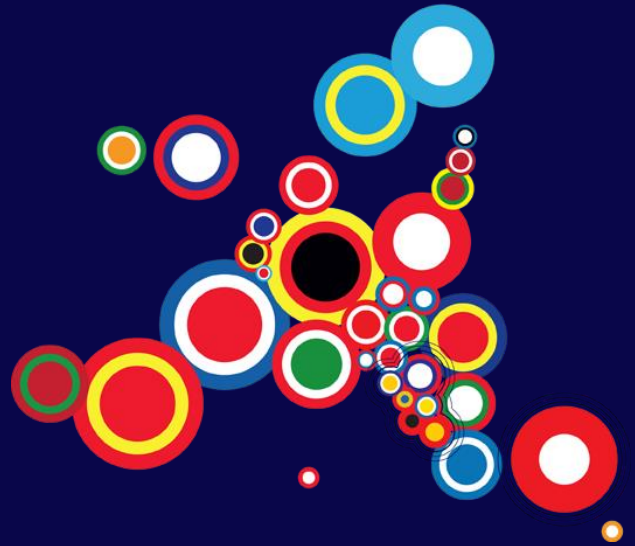




INSTRUMENT FOR PRE-ACCESSION ASSISTANCE (IPA II) 2014-2020

SERBIA

Support to Competitiveness and Innovation



Action Summary

This Action responds to the need to improve the functioning of the business sector in Serbia. It aims at improving the conditions for the development of small and medium size enterprises by providing high quality business advisory services, as well as by improving conditions for research and innovation.).

The first expected result of the action is the enhanced potential of SMEs to grow by providing advisory services that will transfer industry knowledge and management skills. The goal is to support businesses to innovate and to prepare them for future investments. The second expected result is the improved conditions for high-tech and innovative companies in Serbia by supporting the Belgrade Science and Technology Park's services and functions. The aim is to modernise the organisation of research and innovation and to stimulate cooperation between industry and academia as well as to increase the level of investment in research.

Action Identification	
Action Programme Title	Country Action Programme for Serbia for the year 2016
Action Title	Support to Competitiveness and Innovation
Action ID	IPA 2016/039805.07/Serbia/Competitiveness
Sector Information	
IPA II Sector	Competitiveness and Innovation
DAC Sector	15110
Budget	
Total cost	EUR 3.700.000
EU contribution	EUR 3.700.000
Budget line(s)	22 02 01 02
Management and Implementation	
Management mode	Direct management
<i>Direct management:</i> EU Delegation <i>Indirect management:</i> National authority or other entrusted entity	EU Delegation in Serbia In the case of Direct Grant for Result 1 the EU Delegation is in charge for the arrangement with EBRD ¹
Implementation responsibilities	For the Result 1 - Ministry in charge of economy For the Result 2 - Ministry in charge of science and technological development
Location	
Zone benefiting from the action	Republic of Serbia
Specific implementation area(s)	N/A
Timeline	
Final date for concluding Financing Agreement(s) with IPA II beneficiary	31 December 2017
Final date for concluding delegation agreements under indirect management	31 December 2017
Final date for concluding procurement and grant contracts	3 years following the date of conclusion of the Financing Agreement, with the exception of cases listed under Article 189(2) of the Financial Regulation
Final date for operational	

¹ Direct Grant on the basis of article 125.7 of the Financial Regulation

implementation	6 years following the conclusion of the Financing Agreement		
Final date for implementing the Financing Agreement (date by which this programme should be de-committed and closed)	12 years following the conclusion of the Financing Agreement		
Policy objectives / Markers (DAC form)			
General policy objective	Not targeted	Significant objective	Main objective
Participation development/good governance	<input type="checkbox"/>	X	<input type="checkbox"/>
Aid to environment	X	<input type="checkbox"/>	<input type="checkbox"/>
Gender equality (including Women In Development)	X	<input type="checkbox"/>	<input type="checkbox"/>
Trade Development	<input type="checkbox"/>	X	<input type="checkbox"/>
Reproductive, Maternal, New born and child health	X	<input type="checkbox"/>	<input type="checkbox"/>
RIO Convention markers	Not targeted	Significant objective	Main objective
Biological diversity	X	<input type="checkbox"/>	<input type="checkbox"/>
Combat desertification	X	<input type="checkbox"/>	<input type="checkbox"/>
Climate change mitigation	X	<input type="checkbox"/>	<input type="checkbox"/>
Climate change adaptation	X	<input type="checkbox"/>	<input type="checkbox"/>

1. RATIONALE

PROBLEM AND STAKEHOLDER ANALYSIS

Serbia's economy faces manifold structural obstacles to growth, such as excessive state influence, underdeveloped private sector, administrative and regulatory barriers to business, poor infrastructure and low level of investment, substantial size of the informal sector and insufficient competition in some sectors².

To be able to change that, Serbia has to create a policy able to promote the development of competitive enterprises with sound operational capacity through a three-fold approach:

- a) Strengthen the ability of the economic policy makers to implement policies and legislation complying with EU Acquis;
- b) Increasing financial and advisory support to help SMEs and entrepreneurs;
- c) Increasing investments in knowledge and innovation.

