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ABBREVIATIONS AND ACRONYMS

Acronym	Description
ABS	Accreditation Body of Serbia
ADA	Austrian Development Agency
ARDA	Accredited Regional Development Agency
B2B	Business to business
BAS	Business Advisory Services Programme
BEP	Business Enabling Project
BMZ	Federal Ministry for Cooperation and Development
CA	Competition Authority
CBC	Cross Border Cooperation
CEFTA	Central European Free Trade Agreement
CIP/EIP	Competitiveness and Innovation Framework Programme/Entrepreneurship and Innovation Programme
CoC	Chamber of Commerce
DAC	Development Assistance Committee
DER	Draft Evaluation Report
DFID	Department for International Development
DIA	Deposit Insurance Agency
EBRD	European Bank for Reconstruction and Development
EC	European Commission
EDIF	Enterprise Development and Innovation Facility
EFSE	European Fund for South-East Europe
EIB	European Investment Bank
EQ	Evaluation Question
EU	European Union
EUD	European Union Delegation
EUR	Euro
FDI	Foreign Direct Investment
FER	Final Evaluation Report
FP7	Seventh Framework for R&D
FPIR	Field Phase Interim Report
FPR	Final Project Report
FR	Final Report
FWC	Framework Contract
GDP	Gross Domestic Product
GI	Geographical Indications
GIZ	Deutsche Gesellschaft für Internationale Zusammenarbeit
GORRR	Governmental Office for Regulatory Reform and Regulatory Impact Assessment
GoS	Government of Serbia
HRD	Human Resources Development
ICIP	Improved SME Competitiveness and Innovation
ICLF	Italian Credit Line Facility for SMEs and LPUCs
ICM	Indirect Centralized Management
IF	Innovation Fund
IP&SMEs	Industrial Policy and Small and Medium Size Enterprises
IPA	Instrument for Pre-Accession Assistance
IR	Inception Report
ISDACon	Information System for Coordination of Development Assistance to the Republic of Serbia
ISS	Institute for Standardisation of Serbia
JC	Judgment Criteria
JICA	Japan International Cooperation Agency

Acronym	Description
LFM	Logical framework matrix
M&E	Monitoring and Evaluation
MBP	Multi Beneficiary Programme
MEITT	Ministry of External and Internal Trade and Telecommunications
MESTD	Ministry of Education, Science and Technological Development
MoFE	Ministry of Finance and Economy
MIPD	Multi-annual Indicative Planning Document
NAD	Needs Assessment Document
NARD	National Agency for Regional Development
NFP	New Financial Perspective
NGO	Non-Governmental Organisation
NPI	National Programme for Integration with the European Union
NPRD	National Plan of Regional Development
NSDI	National Spatial Data Infrastructure
NUTS	Hierarchical list of the nomenclature of territorial units for statistics (from the French term "Nomenclature d'unités territoriales statistiques")
ODA	Official Development Assistance
OECD	Organization for Economic Cooperation and Development
OVI	Objectively Verifiable Indicator
PBA	Programme-Based Approaches
PFDPL	Second private and financial development policy loan for year 2010
PHF	Public Health Fund
PIU	Project Implementation Unit
PSC	Product Safety Council
PSOM	Programme for Cooperation with Emerging Markets
RBM	Result-based monitoring
R&D	Research & Development
RDI/R&D&I	Research & Development and Innovation
RDA	Regional Development Agency
RGA	Republic Geodetic Authority
ROM	Results Oriented Monitoring
SAA	State Aid Authority
SBA	Small Business Act
SBRA	Serbian Business Registry Agency
SCA	Serbian Customs Administration
SEAF	Small Enterprise Assistance Fund
SECO	Sector Civil Society Organization
SEDDSR	Socio-economic Development of Danube Serbia Region
SEECCL	South East European Centre for Entrepreneurial Learning Centre
SEED	Systematic Electronic Exchange of Data
SEENECO	South-East European Network-of-Excellence of Cluster Organisations
SEIO	Serbia European Integration Office
SIEPA	Serbia Investment and Export Promotion Agency
SMART	Specific, Measurable, Achievable, Relevant and Timebound
SME	Small and Medium-sized Enterprises
SSTDRS	Strategy of Scientific and Technological Development of the Republic of Serbia, 2010-2015
SWAp	Sector-Wide Approach
SWG	Sector Working Group
TA	Technical Assistance
ToR	Terms of Reference
TRIPS	Trade Related Aspects of Intellectual Property Rights
UNDP	United National Development Programme
UNIDO	United Nations Industrial Development Organization

Acronym	Description
USAID	United States Assistance for International Development
WB	World Bank
WBIF	Western Balkan Investment Framework
WBT	Western Balkans and Turkey
WTO	World Trade Organisation

EXECUTIVE SUMMARY

Internal Market

The ODA support made available to Serbia in the Internal Market sub-sector is among the most closely aligned with the country's priorities related to the preparations for accession. The needs of the country have been translated into the relevant programme documents but not always in a clearly targeted way. Especially in order to strengthen administrative capacity, donor support can generally be very relevant and therefore progress in these areas should be planned more strategically in documents outlining Serbia's needs in terms of ODA. The above should not be taken to mean that ODA has not been able to address these key needs: it only implies that this may not always have happened consistently and strategically. Some gaps remain, both strategically and in terms of individual ODA interventions. Among others, these relate to the informal (grey) economy, kick-starting the privatisation process and forceful market deregulation in order to give more room to competitive forces. However, despite the lack of focus and some strategic gaps, ODA (2007-2011) in the competitiveness sub-sector of internal market has been highly relevant to Serbia's needs.

In many cases, there has been good co-operation between the various parties involved. In the current setting, there is certain clarity in terms of who does what and there is widespread satisfaction with the role played by the Project Managers in the EUD. There has been general satisfaction with utility of internships, study tours and programmes of trainings and workshops provided by a wide variety of donors, be it in the framework of IPA, official bilateral support or the many smaller events facilitated directly by e.g. embassies. Successful have also been various awareness raising activities. Cost-effectiveness is not a major issue but some examples of good practice can be highlighted, for instance those providing ample possibilities for Serbian officials in a certain specified field to interact on a continuous basis with peers in more advanced countries.

Overall, most interventions in the area of Internal Market have been successful or very successful in achieving the planned results. However, due to the fact that some specific objectives have been formulated too ambitiously, they could not always be achieved. The most practical, hands-on interventions, such as the Swiss support to Serbia in the field of trade, have also delivered particularly useful results. It must be said, however, that it takes a considerable amount of time and persistence to reach such tangible results. Among the most important results achieved throughout the sub-sector is increased awareness outside the responsible Ministry departments. However, more transparency is needed in the direction of companies: the moment they will start to see such system as a source of credible information on who has been granted what and on which grounds, and believe it covers all relevant cases of state aid, the system will have reached its full potential.

The evaluation of the impact of ODA in the field of Internal Market has been complicated by the way in which wider objectives have been formulated for individual interventions: often at a too high level and without a clear logical link with specific objectives and results. Given these difficulties, it makes more sense to proceed from the contributions made to the Acquis, in terms of which ODA, and in particular IPA, has played an important and in some cases (consumer protection) crucial role. Overall, it is fair to state that IPA has been a driver for alignment and institutional change, especially in the fields of market surveillance, consumer protection and state aid. While this in itself shows the strong impact of IPA on the extent to which Serbia is able to align itself with the Acquis in these areas, it also points in the direction that a number of key decisions as to the institutional set up of the particular policy fields are not being taken sufficiently fast by the Government.

The most important issue for sustainability in this sub-sector is one of general uncertainty in relation to the future institutional set-up. A general rule should be formulated: no investments until the institutional and legal set-up has been decided upon or even proven to be stable to some extent for a particular period of time. Another, to some extent related, key risk factor for sustainability are staffing levels in the beneficiary departments in the responsible Ministries.

