

**Action Fiche for ENP South region Annual Action Programme 2012 (part II)****1. IDENTIFICATION**

Title/Number	Private sector development in the Southern Mediterranean (ENPI/2012/024-145)		
Total cost	EU contribution : EUR 12 million		
Aid method / Method of implementation	Project approach under centralised direct management and joint management		
DAC-code	25010	Sector	Business support services and institutions

**2. RATIONALE****2.1. Sector context**

Sustainable growth and employment are common concerns among the partner countries of the European Neighbourhood South region, where 5 million jobs need to be created yearly to ensure social inclusion. The largest reservoir of jobs remains the 6 million micro, small and medium enterprises (mSMEs) that account for 90% of total employment, but are not yet contributing their full share to sustainable growth. Boosting private investment and job creation will require improving the business climate, in particular through the establishment of a level playing field, a transparent and open investment regime for both domestic and foreign investors, facilitating the access to finance and strengthening market institutions.

In the light of the above, the two Joint Communications of the European Commission and of the High Representative of the EU for Foreign Affairs and Security Policy "A partnership for democracy and shared prosperity with the Southern Mediterranean"<sup>1</sup> and "A new response to a changing Neighbourhood"<sup>2</sup> are calling the partner countries to support the adoption of policies conducive to stronger, sustainable and more inclusive growth, facilitating trade, innovation and investment partnerships; developing mSMEs and promoting industrial co-operation. To this end, the EU has been supporting since 2007 a number of initiatives at macro (i.e. targeting institutions and regulatory framework), meso (business intermediary organisations) and micro (enterprises as such) levels and contributed more than EUR 1 billion for private sector development in the region.

This programme for private sector development in the Southern Mediterranean will complement and contribute to current actions funded by the EU and other donors. It is mainly intended to foster the development of a conducive business environment, to develop quality Euro-Mediterranean networks providing adequate support and services for investing mSMEs and to demonstrate the potential of cultural and creative industries<sup>3</sup> in promoting inclusive growth.

<sup>1</sup> COM(2011)200 of 8 March 2011.

<sup>2</sup> COM(2011)303 of 25 May 2011.

<sup>3</sup> **"Cultural and creative industries"** refers to a range of economic activities, which transform cultural and creative inputs into goods and services embodying both cultural and economic values. These

The regional programme will target SMEs by intervening at macro-level (mSME business enabling environment), meso-level (reinforcing mSME support agencies); and micro-level (support to regional clusters in the cultural and creative industries).

Based on reports by the United Nations Conference on Trade And Development (UNCTAD) and the United Nations Industrial Development Organisation (UNIDO), emphasising the overall growth potential of creative industries in developing countries, both for skilled and less qualified workers, notably for the youth and women, and given the interest shown for that sector by the economic actors in the partner countries following the Arab Spring, the programme will foster the development of cultural and creative industries in the region, maximising impact by taking advantage of clusters already existing in fields such as information technology, craft, tourism, textile, fashion and cosmetics for example.

This regional programme will therefore contribute to: the creation of a conducive environment for mSMEs in particular for cultural and creative industries; the development of robust sets of intermediaries organisations supporting the development of mSMEs, notably in the cultural and creative industries; and demonstrate the benefits of the Euro-Mediterranean regional integration through fostering entrepreneurial co-operation in the cultural and creative industries.

## **2.2. Lessons learnt**

Lessons learnt from bilateral actions contributing to private sector development point to evidence that these initiatives contributed significantly to building up the capacities of ministries and administrations in tackling private sector development issues, notably through public-private dialogue platforms assisting in the modernisation of the SME fabric, reinforcing the capacities of business representatives organisation and facilitating trade. Bilateral assistance therefore permitted to build up a fruitful base for regional activities.

Past regional programmes contributed to creating networks and politically neutral dialogue platforms. European Neighbourhood Policy (ENP) instruments therefore contributed to the progress made in the area of economic stabilisation and liberalisation and are particularly well perceived, notably in the fields of SMEs business climate improvement, support for reforms, business partner matchmaking, and dialogue between cultures and cultural heritage. However, the fragmentation of the previous private sector development regional projects limited their visibility at country level. Large multidimensional projects are less effective than focused concrete actions in exerting the demonstrative effect required for building experience and generate stakeholders' motivation around the Euro-Mediterranean goals. This highlights the need to focus on a limited number of sectors; to ensure complementarities with bilateral initiatives; to ensure better co-ordination with access to finance. There is interest in building on the experience acquired by UNIDO which is already supporting the creative Industries through six on-going projects in Egypt, Jordan, Morocco and Tunisia.

