue with advisory services paying 100% of costs, which results in a sustainable market having been established. Methodology and criteria for cost-sharing are described in detail in **Annex 4**.

Concerning Component II, the project requires a wide base of policy partners and stakeholders (public institutions, business organisation), which means a strong coordination role from the Ministry of External and Internal Trade and Telecommunications. Multi partnership cooperation among all partners is very much required to achieve the success of the project. Sustainability will be ensured through several aspects that will be developed under project activities. Support to SMEs to introduce e-business, which will be created through this Project in accordance with EU best practice and implemented by national resources, will have impact on improvement of awareness of SMEs about the importance of ICT take-up by business. The proposed establishment of the Council for Development of E-Commerce and the specialised unit for e-commerce within the Department for Trade Development, in the Ministry of External and Internal Trade and Telecommunications, will ensure future coordination of all institutions and actors involved in the strengthening of e-commerce and e-business, further training and specialisation of the civil servants dealing with e-commerce, as well as the development of the policy and strategic framework. The project will set the preconditions for supplying equipment necessary for introduction of G2B service bus. After supplying the equipment, the Digital Agenda Administration will have a responsibility for the operation and maintenance of the G2B service bus and the Ministry of Finance - Treasury for the e-Invoicing framework.

3.7 ASSUMPTIONS AND PRE-CONDITIONS

Overall key risks	Mitigating factor (s)
Discontinued funding Change in donor priorities	These risks are mitigated through close cooperation and involvement of donors and implementing bodies, particularly through cooperation and discussions during Steering Committee Meetings.
Political and/or economic instability Deteriorating business/investment climate	EGP and BAS have a strong field infrastructure in Serbia and good knowledge of the region. Meanwhile, EGP and BAS generally work in difficult environments and markets, and can demonstrate operational success in other transition countries. These risks are similar in any transition country of the region, but have not caused problems to EGP and BAS, as yet.
Component-specific risks	Mitigating factor (s)
<i>Component I</i>	
Lack of management response/commitment Unsatisfactory performance Change in ownership	Rigorous and well-tested enterprise screening and selection processes are adopted by EGP and BAS. Cost-sharing further reduces the risk of unsatisfactory performance and lack of commitment from the beneficiary’s management. The Programmes can also quickly end contracts with advisors/consultants when poor performance is apparent, and rapidly find a suitable alternative. Close project monitoring, enables both programmes to track the progress and quality of the consultant’s deliverables. Should the company be taken over by a foreign owner during the course of a project, this is looked at as a successful occurrence, with FDI successfully placed in EGP and BAS clients. Donor funding will not be used for clients with more than 50% foreign ownership, as these foreign owners should bring in qualified foreign or local consultants if necessary.
<i>Component II</i>	
Unreadiness of the Government (and line ministries) to continue	The coordination between the various institutional levels will be strengthened, specifically on topics related to e-business. In addition, the

<p>ongoing reforms and improve e-business environment in accordance with EU standards</p> <p>Sufficient human and financial capacities in the relevant authorities</p> <p>Staff turnover in relevant institutions</p> <p>Willingness of the Serbian SMEs to develop their innovativeness and income through use of e-business.</p> <p>Low level of involvement and commitment of the business community and consumer protection organisations</p>	<p>project will ensure an effective implementation of reforms on e-business</p> <p>The project will contribute to the translation of the institutional recommendations into actual organisational and staffing changes, as well as turning legal and policy recommendations into actual legislative, policy and strategy changes.</p> <p>The project activities related to Component II will increase the interest of the Serbian SME to use e-business as a key factor for their development and will increase the involvement of consumer protection organisations</p>
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4 IMPLEMENTATION ISSUES

COMPONENT I

Component I, EGP and BAS, will be implemented through a Contribution Agreement with Joint Management with EBRD.

During the inception phase, the Contracting Authority and the Implementing Agency, in close cooperation with the beneficiary, will agree on establishing a Steering Committee (SC) to ensure proper coordination of all Programme activities. The SC will include representatives from the EU Delegation in Serbia, the Ministry of Finance and Economy and of the EBRD, as well as Chambers of Commerce, other SME representatives (i.e. SIEPA) and any other relevant stakeholders as identified during preliminary meetings and the inception phase. The Steering Committee will meet quarterly to discuss significant issues about their collaboration and monitor the implementation progress.

The Implementing Agency will support the proper functioning of the SC, including the distribution of invitations, holding of meetings, the preparation and circulation of the agenda, minutes and other associated documentation.

The Ministry of Finance and Economy will appoint a member of its staff as the Senior Programming Officer (SPO) that will be a key contact point and person for coordination between the project and the Ministry of Finance and Economy.

COMPONENT II

All activities within the Project will be performed under one Service contract for Technical Assistance.

4.6 INDICATIVE BUDGET

PROJECT TITLE			TOTAL EXPENDITURE	SOURCES OF FUNDING								
				IPA CONTRIBUTION		NATIONAL CONTRIBUTION					PRIVATE CONTRIBUTION	
IB (1)	INV (1)	EUR (a)=(b)+(c)+(d)	EUR (b)	% (2)	Total EUR (c)=(x)+(y)+(z)	% (2)	Central EUR (x)	Regional/Local EUR (y)	IFIs EUR (z)	EUR (d)	% (2)	
Component I EGPBAS												
Contribution Agreement EBRD EGPBAS	X	5,165,000	3,481,000	67	379,000	7			379,000	1,305,000	25	
Component II - EBD												
Service contract	X	2,700,000	2,700,000	100								
TOTAL IB			7,865,000	6,181,000	79	379,000	5		379,000	1,305,000	16	
TOTAL INV												
TOTAL PROJECT			7,865,000	6,181,000	79	379,000	5		379,000	1,305,000	16	

4.7 INDICATIVE IMPLEMENTATION SCHEDULE (PERIODS BROKEN DOWN BY QUARTER)

Contracts	Start of Tendering	Signature of contract	Project Completion
Contribution agreement		T+ 1Q	T+13Q
Service contract	T+1Q	T+ 3Q	T+11Q

4.8 CROSS CUTTING ISSUES

4.3.1 *Equal Opportunities and non discrimination*

The project will address gender equality and broader gender related issues as an increasingly important component of the transition process, in particular in terms of helping to better realise the potential of women to contribute to economic development in emerging markets. The gender disaggregated data on who benefits from the support will be developed.

During all stages of the operation, the project will aspire to promote non-discriminatory practices and procedures and to prohibit any form of unlawful discrimination including race, color, religion, national origin, political affiliation, sex, age, marital status, or disability.

4.3.2 *Environment and climate change*

Whenever required, the project will support SMEs to comply with environmental regulations and to promote energy efficient technologies and environmental protection. The project will result in a reduction of paper use by the Government and businesses. The hands-on advice that projects provide allows companies to recognise the long-term benefits of investing in, and overcoming, environmental and energy problems.

4.3.3 *Minorities and vulnerable groups*

The project will work with beneficiaries all over the country, and in regional and rural areas, and involving partners regardless of their racial or ethnic origin, religion or belief, disability, sexual orientation. In particular, by developing and promoting the use of e-business and e-commerce in the SMEs, as well as by the consumers/citizens, the Project will boost the employment of the persons with disabilities, but will also facilitate their everyday life (e.g. when purchasing goods and services) and therefore help their easier and full integration into society.

4.3.4 *Civil Society/Stakeholders involvement*

In the course of the project preparation, consultation meetings were held with the representatives of the business sector (Association of SMEs, etc.) who indicated the need for a project that would directly support SMEs and increase their capacities to cope with market pressures through direct engagement of experienced CEOs and tailor made advice..Furthermore, the project was prepared in close cooperation with various consumer organisations. The project will benefit consumers in informing and educating them on the use and advantages of e-business and e-commerce and establishing their trust in security of electronic transactions, their privacy and personal data. On-line based applications developed by the project will provide the consumers with easy access to all relevant information on how to choose from a wider range of products and services compared to traditional trading and the ways to exercise their rights. Training activities will be developed separately for civil society, namely consumer organisations, as well as for clusters, SMEs and entrepreneurs. Consumer organisations will have a major role in the communication and awareness raising campaign to promote the opportunities of e-business and e-commerce among their

members. Finally, the project will be implemented in close cooperation with relevant institutions and business society representatives

ANNEXES

Documents to be annexed to the Project Fiche

- 1- Log frame in Standard Format
- 2- Description of Institutional Framework
- 3- Reference to laws, regulations and strategic documents:
- 4- Details per EU funded contract (*) where applicable
- 5- Project visibility activities
- 6- List of questions to determine the appropriateness of working with an IO