Industrial Policy and SMEs

Except for a series of gaps, the priorities/needs of Serbia in the Industrial Policy/SMEs subsector have been translated effectively into programming of assistance. This has happened through mostly relevant implementation modalities; some minor gaps exist in this respect, as well as deficiencies in the design of the interventions. Overall, interlinkages between the projects/programmes analysed exist, however, these rather occur on an ad-hoc, immediate need-driven basis, than as a clear strategic choice. Additionally, there is not sufficient coordination, coherence and potential for synergy put in place between donors' interventions and national programmes. Progress in building adequate monitoring systems at project and programme level, and especially interlinkages between the two, still needs to be booked.

In general terms, the interventions in the IP&SMEs sub-sector have been efficient, in the sense that outputs planned have been produced on time, qualitatively and at reasonable costs. This has happened despite the negative effects of the economic crisis on the interventions' target groups. The capacity of the central institutions involved in the IP&SMEs sample (i.e. the previous Ministry of Finance and Economy, NARD, SIEPA, CoC) has grown as a result of direct capacity strengthening activities but also through participation in the managing and implementing the projects/programmes. However, both at central level and at regional and local levels institutional capacity is not even and further efforts need to be made in order to create a fully-fledged and coherent institutional system, with strong policy-making capacity, for managing the IP&SMEs sector.

The interventions analysed have been, in general terms, effective in themselves; the specific objectives at sector level have been reached partially. Efforts to improve business environment continued between 2007 up to this date with and their effectiveness is satisfactory. However, judging by the state of affairs in Serbia, as analysed by the Competitiveness Index, SBA 2012 Factsheet and the USAID BEP 2012 Competitiveness Survey, the impact of the activities conducted to improve business environment is low. Interventions/activities concentrated on legal environment relevant for SMEs struggle more in terms of timely production of outputs, as the political instability in the country has often delayed implementation.

Scale has been an element hampering impact: projects can target a limited number of SMEs or clusters; at the same time interventions are fragmented and "integrated interventions" (e.g. export enhancement through value chain integration via TAs combined with grants and loans) are missing.

Results and impacts booked are sustainable to a limited extent. Next interventions, including loans, should clearly define what sustainability means in each particular case (e.g. sustainability of internationalisation interventions is different than sustainability of legislation drafted), the measures to be taken to ensure this sustainability, a mechanism for enforcing these measures embedded into a monitoring and evaluation system and a responsible (national) institution.

The return on Serbia's participation in CIP-EIP is, in terms of absolute value, under the contribution the country makes to the budget of the programme.

Research, Development and Innovation

The ODA support in the RDI sub-sector has fully responded to the country's priorities related to the preparations for integration into the European Union and the relevance is high. There has been significant IPA support in the sub-sector in addressing the key needs, mainly innovation support services and access to finance. There are still some gaps to be addressed, concerning the complementary measures for increasing investment in research and development, i.e. tax incentives. The "brain drain" of scientists and researchers, too, has been targeted insufficiently. Building new housing, providing low-cost lodging is one measure that touches upon the subject, but real impact can only be achieved by also providing sufficient challenges in research for young scientists in Serbia.

In most cases good co-operation between relevant parties has been the key to smooth execution of the ODA projects in the RDI sub-sector. There is overall satisfaction with service contractors and consultants, first and foremost due to their international expertise and specific know-how. There is overall clarity in terms of who does what. With national administrative units working together with highly competent service providers, contributors and donors, the necessary capacity has been acquired to guarantee successful implementation of the interventions.

Overall, most of the interventions in the area of RDI have been successful in achieving the planned results. In spite of somewhat over-ambitious or insufficiently quantified targets at project level, the effectiveness to date can be considered to be generally good. SMEs have highly appreciated the innovation-related benefits they have received under different projects or programmes. Good visibility of the interventions has been achieved, making use of the results of previous interventions.

The potential impact of ODA interventions in the RDI sub-sector can be seen as two-fold: The short-term impact is higher in the IPA interventions that focus on new financing mechanisms for innovation in SME-s, but in the long-run the potential impact of the R&D infrastructure investments and the participation in the FP7 can be huge.

Overall, there is awareness of the need for sustainability of projects and programmes among the project or programme managers in Serbia. Most interventions foresee measures to ensure sustainability and in some cases these measures are even carried out through separate, specific projects. However, less awareness on the matter exists among decision-makers and thus overall sustainability in the RDI sub-sector is achieved only to a limited extent.

In the development of innovation, weak cooperation at national level has been noted by several stakeholders, meaning the lack of joint interventions between the Ministry of Education and Technological Development and the Ministry of Finance and Economy. Innovation, almost by definition, should be a united effort of the two Ministries, R&D institutions, the academic field and the industry.

Serbia may be associated with the Horizon 2020 programme and the relevant coordinating EC officials see good potential in Serbia's researchers on the basis of excellent participation in the 7th Framework Programme for Research and Development up until now. Very good impact has been achieved so far through related capacity-building projects for the research community (mainly at faculty and university level) and IPA interventions in the RDI sub-sector have generally targeted synergy in reinforcing their respective impacts and sustainability for increased participation in the 7th Framework Programme, although SME participation still remains low. Serbia is facing a clear risk of losing the RDI potential if not given high priority at government level. Until spending on R&D as a % of GDP (0.77% in 2011) hasn't increased considerably and reached the national target of 1%, Serbia will probably not be able to start to acquire the research excellence that successful participation in Horizon 2020 requires.

Regional Development

Local and regional development in Serbia have been subject to a significant donor support in the considered period, but the effectiveness and impact of this support have suffered from low or no synergy, most often reduced to mere complementarity by trying to avoid overlaps in covering certain target areas in the country

On the central policy level, this support has eventually reached a decisive stage with the expected finalization of the draft national plan for regional development and associated documents, whose overall sustainability will depend on further assistance to reinforcement of the existing territorial actors on sub-regional level, but also to development of new the regional ones (NUTS 2).

Certain projects of (sub) regional support to local economic development offer very good practice in donor coordination and concept of mobilization and coordination of the concerned territorial stakeholders; this should be replicated and reinforced in combining and cross-fertilizing complementary donor support focuses, towards more integrated assistance.

The project Socio-economic Development of Danube Serbia Region (SEDDSR) still offers the potential of a very innovative structuring programme deployed over a large portion of the national territory and should be therefore given a clear strategic orientation, with, consequently, a much more effective communication and outreach. Generally taken, absence of more systematic coordination with the corresponding government policies and support has been a weak link.

On this basis and bearing also in mind the new framework of the NAD 2014-2020 and of the draft National Regional Development Plan, the key recommendations for the regional development segment invite the donor community to (i) significantly improve donor coordination by introducing tighter synergy among certain relevant approaches and modalities; (ii) maintain the support on both the central policy level, on further empowerment of RDAs for their due role in sector development planning and implementation, and on development of NUTS 2 territorial actors; (iii) give priority to support concepts which have demonstrated best practice and which offer fertile ground for replication towards more/better integrated approaches, and widen the donor support to the SEDDSR while reinforcing its strategic orientation and visibility, and (iv) within the expected new overall policy approach and strategy for development, significantly reinforce the linkage between the government policies and support and the donor support deployed on the ground.

The proposed policy objectives which would catalyse and streamline the future donor support in the short and medium term (the 2014-2020 perspective) are to respectively reinforce the alleviation of regional disparities in the frame of the new draft regional development strategy and plan, and support the development of the competitiveness of municipalities within a more coherent and better coordinated prioritisation on regional and sub-regional levels, (in particular these expected to be introduced in the frame of the regional development plans - national and NUTS 2 level ones).

1. INTRODUCTION AND BACKGROUND

1.1 Background of the Evaluation

According to the Terms of Reference (ToR) of this framework contract, the purpose of this evaluation is to assist the Government of Serbia to perform an assessment/evaluation of the Official Development Assistance (ODA)¹ within the Competitiveness Sector for the period 2007 – 2011, for those projects implemented and financed by IPA, bilateral donors in Serbia and concessional loans with grant element of at least 25%. This evaluation covers one of eight sectors retained by the Government of Serbia (GoS) for its sector-wide approach development strategy². The equivalent evaluations of the other sectors and of the IPA II Cross-Border & Trans-national Cooperation have also been carried out.