Whereas previous IPA assistance has tackled the first point, the current Action will focus on contributing to the other two requirements. Serbia's Small and Medium Sized Enterprise (SME) base is relatively similar in structure to the EU, but its productivity is considerably lower. SMEs form the backbone of the economy and account for the vast majority of the private sector economy, whilst generating only around 34% of GDP (2013). Average Gross Value Added per employee in the European SME is 41.3³ whilst in Serbia it counts for 10.9.⁴ The SME sector accounts for 99.8 % of all enterprises but generates only 55.2% and turnover and profit per employee. This is low compared to EU average making the Serbian SME sector uncompetitive.

According to the latest Global Competitiveness Report (2015-2016) the factor⁵ identified as the most problematic for doing business was access to finance. The Serbian companies are highly reliant on internal sources of finance i.e. 85% of SMEs are financed from their own sources, both in the case of working capital (73%), and investments (69%)⁶. Only 10% of the total financing comes from banks (the same as last year but down from 23% in 2012). The unfavourable loans by the banking sector are characterised by high interest rates, high demands for collateral and lack of long-term loans. This is even more the case for high risk related businesses such as newly formed enterprises/entrepreneurs.

Research shows that external sources of finance are used by only 38% of SMEs⁷, whereas 60% stated that they have a need for credit⁸. On the other hand, the commercial banks are risk adverse and more interested in investing in the safe government bonds than lending to small and medium enterprises. Furthermore, 30% of entrepreneurs find the required documentation for obtaining a loan complicated and time consuming and 22% cannot secure the loan⁹. 70% of entrepreneurs find the interest rates extremely high¹⁰. This resulted in further decline of demand, with only 16% of businesses getting new credit in the last 12 months (down from 21% last year, and 25% in 2013). The average loan requested by enterprises was 23.000 EUR, compared to 35.000 EUR in 2013¹¹.

Access to finance remains a key obstacle to the development of the SME sector, and many enterprises are not sufficiently competitive to assure long-term viability, lacking management, technical and operational expertise, as well as that of sound corporate governance¹². SMEs need knowledge and management skills in order to meet standards required to compete both locally and

² Joint Conclusions ECOFIN, May 2015

³ In 000 EUR

⁴ Ibid

⁵ With score 14.8; from the list of factors, respondents were asked to select the five most problematic for doing business in their country and to rank them between 1 (most problematic) and 5. The score corresponds to the responses weighted according to their rankings. Global Competitiveness Report (2015-2016), World Economic Forum 2015

⁶ USAID's Survey of 1000 companies

⁷ Ibid

⁸ Ibid, compared to 52% in 2014

⁹ Financing of small and medium enterprises in Serbia, Institute of Economic Sciences and Chamber of Commerce and Industry, 2012

¹⁰ Conditions, needs and problems of SMEs 2013, NARD 2014

¹¹ Survey of 1000 companies, USAID 2015

¹² Businesses do not understand how to structure borrowing to increase profits, according to the Survey of 1000 companies, USAID 2015

within the EU. They also need hands-on expertise and industry specific advice that will help them strengthen their market position and become more bankable. When provided with such services, 74% of enterprises supported by the EBRD small business support programme in Serbia from 2012 - 14 increased their turnover, 56% increase their productivity and 67% increased number of employees. For this reason, the current Action will take the best practices and lessons learned from these previous experiences, and provide SMEs directly with business support services aimed to improve their performance and ensure their sustainable business development.

With regard to innovation and research, according to the Global Competitiveness Report (2015-2016) Serbia has limited capacities in almost all aspects of innovation and technology transfer¹³. Serbia is ranked 107 of 140 on the availability of latest technologies, while the low capacity of Serbian companies to absorb technologies places the country on the 127th place (out of 140). There are few high technology goods and services originating from the outputs of national R&D and the university-industry collaboration in R&D is ranked on the 97th place. Serbia needs a policy shift from basic researches to technological development and innovation through the development of tools that will facilitate the cooperation between the research sector and private companies.

From the perspective of knowledge and technology transfer and promotion of commercialisation of innovations, Serbia should invest in strengthening its research capacities. At the moment, the Science Technology Park (STP) Belgrade is one of the main public functioning platforms supporting the innovation sector and facilitating the cooperation between all relevant stakeholders. The STP is a scale up of the previous Business Incubator of Technical Faculties at the University of Belgrade (BITF). The BITF, during 7 years of operation, supported 52 high-tech start-up companies that employ almost 600 engineers. The STP Belgrade follows and scales up this successful model. It is focused on technology development companies with significant market potential. The first results of its work have shown that there is a great need for the type of support it offers as well as for further knowledge transfer and standardization of the support services. The Action will support the STP to further develop its model with the purpose of becoming the main sustainable business support mechanism in Serbia for innovation development and support to companies, University and faculties.

OUTLINE OF IPA II ASSISTANCE

This Action will contribute to the improved competitiveness and innovation of Serbian enterprises and to strengthened private sector impact on the Serbian economy by increasing the ability of the enterprises to compete in global markets and their capacity to innovate.