ANNEX 1: Logframe Matrix

LOGFRAME PLANNING MATRIX FOR Project Fiche		Project title and number	Support to SME development
Support to SME development		Contracting period expires 3 years after signature of Financing Agreement	Execution period expires 5 years after signature of Financing Agreement
		Total budget: 7,865,000	
		IPA budget: 6,181,000	
Overall objective	Objectively verifiable indicators (OVI)	Sources of Verification	
To enhance the competitiveness of Serbian economy through the strengthening of private sector and its performance	Improvement in Global Competitiveness ranking of Serbia's competitiveness Increased SME share of GDP	EC Progress Report National statistics from the Republic Statistics Office Annual Report of the World Economic Forum – ranking by competitiveness	
Specific objective	Objectively verifiable indicators (OVI)	Sources of Verification	
1. Improve SME performance by providing quality professional support services 2. Improve e-business environment by strengthening legal and institutional framework	<ul style="list-style-type: none"> Increased turnover of selected SMEs engaged in EGP and BAS Increased supply of local consultancy services by at least 10% Increase of at least 5% of enterprises selling and purchasing on-line annually. Increased level of awareness on opportunities of e-business and e-commerce among consumers and companies. 	EC Progress Report Republic Statistics Office Reports Project reports Survey conducted by the ministries	<ul style="list-style-type: none"> Government committed to and actively promoting SMEs and facilitating conditions of their growth; Removal of administrative and legal restrictions on SME development; Government commitment to level playing field to promote SME entry and development and to smooth exit; Development of financial sector to lower costs and increase SME access to financial intermediation Readiness of relevant Serbian institutions to collaborate in order to strengthen e-business and e-commerce in accordance with EU standards Willingness of the Serbian SMEs to develop their innovativeness and income through use of e-business Public administration has the capacity to use and utilise the new electronic based services Enterprises are willing to use the new electronic based services
Results	Objectively verifiable indicators (OVI)	Sources of Verification	Assumptions
Specific objective 1 Component 1: Implementing the Enterprise Growth Programme (EGP) and Business Advisory Service (BAS)			
Result 1.1: Enterprise-level change and enhanced performance in assisted SMEs	<ul style="list-style-type: none"> Minimum 240 companies assisted through both programmes (minimum 30 EGP projects and minimum 210 BAS projects); 	EBRD Transition Report EBRD Country Strategy for Serbia EBRD/ World Bank Business Environment and Enterprise Performance Surveys (BEEPS)	Enterprise-specific factors: <ul style="list-style-type: none"> Change in management Change in ownership Lack of management response/commitment

Result 1.2: Best Practice and management models disseminated	<ul style="list-style-type: none"> Minimum of 90 companies trained on the common problems identified through a series of projects 	OCE sectorial and surveys for Serbia The World Economic Forum Global Competitiveness Report Serbian Register of Business Consultants EGPBAS Country Brief for Serbia EGP Standard Reporting on every project: EGP Financial Reporting BAS Standard Reporting available through the BAS MIS BAS Financial Reporting	Adverse external conditions (economic and/or political instability). Consultant specific factors: <ul style="list-style-type: none"> Lack of response/commitment Unsatisfactory performance Adverse external conditions (economic and/or political instability).
Result 1.3: Sustainable infrastructure of local business advisory services strengthened and improved	<ul style="list-style-type: none"> Minimum of 60 local consultants trained to deliver business support to SMEs and other companies 		
Specific objective 2 Component 2: E-business environment			
Result 2.1: E-business Legal framework improved	<ul style="list-style-type: none"> At least 3 legislative acts drafted At least 4 procedures and guidelines for implementation developed 	Republic Statistics Office Reports Project Reports Government and relevant Ministerial acts	<ul style="list-style-type: none"> Readiness of relevant Serbian institutions to collaborate in order to strengthen e-business and e-commerce in accordance with EU standards
Result 2.2: Institutional and capacity building of project beneficiaries for effective implementation and enforcement of prepared legislation	<ul style="list-style-type: none"> At least 20 training/workshop sessions organised for representatives of relevant ministries, consumers organisations, prosecutors and judges Minimum 400 participants on the training/workshops 1 Rulebook on internal systematisation of MATFWM drafted 1 E-commerce Unit 	Annual reports of ministries - MATFWM and MERD Reports on conducted training Curricula of Judicial Academy Project reports Organisation chart of the new unit for e-commerce within the ministry	<ul style="list-style-type: none"> Public administration is willing to introduce new services. Sufficient human and financial capacities in the relevant authorities and limit the staff turnover Enterprises are willing to invest and use the new electronic based services
Result 2.3: Improved conditions for SMEs to use e-business	<ul style="list-style-type: none"> 1 e-business portal linked to the SME portal of National Agency for Regional Development 1 consolidated report on EU and national E-business support initiatives and policy recommendations developed At least 1 Programme instrument for support to SMEs to introduce e-business developed At least 35 SMEs supported in developing e-business strategies 	Project Reports Republic Statistics Office Reports	<ul style="list-style-type: none"> Involvement and commitment of the business community and consumer protection organisations
Result 2.4: Preparatory work and needs assessment completed to establish the G2B service bus and eInvoicing/eOrdering over G2B service bus	<ul style="list-style-type: none"> Blueprint for G2B service bus developed 1 system specification for launching eInvoicing and eOrdering framework via G2B ESB developed 1 technical specification for supply of equipment for G2B service bus developed 	Reports from PA bodies. Data from G2B service bus statistics	
Result 2.5: Higher level of awareness for the use of e-business	<ul style="list-style-type: none"> At least 10 promotional events organized (round tables, conferences, commercials, etc) Number of visits to established portal increasing by at least 10% a month by the end of the project 	Project reports	Stakeholders willing to participate in the consultation process Readiness of market players to participate in awareness raising events
Activities to achieve results	Means / contracts	Costs	Assumptions
Component 1	Component 1 will be implemented through a	Contribution agreement: EUR	Enterprise-specific factors:

<p>Activities related to result 1.1 1.1.1 Screening of enterprises; 1.1.2 Selection of beneficiary enterprises; 1.1.3 Approval of selected screened enterprises; 1.1.4 Project development; 1.1.5 Project implementation; 1.1.6 Monitoring and Evaluation.</p> <p>Activities related to result 1.2. 1.2.1 Identification of good practices and common problems which can be introduced to other enterprises from the same industry area; 1.2.2 Implementation of workshops / training sessions in order to introduce commonly encountered issues and the “good practice” solutions to other enterprises in the same area.</p> <p>Activities related to result 1.3 1.3.1 Raising awareness about consultancy services and increasing demand from SMEs through implementation of workshops, conferences, round tables and/or other activities; 1.3.2 Implementation of training sessions targeting the capacity building of local consultants to increase supply of services available to local SMEs and improve their quality; 1.3.3 Consolidation of local consultancy market through supporting associations of consultants.</p>	<p>contribution agreement with EBRD</p>	<p>3,481,000 National contribution: EUR 1,684,000</p>	<ul style="list-style-type: none"> • Change in management • Change in ownership • Lack of management response/commitment <p>Adverse external conditions (economic and/or political instability).</p> <p>Consultant specific factors:</p> <ul style="list-style-type: none"> • Lack of response/commitment • Unsatisfactory performance <p>Adverse external conditions (economic and/or political instability).</p>
<p>Component 2 Activities related to result 2.1 2.1.1. Review and gap analysis of the legal framework and procedures (including recommendations) for e-business development 2.1.2 Drafting amendments to the relevant laws and standards, Law on E-Commerce (full transposition of Directive 2000/31/EC) and proposing amendments to other e-business related legislation 2.1.3. Drafting of an action plan for the implementation of an eInvoicing and eOrdering framework. 2.1.4. Drafting of eInvoicing and eOrdering interoperability standards, guidelines, compliance testing tools and the proof of concept implementation. 2.1.5. Developing procedures for companies and consumers to report potential acts of high-technology crime to police authorities and judiciary 2.1.6. Establishing an e-Trustmark (certification of reliable traders) - Defining the criteria - Defining the certification procedure - Defining a Code of Conduct</p> <p>Activities related to result 2.2. 2.2.1. Establishment of e-commerce unit, through preparation of organizational structure, job profiles, work plan, coaching, on-the-job training)</p>	<p>Component 2 will be implemented through a single service contract</p>	<p>One service contract: EUR 2.7 m</p>	<p>Availability of data related to business environment Active participation of all relevant public and private stakeholders in capacity building activities Willingness of relevant institutions to cooperate. Adequate and sufficient beneficiary resources allocated to the project implementation.</p>

