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Directorate-General Enlargement

D - IPA STRATEGY

D.3 - REGIONAL COOPERATION AND PROGRAMMES

INSTRUMENT FOR PRE-ACCESSION ASSISTANCE Multi-beneficiary Programming 2011-2013

Sector: PRIVATE SECTOR DEVELOPMENT

SECTOR PLAN – Update and Amendment April - May 2012

The Private Sector Development (PSD) Programming Working Group was held on 25 April 2012 in conjunction with the 10th meeting of the South East Europe Investment Committee in Sarajevo on 24-25 April 2012. Participants included representatives from the NIPAC Offices, line Ministries (and bodies responsible for SME and investment issues) and other stakeholders in the Region (CEFTA, SEECEL), as well as representatives from the European Commission, OECD, ETF and International Financial Institutions (EIB/EIF, EBRD, World Bank).

During this meeting an update and amendment of the Sector Plan under the Multi-Beneficiary MIPD 2011-2013 was discussed and decided.

Together with projects already decided and contracted (mainly under the MIPD 2009), the PSD Sector Plan is now under implementation. The project for Intellectual Property Rights (IPR) has been taken out from the Sector Plan; this upon request from the beneficiaries. IPR activities are now implemented at the national level.

Other activities under the heading "Financing" in the Sector Plan are now incorporated under the Western Balkan Enterprise Development and Innovation Facility (EDIF). EDIF is now being put into operation financed through IPA 2011, and IPA 2012 (decision pending), to be replenished with resources from IPA 2013 (currently under consideration).

It was also proposed to update the Sector Plan to include a project on Banking Supervision. The project on 'Macro and Micro-prudential supervision in SEE was launched at the beginning of 2010 as part of the 2009 'crisis response package', though not initially included in the Sector Plan. The project was implemented by the ECB in close cooperation with the Eurosystem banks and it ended in January 2012. Given the new challenges, primarily the crisis in the Eurozone affecting the region to an important extent and the renewed interest in the topic (also expressed in initiatives such as Vienna 2.0), continuation of the support to the SEE banking supervision authorities is to be further considered. Due to the

savings done in the first project this can be done at zero additional cost. On the other hand, however, activities should be streamlined and the ECB is also re-focussing its priorities in view of the current euro-zone crisis. The EC will follow up on the question of a possible project extension with the ECB.

As a result, there are three projects from the original PSD Sector Plan 2011-2013 still to be implemented.

In the 'Financing' category, it is the EDIF project. In the 'Competitiveness and Competence' category, it is the Support to South East European Centre for Entrepreneurial Learning (SEECCEL), and Next Generation Competitiveness project to be implemented by the OECD.

These projects have already been discussed and supported in other regional meetings and the PSD WG meeting in Sarajevo provided an opportunity for the stakeholders to review the respective Project Identification Fiches developed in the process of MB IPA 2013 programming.

The SEECCEL project aims to support the needs of the economies of South East Europe (SEE) for structured strategic regional cooperation in the development of a lifelong entrepreneurial learning (LLEL) system as a part of their implementation of the Small Business Act for Europe (SBA) human capital dimension (principle 1 and 8), their pre-accession process and the overall Europe 2020 strategy.

The Next Generation Competitiveness project in the Western Balkans (NGC) is a follow-up project to the Regional Competitiveness Initiative (RCI) 2010 – 2013 funded under IPA and the Sector Specific Sources of Competitiveness (SSSC) project 2007-2010. The NGC will assist the beneficiaries in meeting their commitments contained in the South East Europe (SEE) 2020 Vision by addressing the lack of a competitive and innovative private sector in the Western Balkans.

Regarding the EDIF project, the Sector Plan 2011-2013 provided for up to around EUR 60 million of financing for support to SMEs. These resources were subsequently earmarked to be channelled through the Western Balkan Investment Framework (WBIF), which provided a competent forum and methodology to develop a long-term multi-pillar facility enhancing provision of SME financing in the region. The project has been designed to include two equity funds, a portfolio guarantee facility and a TA component supporting targeted reform interventions by the beneficiary governments.

Participants supported the two three-year projects: NGC (total cost € 5 million with EC contribution € 4.9 million) and SEECCEL (total cost € 3 million with EC contribution € 2,55 million), as well as the 3rd tranche of financing to EDIF (€ 30 million out of the total EU contribution of 62 million out of the 142 million of the project value).

A number of new project proposals were also presented and it was decided that two of them should be integrated with EDIF in view of further development of the sectoral approach. The World Bank REPARIS programme and the OECD-implemented SME Policy Index 2014 are as a result to be brought under EDIF

for better coordination and synergies, as they support EDIF objectives. The SME Policy Index will provide for a needed reform implementation monitoring function, while REPARIS will provide technical assistance in areas of financial reporting and accounting, key to improvement of investment- and credit-worthiness of businesses. Additional funding under EDIF TA will be provided for REPARIS (estimated EUR 3.6 million) so that the current TA resource allocation (EUR 5 million) remains largely to be decided upon after completion of the reform prioritization process for EDIF.