The action includes two specific objectives:

1. To provide enterprises with high quality advisory services and hands-on industry specific expertise. By adhering to the advice provided, enterprises will strengthen their market position and become more bankable. Thus, this result will help to prepare SMEs for easier access to finance, increasing the investment readiness.
2. To support Serbia in its efforts in responding to the challenges in the field of innovation, by providing the necessary support to the STP Belgrade, which will develop its methodology for supporting innovative companies and provide business and infrastructure services to high - tech and innovative companies, University and faculties. In addition, in order to disseminate knowledge across the economy and models and approaches to business management and provision of services to other similar parks in the country, STP Belgrade shall also develop a cooperation network of national STPs. The final goal is to support the links between high-tech and innovative industry and associated R&D institutions, including the Belgrade University and technical faculties.

The activities under this action focus on the central level in Serbia. They have been designed in order to be fully complementary with the initiatives taking place at local level (in local authorities in Serbia), through the Local Development Programme action under this same Country Action Programme. They have also been designed to be complementary and to fill the gaps left by the regional initiatives in the Western Balkans,

¹³ Capacity for innovation-133, Company spending on R&D-127, University industry collaboration in R&D-104

including the EBRD Small Business Support programme.

RELEVANCE WITH THE IPA II STRATEGY PAPER AND OTHER KEY REFERENCES

Indicative Country Strategy Paper

The Action addresses the following Country Strategy Paper's Competitiveness sector results:

1. *Functioning of the business sector, especially SMEs, improved.*

This target will be addressed by supporting greater diversification and access to finance for SMEs and accelerating institutional support for SMEs, in the Result 1 of this action.

2. *Quality and quantity of both public and private research and innovation increased to enable it to better contribute to economic development;*

The target will be addressed through building closer ties between public R&D and the private sector and through the improvement and diversification of the infrastructure and specific services provided to the high-tech and innovative companies. This will be tackled through the result 2 of this action.

Enlargement Strategy and Main Challenges 2014-2015

The Enlargement strategy noted that due to the limited progress Serbia has made towards establishing a functioning market economy, a wide range of structural reforms needs to be implemented, and highlighted the importance of the economic reforms for growth and reduction of unemployment.

In order to achieve this, the strategy notes that EU support should be oriented toward improved performance of local companies through provided advisory support and enhanced business consultancy services and upgraded environment for high-tech and innovative companies.

The strategy notes that the impact of these activities will be a better business environment, increased investments in SMEs and effectiveness at company level. This would eventually lead to a more sustainable private sector able to cope with the competitive pressures and market forces within the Union.

Serbia Report 2015

The activities under this action address the key findings of the Annual report for 2015, and contribute to the goal of stimulating private investment by establishing schemes to support lending to SMEs and research activities in companies. The action will support the creation of more predictable instruments of state support to the private sector, and will benefit both foreign and domestic investors and promote redirecting of state support towards support to SMEs and research and development.

Economic Reform Programme for 2015-2017

This action is focusing on the priority measures identified in the Economic Reform Programme for 2015-2017. The priority measure 3.3.1 describes access to finance for SMEs and entrepreneurs. Priority 3.2.3 puts emphasis on the adoption of a new policy and legal framework for research and innovation to boost long term increase in the quality of research and the development of research organisations.

National strategies

The overall and specific objectives identified in this Action are directly linked to priorities set out in the National Priorities for International Assistance (NAD) document, under the Competitiveness sector..

This action overall objective of increasing the competitiveness and innovation of enterprises is directly linked to the Strategy and Policy for Industrial Development of the Republic of Serbia for the period 2011-2020. This strategy establishes the policy ground for investments in higher levels of production and better quality of products and services as well as R&D. The Result 3 of this action links to the Strategy for Scientific and Technological Development of the Republic of Serbia for the period 2016 to 2020 - "Research for Innovation", that identifies the importance of supporting innovation and the reform of RDIs are a precondition for sustainable socio-economic development. Finally, the action is directly corresponding to the strategic pillars developed in the Strategy for support to Development of SMEs, Entrepreneurship and Competitiveness and its action plan.

LESSONS LEARNED AND LINK TO PREVIOUS FINANCIAL ASSISTANCE

Lessons learned

Evaluation reports conducted for the needs of the Serbian European Integration Office in 2014 have shown that financial assistance in the competitiveness sector produced positive results contributing to the capacity of the Government to improve the environment for doing business.

The key lesson learned from previous interventions is that the sustainability of development assistance remains dependent on the Government's capacity to incorporate achieved results into its policy interventions. For this reason, political willingness to support the institutions and services developed with such assistance is essential¹⁴. Low cooperation at national level (ministries responsible for economy, education and science, and R&D institutions) together with lack of joint interventions in the field of innovation resulted in insufficient impact of delivered assistance, limited effectiveness and sustainability¹⁵.

Recommendations stemming from these evaluations show that development assistance should continue to focus on: developing the quality of business advisory services including advising on innovations and technology transfers to private sector entities; export promotion and market penetration; Foreign Direct Investments (FDI) and internal investments; development of business infrastructure and increasing productivity.

The necessary business advisory services have been provided in the past through the EBRD implemented Support to SMEs Development programmes. Because of an in depth analysis of the companies' needs before providing advice and tailor-made support at company level, these programmes have a proven track record of successful implementation and performing.

Development assistance should also support government initiatives to develop a knowledge-based and innovation-driven economy that will benefit from the new market opportunities. Creating a business-friendly climate should remain an absolute priority for future development assistance.