<p>2.2.2. Establishment of monitoring through an efficient coordination mechanism involving all relevant authorities</p> <p>2.2.3. Preparation of TNA and ToT plan for the key Project beneficiaries and institutional stakeholders (ministries, judiciary, police., customs, consumer organisations) and their implementation</p> <p>2.2.4. Preparation of manuals on topics related to e-business and e-commerce with examples of best practice</p> <p>Activities related to result 2.3</p> <p>2.3.1. Develop e-business portal linked to the SME portal of National Agency for Regional Development</p> <p>2.3.2. Prepare overview of the most relevant EU and national E-business support initiatives, with policy recommendations</p> <p>2.3.3 Design Programme instruments for support to SMEs to introduce e-business that would be financed and implemented from national budget.</p> <p>2.3.4. Select at least 35 export oriented SMEs and provide support for development of e-business strategy</p> <p>Activities related to result 2.4</p> <p>2.4.1. Development of specification which is based on standard protocols and implementation guidelines for G2B service bus in terms of common infrastructure for integration and messaging, data management, security and system interaction;</p> <p>2.4.2. Gap analysis of current state of standardisation issues in Public Administration, especially the Serbian Tax Administration and the State Treasury in terms of implementation guidelines for G2B service bus</p> <p>2.4.3. Developing open-standards-based protocol specification and implementation guidelines for the G2B service bus</p> <p>2.4.4 Identifying system requirements and hardware/software platform requirements for G2B service bus</p> <p>2.4.5 Preparing system specification for launching the eInvoicing and eOrdering framework via G2B ESB technical specification</p> <p>Activities related to result 2.5</p> <p>2.5.1. Creating a web site mirroring the eYou guide for consumers in the digital world</p> <p>2.5.2. Develop and carry out a communication campaign aiming at promoting the opportunities of e-business and e-commerce for 2 target groups: companies and consumers</p>			
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ANNEX 2: Description of Institutional Framework

Description of Institutional Framework:

COMPONENT I

The Ministry of Finance and Economy is the policy making body responsible for defining and implementing the overall economic development policy, including the SME development strategy, foreign direct investment strategy etc. The Ministry mandate covers 6 other bodies dealing with sector specific policy implementation, namely: Privatization Agency, Business Registration Agency, Export Insurance and Financing Agency, National Agency for Regional Development, Serbia Investment and Export Promotion Agency, Bankruptcy Supervision Agency and the Tourist Organization of Serbia.

National Agency for Regional Development (NARD) was established in 2010, under the Law on Regional Development and to support the Serbian Agency for the Development of Small and Medium-sized Enterprises and Entrepreneurship. The Agency is established with the basic aim to support (help, advise and protect) balanced regional development and the development and interests of SME sector, which should contribute to balancing of economic structure, invigoration of economic development and revival of economic flows in the country. NARD also coordinates the work of the network of regional development agencies and regional centres for development of SMEs.

Component I EGP and BAS will be implemented through a Contribution Agreement with EBRD.

Contracting Authority (EC): The Contracting Authority is the EU Delegation on behalf of the Republic of Serbia.

Implementing Agency: European Bank for Reconstruction and Development (EBRD) through joint management.

Beneficiary (including details of project manager): The Ministry of Finance and Economy

Final beneficiaries will be the small and medium sized enterprises (SMEs) in Serbia.

During the inception phase, the Contracting Authority and the Implementing Agency, in close cooperation with the beneficiary, will agree on establishing a Steering Committee (SC) to ensure proper coordination of all Programme activities. The SC will include representatives from the EU Delegation in Serbia, the Ministry of Finance and Economy and of the EBRD, as well as Chambers of Commerce, other SME representatives and any other relevant stakeholders as identified during preliminary meetings and the inception phase. The Steering Committee will meet quarterly to discuss significant issues about their collaboration and monitor the implementation progress.

The Implementing Agency will support the proper functioning of the SC, including the distribution of invitations, holding of meetings, the preparation and circulation of the agenda, minutes and other associated documentation.

The Ministry of Finance and Economy will appoint a member of its staff as the Senior Programming Officer (SPO) that will be a key contact point and person for coordination between the project and MoERD.

Component II:

The Ministry of Foreign and Internal Trade and Telecommunications

The Ministry of External and Internal Trade and Telecommunications performs state administration affairs related to: functioning of the market; strategy and policy of trade development; internal trade; turnover of goods and services; monitoring of overall trade trends and proposing appropriate measures; proposing systematic solutions and regulations in the domain of special valued export taxes for agriculture and food products; initiating measures for harmonization of regulations and measures of economic policy in the domain of customs and customs-free operations; quality control of industrial and non-food products in production and turnover and control of services; control of measures and measuring units, usage of goods and services hallmarks, brands and origin of products; market supply and prices; prohibition of monopolistic practices and unfair business competition; consumer protection; establishment and work of stock market and market brokers; inspection in the domain of trade, as well as other affairs stipulated by law.

It also performs state administration affairs related to: telecommunications, that is electronic communications and postal traffic; regulation and security in the domain of electronic communications and postal traffic; inspection in the domain; establishing strategy and policy of the development of communications and postal traffic; organizing financial and technical control; international activities in the domain of electronic communications and postal traffic; measures for promotion of research and development in the domain of electronic communications and postal traffic; establishing the proposition of the plan for distribution of radio frequency; deciding on conditions for issuing individual licences for use of radio frequency; establishing the list of basic electronic communications services (universal service) that operators are obliged to provide, as well as other affairs stipulated by law. Moreover the Ministry of External and Internal Trade and Telecommunications performs state administration affairs in the information society domain related to: establishing the policy and strategy for information society development; preparation of laws, other regulations, standards and measures in the domain of electronic operations; measures for promotion of research and development in the information society domain; development and promotion of academic, that is educational, scientific and research electronic network; coordination in drafting strategic and developing documents at the Republic of Serbia level; data protection and information security; international activities in the domain of information society, as well as other affairs stipulated by law.

The **Digital Agenda Administration**, as a body within the Ministry of External and Internal Trade and Telecommunications, performs professional work and public administration tasks relating to: the implementation of strategies in the field of information society and electronic communications, computer and Internet use, information services, research and development in the information society and electronic communications, development and operation of information and communication infrastructure, improvement, development and operation of information systems of state authorities, territorial autonomy, local government and public services, application and internet use in the work of state bodies, territorial autonomy, local government and public services, development and implementation of standards in the introduction of ICT in state authorities, territorial autonomy, local government and public services, creating conditions for implementing projects financed from EU pre-accession funds, donations and other forms of development assistance information society and electronic communications, as well as other duties specified by law.

The Ministry of Finance and Economy (see above)

Serbia has established specialized institutions within the Public Prosecutors Office and within the Ministry of Interior. Since 2006, a **Special Department for High-Tech Crime** (specialised unit to

combat cybercrime) with national wide competence has been established within the District Public Prosecutors Office of Belgrade.

The most common criminal activities that are occurring include: unauthorized access to computer systems, computer fraud, forgery and misuse of credit cards, and violation of copyright and related rights. Serbia has a department to fight cybercrime formed under the Ministry of Interior. There is a unit that has jurisdiction in the implementation of pre-trial proceedings of criminal acts in the area of cybercrime and those crimes where computers and computer networks appear as a means of executing the crime.

The Steering Committee will involve representatives of Ministry of Foreign and Internal Trade and Telecommunications, Ministry of Finance and Economy, Ministry of Justice and Public Administration and Ministry of Interior.

ANNEX 3: Reference to laws, regulations and strategic documents

Reference to laws, regulations and strategic documents:

Laws/Regulations adopted:

- Labour Law, 2005
- Law on Ministries, 2008 and 2011
- Law on Regional Development, 2009 and 2010
- Decision on Establishment of National Agency for Regional Development, 2010
- Law on Innovation Activity, 2006
- Foreign Investment Law, 2005
- The Law on Electronic Signature (Official Gazette RS no. 135/04, from 21st December 2004). In conformity with the European Directive on electronic signatures and EU recommendations, the Law regulates the use of digital signature in legal transactions and other legal affairs, as well as the rights, obligations and responsibilities with regards to electronic certificates.
- The Law on Electronic Document (Official Gazette RS no. 151/09 from 14. July 2009). The Law regulates the conditions and procedures for using electronic documents in legal commercial, administrative, judicial and other proceedings, as well as the rights, liabilities and responsibilities of legal other legal entities in regard to the electronic document.
- Law on Telecommunications (Official Journal of RS, no.44/03, 36/06 and 50/09);
- Law on Electronic Commerce (Official Journal of RS, no.41/09)
- Law on Consumer Protection (Official Gazette of RS, no. 73/10)
- Law on Trade (Official Gazette of RS, no. 53/10)
- Law on Protection of Personal Data Law (Official Journal of RS, no. 97/08)
- Law on Organisation and Powers of the Authorities to Fight Cyber Crime (Official Journal of RS, no. 61/2005, 104/2009)
- Law on ratification of the Convention on the high-tech crime and the Law on ratification of Additional Protocol to the Convention on the high-tech crime related to the incrimination of racist and xenophobic nature committed through computer systems (Official Journal of RS, no.19/09)
- Decree on identifying the business activities which do not require records on turnover through a fiscal register (Official Journal of RS, no. 18/2009, 109/2009)
- Law on Advertising (Official Journal of RS, no.79/05)
- Law on Value Added Tax (Official Gazette of RS No. 84/04, 86/04, 61/05 and 61/07) – it is foreseen that amendments to this law will be harmonised with the Acquis and adopted according to NPI by September 2012;
- Law on Accounting and Auditing (Official Gazette of RS No. 46/06 and 111/09).