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sectors are largely dominated by SMEs bringing creativity, skill and talent into production, distribution and promotion of cultural and creative contents. Cultural and creative industries include advertising, architecture, archives and libraries, artistic crafts, audiovisual (including film, radio, television, video games and multimedia), heritage, design, festivals, music, performing arts, publishing, software consultancy and visual arts.

Moreover, at *macro-level*, the Doing Business 2011 report<sup>4</sup> and the assessment of the Euro-Mediterranean Charter for Enterprise<sup>5</sup> confirmed that peer-to-peer comparison is effective in improving business enabling environments and that reinforcing the Euro-Mediterranean Charter for Enterprise and taking advantage of the tools developed in Europe under the Small Business Act<sup>6</sup>, could further catalyse reforms.

At *meso-level*, further support is needed for the delivery of efficient linkages services to the mSMEs of the region.

At *micro-level*, the cultural and creative industries are already the focus of several national initiatives that may be clustered to be more competitive on the global scene.

### 2.3. Complementary actions

At *macro-level*, the programme will firstly complement the bilateral activities aimed at improving business environment (e.g. "Programme d'appui à la facilitation du commerce en Algérie" (FACICO)). Secondly, it will support the Euro-Mediterranean Working Party on industrial cooperation that places business simplification high on its agenda.

At *meso-level*, the programme will be complementary to on-going programmes supporting the activities of SME development agencies (Jordan Enterprise Development Corporation (JEDCO), Agence Nationale de Développement de la Petite et Moyenne Entreprise (ANDPME) in Algeria) and will build on the results of the extensive support provided by the EU to ENP-South countries to develop these agencies (e.g. Industrial Modernisation Centre (IMC) in Egypt, Agence Nationale de la Petite et Moyenne Entreprise (ANPME) in Morocco). It will also take account of the findings of the working group of EU Member States experts on fostering the potential of cultural and creative industries for local and regional development<sup>7</sup>.

At *micro-level*, the programme will liaise with the European Alliance for Creative Industries cluster programme. It will also take account of several national initiatives, like the creation of two creative industries incubators in Jordan (JEDCO); the jewellery contemporary design centre in Egypt; the Palestine Information and Communication Technology Incubator (PICTI); or the programme of Gesellschaft für Internationale Zusammenarbeit (GiZ) for creative industries in Algeria. The present programme will also complement the European Neighbourhood and Partnership Instrument (ENPI) regional programmes for intercultural dialogue and cultural diversity and any relevant future programme.

The programme is consistent with the objectives of the Union for Mediterranean (UfM) of promoting socially inclusive growth through mSMEs. More specifically it addresses the UfM recommendations of reinforcing the Euro-Mediterranean Charter for Enterprise and involving partner countries in the activities of the European Alliance for Creative Industries. It will also complement the UNIDO 2009 SMEs and Job Creation project.

<sup>4</sup> <http://www.doingbusiness.org/reports/global-reports/doing-business-2011>.

<sup>5</sup> [http://ec.europa.eu/enterprise/policies/international/files/charter\\_11\\_dimensions\\_en.pdf](http://ec.europa.eu/enterprise/policies/international/files/charter_11_dimensions_en.pdf) and [http://ec.europa.eu/enterprise/policies/international/files/2008\\_report\\_charter\\_en.pdf](http://ec.europa.eu/enterprise/policies/international/files/2008_report_charter_en.pdf).

<sup>6</sup> Communication from the Commission to the Council; the European Parliament, the European Economic and Social Committee and the Committee of the Regions "Think Small First" A "Small Business Act" for Europe; COM(2008)394 of 25 June 2008.

<sup>7</sup> <http://ec.europa.eu/culture/our-policy-development/documents/120505-cci-policy-handbook.pdf>.

## 2.4. Donor co-ordination

The programme will contribute to stepping up co-ordination efforts with other key international financial institutions (IFIs) by establishing and disseminating a database of existing financing, including through the EU funded Kredit für Wiederaufbau (KfW) SANAD Fund for mSME; the Middle East and North Africa (MENA) Finance Facility for SMEs of the International Finance Corporation (IFC), the European Investment Bank (EIB) and the risk capital component of the Facility for Euro-Mediterranean Investment and Partnership (FEMIP) Trust Fund. The programme activities will also be in synergy with the upcoming technical assistance, funding and advisory services activities of the European Bank for Reconstruction and Development (EBRD).