This sector is one of eight Sectors³ retained by the Serbian Government within its Sector-Wide Approach (SWAp). As presented in the inter-sectoral NAD 2011-2013, SWAp or Programme-Based Approaches (PBAs) have been defined as a way of engaging in development co-operation, based on the principle of coordinated support for a national programme of development. Their key features are listed and commented below. A sector-wide approach (SWAp) is a programme-based approach operating at the level of an entire sector. Bearing in mind the national planning and budgeting systems in Serbia, the introduction of SWAp in Serbia has been a gradual process, based on the reform of the national planning system led by the general secretariat of the Government, while the programming of external assistance will be, to the greatest extent possible, based on the PBA. This implies using mid-term plans developed by all institutions (budget beneficiaries) as the basic document for programme and project identification for external aid. Having in mind that these mid-term plans represent the basis for financial planning of the national budget, this will be a mechanism to ensure the coherence and complementarity of external aid and national funding.

Serbia's Needs Assessment Document (NAD) 2011-2013 defines the approach of the GoS to multi-annual programming of international development assistance, donor coordination and cooperation mechanisms, as well as prioritised measures within the relevant sector. Its overall objective is to support the sustainable socio-economic development and European integration of the Republic of Serbia through planning, programming and the improvement of effectiveness of development assistance, in line with national strategic framework and priorities. The document is based on the existing national strategic framework and defined mid-term objectives and sets out the framework for developing projects which are ideally suited for financing by the donor community. It is therefore to contribute to the implementation of the reforms and strategic objectives of the Government, by introducing a three-year programming framework and providing the necessary level and structure of international assistance. In that context, the document is intended to be used as the main instrument for alignment of donors' assistance with national priorities, in accordance with the Paris Declaration, adopted at the Forum on Aid Effectiveness in Paris in March 2005 by the donors and recipient countries.

¹ As defined by the OECD/DAC

² Needs Assessment Document (NAD) "Needs of the Republic of Serbia for International Assistance in the Period 2011-2013", Government of the Republic of Serbia, February 2011

³ These are the following: Rule of Law, Public Administration Reform, Civil Society, Media and Culture, Competitiveness, Human Resources Development, Agriculture and Rural Development, Transport and Environment & Energy.

As concerns the actual status of the EC strategy and its support to the SWAp in Serbia, the current *Multi-annual Indicative Planning Document* (MIPD) 2011-2013 for the Republic of Serbia states in particular that its purpose is to set out the EU's priorities for assistance to Serbia for the programming period 2011-2013. The MIPDs are based on the needs identified in the European Partnership of the country as well as the latest Enlargement Strategy and Progress Report (adopted on 9 November 2010) take the country's own strategies into account. The GoS, local stakeholders, EU Member States and other donors have all been consulted in the design of this MIPD. The Commission has taken a number of steps to enhance the strategic nature of this process over the last few years and to strengthen the link between the priorities established in the progress reports and the programming of assistance. To better illustrate this focus, and to strengthen the beneficiary countries ownership, the Commission will increase its use of a sector-based logic in its planning of pre-accession assistance.

To increase the impact of the Instrument for Pre-accession Assistance (IPA) and to place a greater focus on achievable results, the Commission has decided to concentrate its efforts on and within targeted sectors. A sector approach will facilitate cooperation among donors and beneficiaries, where possible under the lead of the national authorities, eliminating duplication of efforts and leading to greater efficiency and effectiveness. This in turn should allow all stakeholders to focus more on the impact of our combined efforts. The MIPD further states that the selection of priorities for EU assistance was conducted in coordination with the Needs Assessment 2011-2013, which was prepared by the Serbian authorities. It also underlines that these priorities are aligned with the conclusions of the Enlargement Strategy and Progress Report 2010 and also aim at contributing to the Europe 2020 strategy, particularly in the areas of inclusion and sustainability.”

Whereas this underlines the concentration of the EC support on “targeted sectors” and acknowledges that the sector approach is expected to facilitate cooperation among donors and beneficiaries, the current MIPD targets seven sectors⁴, of which “Private Sector development” partly overlaps, but does not coincide, with the Competitiveness sector, covered by this evaluation.

In addition, it is important to note that IPA is implemented by means of annual or multi-annual financing decisions adopted by the European Commission specifying the fields of intervention, the objectives pursued, the expected results, the management procedures and the total amount of financing planned. Programmes come under 5 different subject headings (“components”), and are managed by different Commission departments. In the Competitiveness sector, for the time being IPA projects and programmes are channelled through Component I (“Transition assistance & institution building”), as Component III (“Regional development”), to be managed by DG Enlargement and DG for Regional and Urban Policy respectively, has not been opened for Serbia.

More specifically focusing on the strategic framework for ODA to the Competitiveness sector in Serbia, as defined in the NAD 2011-2013, the following mid-term priorities have been identified:

- Increase competitiveness and exports of enterprises
- Ensure effective competitiveness and market operations
- Reduce disparities and promote balanced development

These three priorities broadly coincide with the sectoral components set for this evaluation: the first one for Industry policy and SMEs as well as Research, development and innovation, and the second and third one for Internal Market and Regional Development respectively.

⁴ Justice and Home Affairs, Public Administration Reform, Social Development; Private Sector Development, Transport, Environment, Climate Change and Energy, and Agriculture and Rural Development

The global and specific objectives of the evaluation are defined by the ToR as follows:

Global Objective	To maximise impact of financial assistance in the Competitiveness Sector in Serbia from the EU and other donors
Specific Objective 1	Map and assess the impact, effectiveness, efficiency, relevance and sustainability of ODA interventions in the Competitiveness Sector, including the activities funded by EU programmes such as CIP ⁵ and FP7 ⁶
Specific Objective 2	Provide lessons learned and recommendations for decision-making on improvements of future financial assistance where relevant
Specific Objective 3	Propose measurable policy objectives not included in the NAD and related measurable indicators for further assistance

The ToR further stipulate that:

- *“With regard to the Specific Objective 1, the evaluation will cover EU financial assistance provided to Serbia under IPA and other development assistance provided by other partners. The evaluators will focus particularly on effectiveness, impact and sustainability of financial assistance during the period 2007-2011. Evaluation will take into account the document that has been initiated by the SEIO “Evaluation of Effectiveness and Efficiency of Development Assistance to the Republic of Serbia per Sector”, which will include all eight (8) Sectors according to the relevant Needs Assessment issued by the Serbian Authorities.*
- *With regard to the Specific Objective 2, the evaluators will focus on support provided by the EU, in order to gain a full understanding of EU and other donors’ interventions, and particularly where and why they have worked well, and where and why they have worked less well. On that basis, the evaluation will provide relevant recommendations to improve the design, programming and implementation of EU interventions, with the view to improving their relevance, efficiency, effectiveness, impact and sustainability. In addition, the evaluators will provide with an assessment for future needs in this sector for the next programming period 2014-2020.*

1.2 Evaluation Process and Report

After an inception period in the month of May, this evaluation was carried out during the period June-August 2013, with the fieldwork phase starting on 10 June and the draft report submitted on 23 August 2013. After a desk study of relevant documentation, a large number of interviews were carried out (see Annex 6) with donor representatives, beneficiary organisations, and contractors etc., both at international, national and local level in the regions. In addition, a web-based survey was set up and

⁵ Competitiveness and Innovation Framework Programme

⁶ Seventh Framework Programme for Research and Technological Development

sent to thousands of beneficiaries in the various interventions in the sector. The results of this survey are summarised under the SME sections of Chapter 3 of this report. The survey itself is presented in Annex 5.