Previous assistance

The Serbian European Integration Office and the ministries in charge have taken on board the recommendations described in the section above during the programming of the most recent IPA and IPA II programmes. The IPA 2013 programme focusses on improving business environment, improving the level of recognition of the National Quality Infrastructure system, aiming to increase international competitiveness of the Serbian industry enhancing the system for supporting innovation and technology transfer. The work being done under this IPA 2013 action serves as the basis for the actions to take place under this Action.

Under the IPA 2014 programme, support is focused on the issues of Competition, State Aid and Consumer protection. The activities aim at the further development of the system and the capacities for combating anti-competitive practices, with focus on market operators and regulators, businesses, judiciary and civil servants. The action from 2014 should help Serbian authorities to face the challenges of non-harmonised legislation and increase capacities of relevant institutions to put the European laws in practice.

At the same time, the activities described in this document are moving further in tackling the identified needs by increasing SME's access to finance, strengthening innovation support both through increased capacities and improved legislation. It will complement Serbia's participation in Competitiveness and SMEs Programme (COSME¹⁶) since the financial instruments in COSME are designed to provide added value to other financial instruments in the country. The activities related to innovation will continue the work on strengthening institutions to increase the number of innovative products and services in the SME sector.

¹⁴ SIDA, Evaluation of effectiveness and efficiency of development assistance to the Republic of Serbia per sector, Final Report

¹⁵ Sector specific evaluation "Technical Assistance for the Evaluation of the Competitiveness sector in the Republic of Serbia"

¹⁶ Starting in January 2016

2. INTERVENTION LOGIC

LOGICAL FRAMEWORK MATRIX

OVERALL OBJECTIVE	OBJECTIVELY VERIFIABLE INDICATORS (*)	SOURCES OF VERIFICATION	
To increase the competitiveness and innovation of companies in Serbia.	<ul style="list-style-type: none"> •Ranking of the Republic of Serbia in the World Bank's Doing Business Report. 	Doing Business World Bank Report,	
SPECIFIC OBJECTIVE	OBJECTIVELY VERIFIABLE INDICATORS (*)	SOURCES OF VERIFICATION	ASSUMPTIONS
SO 1: To strengthened local business advisory services for SMEs. SO2: To enhance the operating environment for high-tech and innovative companies in Serbia.	<ul style="list-style-type: none"> •Number of new stakeholders targeted by the advisory services. •Number of new products developed by companies operating under the STP Belgrade. 	Report on SMEs and Entrepreneurship/ Annual/ Ministry in charge of economy, Annual Report of STP Beograd	Financial institutions and Government committed to and actively promoting SMEs and facilitating conditions for their growth,
RESULTS	OBJECTIVELY VERIFIABLE INDICATORS (*)	SOURCES OF VERIFICATION	ASSUMPTIONS
Result 1: Access to high value added business advice for SMEs is improved	<ul style="list-style-type: none"> • Number of companies assisted through the activity; • Number of local consultants trained to deliver business support to SMEs and other companies. 	EGPBAS Country Brief for Serbia EGP Standard Reporting on every project, EGP Financial Reporting and BAS Standard Reporting available through the BAS MIS BAS Financial Reporting.	SMES are interested and committed to participating in the programme. Local and national stakeholders are committed to ensure sustainability of the facilities and services.
Result 2: The Science and Technology Park's (STP) Belgrade provides better services and functions through the improvement of its capacities	<ul style="list-style-type: none"> • Number of new services for innovative companies developed as STP's standard service. • Number of new start-ups established and supported. 	Final Report	Government is committed in providing budget resources for STP. STP is providing services in line with market needs.

DESCRIPTION OF ACTIVITIES

Result 1: Access to high value added business advice for SMEs is improved

The action will provide access to high-quality local and international advisory services to a minimum of 130 Serbian SMEs by applying the successful methodology of EBRD's model for business Advice to SMEs. The action will also improve the quality and supply of local business advisory services, by training over 45 local consultants to deliver business support to SMEs. Finally, the action will support the transfer of the best practices under both previous activities to the public institutions in Serbia which have an SME mandate. The action will also organise a number of dissemination events in order to reach out to a wider SME population and raise awareness about the value and benefit of external advice.

This activity is complementary with the regional EBRD Support to SME Development scheme. The regional scheme will provide assistance to a number of enterprises in the Western Balkans region (covering Albania, Bosnia and Hercegovina, Croatia, the former Yugoslav Republic of Macedonia, Kosovo*, Montenegro and Serbia) that will also benefit from tailored advisory support by local consultants and international industry experts. Analysis for the EBRD regional scheme has shown that there is substantial potential for absorption of the advisory services in Serbia. The EDIF assessment for the specific window for the GF for Serbia showed that there are roughly 300 thousand enterprises active in the SME sector in Serbia, of which around 96% belong to the segment of up to 9 persons employed. The SMEs have shown interest in the use of the services provided up to date, and have expressed interest for further expansion of instruments supporting their further development.