## 3. DESCRIPTION

### 3.1. Objectives

The overall objective of the Programme will be to boost the private sector in order to contribute to sustainable and inclusive growth and employment generation, both regionally and sub-regionally with the following specific objectives:

- 1) Contribute to the improvement of the business enabling environment for micro, Small and Medium Enterprises in the ENP-South region;
- 2) Develop quality Euro-Mediterranean networks providing adequate support and linkage services for mSMEs, in a variety of promising sectors at regional or sub regional level in addition to the creative industries; and
- 3) Foster entrepreneurial co-operation in the cultural and creative industries, notably through the promotion of promising pilot initiatives demonstrating contribution to inclusive growth.

### 3.2. Expected results and main activities

Under *specific objective 1*, the expected results are as follows:

1. The role of the Working Party on Euro-Mediterranean industrial cooperation in supporting and co-ordinating SMEs related reforms is enhanced;
2. The capacity of the Euro-Mediterranean Charter coordinators to advocate for and promote mSMEs is built-up; and
3. The awareness and use of financing available for mSMEs are raised.

The activities below at regional and sub-regional level will contribute to the reinforcement of the Euro-Mediterranean Charter for Enterprise framework by building-up its capacity to mobilise public and private stakeholders around mSMEs issues; aligning the Charter with principles and methodologies of the Small Business Act for Europe and engaging into a deeper dialogue with the private sector on industry/SME specific constraints and opportunities also in the area of cultural and creative industries. The actions will also contribute to awareness raising of available finance for mSMEs welcoming the active involvement of the relevant stakeholders of the banking sector; enhanced exchange of views and networking regarding access to markets; spurring entrepreneurship including women entrepreneurship; sharing experience and best practises on business opportunities for SMEs in Mediterranean countries; gradually transforming the Charter into a Euro-Mediterranean Small Business Act and transforming Charter co-ordinators into SME Envoys; simplification and progress on other topics covered by the Charter and the Small Business Act; better co-ordination of related regional and national initiatives through

the Working Party on Industrial Co-operation. This will be achieved by making resources available for conducting and producing relevant studies and surveys if needed, delivering training; supporting networking and the organisation of events facilitating capacity-building and sharing of experience with a view of building up modern SME policies, facilitating sharing of information and dialogue with governmental authorities, the business community and civil society; developing and maintaining good practice databases and relevant associated tools.

Under specific objective 2, the expected results are as follows:

1. Based on lessons learned, identification of regional sector strategies in a limited number of promising sectors in addition to cultural and creative industries to attract new EU and intra Mediterranean trade and investment flows and to develop further EU and intra Mediterranean business partnerships;
2. Organise, in the context of the identified regional sector strategies, matchmaking meetings between specialists of the Mediterranean sector business associations, companies and their counterparts in the EU and intra-Mediterranean a sustainable process to promote inclusive growth and foster employment creation;
3. Disseminate the best practices from each Mediterranean country; which can enhance the international image of the region for investors;
4. Develop the Mediterranean business development organisations to serve the investor and to facilitate the networking of Euro-Mediterranean organisations involved in investment promotion in the private sector;
5. Building up the capacity of intermediary organisations towards financial self-sustainability.

Activities at regional and sub-regional level will encompass the organisation of workshops, annual conferences, short term technical assistance, training of Mediterranean trainers, information and results dissemination activities, design of sector strategies, studies and preparation of guidelines for sustainability aspects. The Mediterranean Creative Industries Alliance (MCIA) linking clusters will be established building upon synergies with the European Creative Industries Alliance. Efficient interfaces with the Enterprise Europe Network will be developed in order to maximise business linkages.

Under specific objective 3, the expected results are as follows:

1. Conduct of a mapping of clusters and value chains in the cultural and creative industries in the ENP South region;
2. Stimulation of promising pilot initiatives in a number of clusters demonstrating the potential of cultural and creative industries in promoting inclusive growth and employment in the ENP South region;
3. Replication of promising pilot initiatives throughout the ENP South region;
4. Results disseminated to stakeholders.

Activities at regional and sub-regional level will comprise the conduct of a mapping exercise with due regards to the European Cluster Observatory, leading to a selection of promising clusters for further interventions, presumably in sub sectors such as design and jewellery, and other sectors such as tourism, textiles/clothing and information communication technologies (ICT) through their linkages to cultural and creative industries. Technical assistance will permit to conduct training, awareness and information workshops, study tours and on-the-job technical support to

stakeholders. Through competitive procedures, the most promising pilot initiatives will be selected and co-financed. Clusters in the ENPI beneficiary countries and the European Union (enterprises, institutions, research, training, vocational and technical centres, specialised financial services hubs, etc.) that could partner together with the assistance of the use the European Cluster Collaboration Platform and the Cluster Women European Network (ClusterWene) will be identified.