The evaluation was carried out on the basis of the Terms of Reference (ToR) presented in Annex 1. The precise evaluation questions are presented in Annex 2. Given the large size of the sector, a sample was constructed consisting of 44 interventions of in total 14 donors and covering a budget of in total 840 million Euro (M€). Annex 3 presents the sample of projects and programmes subjected to evaluation activities. From a total set of 132 interventions in the extract of the ISDACON, to which 4 interventions were added at the suggestion of the EUD⁷, a representative sample of 44 projects or programmes was created. The following criteria have been used to construct the evaluation sample (see bullets below). First of all, three exclusion criteria have been used to narrow the evaluation's focus in terms of time, topic and size:

- Only projects with a budget year of 2007-2011 have been included, leaving out older interventions such as those funded under CARDS programmes;
- Only projects with a budget over 50 000 € have been included in the sample;
- Thematic scoping: focusing on topics first and foremost supporting competitiveness and those that have not been (or should have been) primarily covered by other sectoral evaluations; this means the following topics are not included in our evaluation sample: cross border cooperation (CBC), housing, public internal financial control, general aid coordination and communication, telecom and media;
- As discussed during the Kick-off meeting to this evaluation in the EU Delegation premises on 17 May 2013, regional development interventions are generally horizontal in nature, they will be considered for inclusion only if project objectives mainly focus on (regional) competitiveness issues.
- During the inception phase, the key stakeholders to this evaluation (SEIO, EUD, key line ministries) were given the opportunity to give their "impression" of the quality of the interventions on the longlist for sampling. This did lead to a number of reactions, but only in the sense that a number of projects were highlighted as "good", and none as "average" or "poor". As this does not constitute a sufficient basis for balancing the sample for perceived quality of the interventions, this issue will once more be considered during the early fieldwork phase. Should the sample turn out to be unbalanced, certain replacements with other (potentially more positive) interventions will be made, of course only in case when the proportion of strong and weak interventions in the sample would seem to differ from that in the population of interventions on the longlist.

After cleaning up the sample this way, a total 78 interventions with a total budget of around 700 million Euros remained, of which a sample was constructed of 44 projects or programmes (56% of the number of projects, and covering some 95% of the total budget). This was done according to the following principles:

- All large projects (over 2.5 million Euro) were included in the sample in order to capture the bulk of the support in financial terms;
- The sample should a similar proportion of small (up to 250,000 €) and medium-sized (250,000 € to 2.5 million €): around 50% for both categories;
- The sample should consist of a more or less equal proportion of interventions from each of the five years in the period under evaluation: all annual groups between 50% and 65%.

⁷ This concerns the following projects: REGPOL, RSEDP2, Innovation Serbia Project, and Integrated Innovation Support Programme - IISP

For each intervention in the sample, at least two but often more interviews were carried out, in addition to an analysis of the relevant documentation (e.g. project fiches, reports, strategies produced).

The current draft report will be sent to a wide circle of stakeholders in the sector and it will form the basis for a presentation event to be held on 17 September 2013 in Belgrade. Stakeholders will be invited to submit (written) comments on the report after which the evaluation team will produce a final report.

The evaluation team consisted of Team Leader Klaas-Jan Reincke, Key Experts Dragan Crnjanski and Laura Trofin, supported by Non-key Expert Anari Hagel.

2. MAPPING OF ASSISTANCE

The current section of this report provides the results of a mapping exercise of ODA in the Competitiveness sector in Serbia. In the first sub-section, an overview is given of the key strategic documents as well as the needs of Serbia in terms of raising its competitiveness and of specific target groups in particular.

2.1 Overview

This evaluation of the Competitiveness Sector comes at a time of economic difficulty for Serbia, and indeed, for much of Europe. Low or even negative economic growth figures, high unemployment rates and a growing trade deficit clearly show the urgency of interventions raising the competitiveness of the Serbian economy. The extent to which the Government of Serbia (GoS) is able to do this through investment is rather limited, among others due to a budget deficit of some 7% in 2012. It is clear to some of the key stakeholders in the sector, among others the Serbia European Integration Office (SEIO), the European Union Delegation (EUD), that development assistance should be used to both reinvigorating structural reforms in the economy as well as kick-starting a process of increasing productivity, exports and the development of a knowledge-based economy.

As the current evaluation kicks off, preparations for a new strategic document for the period 2014-2020 as a successor to the current Needs Assessment Document (NAD) , outlining the approach of the GoS to multi-annual programming of international development assistance, donor coordination and cooperation mechanisms, are well underway. This should lead to the adoption by the GoS as soon as July of this year. Strictly speaking, this means that the conclusions and recommendations of this evaluation may come too late to feed into the new NAD. On the other hand, the translation of the NAD into more specific Sectoral Programmes with concrete policy measures is not likely to be finalised before September. This means that this evaluation will be well positioned to provide concrete, practical and specific recommendations, not such much to the broader principles and priorities in the new NAD, but all the more so for the ways and mechanisms by means of which competitiveness measures should be designed and delivered in the period 2014-2020. The fact that Serbia may soon obtain a concrete start date for EU accession negotiations only adds to the relevance of such recommendations, as this might lead to the mobilisation of a larger amount of EU funds of the Cohesion Policy type. The key question in this respect is: “how to use best these future funds to pull Serbia out of the economic crisis and onto a sustainable path to a high value-added, knowledge-intensive economy?”

The Competitiveness sector is a very large sector, with total estimated support amounting to almost 1 billion Euros for the 2007-2011 period, a wide variety of in total 23 donors and around 100 different projects or programmes⁸. For the purposes of this evaluation, we have divided these interventions into four components:

- A. **Internal Market** (roughly covering the topics of free movement of goods, company law, intellectual property, competition, and consumer protection)
- B. **Industry policy and SMEs⁹**

⁸ Data on the basis of extracts of the ISDACON (Intersectoral Development Assistance Coordination Network) database.

⁹ Small and Medium-sized Enterprises

- C. **Research, development and innovation**
- D. **Regional Development** (including regional policy and local development)

The ToR request the evaluation to cover the ODA assistance within the Competitiveness sector for the period 2007-2011. The available general data concerning the international assistance to the Republic of Serbia by OECD sectors and years provided by the Serbian European Integration Office (SEIO) from ISDACon¹⁰ cover the period 1999-2011 but do not comprise the sector (or field) of media. These data for the period covered by the evaluation (2007-2011) are recapitulated in the table below. The table includes estimated annual and total disbursement figures in Euro by OECD sector for the period under evaluation (2007-2011).

Disbursement in € by OECD sector by year	Budget	2007	2008	2009	2010	2011	Period 2007-2011
Banking and Financial Services	129 223 870	770 000	16 113 866	65 899 689	17 479 216	10 974 509	111 237 280
Communication	17 255 246	961 464	2 244 512	3 525 016	710 434	7 128 005	14 569 431
Construction	9 197 508	14 409 875	740 594	335 651	0	0	15 486 120
Industry, including SMEs	543 430 861	18 825 008	25 112 608	43 803 752	92 882 533	165 685 043	346 308 944
Privatization, Business and Other Services	193 651 072	26 454 778	18 038 693	14 116 803	111 906 883	10 141 119	180 658 277
Science and Research	43 613 885	3 947 628	7 889 376	7 889 376	17 960 377	17 984 044	55 670 801
Tourism	1 033 300	0	0	0	308 300	425 000	733 300
Trade	8 068 272	2 166 063	544 233	394 859	656 658	1 125 950	4 887 763
Urban Development	19 730 319	1 457 218	2 060 350	1 307 650	1 440 400	5 175 500	11 441 118
TOTAL Competitiveness sector	965 204 334	68 992 034	72 744 232	137 272 796	243 344 801	218 639 170	740 993 034

Source: ISDACon, SEIO

It is important to underline that:

- ISCACon data are entered based on information received from representatives of donor community and final beneficiaries of donations;
- Disbursement of ODA in this context means the implementation of activities as opposed to financial disbursement. The Sector for Planning, Monitoring and Reporting on EU Funds and Development Assistance in SEIO does not have all the information on development assistance disbursement, since there is no legal obligation for beneficiaries and donors to submit data related to assistance and its disbursement to the sector. Therefore, based on the available information obtained from the donors, the disbursement figures above are an estimate.