By-laws governing the field of information society are:

- Rulebook on Detailed Conditions for Issuing Qualified Electronic Certificates (Official Gazette of RS No. 26/08) of 14 March 2008;
- Rulebook on Technical-technological Procedures for the Formation of Qualified Electronic Signatures and the Criteria to be Fulfilled by Funds for the Formation of Qualified Electronic Signatures (Official Gazette of RS No. 26/08 and 13/10) of 14 March 2008;
- Rulebook on the Register of Certification Bodies Issuing Qualified Electronic Certificates in the Republic of Serbia (Official Gazette of RS No. 26/08) of 14 March 2008;
- Rulebook on Records Keeping of Certification Bodies (Official Gazette of RS No. 48/05, 82/05 and 116/05) of 7 June 2005;
- Rulebook on Time-stamping (Official Gazette of RS No. 112/09) of 30 December

Relevant national strategies

- Needs of the Republic of Serbia for International Assistance in the Period 2011-2013. National Programme for Integration with the European Union (October 2008 and December 2009).
- National Strategy for Economic Development of Serbia 2006-2012
- National Strategy for Improving the Position of Women and Promotion of Gender Equality (2008-2014)
- Strategy for Development of Competitive and Innovative Small and Medium-sized Enterprises 2008 – 2013
- Strategy for development of ICT sector in the Republic of Serbia (until 2020)

Links with relevant EU Documentation

The project and proposed actions are in line with the EU Policy Documents in the area of SME development. Relevant EU documentation is contained in the following:

Europe 2020 Strategy: sets out a vision of Europe's social market economy delivering high levels of employment, productivity and social cohesion, and based on mutually reinforcing priorities. The Europe 2020 Strategy has proposed three flagship initiatives in the field of competitiveness, one being "An industrial policy for the globalisation era" - to improve the business environment, notably for SMEs, and to support the development of a strong and sustainable industrial base able to compete globally;

European Partnership emphasises the need to adopt mechanism for institutional support to SMEs and entrepreneurship development. Since June 2009 when the regional ministerial conference on the European Charter for Small Enterprises for the Western Balkans was held in Brussels, it was decided that regional countries should start the process of implementation of the “**Small Business Act**”. **Small Business Act** through set of 10 principles guides the conception and implementation of policies both at EU and Member State level. One of the principles is the upgrading of skills in SMEs and all forms of innovation support, specifically through developing of an electronic identity for businesses, enabling e-invoicing and e-government transactions.

The Small Business Act for Europe (SBA) reflects the Commission's political will to recognise the central role of SMEs in the EU economy and for the first time puts into place a comprehensive

SME policy framework for the EU and its Member States. It aims to improve the overall approach to entrepreneurship, permanently anchor the 'Think Small First' principle in policy making from regulation to public service, and to promote SMEs' growth by helping them tackle the remaining problems which hamper their development.

The EC Analytical Report notes that complex legislation and excessive red tape continue to hamper the business environment. „In addition, the report confirms that "Serbia should, in the medium term, have the capacity to comply with the requirements of the EU *acquis* in the area of enterprise and industrial policy provided it continues its efforts.”

Stabilisation and Association Agreement

Article 89 Economic and trade policy – “The Community and Serbia shall facilitate the process of economic reform by cooperating to improve understanding of the fundamentals of their respective economies and the formulation and implementation of economic policy in market economies. To these ends, the Community and Serbia shall cooperate to: promote wider cooperation with the aim to speed up the inflow of know-how and access to new technologies.”

Multi Annual Indicative Planning Document 2011-2013 – “Private sector development”

Sector Objectives for EU support over next three years should focus on:” improving the regulatory and administrative environment for doing business in Serbia; developing public services and information businesses, including market opportunities in the green economy; increasing the competitiveness of Serbian enterprises and industry in the EU market; improving public procurement and competition policy; increasing foreign direct investment (FDI); increasing investment in research and innovation; promoting the establishment of SMEs and strengthening their capacities to innovate and develop environmentally friendly technologies etc. (p. 22)

The Community Strategic Guidelines identifies fostering a business climate which promotes the production, dissemination and use of new knowledge by firms.

Digital Agenda for Europe (COM (2010) 245 final) aims to deliver sustainable economic and social benefits from a digital single market based on fast and ultra fast internet and interoperable applications.

“The objective of this Agenda is to chart a course to maximise the social and economic potential of ICT, most notably the internet, a vital medium of economic and societal activity: for doing business, working, playing, communicating and expressing ourselves freely.”³²

The Agenda sets up following action areas:

1. A vibrant digital single market
2. Interoperability and standards
3. Trust and Security
4. Fast and ultrafast digital access
5. Research and Innovation
6. Enhancing digital literacy, skills and inclusion
7. ICT-enabled benefits for EU society

³² COM(2010) 245, HYPERLINK"<http://eur-lex.europa.eu/LexUriServ/LexUriServ.do?uri=COM:2010:0245:FIN:EN:PDF>

The eSEE Agenda+ for information society development in SEE from 2007 to 2010, signed by the Republic of Serbia in Sarajevo in October 2007, lays down the priority objectives such as: development of the legal framework, implementation of development projects for electronic services for citizens and businesses, development of Internet contents, setting up an e-government portal, introduction of the electronic identity, e-commerce development, implementation of standards with a view to ensuring interoperability, development of e-learning, development of broadband networks and services, development of digital television with a view to bridging the digital divide in relation to developed countries.

European governments are committed to making user-centric, personalised, multi-platform eGovernment services a widespread reality by 2015³³

³³The Commission is working with Member States on an Action Plan to implement the commitments in the 2009. [eGovernment Declaration Malmö](#).

ANNEX 4: Details per EU funded contract (*) where applicable

Component I: Direct Contribution Agreement with Joint Management with EBRD.

The EBRD has successfully concluded **contribution agreements with the European Union for the implementation** of EGP and BAS (Enterprise Growth Programme, formerly TurnAround Management, and Business Advisory Services) in various regions, where its well-established methodology has proved to achieve significant impact on SME competitiveness.

The methodology is frequently improved and enriched as new tools and mechanisms ³⁴are developed every year based on lessons learnt and feedback from beneficiaries. This Annex presents its key elements for both EGP and BAS: team composition, project cycle, enterprise selection criteria, cost sharing principles, monitoring and evaluation. More information is available at <http://www.ebrd.com/pages/workingwithus/tambas.shtml>.

IV.I. Enterprise Growth Programme (EGP) methodology

EGP Team Composition:

EGP Teams comprise:

- **An EGP Team Coordinator (“TTC”)** –who is an experienced senior manager with a strong financial background. TTCs are normally responsible for a number of projects in a given region/country/sector, so that they are well –informed experts on that region/country/sector. He/she is responsible for overseeing the EGP projects in a given country/region/sector, including screening, advisors selection and general co-ordination of the projects activities.
- and/or
- **An EGP Local Manager (“LM”)** – with strong local and international business experience, is responsible for overseeing the EGP projects in a given country, supporting screening, advisors selection and start-up activities, monitoring projects progress and ensuring regular associated reporting as well as general co-ordination including liaison with the Contracting Authority and relevant stakeholders. .
- **Senior Industrial Advisor (“SIA”)** – who is an experienced industrial director/top manager, having a minimum of 10-15 years’ experience as a successful international senior executive, will be the main link with the client, working closely with the client’s CEO and senior management. The SIA’s background, experience and expertise will closely match the Client’s particular business of industrial activity.
- **One or more Specialists (“SP”)** – depending on the client’s requirements, specialists may be added to a project in such disciplines as production, design, marketing, finance, energy efficiency / environmental topics and human resources, etc... The Specialists are made available to assist and complement the work of the SIA to the client.
- **Local Consulting Firm** – From time to time, it may be desirable for the Enterprise management to conduct a short term assignment using local consultants paid by the EGP Programme. These assignments are to obtain more detailed information to enable the Client’s management to make informed decisions. These assignments may include gathering local market research, financial or production information.

³⁴ Note that TAM has changed its name to Enterprise Growth Programme (EGP)
PF 7 - SME development.docx

The TTC and/or LM and SIA will, if required, recommend a qualified local consultant to conduct such assignments and the consultancy firm will be contracted by the EGP Programme.