### 3.3. Risks and assumptions

Under the current conditions, the main risks of the programme can be synthesised as follows:

- Political instability in the region;
- Inability of the public authorities and entities concerned to give priority to the areas of action within the various dimensions of the Euro-Mediterranean Charter for Enterprises, and to develop inter-sector co-operation;
- Difficult diplomatic relations in the region.

The risks linked to political instability in the region and to possible changes of government or regimes should be mitigated through continuous monitoring. The proposed results are formulated in a way that ensures that the project is flexible; takes account of each country's specific circumstances as well as the regional dimension; implementation does not depend on a participation of all the countries in all foreseen activities.

The projects will try to mitigate the prioritisation difficulties by supporting the technical and political levels and reinforcing overall co-ordination through the establishment of steering committees for each component. If difficult diplomatic relations create impediments to the smooth running of the projects, activities will be carried out at technical level only.

Assumptions encompass the willingness and commitment of the stakeholders in the Mediterranean partner countries throughout project implementation; the synergies and complementarities with other regional activities; good project management; an enabling environment in partner countries for stakeholder participation.

### 3.4. Crosscutting Issues

The programme will streamline administrative procedures which currently leave room for red tape, corruption and nepotism. It will also support a sector that is neutral as regards environment and climate change. The programme will factor gender issues at the level of the business environment and business support services and will support a sector that employs more women than other traditional sectors. By supporting cultural and creative industries, the programme places freedom of expression, a fundamental human right, at the heart of the strategy to generate sustainable inclusive growth.

### 3.5. Stakeholders

For the *Specific Objective 1*: Charter co-ordinators and Charter stakeholders, the Working Party on Euro-Mediterranean Industrial Co-operation; relevant ministries.

For the *Specific Objective 2*: Chamber of Commerce; Business Associations.

For the *Specific Objective 3*: business associations; sections of Chambers of Commerce; South ENPI creative industries clusters; North and South creative industries SMEs.

## **4. IMPLEMENTATION ISSUES**

### **4.1. Method of implementation**

For the specific objectives 1 and 2 respectively, the implementation method will be direct centralised management.

Specific objective 1 will be implemented via a service contract (technical assistance). It is foreseen to launch a call for tender for one service contract. A steering committee will be established with the participation of the Consultant, experts from relevant European Commission services, EU Delegations and the national co-ordinators of the Euro-Mediterranean Charter for Enterprise, who will presumably be nominated national focal points of this project by the competent authorities of the various partner countries, and other relevant stakeholders. This steering committee will ensure an effective monitoring and co-ordination of national activities as well coherence with regional activities including those discussed in the Working Party on Euro-Mediterranean Industrial Co-operation. At national level, national steering committees with participation of the national representative of the Consultant, EU Delegation, national co-ordinator of the Euro-Mediterranean Charter for Enterprise and other relevant national stakeholders will be also established.

Specific objective 2 will be implemented via a grant. It is foreseen to launch a call for proposals resulting in the award of one contract. A Steering Committee will be established with the participation of the Grantee, experts from the relevant European Commission services, EU Delegations and the national co-ordinators of the Euro-Mediterranean Charter for Enterprise, the nominated national focal points of this project and other relevant stakeholders. This steering committee will give guidance with a view of ensuring an effective monitoring and co-ordination of national activities within the regional dimension of the project. At national level, national steering committees with participation of the national representative of the Consultant, EU Delegation, national focal point of the project and other relevant national stakeholders will be also established with a similar objective.

Specific objective 3 will be implemented under joint management through the signature of a contribution agreement under the Financial and Administrative Framework Agreement (FAFA) with the United Nations Industrial Development Organisation (UNIDO) in accordance with Article 53d of the Financial Regulation.

The choice of joint management with UNIDO is based on the following considerations:

- UNIDO has an historical working relationship with the Ministries of Industry in the Mediterranean area;
- UNIDO has the necessary leverage and capacity to successfully steer further activities in the domain of creative industries in which it already supports several projects;
- The action to be financed has been jointly formulated between the European Commission and UNIDO;
- The international organisation complies with the criteria provided for in the applicable Financial Regulation.

A Joint Steering Committee with participation of observers including the respective national focal points of the projects implementing the specific objectives 1 and 2, experts from relevant European Commission services, EU Delegations and other relevant stakeholders will provide policy orientations and guidance for the

stimulation of the promising pilot initiatives and ensure coherence of implementation between the specific objectives 1, 2 and 3.