In this sense, having in mind that the EBRD regional scheme covers only up to 540 enterprises for the entire Western Balkans, the potential number of companies from Serbia that can be included in the regional scheme is rather symbolic. The expansion of the advisory services through a specific Serbia window by way of this national IPA will allow the further expansion of the scheme. In this segment of the work, EBRD, which will run the national scheme as well as the regional one, will be obliged to perform careful analysis to avoid any potential for overlap between the two. On the other hand, the national programme of advice to SMEs includes a specific element which does not exist at the regional level, but which provides value added and additional sustainability to the scheme. It envisages the transfer of best practice know-how for supporting SMEs to the national public institutions that are dealing with SMEs. This important element, which has been specifically requested by the Ministry of Economy, contributes directly to the capacity building of national players to replicate these activities with Government's funds.

Finally, this advisory service mechanism is complementary to the support which will be provided to Business Support Organisations and NGOs under the Local Development Programme financed through the Country Action Programme for Serbia for the year 2016. Under the local development scheme, specific organisations, including Chambers of Commerce, clusters, development agencies etc. will be strengthened in their ability to provide specialised services to SMEs. While the EBRD advisory services will be tailor-made for advanced companies, and will be more sophisticated and specialised, the local level scheme will focus on business support organisations which provide a standardised set of services at local level, for a set of clients (micro enterprises, etc.) who are not eligible to be EBRD scheme, due to the specific methodology and screening of SMEs under the EBRD.

Planned Activities:

Activity 1.1: Provide access to high-quality advisory services to a minimum of 130 Serbian SMEs

As a starting point to this activity, the EBRD will prepare an in-depth analysis of the SMEs needs in Serbia in order to better tailor the advice and assistance for the local situation. Enterprises eligible under this activity will receive advice through international and local industry experts. The activity will particularly seek to assist enterprises in sectors of strategic priority.

* This designation is without prejudice to positions on status, and is in line with UNSC 1244/1999 and the ICJ Opinion on the Kosovo declaration of independence.

Activity 1.2: Develop sustainable markets of local providers of advice and consultancy services.

This activity is focused on the development of sustainable local business advisory services. The activity will support associations of consultants by encouraging the introduction of internationally recognized industry standards, such as CMC and others.

Activity 1.3: Transfer of best practice know-how to a public institutions that have an SME mandate.

The EBRD will seek to transfer its know-how to the public institutions in Serbia that have a mandate to assist and advice SMEs.

Activity 1.4: Organisation of dissemination events to reach out to a wider SME population and raise awareness about the value and benefit of external advice.

To promote the benefits of business consultancy services in general, a number of dissemination events will be organised with involvement of as many SMEs as possible, including but not limited to companies from the databases of EBRD, Chambers of Commerce, industry associations and other relevant stakeholders.

Result 2: The Science and Technology Park's (STP) Belgrade provides better services and functions through the improvement of its capacities

Planned Activities:

Activity 2.1 Providing STP's tenants and client companies with adequate services, to increase competitiveness of the Serbian innovation and technological development sector

The aim of these activities would be assistance to the STP Belgrade to upgrade the set of standardized business support services and to create tailor made services, with the purpose of supporting companies in each phase of their development – from identification of business idea and start-up to growth and internationalisation. The focus would be on: (1) trainings of potential entrepreneurs from research, education and private sector, (2) assistance in identification of prosperous business ideas and help in development of ideas into commercial initiatives, and (3) entrepreneurial consulting to companies at all stages of their development.

Activity 2.2 Increasing the flow of research knowledge and achievements into private sector, through the cooperation with University and other R&D institutions cooperating with the STP

The activity will focus on supporting the STP Belgrade in enabling and facilitating cooperation with the R&D infrastructure at Belgrade University and technical faculties, including Centres of Excellence. This cooperation will be in accordance with STP's tenants and clients demand (demand driven research, based on the needs of private sector) and with the purpose of creating joint teams that will work on the further development and commercialization of their innovative initiatives. It will support the international exchange and collaboration of relevant parties, aimed to provide necessary input for R&D commercialization for STP's tenants and clients.

Activity 2.3 Developing and promoting R&D among relevant stakeholders

The focus will be on: (1) cooperation with organizations that promote innovations, applied research and technology transfer; (2) supporting partnerships between public R&D institutions and STP's tenant and client companies; (3) coordination and match-making between private sector research and other stakeholders. STP Belgrade should aim at becoming the platform for innovation development. This will be done through standardisation of the system and the model for the future support to technology development companies and through the transfer of the STP model to other technology parks in the country. The transfer of the model should include trainings and mentoring to other technology parks and incubators in Serbia.

Activity 2.4 Improving framework conditions and capacities of high-tech and innovative companies, tenants and clients of STP, for complying with the EU-harmonized legislation

This activity will develop effective and up-to-date training and advisory programmes in the areas of competition, intellectual property, consumer protection, quality infrastructure and financing as areas where companies directly implement the legislation and regulations. It will provide training and consulting services to help Serbian companies to identify and utilize the benefits and opportunities of full compliance with the

new legislation in the mentioned areas, including the ones positively affecting their export and innovative growth.

RISKS

Result 1: To improve access to high value added business advice for SMEs

Risk	Mitigation Measure
Insufficient interest of SMEs	Awareness raising campaign organised through the public calls, Government business support institutions and Chamber system.
Local and national stakeholders are not committed to ensure sustainability of the advice services.	The implementing institution (EBRD) is building the capacity of local business advice providers through different business support organisations, networks and Ministry of Economy to ensure institutional memory, cooperation and ownership. The fact that the activity is co-finance by the SME (25-75%) helps in ensuring sustainability
Assistance is not corresponding to enterprises' needs.	An in-depth analysis of the SMEs needs will be organised as a starting point to the activities under this result, in order to tailor the advice and assistance to be provided to the concrete needs of the Serbian SMEs.