EGP project cycle

1.1. Screening by the appointed EGP Team Coordinator and/or Local Manager.

EGP will identify beneficiaries through direct applications and recommendations/referrals from relevant stakeholders - Chambers of Commerce, relevant ministries, industry associations, other enterprises, EBRD Resident Office, international and local financial institutions, the BAS Office etc. In cooperation with these partners, EGP will develop an extensive pipeline of potential beneficiaries that can be visited.

Pertinent areas captured during screening visits include:

- history/background,
- ownership, management structure,
- employees and key financials,
- premises, production facilities,
- strategic domestic and foreign buyers/suppliers,
- cross-cutting issues (gender, environment, minorities),
- and potential objectives for a EGP project.

1.2. Selection of beneficiary enterprises

In order for enterprises to qualify for EGP assistance, the enterprise must adhere to specific criteria:

- Privately owned.
- The company must be majority locally owned and have no more than 49% foreign ownership (some donors may restrict foreign ownership even further).
- The enterprise CEO must have strong willingness and commitment to participate.
- Priority sectors will be defined in the Inception phase, with a focus on export oriented companies in those sectors.
- The following sectors are not eligible: Banking or financial services, military products/services, gambling, tobacco or hard liquor. Industry sectors may also be ruled out if the respective EBRD country strategy excludes them from the Bank's operations.
- EGP will be available to companies with up to 500 (exceptionally 1000) employees, with sales up to EUR 50 million (exceptionally EUR 100 million). Exceptional cases have to be justified by the impact on the local economy; and will normally include a cost-share arrangement with the client.
- The enterprise must have significant importance for the local economy and also preferably manufacture products or offer services with the potential to generate export earnings or import substitution.

- Acceptable debt structure. Companies must not have crippling outstanding debt or tax liabilities, or any contingent liability for formerly polluting activities which would make them economically un-viable.

Enterprises with growth potential are being selected from sectors that have a high demand for enterprise support and which will allow issues of key importance to be addressed. In terms of regional project distribution, EGP will continue concentrating its efforts to ensure a good geographical and rural distribution of projects. Priority sectors will be defined in the Inception phase, with a focus on export oriented companies in those sectors.

The exact distribution of projects will depend on the results of screening of enterprises with regard to their eligibility.

1.3. Approval of selected screened enterprises

Once a company is screened and selected, it is first sent for approval to EBRD Resident Office and EBRD EGP Management Team in London. The EGP Team will then distribute a project summary with non confidential information to the Contracting Authority and the appointed representative of MoERD for comments and final selection.

1.4. Issuing of project proposal and selection of EGP Senior Industry Advisors;

Once the enterprises, that may be eligible for assistance, have been screened and received approval, an Initial EGP Project Information Pack and Letter of Engagement is sent to the Chief Executive Officer. This information contains broad terms of reference and objectives of the project, CV of the proposed Senior Industrial Advisor (SIA) as well as a confidentiality agreement. Once the enterprise has returned the signed proposal, the project can begin.

1.5. Project implementation

Support provided by EGP Team within a EGP project includes:

- Teaching;
- Mentoring;
- On the job training of commercial and technical know how to key managers; and
- Training visits to established market economies (e.g. business match trips and/or visits to fairs to identify new suppliers/customers).

Areas of focus include:

- Organisation and management;
- Operations;
- Sales and Marketing; and
- Finance.

Implementation takes place usually over the duration of approximately 18 months (however projects can have shorter/longer duration according to companies' needs and projects set objectives). The EGP team visits the company every 4/6 weeks. During this visits, representatives of National Agency for Regional Development or regional development agencies are welcomed, in order to ensure transfer of knowledge.

On the basis of the described methodology and considering the Programme duration of 3 years, EGP can implement 30 projects.

This reflects the need to allocate enough time for screening (usually 1 company is selected out of 3 visited, so about 100 potential beneficiaries need to be met and screened), for selecting adequate advisors and preparing and signing the contracts and for ensuring the 18 months period for the implementation. EGP projects require then regular follow-up and coordination during the implementation, in order to ensure adequate monitoring and maximize the impact of the services provided.

The capacity to implement about 30 projects over a period of three years is also based on previous EGP experience and statistics in other countries of operation.

Cost sharing of the total project amount has been introduced to increase the clients' commitment and ownership by encouraging their financial contribution.

EGP cost-share is now determined under 3 scenarios:

A) The company is required to contribute to minimum of 50% to the total project cost when one or more of the following conditions apply:

- A follow-on or second phase of the EGP project
- EBRD / non- EBRD investment more than EUR 10 million
- Turnover more than EUR 50 million

B) The company is required to contribute to minimum of 10 % to the total project cost when one or more of the following conditions apply:

- First phase EGP project
- EBRD / non- EBRD investment less than EUR 10 million
- Turnover less than EUR 50 million and more than EUR 1 million

C) No client contribution is sought during first phase projects when the company meets either of the conditions below:

- The project is specifically designed, with 50% or more of the advisory objectives targeting 1 or more cross-cutting issue; such as gender, environment/energy efficiency and/or rural development.
- Turnover less than EUR 1 million

1.6. Monitoring and Evaluation

In order to gain important knowledge of achieved results as well as monitor selected indicators and flag potential problems, EGP will implement a Project Performance Management System (PPMS).

The PPMS will track and measure information about the enterprises while also benchmarking specific project objectives, starting from the project screening stage, the mid-point, conclusion, and finally, one-year post-completion.

The one-year after evaluation will be funded through EBRD internal resources.

The EGP Team also evaluates each advisor and specialist on all projects, to avoid that poor performers work on further projects.

Project Level Analysis and Monitoring

At the project level, the PPMS firstly incorporates a screening report to strengthen EGP's approach to project selection.

It queries the viability of the enterprise, integrity, management receptiveness and the potential long-term impact EGP can have on the enterprise. The PPMS will then monitor each project routinely at four stages – the base-line (first visit), during a mid-term visit, at completion and one year after the completion. The PPMS will also conduct a management questionnaire at the start, the end, and one year after conclusion of a project, to measure the changes in the management practices of the EGP client (i.e. “output indicators”). Another key element of the PPMS is the CEO Questionnaire, which provides an un-biased view and reaction of the project from the perspective of the CEO.

During the PPMS process two sets of indicators will be recorded: **output indicators and overall indicators**. Firstly, output indicators are designed to measure the performance of specific objectives implemented against four core advisory category (Finance, Sales & Marketing, Organization & Management and Operation) by either qualitative or quantitative methods. To effectively measure the progress of agreed project objectives, EGP has established a set of output indicators and benchmarks, applicable to different activities within each category. Output indicators are designed to assess the performance of objectives from the respective category, essentially tracking the current performance and progress throughout the advisory project.

Secondly, complementary to output indicators, overall indicators are designed to measure the performance of the whole project implementation, and the overall performance of the enterprise. Unlike output indicators, which track the current performance of implementing the agreed objectives of the project, overall indicators are used to measure long term firm performance, from the baseline report to the 1 year post-completion report. Examples of overall indicators include:

- Number of employees
- Average wage
- Total labour cost per worker
- Total foreign sales
- Key Financials, such as: total sales, costs of capital, return on assets, cash flow, EBITDA
- Number of managerial level employees

Reports to EGP Management

The **screening report**, collates key enterprise information regarding its history, industry specifics, operational activities, production facilities, market structure, assets, overall key financial indicators, organisational aspects, ownership and integrity concerns. The report also focuses on 1. The management's *receptiveness and commitment* to participate in a EGP project, 2. *Key risks* affiliated with the company, sector, or political climate within the region or country, 3. *Advisor qualities* and potential *specialist* needs, 4. Potential *cross-cutting objectives* to be addressed, as well as 5. Outlining *potential objectives* for the project under key categories.

During the first visit to the enterprise, a **baseline report** will be given, mainly to record the overall indicators while defining the objectives and activities to be pursued, while determining the output indicators, which will be tracked in accordance with each objective. During the first visit, the management questionnaire will also be administered, to establish the level of managerial competence at the beginning of the project. This same questionnaire will be given at the final report stage and at the 1 year post-completion review to depict the changes in the management practices of the EGP client.

The **midterm report**, seeks to track the progress and performance of objectives and activities by measuring the established output indicators.

The report mainly serves as a management tool for EGP HQ, while also enabling the programme to report efficiently to donors on project progress to date. The report serves to evaluate the work of the SIA to date, and whether or not more specialists need to become involved in the project before completion. The report will also serve to highlight key challenges and externalities, while also emphasizing any technical expertise that could be demonstrated to other enterprises within the sector. At this stage, it will also be decided whether or not the company will pay for a portion of the project costs at the end of the project.