Having stated these disclaimers, the following observations can be made:

- The amount of funds disbursed in the Competitiveness sector shows an increasing trend during the period under evaluation as 62% of disbursements have been made in the years 2010 and 2011;
- "Industry, including SMEs" is the most dominating OECD sector in the Competitiveness sector in Serbia, accounting for 47% of all disbursed funds in 2007-2011 and even 56% of all funds budgeted for that period;

The following table shows the division of the total ODA budget for the period 2007-2011 by the 23 donors:

¹⁰ Source: ISDACon ("Information System for Coordination of Development Assistance to the Republic of Serbia": by the Decree amending the Decree on establishing the European Integration Office (SEIO) from June 2010 (Official Gazette of RS, no. 42/10), the scope of work of the European Integration Office was expanded to the participation in coordinating activities in the area of planning and using European funds, donations and other forms of foreign development assistance)

Donor	Nr	Share %
European Investment Bank	7	39,59%
Germany	12	14,08%
European Union	30	12,69%
World Bank	5	12,36%
Italy	5	6,67%
Greece	1	4,78%
United States	10	2,02%
Netherlands	8	1,77%
Switzerland	15	1,29%
France	1	1,15%
United Nations	2	1,08%
Denmark	1	1,03%
Austria	5	0,66%
Sweden	3	0,35%
Japan	4	0,26%
Norway	8	0,13%
Czech Republic	4	0,06%
Slovakia (Slovak Republic)	3	0,021%
UNICEF - United Nations Childrens Fund	1	0,014%
UNDP	3	0,008%
Spain	1	0,005%
Turkey	1	0,003%
Slovenia	2	0,001%
TOTAL	132	100%

The biggest donors in the Competitiveness sector in Serbia in the period 2007-2011 were the EU (when combining EIB and IPA funds this amounts to 53% of all funds), Germany (14%), the Worldbank (12%), and Italy (7%).

2.2 Internal Market

Estimated total amount of ODA 2007-2011 ¹¹ (mln €)	22.45 mln € (non-reimbursable)
	30.90 mln € (multi beneficiary W-Balkans and Turkey)
	11.19 mln € in loans
Largest donors (in % of budget)	<u>Non-reimbursable (22.45 mln €)</u> 1. European Union (IPA) 43% 2. Switzerland 17% 3. USA 11% 4. Germany 9% 5. Norway 8%
	<u>Multi Beneficiary Programmes (MBP, 32.20 mln €)</u> 1. European Union (IPA) 96% 2. Switzerland 4%
Topics most widely covered by ODA	<u>Loans (11.19 mln €)</u> 1. France 100%
	1. Trade and customs 1.08 M€ (25.28 M€ incl. MBP) 2. Land management 4.86 M€ (6.36 M€ incl. MBP – 17.55 M€ incl. loans) 3. Market surveillance, conformity assessment and quality infrastructure 2.5 M€ (incl. MBP 5.0 M€) 4. State aid and competition 4.7 M€ 5. Public procurement 4 M€ 6. Banking and financial system 3.28 M€ 7. Consumer protection 2.5 M€ 8. Company law 2.4 M€

One of the areas which have been receiving significant donor support is *trade*. In addition to the EU's multi-country, regional support provided to the Central European Free Trade Agreement (CEFTA) and various customs related programmes (see section on MBP below), Swiss bilateral support has consistently targeted Serbia's road to accession to the World Trade Organisation (WTO) through its so-called Trade Cooperation Programme III (2009 and 2010, 1.08 M€). In addition, these interventions dealt with issues such as Geographical Indications (GI) and Trade Related Aspects of Intellectual Property Rights (TRIPS)¹².

In the field of *consumer protection*, IPA 2009 (2.5 M€) has provided support to the improvement of the legislative framework and its further alignment with the EU Acquis as well as strengthening the capacities and cooperation among all institutions included into the consumer protection system.

Another important aspect of the Internal Market is the *state aid* system, which has been supported by the EU in a 2008 IPA project (1.5 M€) aiming at strengthening the institutional and administrative capacity of the Serbian State Aid Department (at the moment of evaluation in the Ministry of Finance

¹¹ Budgetary allocations (implementation can be in subsequent years)

¹² More precisely, the Swiss bilateral project which dealt with GI and TRIPS lasted from 2009-2012 and covered an amount of almost 800.000 Swiss Francs.

and Economy¹³ - MoFE), the independent State Aid Coordination Commission and other relevant authorities, among others helping to establish a functioning State Aid monitoring, notification and control system. Also, it targeted public awareness and a new state aid culture among all levels of government (among others the so-called state aid grantors), the court system and market economy actors. IPA 2011 also support *competition policy* in Serbia, with a 3 M€ project providing capacity building and IT assistance to the Commission for the Protection of Competition. Also from IPA 2011, a smaller project (0.2 M€) is helping with the alignment of existing state aid schemes with the Acquis.

IPA also supported further advancement of the *Conformity Assessment* and *Market Surveillance* system in Serbia. This was done via IPA 2010 (2.5 M€), which provided assistance to strengthening the Serbian market surveillance system on adopting and enforcing the relevant EU legislation and improving the efficiency of the structure and effectiveness of the national system.

Another key area which has been the topic of support from various sides is *Land Management*, which has been targeted by German, Norwegian, French, Japanese and Swedish bilateral aid. After the second phase of a Swedish 2006-2008 project (2.80 M€) had supported an evaluation of the cadastres in the region, Norway provided support to the Republic Geodetic Authority (RGARGA) by means of a 2008 Twinning project (prolonged with 2010 funds, in total 0.84 M€), helping to implement the National Spatial Data Infrastructure (NSDI), which is essential in order to comply with the INSPIRE directive. This was followed by a Norwegian funded project (0.37 M€) from the 2011 budget which continued support to the development of the NSDI, the creation of an NSDI Council and the creation of wider awareness among potential users of digital spatial information. A further Swedish sponsored project (2010, 1.2 M€) provided capacity building support to the cadastre and land registration units in the RGA, continuing similar work finished by a 2009 Germany sponsored intervention (2 M€). In addition, Japanese bilateral aid provided a grant of 1.50 M€ (2010) in order to advance the capacity necessary for the digitalisation of state maps, which enabled the RGARGA to participate in the international Global Mapping project. This all is supplemented by a 2011 French loan (11.19 M€) enabling the RGA to purchase the necessary hardware and software, as well as create the necessary capacity to build a Serbian national infrastructure for delivery of spatial information. As a result of this project, the RGA is set to become the central supplier of geoinformation data for public and private institutions in Serbia.

There have also been a couple of donor interventions in the financial sector. One project (2.75 M€) from the Swiss 2008 bilateral assistance budget assisted the Serbian Deposit Insurance Agency (DIA) in the continuation of the restructuring and privatization process of the Serbian banking and insurance sectors. Enhancing the capacity and competence of the DIA, it prepared and implemented the organizational restructuring and privatization process of banks in which the state has shareholdings. A 0.53 M€ project (2008) with Norwegian support targeted the elaboration of software for the monitoring and control of foreign exchange and foreign trade operations. Furthermore, the USA supported (2008, 2.4 M€) the Bankruptcy Supervision Agency in the implementation of all aspects of Serbia's new bankruptcy regime for the reorganization and liquidation of insolvent enterprises and sales to investors.

Multi Beneficiary Programmes

There has also been significant support in this sub-sector by means of IPA Multi Beneficiary Programmes (MBP) for the Western Balkans and, for some of these interventions for Turkey and the Republic of Moldova. The most consistent support has been given via the annual "Regional

¹³ At the time of evaluation, the Government of Serbia (GoS) announced to split this Ministry into a Ministry of Finance and a Ministry of Economy.