Result 2: To improve the Science and Technology Park's (STP) Belgrade services and functions

Risk	Mitigation Measure
The Government is not committed in providing Budget resources for STPs.	The Government has planned the Budget funds and the support for STP is emphasised in the strategic documents.
STP's supply of services do not match company's needs	The STP activities will be based on the existing successful model of the Business Incubator of the Technical Faculty that has extensive experience of addressing the needs of the innovative companies.

CONDITIONS FOR IMPLEMENTATION

The main assumptions for the implementation of this action are: SMEs are interested to use the funds for investing in new products and services; Government is committed in providing budget resources for the Science and Technology Park.

3. IMPLEMENTATION ARRANGEMENTS

ROLES AND RESPONSIBILITIES

The Ministry in charge of economy is final beneficiary responsible for the implementation of the activities under Result 1 .

The Ministry in charge of education, science and technological development is final beneficiary while the Science and Technology Park Belgrade (STP) is the end recipient responsible for the implementation of the activities under Result 2.

IMPLEMENTATION METHOD(S) AND TYPE(S) OF FINANCING

Result	Method of implementation	Justification
Result 1	Direct Management PA Grant with EBRD	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. The EBRD Advice to SMEs programme represents a well-established methodology for SME support. The EBRD has provided the Small Business Support services to Serbian SMEs since 2001. To date, it has provided access to advice to more than 600 local enterprises through a unique methodology that has proven to be invaluable to the private sector. Co-financing for this action will be secured through private contributions of the end recipients, which will follow the rules of the EBRD manuals. Having in mind that the amounts that the recipients will contribute to the action will differ, depending on the services provided and type of SMEs, only the value of the financing of the grant by IPA funds is included into this action document.
Result 2	Direct Management Service contract	A competitive tendering process will ensure the best possible support for the STP to provide services for innovative enterprises and can offer best practices from other similar entities in guiding the beneficiary in its further development at this early phase.

4. PERFORMANCE MEASUREMENT

METHODOLOGY FOR MONITORING (AND EVALUATION)

Monitoring of the progress in sector support implementation will be done in accordance with the rules and procedures for monitoring under indirect/direct management and in line with relevant Manuals of Procedures.

IPA II monitoring process is organised and led by the National IPA Coordinator (NIPAC) and Body for Coordination, Programming, Monitoring and Evaluation (BCPME). The NIPAC is the main interlocutor between the Serbian government and the EC regarding strategic planning, co-ordination of programming, monitoring of implementation, evaluation and reporting of the overall IPA assistance and is responsible for ensuring the linkage of IPA assistance to the EU accession process. NIPAC monitors the process of programming, preparation and implementation as well as the sustainability and effects of programmes aiming to improve these processes, timely identification, remedying and alleviation of potential issues in the process of programming and implementation of Actions.

With the support of BCPME, NIPAC is responsible to establish, chair and organise the work of the IPA Monitoring Committee (IPA – MC) and submits to the EC annual and final reports on the overall IPA implementation. In addition, NIPAC will establish, chair and organise the work of the IPA Sectorial Monitoring Committees (SMCs), prepare regular monitoring reports for the Government and the EC based on the reports drawn up by the institutions responsible for implementation, it reports on the formulation and implementation of Actions, monitor the fulfilment of preconditions for the initiation of public procurement procedures and organise the process of evaluation of IPA support. The NIPAC submits regular reports to the IPA MC and reports envisaged to include information on status and progress in implementation of all relevant sector support in that respective sector. In addition the NIPAC submits reports to the SMC for examination. Monitoring process envisages participation of various stakeholders such as EC/EUD, NIPAC/BCPME, final beneficiaries, CFCU, NF, AA and other institutions and civil society organisations.

EBRD 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. Strong monitoring and evaluation practices (supported by an internally developed Management Information System) ensure consistent high quality of the technical assistance that programme can provide. In order to track progress of the programme in contributing to achieving a sustainable infrastructure of advisory services, the local teams review all local providers of advisory services engaged in 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 business advisory services, changes in the quality standards in local business advisory services and any improvement in institutions supporting the sector.

Each of the planned actions will have specific and detailed monitoring activities that will be envisaged in individual project descriptions (Terms of Reference or Description of Action).

In line with the IPA II Implementing Regulation 447/2014, an IPA II beneficiary who has been entrusted budget implementation tasks of IPA II assistance are responsible for conducting evaluations of the programmes it manages.

The European Commission may carry out a mid-term, a final or an ex-post evaluation for this Action or its components via independent consultants, through a joint mission or via an implementing partner. In case a mid-term or final evaluation is not foreseen, the European Commission may, during implementation, decide to undertake such an evaluation for duly justified reasons either on its own decision or on the initiative of the partner. The evaluations will be carried out as prescribed by the DG NEAR guidelines for evaluations. In addition, the Action might be subject to external monitoring in line with the European Commission rules and procedures set in the Financing Agreement.