The **impact report** will be completed one year after the close of a EGP project. Previously, the success of EGP projects was measured immediately at their conclusion. This has not allowed enough time for the impact of EGP's advice to be fully implemented and measured, which is why the inclusion of a 1 year after impact report will be so valuable. These are all reports for EGP Management to be used for reports to Bank Management and donors, and to better manage the programme.

Apart from these core monitoring reports, a **management questionnaire** will also be administered during the first visit, last and one year after, to establish the change in the level of managerial competence due to EGP intervention. The questionnaire analyzes the management's skills with regards to;

- 1) Sophistication or the production/operation process
- 2) Strategy and monitoring
- 3) Human Resource Management
- 4) Corporate Governance:

The **CEO questionnaire** will also be administered during the last visit, which will assess the CEO's impression and overall satisfaction with the EGP project. The CEO questionnaire specifically asks:

- The CEO's satisfaction level regarding skills transfer relating to operational management, strategic management, performance management, people management and corporate governance.
- Whether or not the CEO's outlook for his/her company is better, the same, or worse after EGP assistance.
- The CEO's overall satisfaction of results as compared to the beginning of the project.
- The CEO's sentiments towards the EGP Team members and quality of advisors used.

Reports to the Enterprise

Aside from new the management reports, as part of the PPMS, EGP will continue to report directly to the assisted enterprises. These reports consist of a detailed **Project Work-Plan** drafted by the Team Coordinator and/or Local Manager and SIA after the objectives are clearly established during the first visit. After each sequential visit conducted by the SIA and/or various specialists, **Visit Minutes** are sent to the enterprise management, outlining key objectives discussed and targets reached, while also outlining the key actions the enterprise needs to complete before the next visit from the SIA/Specialists. Supporting documents may also be sent to the enterprise, such as business plans, etc. The reports to the enterprise are concluded with a **final report**, essentially a handbook written by the SIA, which may be referred to by the management as an organized record of the

project, while also outlining accomplishments and next steps for the enterprise to take to ensure the advisory services provided are implemented in practice.

IV.II. Business Advisory Services methodology

BAS Team composition

The local **BAS** Team to be based in Belgrade will consist of:

- **Head of Regional Programme:** To select and mentor local BAS National Programme Managers to maintain high quality and integrity standards of programme activities. This position is financed by the EBRD.
- **National Programme Manager:** To manage BAS projects and market development activities, particularly building the local business advisory sector
- **3 Project Specialists:** To identify potential projects, to develop and monitor all aspects of their implementation, and to assess all project related reporting

BAS Project Cycle

The typical BAS Project flow is as follows:

- The application³⁵ is received by the BAS Team and reviewed
- Eligibility criteria are assessed and enterprise is visited
- A potential consultancy project is discussed with the enterprise
- The BAS Team proposes suitable consultants to the enterprise (at least 2 – 3 options)
- The enterprise makes the final selection of the consultants
- Draft Terms of Reference (TOR) is prepared by the consultant and the enterprise
- The Project Proposal is prepared by the BAS Team
- The BAS Team provides input to the TOR which is then finalised
- Project Proposal and TOR are entered into the Management Information System (MIS) and submitted for revision and approval to National Programme Manager (NPM)
- Approval is granted by NPM
- Project Proposal and TOR are entered into the MIS and submitted for approval to the Head of Regional Programme (HRP)
- Approval is granted by HRP
- Enterprise is informed about approval
- Consultancy services contract is reviewed by the BAS Team
- Additional information required for the Grant Agreement (GA) is entered into the MIS and the GA utilising the appropriate template is produced
- Grant Agreement is signed by all parties and signature pages are received
- Consultancy services are commenced
- BAS Team monitors progress of project
- Review meetings are held with consultant and enterprise
- HRP is updated on project progress
- Consultancy services are completed
- Completion documents are submitted to BAS team by the enterprise and consultant
- Completion Report is prepared and all corresponding information is entered into MIS

³⁵ Standard application form is available on EGP BAS web site for all interested companies to apply
PF 7 - SME development.docx

- Following NPM and HRP approval that the consultant has met TOR and completion documents meet requirements, the grant disbursement is made
- Enterprise is visited one year after completion of project
- Impact is assessed and project is rated
- Evaluation Report is prepared and approved by NPM and then HRP

The duration of a BAS Project depends on the project supported, but typically lasts four to six months.

On the basis of the above described methodology, BAS can start about 6 projects a month. Considering that the BAS Team has also to take care of evaluations (one year after project completion), a maximum of 70 projects can be implemented over 1 year. This number is also based on previous BAS experience and statistics from other countries of operation.

Over the proposed Programme duration of 3 years, BAS will provide assistance to 210 beneficiaries.

In terms of Market Development and Sector Development Activities, EGP/BAS experience shows that best results are achieved if the number of beneficiaries attending a training/workshop does not exceed 15-20 to ensure interactive format, and maximum effectiveness. BAS team has capacity of organizing of up to 4 MDAs annually (actual number is based on demand analysis and perceived needs) ,and at least 1 SDA will be implemented by EGP per year.

Eligibility criteria for BAS beneficiary companies:

- Size: up to 250 employees (preference are given to enterprises employing up to 50)
- Ownership: Be majority privately and locally owned.
- Area of activity: Operate in all sectors except banking and financial services, military products or services, gambling, tobacco.
- Viability: Be able to demonstrate potential for growth
- Management attitude: Be open to cooperate with BAS and the consultant.
- Respectability/Integrity: Enterprise and management are credible and respectable.

To ensure maximum transparency of selection process, EGP BAS will place Public Call for projects in local press at the start of the project. Selection criteria are also published on the web site.

Selection criteria for local consultants engaged in BAS projects

Local BAS Team qualifies local consultants prior the start of BAS projects and maintains an active database of local consultants. The consultant involved must have the relevant experience, capacity, resources and general competence to undertake the assignment successfully. Local consultants are evaluated for specific advisory service types and sectors on the basis of their track record, references from previous clients, and subsequently, on the basis of results delivered on BAS projects. The Serbian registry of business consultants, established under IPA 08 programme “Improved SME Competitiveness and Innovation” will be considered as a source of information.

Cost sharing - BAS Grants

BAS applies a graduation policy for grants. Local BAS Teams develop grant guideline matrices, which are reviewed annually to reflect the local business advisory services’ market conditions. The grant percentage varies, depending on assessments made by the BAS Teams of the overall additionality of the project.

Grant Guideline Matrices (GGM) are typically built on 3 dimensions:

1. *Size of enterprise*: Higher grants are given to smaller enterprises, as they are the group with the least experience with business advisory services, lowest level of business sophistication, limited range of management skills and increased risk of business failure;
2. *Geographic location*: Higher grants are given to enterprises in less developed areas. In Serbia, East and South regions are less developed; SMEs from those areas do not have adequate access to appropriate business advisory services and lack financial resources to pay for such services;
3. *Type of advisory service*: Higher grants are given to support more complex and sophisticated projects, for example, those aimed at improving environmental management and energy efficiency. The GGM is reviewed annually to reflect local market conditions.

In addition, when relevant, BAS includes cross-cutting objectives such as climate change, gender equality, and environmental improvements, in its GGM, so that a higher grant is available for a project which addresses priorities including fostering women's entrepreneurship, energy efficiency, youth employment, or rural development. Projects which fall under one of the cross cutting categories will typically receive a 5% top up in addition to the BAS contribution set by the GGM.

An example of Grant Guideline Matrix for Serbia is shown below:

Location/Size		Type of Advisory service				
		to improve market performance (Market analysis & planning, Development planning, Feasibility studies, Partner Search)	to improve management effectiveness (Reorganisation/restructuring, Computerised financial/management Information Systems)	to reduce costs (Computerised Manufacturing Systems, Engineering Studies)	to introduce Quality Management & Certification	to improve environmental management (Energy efficiency, Environment)
Capital and Vojvodina	< 50	50%	50%	50%	25%	50%
	50 ≤ 99	25%	25%	50%	25%	50%
	100 ≤ 199	25%	25%	25%	25%	25%
	≥ 200	25%	25%	25%	25%	25%
Central Serbia	< 50	75%	75%	75%	50%	75%
	50 ≤ 99	50%	50%	50%	50%	75%
	100 ≤ 199	50%	50%	50%	50%	50%
	≥ 200	50%	50%	50%	50%	50%
Eastern, Western and Southern Serbia	< 50	75%	75%	75%	75%	75%
	50 ≤ 99	75%	75%	75%	75%	75%
	100 ≤ 199	75%	75%	75%	75%	75%
	≥ 200	50%	50%	50%	50%	75%

BAS Monitoring and Evaluation

BAS activities are monitored through the BAS Management Information System (MIS).