Programmes on Trade Development in the Western Balkans”, which have provided assistance each year except for 2010 in the period 2007-2011 (in total 4.13 M€). These programmes have supported the implementation of the CEFTA, contributing to the establishment of adequate regional support structures (the CEFTA Secretariat) and strengthening the capacity of the CEFTA parties to meet their trade-related EU and WTO obligations (or assist those signatories that are not yet part of the WTO to prepare for membership¹⁴) through encouraging the adoption of the relevant EU acquis and international norms and standards. These programmes have encouraged co-operation and supported the countries in the region to gradually liberalise trade in services. Moreover, they have aimed to improve the region's rule book on trade and include modern trade provisions on related issues, such as competition, public procurement and the protection of intellectual property rights¹⁵. Later interventions also addressed the simplification and harmonisation of trade-related regulations and administrative procedures as well as to developing a comprehensive regional approach to trade logistics. On top of IPA, Swiss bilateral support has also implemented its own regional programme for trade facilitation in the Western Balkans (2007, 1.32 M€).

In addition, significant support (17.2 M€) has been provided to the Western Balkan countries in the period 2007-2011 to Customs and Taxation Administrations. Through these interventions, continued alignment of customs and direct and indirect tax legislation with the EU acquis was addressed, as well as the administrative capacity needed to implement this legislation. Furthermore, these projects aimed at further progress in the fight against corruption, cross-border crime and fiscal evasion. Support was also given to enhancing IT interconnectivity and operational capacity of Customs and Taxation Administrations, among others through guidance and specialised assistance to identify the technical requirements of national IT strategies and plans. In addition, assistance was provided to the countries in the region to modernise and align with the Customs and Fiscal Blueprints.

Next to these IPA programmes, Serbia has been able to benefit from the programme CUSTOMS 2013, in which Serbia has been participating since 2009. Participating in this programme requires an entry ticket of roughly 100,000 € a year, around half of which is supported by IPA. CUSTOMS 2013 allows officials of the Customs Authorities of the participating countries among others to carry out working visits in order exchange knowledge and experiences in implementing EU rules. In addition to CUSTOMS 2013, Serbia has been benefiting from the Systematic Electronic Exchange of Data (SEED) project in the Western Balkans, supported by IPA 2010 for a total of 1.3 M€. This project, implemented by the Italian Customs Agency, helps establish a common system and a regional standard for the electronic and automatic exchange of encrypted pre-arrival information in “real-time” between the beneficiary Customs Authorities in the 7 Western Balkan administrations.

On a somewhat more incidental scale, support through MBP was given to public procurement (2009, 4 M€, producing a procurement training strategy), spatial data infrastructure (2010, 1.5 M€, implementation of the Inspire directive) and quality infrastructure (2011, 2.5 M€, regional networking initiatives and training of ministries and quality infrastructure bodies).

¹⁴ The WTO General Council established a Working Party to examine Serbia's application on 15 February 2005. Serbia's Memorandum on the Foreign Trade Regime was circulated in March 2005. The Working Party held its first meeting in October 2005. Bilateral market access negotiations are underway on the basis of revised offers on goods and services. Multilateral work is proceeding on the basis of a revised draft Working Party Report, circulated in October 2012. The Working Party met for the thirteenth time in June 2013. The general expectation is that Serbia might join WTO before the end of the year, if it adopts a number of outstanding pieces of legislation and concludes the remaining bilateral negotiations.

¹⁵ Despite the fact that IPR activities had been planned under this project, they have not been implemented. The reason was that it did not turn out to be a common topic for CEFTA countries because of a different level of development in the field.

2.3 Industry policy and SMEs

Estimated total amount of ODA 2007-2011 ¹⁶ (mln €)	More than 2 billion €, of which 1.45 billion in loans
Largest donors (loans)	<ol style="list-style-type: none"> 1. EIB 712 million € 2. EBRD 526 million €¹⁷ 3. WB 400 million € 4. EFSE 181 million € 5. Italy 63 million € 6.
Largest donors (grants)	<ol style="list-style-type: none"> 1. USAID 58 million € (including BEP) 2. EU 45 million € (including CIP/EIP) 3. GIZ 8,3 million € 4. The Netherlands 7,3 million € 5. Austria 3,8 million € 6. Norway 2,8 million € 7. Japan 2,3 million € 8. UN 0,82 million €
Main areas	<ol style="list-style-type: none"> 1. Loans: 1,45 billion € 75% 2. Budgetary support 400 million € 18% 3. Other grants 7,2 million € 0,33% 4. Business environment 25 million € 1,15% 5. Internationalisation 10 million € 0,45% 6. Advisory services 8 million € 0,37% 7. Entrepreneurial learning 4,3 million € 0,20% 8. Clusters 3,5 million € 0,17% 9. Various 34 million € 1,57%

In the IP&SMEs subsector quite significant interventions have been made through guaranteed *loans*. As presented in the table above, the EIB portfolio of credit lines is the largest and is composed mainly of loan schemes for SMEs, either agreed directly with commercial banks in Serbia or with the Serbian Government and National Bank. Some of the credit schemes implemented are open also to mid-caps or represent leasing loans. EBRD has a similar portfolio with EIB (totalling 532 million €), with the exception of larger loan agreements signed with the GoS. Credit lines and leasing loans are signed directly with commercial banks in Serbia. EBRD schemes covered also equity and micro-financing. Serbia benefits also under the Enterprise Development and Innovation Facility¹⁸ (EDIF) part of WBIF (covering mainly venture capital for SMEs in the form of equity funds guaranteed facility for SMEs loans and TA).

In March 2013 in the Southeast Europe Region Serbia was the most important beneficiary of European Fund for South-East Europe (EFSE), with 9 loans and 21% of EFSE's outstanding portfolio¹⁹ as well as with 26% of sub-loans totally signed (181 million €)²⁰.

In the framework of Competitiveness and Innovation Framework Programme/EIP, between 2009 and 2011, Serbia benefited under the European Investment Fund of a SMEs guaranteed micro-credit with

¹⁶ Budgetary allocations (implementation can be in subsequent years)

¹⁷ Including 3 million BAS budget

¹⁸ http://www.eif.org/what_we_do/resources/wbedif/index.htm

¹⁹ http://www.efse.lu/uploads/embedding_list_upload_51d2b2f8e9fa9/investment-portfolio-q1-2013_en.pdf

²⁰ http://www.efse.lu/uploads/embedding_list_upload_51d2afb366ec9/development-performance-q1-2013_en.pdf

a total budget of 16 million €. Under the European Investment Fund, in 2010 Serbia had 50 million in outstanding credit portfolio while in 2012 one credit line of a total value of 48 million € was signed²¹. More recently Kreditanstalt für Wiederaufbau has planned to also implement a loan scheme “Promotion of Energy Efficiency Investments via the Serbian Banking Sector” providing for small energy efficiency loans, and targeting SMEs, municipalities and households, with a total budget available of 45.6 million €²² (to start in the second part of 2013). Based on data provided by the National Bank of Serbia, two Italian credit lines are currently available to SMEs in Serbia, with a total available amount of 63.250.000 € (half already disbursed on 30th of June 2013). The GoS benefited of three *policy development loans* from the World Bank, with a total value of 400 million €.

Limited *equity finance* was available through other donors (than mentioned above). USAID implemented and manages the Small Enterprise Assistance Fund (7 million²³) which made equity investments in 6 companies in Serbia (average investment 1 million €). In the framework of PSOM, joint Dutch-Serbian ventures were financed in total with 4.3 million euros (value of individual contribution between 400.000 and 800.000 euros).

The number of *grants and grant schemes* made available by donors was very limited and their overall picture fragmented. At the same time these grants are mainly directed to governmental institutions and less to SMEs. Under USAID BEP and Competitiveness projects 2 million grant schemes have been implemented (to a certain extent directed at SMEs, too). In the framework of Word Bank Group, the Institutional Development Fund (IDF) awarded in 2011 a grant to the Government of Serbia, with the aim to support and build the capacity of the Republic of Serbia in the process of incorporating state owned public utility enterprises and prepare them for potential privatization (236.985 €).