INDICATOR MEASUREMENT

Indicator	Baseline (2015)	Target 2020	Final Target (2025)	Source of information
Ranking of the Republic of Serbia in the World Bank's Doing Business Report	91	Among top 60		World Bank's Doing Business Report
Number of new stakeholders targeted by the advisory services.	0	175 by end of the programme	n/a	EBRD report
Number of new products developed by companies in STP Beograd under the action	0	10	10 (2020)	Annual Report of STP Beograd
Number of companies assisted through the advisory activity	0	130	n/a	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/EBRD
Number of local consultants trained to deliver business support to SMEs and other companies under the present action	0	45	50	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 /EBRD
Number of new services for innovative companies developed as STP's standard service under the present action	0	5	5(2020)	Final Report/STP Belgrade
Number of new start-ups established and supported	0	5	5 (2020)	Final Report/STP Belgrade

5. SECTOR APPROACH ASSESSMENT

Sector Policy

Due to the multi-faceted nature of the sector, the strategic framework for competitiveness in Serbia is complex. The existing Industrial Strategy, with certain improvements, can be considered as the overarching strategy for the competitiveness sector in Serbia. It covers a broad remit including energy, environment and human resources and social development. The Strategy sets the overall direction for the whole sector, whilst the four sub-sector strategies covering ‘entrepreneurship and competitiveness’, ‘R&D and innovation’, ‘ICT’ and ‘market regulation’, can be regarded as vertical pillars underpinning this broad strategy. The activities proposed in the Action sit alongside national funding and other international assistance to support mainstream public spending on the policy reforms and economic development. Furthermore, the Economic Reform Program for the period from 2016 to 2018 has been adopted by the Government of Serbia in March 2016, and prepared by the Ministry of Finance through the broad range of consultations at all levels with the support from the Public Policy Secretariat (PPS), which was coordinating the part of program related to the priority structural reforms. It provides the medium-term framework for macroeconomic and fiscal policies, as well as specific priority structural reforms which directly remove obstacles to economic growth and increase competitiveness of the economy.

Sector Lead Institution and Capacity

The ministry in charge of economy has a wide scope of competences which are managed through its internal organization departments, and are covering following competitiveness areas: economic development, privatization, quality infrastructure, entrepreneurship and competitiveness development and business registers administration and monitoring. The Ministry's competences are related to structural adjustments for large companies, investment promotion, craftsmanship, SME and entrepreneurship including economy focused innovative entrepreneurship and IT, competitiveness improvement, standardization, technical directives and accreditation.

The ministry in charge of science and technological development plays an important role in framing and stimulating research focused innovation entrepreneurship and development of innovation system, as well as promotion of research towards new technological solutions, as segments of competitiveness development.

Sector and donor coordination

Strong inter-institutional cooperation and coordination in the sector has been ensured through the relevant Sector Working Group (SWG)¹⁷.

The SWG for competitiveness sector includes the following institutions: Serbian European Integration Office, National Bank of Serbia, the Ministry in charge of economy, the Ministry in charge of trade, tourism and telecommunications, the Ministry in charge of finance, the Ministry in charge of agriculture, the Ministry in charge of science and technological development, the Ministry in charge of labour and employment, Standing Conference of Towns and Municipalities and Intellectual Property Office.

The representatives of the donor community also participate in the SWG meetings based on the needs and requirements of each SWG meeting and take part in consultation processes for analysing sector priority goals, measures and operations supported by EU funds and other international assistance.

Sector Budget and medium term perspective

The programme budgeting is legally introduced in 2015 for all budget beneficiaries. The programme budget facilitates planning and prioritisation processes within the Government, as well as enables easier monitoring of spending through greater transparency.

¹⁷ Act on establishing the SWG from 5.11.2012. No: 119-01-68/2012-03.

In accordance with the Programme Budgeting Instructions (PBI), the programme based budgets are structured through programmes and activities/projects. A programme budget is developed in line with medium-term beneficiary's plans and other strategic documents related to their competencies. A programme is a set of measures undertaken by budget beneficiary in line with its key competencies and medium-term objectives. Each programme is made up of independent yet closely interlinked components, activities and/or projects, set up objectives and developed indicators.

6. CROSS-CUTTING ISSUES

GENDER MAINSTREAMING

The project will aim to 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. Although currently there is no gender disaggregated data on which indicators could be built in order to track the benefits from the support to be provided under this action, the action itself will contribute to the establishment of this data set, allowing for better targeting of the gender equality goals in future programmes of SME development in Serbia.

The EBRD support will seek to utilise in the implementation of the business advisory services, the lessons learned and the best practices it has accumulated from other successfully conducted Women in Business initiatives in EBRD countries of operation. These projects supported women entrepreneurs who wanted to start up their own businesses, as well as the growth of established women-owned enterprises. The experiences of the projects will be applied in the course of the training of the business advisory service providers in Serbia, and in particular in the transfer of the know-how to the public entities in Serbia which will continue to provide these types of support and advice to SMEs. The gender equality dimension will represent an important aspect of this knowledge transfer.

Within the Science and Technology Park Belgrade, 27% of clients and tenant SMEs are currently owned and run by women entrepreneurs. This high involvement of women in business will be maintained and if possible increased within the proposed activity.