BAS policies and procedures covering topics such as selection, contracting and grant management are applied uniformly across all countries of operations through standardised process flows with clear delineation of roles (via differentiated user roles) and responsibilities (via customised tasks and alerts). Advanced reporting features within the MIS enable the Programme to conduct enhanced analysis of programme activities and achievements, and track progress against established objectives.

At the project level, each project is monitored at every point in the project life cycle: concept, start, completion, evaluation (one year after completion) and in the event of cancellation. Metrics are captured over time on: percentage local ownership (disaggregated by gender), annual turnover, number of employees (disaggregated by gender). The need for and ability of MSMEs to attract finance and investment is also monitored at each of these stages.

To monitor progress and derive ‘lessons learned’ the BAS team evaluates each project using a standardised scoring system. Project implementation is assessed at completion in terms of relevance, effectiveness and efficiency based on the OECD DAC evaluation criteria. One year after completion, impact is assessed in terms of whether the advice was implemented and its overall effect on the business. Depending on project objective, standard questions range from increased sales or productivity to quality certification or reduced emissions. The BAS team then calculates an overall score, incorporating implementation and impact considerations, and assigns a project rating of unsatisfactory, satisfactory, successful or highly successful.

Monitoring at market level - prioritisation of intervention.

In order to track progress of the programme in contributing to achieving a sustainable infrastructure of advisory services, local BAS Teams review all local providers of advisory services engaged in BAS projects on an annual basis. The Annual Consultant Review (ACR) is designed to provide quantitative and qualitative information which are to be used to assess: changes in demand and supply for local consultancy service, changes in the quality standards in local consultancy services and any improvement in institutions supporting the sector.

Implementation Modes (types of contract):

Component I, EGP and BAS, will be implemented through a Contribution Agreement with EBRD.

1. Contribution agreement		
List of experts	Required Input (days)	Total Fees
EGP 30 projects - Human resources (fees, per diems)		1.490.940,00 €
EGP 30 projects - Travel (international and local)		289.180,00 €
EGP other costs, services		39.880,00 €
BAS 210 projects - subsidies		1.155.000,00 €

BAS HR costs		463.418,00 €
BAS other costs, services		351.582,00 €
EGP BAS management fee		70.000,00 €
Total Fees		3.860.000,00 €
Incidental expenditure		0,00 €
TOTAL EXPENDITURE		3.860.000,00 €

Component II e-Business Development

Indicative budget 2.700.000 EUR

ANNEX 5: Project visibility activities

Component I EGP and BAS

EGP and BAS will devote significant efforts to raise awareness on its activities, disseminate best practices and share results achieved, increasing visibility on the project and the Donor in accordance with the EU visibility guidelines.

In the framework of the project, EGP and BAS will undertake the following visibility actions:

- Launching event at the start of EBRD EGP and BAS;
- Regular media coverage for all market development activities;
- At least 6 articles in local press presenting success stories of EBRD EGP and BAS supported enterprises;
- Newsletters – 2 annually;
- Promotion of EBRD EGP and BAS in Serbia at all relevant visibility events organized by the EBRD Resident Office;
- Closing event.

Component II

Visibility of the project will be ensured through website of the project with clear indication of EU support. Education material for SMEs will be developed within the activities related to Result 2.2 - **Institutional and capacity building of project beneficiaries for effective implementation and enforcement of prepared legislation**

Promotion material will be developed for the purpose of project activities related to Result 2.4 - **Higher level of awareness for the use of e-business**

Visibility activities will be in line with EU visibility rules.

ANNEX 6: LIST OF QUESTIONS TO DETERMINE THE APPROPRIATENESS OF WORKING WITH AN IO

Component I

Contribution Agreement with Joint Management with EBRD EGP / BAS

Concise recommendation to the QSG

Summary of the reasons for working with an IO: The unique feature of the EBRD is its ability to combine financing instruments with direct technical assistance provided to the private sector, thus ensuring a sustainable business development, particularly with regard to the SME sector and local business advisory services capable of responding to the needs of SMEs.

Why this IO in particular has been selected: EBRD EGP³⁶/BAS applies a well-established methodology that provides tailor-made approach in assisting SME sector.

Why the proposed option is preferred over alternatives: EBRD TAM/BAS programmes are tailor made for each SME to overcome their specific issues instead of an assistance of general nature provided by most consulting programmes. They are familiar with domestic conditions and acquainted with Serbian SMEs and the problems they are faced with. They have established excellent relationships with all relevant stakeholders at national, regional and local level.

Basic data

Total size of Component I: 5,165,000 EUR

- Commission contribution for Component I: 3,481,000 EUR (67,4 %)
- Contribution of IO for Component I: 379,000 EUR (7,3 %)
- Contributions of other donors for Component I: 1,305,000 EUR (25,3 %)
- Trust Fund and Trust Fund reference (where appropriate)
- Has the 4 pillar review been completed?

Aid Effectiveness

How will the IO:

- Support the partner country involved to exercise effective leadership and ownership over their programmes?

All activities will be undertaken in partnership with the Government to ensure national ownership, in particular through the Steering Committee. This instrument will also promote coordination with all stakeholders on a regular basis throughout implementation.

- Fit the program in the context of a joint donor assistance strategies (if it exists); and ensure that the programme is complementary to other donors' work (taking into account division of labour, programme based approaches and joint and coordinated in-country missions)?

The planned activities build on previous TAM/BAS experience in the country and all activities will be harmonised as far as possible with other donors and stakeholders to ensure complementarity (see section 2.5 of the proposal).

³⁶ *Enterprise Growth Programme (EGP) is the new name of Turn Around Management Programme (TAM)*

- Make use of country systems for public financial management and procurement (on the basis of available joint assessments and analytical work with other donors)? Provide a rationale when country systems are not used (including an explanation for the use of parallel Project Implementation Units (PIUs)?

Public procurement national system is not required for the implementation of the project.

- Coordinate and align capacity development and technical cooperation?

The project will coordinate and align capacity development and technical cooperation in several dimensions: TAM will build up and enhance local management capacities in each enterprise assisted and will share and disseminate best practices at wider industry level through sector development. BAS will enhance the capacity of local consultants through trainings and other activities. Both programmes will increase awareness among SMEs on the value of external consultancy for improving competitiveness.

- Ensure full and timely information any conditions attached to the programmes as well as on commitments and disbursement on an annual and multi-annual basis (predictability and transparency)?

To ensure full and timely information on conditions attached to the programme, as well as commitments and disbursements, the following instruments will be used:

- The logframe and budget summarise the expected activities, outputs and expenditure in support of predictability of assistance to be provided.
- Description of Actions will spell out activities by months, indicating the number of projects and market development activities started and completed, and will serve as a forecast for disbursements.
- The provision of annual reports will ensure financial and operational transparency.
- Quarterly meetings of the Steering Committee will provide timely information on the project progress.
- Selection criteria for project beneficiaries are widely publicized (through TAM BAS website and media), public calls will be made for all market and sector development activities (trainings etc.) to ensure transparency.

Why we work with IOs

- Why have international organizations been considered to manage this programme in preference to working directly with the government or with NGOs – e.g. request from government, absence of alternatives, capacity, normative or policy considerations, etc.

The European Bank for Reconstruction and Development (EBRD) has been the largest investor in Serbia since 2001, committing almost €2.5 billion to the country to date. The unique feature of the EBRD is its ability to combine financing instruments with direct technical assistance provided to the private sector, thus ensuring a sustainable business development, particularly with regard to the SME sector and local business advisory services capable of responding to the needs of SMEs.

- Why has this particular international organization been selected in preference to other IOs – e.g. experience in the country/region, expertise, neutrality/security reasons, absence of alternatives, coordination ability, etc.

EBRD TurnAround Management (TAM) and Business Advisory Services (BAS) represent a well-established methodology for SME support. They are complementary programmes which strive to develop the SME sector through a multi- tiered approach. Direct, targeted assistance to the private sector at the enterprise level is combined with systemic market development interventions. Thereby TAM/BAS works towards enterprise level change as well as the development of a sustainable infrastructure of business advisory services. Meanwhile, TAM/BAS also contributes to improving the policy and regulatory environment for business through its informed input to the EBRD's policy dialogue. EBRD TAM/BAS programmes operate in 21 countries from Central Europe to Central Asia and they are one of the key instruments of the EBRD for promoting economic transition in its countries of operation.

- What is the expected added value of working with this IO in this particular context - e.g. speed of delivery, quality, etc.

- TAM/BAS programmes are tailor made for each SME to overcome their specific issues instead of an assistance of general nature provided by most consulting programmes.

- TAM/BAS programmes have already been located in Serbia, they are familiar with domestic conditions and acquainted with Serbian SMEs and the problems they are faced with. They have established excellent relationships with all relevant stakeholders at national, regional and local level and, the most important, with Serbian SMEs due to the good results the two programmes achieved. Engaging any other consultancy would lead to certain delays imposed by establishment of the office, learning about current situation in Serbia and SME sector, creation of new programme etc.