Between 2007-2011 Norway invested in *cluster setting and formation* a total budget of 1,980,000 € through ENTRANCE (2007), Cluster Development Support Project (2007) and ENTRANCE Exit phase (2008). UNIDO was further involved in this area through two projects with a total value of close to 600.000€, as GIZ whose total investment is difficult to quantify due to complexity of projects implemented. EU has continued cluster support activities under one component of SECEP but currently no intervention is implemented in this area, with the exception of SEENECO, CIP/EIP co-financed.

Entrepreneurial learning in formal education has been the target of several past and current interventions. In 2008 Norway initiated the project Development of Youth Entrepreneurship in Serbia (2008) which continued with Development of the entrepreneurship as the key competence of High Schools’ students (2009); the two projects had a total budget of EUR 860.000. The Regional Entrepreneurial Learning centre with headquarter in Zagreb addressed this topic both in secondary and high schools. In the same field “Young achievements” seems to enjoy a significant success and also NARD is involved in two related projects. With Austrian support a training firm network and vocational training at business high schools was implemented in Serbia.

Different types of *advisory services* and related activities have been available through dedicated projects among which the most important are the IPA-funded ICIP (business support services including capacity building of supply side, certification and capacity building of institutions involved in sustaining the system constructed under the project), EBRD managed and Dutch-funded Business

²¹ http://www.eif.org/news_centre/publications/eif_-annual_report_2012.pdf page 25

²² In accordance with ISDACON. In accordance with other sources total available budget is larger. <http://www.wbif.eu/Financing+Energy+Efficiency>

²³ Disbursed from 12 million available, contribution of other donors but USAID, too – FMO, FINFUND, SECO.

Advisory Services (BAS) and the mentoring services offered by NARD in cooperation with JICA. Enterprise Europe Network Serbia plays an important role in this area, as in *internationalisation*. In the latter case limited other dedicated projects were identified. One component under IPA – funded SECEP was dedicated to this topic, as well as numerous activities in programmes financed by USAID, GIZ, JICA and other donors. In this sub-sector, *business environment* was mainly targeted by USAID programmes (BEP and Competitiveness) and World Bank policy loans, mentioned above NOT IN AGREEMENT. PRO, PROGRS, DANUBE, ETC..., as well as EU financed projects such as PROGRES and SEDDSR, covered under the Regional Development sub-sector.

A series of *other various other projects* were implemented in the IP&SMEs sub-sector, from GIZ interventions for the promotion of the Private Sector and Employment to Austrian interventions, focused more on business & environment (cleaner production, contract for agricultural products including provision of agricultural machines and equipment to the farmers, quality and environmental aspects within the Serbian forestry and food industry, demo-biodiesel site). Quite a high number of projects seem to be implemented in the Competitiveness/SMEs sector in Serbia by Serbian partners, in cooperation with Hungarian, Romanian, Bulgarian and other partners in the framework of *ETC programmes* (both cross-border and transnational cooperation types), although SMEs are not direct eligible beneficiaries in most cases.

2.4 Research, technological development and innovation

Estimated total amount of ODA 2007-2011²⁴ (mln €)	33.23 mln € (non-reimbursable) 3.5 mln € (multi beneficiary W-Balkans and Turkey of which 2 M€ is the budget of a project that had 8 beneficiaries) 305 mln € in loans
Largest donors (in % of budget)	<ol style="list-style-type: none"> 1. Non-reimbursable (33.03 mln €) – European Union (IPA) 100% 2. Multi Beneficiary (3.5 mln €) – European Union (IPA) 100% 3. Loans (305 mln €) – EIB 65%, CEB 35%
Topics most widely covered by ODA	<ol style="list-style-type: none"> 1. Modernising the existing research facilities and infrastructure, establishing new science centres, building apartments for students and young scientists and modernising the academic computer network as well as promoting the public awareness about science 308,63 M€ 2. Enhancing the structures necessary for efficient participation in FP7 16 M€ 3. Institutional capacity building for efficient support to technology transfer and innovation within SME-s; developing new instruments for financing of SME innovation activities 3 M€ 4. National resource planning and allocation of funds for innovative research and technology transfer 8.4 M€ 5. Intellectual property 2,2 M€ (the budget of MBP is 2 M€ in addition but divided between 8 beneficiaries) 6. Regional Strategy on Research and Development for the Western Balkans (1.5 M€ for MBP)

There is a number of interventions in the RDI sub-sector, in the form of loans, grants and institution building, to help Serbia in its efforts towards European integration. Most substantial of these is the Public Sector Research and Development Infrastructure Investment Initiative (in the period 2010-2015), consistent with the Serbian government's Scientific and Technological Development Strategy. The project has a budget of 420,8 M€, funded to the larger part by a European Investment Bank loan (200 M€). In addition, in the framework of the 2010 IPA Higher Education Teaching Infrastructure Programme (EU-HETIP), the European Union made available a grant for works, supplies and technical assistance out of which 1,8 M€ was allocated to support the EIB-funded part of the Initiative. In 2013, the TA allocation was doubled, amounting now to 3,63 M€. The Public Sector Research and Development Project is an ambitious programme consisting of 30 sub-projects, reviving research and development in the Serbian public sector, including modernising the existing research facilities and infrastructure, establishing new science centres, building apartments for students and young scientists

²⁴ Budgetary allocations (implementation can be in subsequent years)

and modernising the academic computer network as well as promoting the public awareness about science and its role in the framework of a knowledge-based economy, in line with the Lisbon Strategy. Particular emphasis is put on promoting innovative technologies, such as nanotechnology. Excellence in science and the capacity to participate in European Union funded collaborative projects are perceived as a key component for long-term economic competitiveness.

In 2005 the Framework Agreement between the European Community and Serbia on the principles for the participation of Serbia in Community programmes entered into force. Also, the Multi Indicative Programming Document (MIPD, 2007) foresees Serbia's participation in Community programmes and subsequently, in 2007, the European Community and Serbia signed a Memorandum of Understanding on the association of Serbia to the Seventh Framework Programme for research, technological development and demonstration activities (FP7, 2007-2013). The costs of the participation of Serbia's non-governmental organizations and public administration as well as companies and citizens in the FP7 projects during 2007-2013 is partly covered through IPA (in total approx. 16 M€). The IPA contribution has focused on enhancing the structures necessary for efficient participation. The participation of Serbia in the 2007-2013 period FP7 projects increases its efforts towards European integration by facilitating the transfer of know-how and good practice, particularly in those areas that will serve as a central reference point for the reform process in the Republic of Serbia.

Serbia may be associated with Horizon 2020 which requires enhanced SME participation in technology transfer. This topic is targeted by IPA through "Integrated Innovation Support Programme" (2011-2013) and "Innovation Serbia Project" (2011-2015). In accordance to National Strategy for Development of Competitive and Innovative SME-s 2008-2013, the Integrated Innovation Support Programme focuses on strengthening of innovation in SME-s with a budget of 3 M€. Through the programme, the European Union is supporting both institutional capacity building for efficient support to technology transfer and innovation within SME-s as well as developing new instruments for financing of SME innovation activities. Furthermore, the Innovation Serbia Project (Component 2) is improving national resource planning and allocation of funds for innovative research and technology transfer through Innovation Fund in Serbia as well as establishing and implementation of innovation finance instruments, with a total contribution of 8,4 M€ through IPA, in the form of combining institutional capacity building and grants.

Another topic that has received European Union support in the RDI sub-sector is Intellectual Property. IPA supported the foundation of Education and Information Centre of the Serbian Intellectual Property Office with a contribution of 2,2 M€ in the period of 2009-2012. The IPA national programme assisted Serbia in meeting the requirements of the Stabilisation and Association process in the field of intellectual property, targeting national stakeholders from all sectors of society, with a focus on increasing the knowledge on intellectual property, accompanied by setting up of a system to unite the available relevant information in the field and dissemination of information on the importance of intellectual property.