The change of management mode constitutes a substantial change except where the European Commission "re-centralises" or reduces the level of tasks previously delegated to the beneficiary country, international organisation or delegatee body under, respectively, decentralised, joint or indirect centralised management.

#### 4.2. Procurement and grant award procedures

##### 1) Contracts

All contracts implementing the action must be awarded and implemented in accordance with the procedures and standard documents laid down and published by the European Commission for the implementation of external operations, in force at the time of the launch of the procedure in question.

Participation in the award of contracts for the present action shall be open to all natural and legal persons covered by the ENPI Regulation. Further extensions of this participation to other natural or legal persons by the concerned authorising officer shall be subject to the conditions provided for in Article 21(7) of the ENPI Regulation.

##### 2) Specific rules for grants

The essential selection and award criteria for the award of grants are laid down in the Practical Guide to contract procedures for EU external actions. They are established in accordance with the principles set out in Title VI 'Grants' of the Financial Regulation applicable to the general budget of the EU. When derogations to these principles are applied, they shall be justified, in particular in the following cases:

- Financing in full (derogation to the principle of co-financing): the maximum possible rate of co-financing for grants is 90%. Full financing may only be applied in the cases provided for in Article 253 of the Commission Regulation (EC, Euratom) No 2342/2002 of 23 December 2002 laying down detailed rules for the implementation of the Financial Regulation applicable to the general budget of the EU.
- Derogation to the principle of non-retroactivity (only where applicable, otherwise delete): a grant may be awarded for an action which has already begun only if the applicant can demonstrate the need to start the action before the grant is awarded, in accordance with for general budget: Article 112 of the Financial Regulation applicable to the general budget of the EU.

For joint management: All contracts implementing the action are awarded and implemented in accordance with the procedures and standard documents laid down and published by the relevant international organisation.

#### 4.3. Indicative budget and calendar

Indicative budget is divided between specific objectives as follows:

Specific objective	Method of Implementation / Type of contract	Amount (EUR)
Specific objective 1	Direct centralised management/ service contract	3,000,000

Specific objective 2	Direct centralised management/ grant contract	4,000,000
Specific objective 3	Joint management/Contribution agreement	5,000,000
<b>TOTAL</b>		<b>12,000,000</b>

The operational duration for the projects is foreseen to be 36 months as from the signature of the relevant contract.

The calls for tender and proposals are foreseen to be launched during the first half of 2013.

#### **4.4. Performance monitoring**

The objectively verifiable indicators (qualitative and quantitative) will be part of the methodologies included in the technical proposals. For the projects for which additional services are requested, the existing indicators will apply.

Besides the regular follow up by the EU Delegations in the region and the Headquarter, monitoring missions will ensure an external follow-up. The European Commission and the project co-ordinator will pay particular attention to the recommendations expressed by the external experts.

#### **4.5. Evaluation and audit**

Mid-term progress reports are envisaged for all the concerned projects.

Projects will have to certify expenditure incurred, as part of the obligations of the contracted parties in the framework of the implementation of this project. Mid term and final evaluations, if applicable, of the results achieved will be entrusted to independent consultants, as well as external audits (if necessary). These evaluations and audits will be funded from other sources than the project budget, since no commitment will be possible once the validity of this decision has expired ("N+1" rule will apply).

All auditing matters related to the contribution agreement with UNIDO are governed by the Verification Clause annexed to and forming an integral part of the Financial and Administrative Agreement (FAFA) concluded between the European Commission and the United Nations, signed on 29 April 2003.

#### **4.6. Communication and visibility**

The EU visibility guidelines<sup>8</sup> must be followed by all projects. Each project above will work out a specific communication strategy and develop specific activities dedicated to communication and visibility. Implementation of the communication strategy in the partner countries will be also carried out in collaboration with the relevant EU Delegation, when appropriate. Constant communication should be maintained with the European Commission and with the ENPI Info Centre ([www.enpi-info.eu](http://www.enpi-info.eu)).

<sup>8</sup> "Communication and Visibility Manual for EU External Actions" [http://ec.europa.eu/europeaid/work/visibility/index\\_en.htm](http://ec.europa.eu/europeaid/work/visibility/index_en.htm).

For communication and visibility matters related to the contribution agreement with UNIDO, a communication and visibility plan will be drafted in compliance with the Joint Visibility Guidelines for European Commission - UN Actions in the Field ([http://ec.europa.eu/europeaid/work/procedures/financing/international\\_organisations/other\\_documents\\_related\\_united\\_nations](http://ec.europa.eu/europeaid/work/procedures/financing/international_organisations/other_documents_related_united_nations)).