- TAM uses reliable and wide EBRD data base of consultants and thus is able to recruit high-quality experts, with good reputation and successful implementation rate amongst SMEs in different countries. On the other hand, BAS brings another value added – it engages local consultants and raising their capacities by the experts from specific fields strengthens the pool of such services and ensures their sustainability.

- Serbian SMEs need credible and effective support programme which is proven to deliver good results and is trusted. 85% of projects implemented in previous years have been evaluated as "successful" or "highly successful", based on actual business performance (benchmarks such as improved management skills, increased productivity, turnover, security of employment, business planning, and greatly-improved understanding and capability of design and marketing) and not just on satisfaction criteria, which are flawed on their own as they often skewed by the fact that the service is free or low cost.

- Is the programme financially significant or does it address issues that are important in political, normative or policy terms.

The proposed programme is aligned with national priorities as outlined in section 2.2 of the proposal. EBRD TAM/BAS will support SMEs to adapt to the demands of a market economy by providing them with to specific advice and best international expertise on challenges relevant to their expansion and growth.

EBRD TAM/BAS has also demonstrated an ability to address cross-cutting issues on all levels, from individual projects to specific programmes focused on promoting energy efficiency and environmental protection, supporting young entrepreneurs, contributing to rural development and empowering women entrepreneurs, for instance the Regional Initiative to develop an industrial Energy Efficiency Manual for SMEs (followed by Raising Awareness Event) in 2009, Strategy Development for the Association of Business Women (ABW) and ICT Business Incubator for

building up capacity/ensuring sustainability of six newly established enterprises founded by young entrepreneurs, both in 2010 and Training on Industrial Energy Audit for Consultants in 2011.

- Relevant experience with this IO, either in this country/region or elsewhere

EBRD TurnAround Management (TAM), operating in Serbia since 2001, has implemented 184 projects in the country. EBRD Business Advisory Services (BAS), active in Serbia since 2006, has implemented 287 projects. The multi-annual experience in Serbia has given the EBRD TAM/BAS Programme an in-depth knowledge and understanding of the local business environment and SMEs' needs, which has enabled the development of a tailor-made approach in assisting the private sector. Local experience is strengthened by insights from operations in other countries accumulated over 15 years, with altogether more than 12,000 projects implemented to date.

- Assessment of the expected and actual impact and performance of the IO in this programme.

In respect to the assessment of TAM programme in Serbia, 147 projects have been evaluated after completion with 41.5% rated as "highly successful", and 53.7% as "successful". On average, 66.7% of assisted enterprises reported increases in turnover, 48.4% reported increases in pre-tax profit, and 29.3% reported increases in employment.

In respect to the assessment of BAS programme in Serbia, 95% of enterprises, where project impact has been evaluated 12 months after completion, stated that considerable success had been achieved. In the course of the evaluation, the BAS Programme assesses the increase in sales, in turnover (on average 33%), volumes of export activities, the reduction of costs, the improvement of organisational structures and increased number of employees, depending on the type of assistance received.

Implementation issues

- Will the IO implement the programme using its own staff only or will it work with implementing partners? A list of the intended partners and the amounts granted should be provided. This can then be updated when reports are received.

The EBRD implements the project using its own staff, under a combination of employment and individual consultancy contracts, which are well experienced and equipped with developed tools. TAM uses country coordinators and/or TAM local managers to screen and monitor projects. BAS works through a small team, including a National Programme Manager and 2-3 Project Specialists. To ensure the programmes are cost-effective, TAM/BAS is collocating with the EBRD RO in Belgrade in 2011, and covers some HR (Head of Regional Programme and Regional Programme Coordinator) and standard operational expenditure. Furthermore, the local teams are supported by the EBRD headquarters in London, and are supervised by the TAM and BAS Managers, respectively.

- Has the IO been able to confirm that implementation by partners is more effective than implementation with its own staff? The IO should be able to provide a guarantee that the use of implementing partners is appropriate – i.e. that it is the best way to implement the programme and that issues of cost-effectiveness have been considered. A series of options could be proposed – cost-benefit analysis carried out, speed and quality of delivery, etc.

N/A

- Will the IO conclude procurement contracts?

N/A

Contractual issues

- Is joint management being used – if not, what is being used and why? (see instruction note 4916 of 27 March 2007, chapter 7 of the updated version of PRAG 2008 and instruction note 29599 of 10 February 2009)

Joint Management is preferred in order to ensure that the EBRD is a full partner in the implementation of the action. This is the most beneficial contracting modality for achieving the full participation of both parties and efficient administration, monitoring and reporting by the EBRD.

- Is a framework agreement in force?

The EBRD is in active negotiations aimed at establishing a framework agreement, but continues to conclude many contribution agreements in the meantime on the basis of limited special conditions, most of which reflect the application of EBRD systems and procedures where the Bank is a joint partner in the implementation. This covers issues such as financial reporting and accounting, interest rates, exchange rates, procurement and project reporting.

- Is the agreement to be concluded in conformity with the relevant framework agreement and the standard contribution agreement or the administration agreement (for the World Bank).

N/A

- Are any special conditions included which derogate from the standard contribution agreement or the administration agreement? If so a thorough justification needs to be provided.

The EBRD has successfully concluded contribution agreements with the European Union for the implementation of programmes in regions as varied such as FYR Macedonia, Bosnia and Herzegovina, Turkey, North Africa, and the Eastern Partnership countries with limited modifications to the EU's general conditions, reflecting the issues referred to above.

Governance, reporting and monitoring

- What will be the respective role of the IO, the partner country, the EC and other donors in the governance bodies of the programme?

During the inception phase, the Contracting Authority and the Implementing Agency will agree on establishing a Steering Committee (SC) to ensure for proper coordination of Programme activities. The SC will include the representatives of the EC Delegation in Serbia, the Ministry of Finance and Economy and the EBRD, as well as other relevant stakeholders as identified during preliminary meetings. The Committee will meet quarterly to discuss significant issues about their collaboration and monitor the implementation progress. The Implementing Agency will support the proper functioning of the SC, including the holding of meetings, the preparation and circulation of the agenda and other associated documentation. The Ministry of Finance and Economy will appoint member of its staff as Senior Programming Officer (SPO) that will be a contact point and person for coordination between project and the Ministry.

- What are the reporting arrangements in place for this specific programme? e.g. as provided in the UN joint reporting guidelines, Standard Contribution Agreement or supplementary requirements.

TAM utilises a Project Performance Management System (PPMS) in order to review results as well as monitor selected indicators and flag potential problems.

The PPMS will track and measure information about the enterprises while also benchmarking specific project objectives, starting from the project screening stage, the mid-point, conclusion, and finally, one-year post-completion. The system also includes a Management Questionnaire, which tracks the perceived changes in the management's acceptance of international best practices, as well as a CEO Questionnaire, which tracks the company's satisfaction level of the Project and the advisor's outputs.

All BAS activities (projects and market development activities) are controlled and monitored through the BAS Management Information System (MIS). BAS policies and procedures covering topics such as selection, contracting and grant management are applied uniformly across all countries of operations through standardised process flows with clear delineation of roles (via differentiated user roles) and responsibilities (via customised tasks and alerts). Advanced reporting features within the MIS enable BAS to conduct enhanced analysis of programme activities and achievements, and track progress against established objectives. At the project level, each is monitored at every point in the project life cycle: concept, start, completion, evaluation (one year after completion) and in the event of cancellation. An overall score is then allocated, incorporating implementation and impact considerations, and a project rating of unsatisfactory, satisfactory, successful or highly successful is assigned. At the market level, BAS evaluates the impact of MDAs, particularly trainings and seminars, on beneficiaries. In addition, to track progress in contributing to achieving a sustainable infrastructure of advisory services, BAS reviews all local providers of advisory services engaged in BAS projects each year in the Annual Consultant Review (ACR).

- Is it intended to carry out a verification of this programme?

See question related to reporting arrangements.

- What are the monitoring arrangements in place for this specific programme? e.g. regular reporting, ROM, field missions by EC staff, evaluation performed by the IO, evaluation commissioned by EC.

EBRD TAM/BAS applies a well-established methodology that is frequently improved and enriched as new tools and mechanisms are developed every year based on lessons learnt and feedback from beneficiaries. TAM/BAS's capacity to continuously evolve and improve is ensured by a well developed monitoring and evaluation system, which provides feedback on the performance of projects, both in terms of the impact achieved and the programme's efficiency. Strong monitoring and evaluation practices (supported by an internally developed Management Information System) ensure consistent high quality of the technical assistance that TAM/BAS can provide.