EQUAL OPPORTUNITIES

Women still face a degree of gender discrimination in the business community. Women's dual role as business owners and as the primary family caregiver in Serbian society means that they generally have less time to devote to training and related activities needed to maintain the competitiveness of their businesses. Within the Action, steps will be taken to tackle these issues: provision of services will contribute to greater competitiveness of women's enterprises; development of the new financial instruments for SMEs and entrepreneurs will take into account the needs and the position of female entrepreneurs. The programme will seek to maximise the number of women entrepreneurs participating, and the objective will be to have, subject to the conditions, at least 40% of women entrepreneurs included in the programme.

MINORITIES AND VULNERABLE GROUPS

The impact of the Action on equality of opportunity will be factored into its implementation, as will also tackling discrimination against minorities and other vulnerable and disadvantaged groups. Indicators for equal opportunities will be identified and will be incorporated into the performance monitoring of the sector.

The EBRD works with SMEs all over the territory of the Republic of Serbia, involving partners regardless of their racial or ethnic origin, religion or belief, disability, sexual orientation, etc. In particular, the EBRD emphasises the importance of addressing gender equality and realising the potential of women to contribute to development.

ENGAGEMENT WITH CIVIL SOCIETY (AND IF RELEVANT OTHER NON-STATE STAKEHOLDERS)

SEIO has established a consultation mechanism with the civil society organisations (CSOs) to enable more inclusive and transparent dialogue, consultation and communication with all relevant stakeholders in all of the sectors eligible for external financial assistance in Serbia, as per the NAD document. This includes the competitiveness sector. This mechanism is based on the consultative process with Sectorial Civil Society Organisations (SECOs), per each Sector. It serves as a platform that enables exchange of information and contribution of CSOs in relation to planning development assistance, particularly programming and monitoring of IPA. The SECO constitutes a group of three CSOs which act as partners, with a leading partner¹⁸. The SECO CSOs have the mandate to represent all other CSOs which have an interest in or are working in the specific sector. The selection of the representative CSOs is based on their experience with public advocacy, analyses and research in the sector, as well as experience in direct work with service providers and beneficiaries.. The members of SECO participate directly at the Sector working group meetings organised by SEIO and take part in consultation processes for analysing sector priority goals, measures and operations for financing from EU funds and international assistance. Their obligation is to ensure that the opinions, comments and views of the CSOs in the sector they represent are heard and incorporated to the extent possible in the processes related to IPA and other donor funding. Other relevant stakeholders (agencies, private, academic sector, CSOs, etc.) can participate at the SWG meetings based on the topic, needs and requirements of each Sector Working Group meeting. In the implementation of the action, CSOs will be actively involved in the implementation of activities, such as through the participation in the local business advisory services, dissemination events, awareness raising and others.

ENVIRONMENT AND CLIMATE CHANGE (AND IF RELEVANT DISASTER RESILIENCE)

The action has no specific components that address environmental and energy efficiency concerns. Companies participating in the action are expected to be adhering to relevant environmental standards. Enterprises operating in sectors on EBRD's environmental exclusion list shall not be permitted to participate in the action.

7. SUSTAINABILITY

The achieved results contribute to achieving a coherent national support service scheme that aims at creating jobs, business activation, attracting knowledge and boosting economic development. The action will create a coordinated and more effective mix of services, including available finance, specific advice and a sustainable support system. The system will help enterprises to overcome the challenges they are currently facing and strengthen their prospects for increasing productivity and raising their competitiveness in the global markets.

The sustainability of the specific advice services for enterprises will be pursued through setting up a binding cooperation and commitment from the local and national networks providing similar services. A unique feature of the advisory scheme is that the know-how will be transferred to the public authorities in Serbia that have a mandate to deal with SME development. The feature was designed at the request of the Ministry of Economy, in view of the increasing needs for such services in the country.

With regard to the Science and Technology Park Belgrade, the Government, being committed to increasing capacities of the Serbian research development and innovation system, will assume responsibility to streamline the RDI activities, make them EU compatible and consequently sustainable.

¹⁸ The leading partners for the Competitiveness Sector are NALED, Association of SMEs and Entrepreneurs and Foundation for the Advancement of Economics. The Competitiveness SECO network is composed of 31 civil society organisations.

Finally, this action will ensure that all policies that are produced as its result will be developed according to the better regulation approach, which ensures inclusive and evidence-based policy and legislative development. The increased focus on the quality of the legislative and policy-making process will help to ensure that adopted policies and laws can be better implemented. Also, institution-building under this action will respect effective lines of accountability between institutions (agencies and parent institutions), therefore avoiding any possible fragmentation of administration.

8. COMMUNICATION AND VISIBILITY

Communication and visibility will be given high importance during the implementation of the Action. The implementation of the communication activities shall be the responsibility of the IPA II beneficiary, and shall be funded from the amounts allocated to the Action.

All necessary measures will be taken to publicise the fact that the Action has received funding from the EU in line with the Communication and Visibility Manual for EU External Actions. Additional Visibility Guidelines developed by the European Commission (DG NEAR) will have to be followed. The implementing partners (EBRD) as well as the consultant will have a legal obligation to implement the EU visibility guidelines and procedures.

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

It is the responsibility of the beneficiary to keep the EU Delegation fully informed of the planning and implementation of the specific visibility and communication activities.

The beneficiary shall report on its visibility and communication actions in the report submitted to the IPA monitoring committee and the sectoral monitoring committees.