Multi Beneficiary Programmes

Serbia has received support also through IPA Multi Beneficiary Programmes for the Western Balkans and Turkey for strengthening the innovative capacity and setting up of well-functioning industrial and intellectual Property Rights System. The Regional Programme on Industrial and Intellectual Property Rights was complementary to the above-mentioned national programme (2009-2012) and provided support in 2008-2010 (in total 2 M€) to the Intellectual Property Office of Serbia in its objective of raising global awareness and professional skills in the field of intellectual and industrial property rights..

Serbia is currently participating in an ongoing MBP project iPorta that started in December 2011, which is the continuation of Innovaccess IP Europe Aware project where Serbia didn't previously participate. Among 27 national IP offices in Europe, Serbia takes part of the project's activities, building synergies among national IP offices and with business support organizations as well as with other IP stakeholders to help SME-s to better integrate IP in their business strategies and better exploit them.

The analysis made during the previous IP European Aware project has shown that SME-s are still not fully aware of the need for a proper IP strategy and thus are not benefiting from IPR. The level of knowledge on intellectual property in business community should be raised further. Once the demand for relevant service providers has been enhanced, the practical on-ground support for patent lawyers and IP experts should be further addressed.

The Research and Development MB project in the sub-sector, Western Balkans Regional Strategy on Research and Development for Innovation, aims to define a regional strategy to further improve the region's potential and capacity for research and development, stimulating innovation, in the period of 2010-2013 (in total 1,5 M€). This is taking into account the existing R&D capacity and infrastructure and the needs as identified by existing studies. The project started as a concrete response to the Joint Statement issued at the Ministerial Conference – Developing a Regional Strategy on Research and Development for the Western Balkans, in Sarajevo of 24 April 2009. This conference marked the launch of the initiative aimed at the development of a Regional Strategy on Research and Development for the Western Balkans in order to foster regional cooperation within the knowledge triangle (research, education and innovation). The Strategy will improve national research policies through the exchange of experience and good practice and facilitate integration of the region into the European Research Area. The building-up of a knowledge-based society leading to increased competitiveness and sustainable social and economic development, and the development of human capacity are a challenge and a priority for the Western Balkans as in Serbia on their path towards EU accession. Regional research cooperation is an integral part of this effort.

2.5 Regional Development

The overall amount of the mapped ODA to the REG segment of this sector has totalled 184.6 M€ over the considered period, including 107.2 M€ in loans²⁵. The overview bellows shows the breakdown of the non-reimbursable financial support by main donors (excluding the loans), as well as its distribution by several domains in the local and regional development segment

Estimated total amount of ODA 2007-2011²⁶ (mln €)	77.4 M€ (non-reimbursable) 0.90 M€ (multi beneficiary W-Balkans and Turkey) 107.2 M€ in loans
Largest donors (in % of budget)	<u>Non-reimbursable (77.4 M€)</u> 1. European Union (IPA) 52.1% 2. Switzerland 13.1% 3. Austria 7.8% 4. USA 7.0% 5. Germany 6.3% <u>Multi Beneficiary (0.9 M€)</u> Italy <u>Loans (107.2 M€)</u> Germany
Topics most widely covered by ODA	1. Integrated thematic and sub-regional programmes (36.1 M€) 2. Local economic development on sub-regional level (22.6 M€) 3. Private sector development on local (municipal) level (5.3 M€) 4. Integrated regional (NUTS 2) development planning (5.0 M€) 5. Structuring local and sub(regional) development (5.0 M€) 6. Regional development policy (1.8 M€) 7. Private sector strategy support (tourism; 0.9 M€)

The breakdown by domains shows a large share of integrated thematic & sub-regional programmes (46.7%) represented by two EU funded EU Progres and “Support to Socio-Economic Development of the Serbia Danube Region – SSEDDR), where EU Progres is implemented through an agreement between the EU, the Swiss Government and the UN System (UNOPS) and the SSEDDR is implemented through an Indirect Centralized Management (ICM) agreement between the EU and the Austrian Development Agency (ADA).

Several projects are grouped under the heading “Local economic development on sub-regional level”, including “LEDIB” funded by the Danish bilateral cooperation, which focused on the Nisava district, with a significant budget of 10.0 M€.

Integrated regional development planning on NUTS 2 level²⁷ is represented by one project only, the completed support to the Integrated Regional Development Plan of Vojvodina (IRDP), funded and implemented by the Austrian bilateral cooperation.

²⁵ German loan schemes in support of municipal infrastructure (ISDACon DGERBAN2141) and to promote energy efficiency investments (ISDACon DGERBAN2356)

²⁶ Donor Budgetary allocations (implementation can be in subsequent years)

The domains of regional development policy and of structuring local and sub-regional development represent together the integrated EU approach which combines non-financial support on the policy and strategy level (REGPOL) and both non-financial and financial (grant scheme) support to (sub) regional development agencies, as well as to local authorities and other eligible entities in the frame of the ad hoc grant scheme. The domain of private sector strategy planning is represented by the completed EU funded support to implementation of the national tourism strategy.

Multi Beneficiary Programmes

Although LEDIB was initially designed to support in parallel one territorial cluster (district) in Serbia, represented by the Nisava District, and another territory in BiH, it has not been considered here as a full-fledged multi-beneficiary project such as have been deployed in the region, in particular under IPA. The only mapped multi-beneficiary project is therefore “Trans-local network for cooperation between Italy and South-Eastern Europe”, which has reportedly encountered very deep difficulties and problems in implementation and in its management, and has been currently subject to a specific audit investigation by the Italian Government.

Breakdown by Donors

In terms of non-refundable support (excluding loans), the share of the EU is by far the most important (52.1%), followed by Switzerland (13.1%) and Denmark (13.0%).

²⁷ Not taking into consideration the current support of the REGPOL project in order to prepare the framework and the ground for the NUTS2 regional development plans.

3. ANALYSIS: EVALUATION FINDINGS

This chapter presents the main findings of this evaluation by sub-sector, providing an answer to the evaluation questions (see Annex 2). It is structured according to the five DAC criteria of relevance, efficiency, effectiveness, impact, and sustainability, which are addressed for each sub-sector. These findings are then synthesized into conclusions and recommendations (see Chapter 4), both at sub-sector and sectoral (Competitiveness) level.

3.1 Relevance

In this sub-section, the main findings presented relate to the degree to which the ODA interventions in the sector fit the needs and problems of their target groups, as well as those of the competitiveness of Serbia in general. It also addresses the quality of the design of these interventions, in terms of intervention logic, the suitability of indicators as well as the chosen implementation modalities. An additional important issue covered under the heading of relevance is the coherence of the interventions with the key policy framework and programming documents, relating to both the relevant national policy context for competitiveness and the path to accession to the EU. Furthermore, the extent to which these documents reflect the needs and problems mentioned above is also covered here.

3.1.1 Internal Market

The ODA support made available to Serbia in the Internal Market sub-sector is *among the most closely aligned with the country's priorities* related to the preparations for accession as they are described in the National Programme for Integration of the Republic of Serbia into the European Union (NPI)²⁸. In this context, the needs of the country (which derive directly from the Acquis Communautaire) have been translated into the relevant programme documents (NPI, NAD), but not always in a clearly targeted way. The NAD does mention the need to address the issues of quality and conformity, competition policy, company law, market surveillance guaranteeing the safety of products, and consumer protection but does not specify individual objectives or results for many areas. Objectives have only been formulated for quality infrastructure and market surveillance, as well as for competition policy and intellectual property rights (which is covered under the RDI sub-section in this report). Also, there is no specific reference to internal market issues under the heading of “forecasts and future challenges”. The NPI is much more specific in terms of providing an overview of where Serbia stands on the political and economic criteria as well as its capacity to undertake the obligations of EU membership. It also lists priorities for work to be undertaken to improve on these criteria, but it does not provide specific objectives either.

²⁸ Amended National programme for Integration of the republic of Serbia into the European Union - abridged version, December 2009

The MIPD 2011-2013 for Serbia mentions the fact that there are deficiencies in the legal framework, competition, the regulatory environment, institutional capacity, and administrative procedures, and that the privatisation process has slowed pace. Two of the private sector objectives for EU support over the period relate to these issues: “to improve the regulatory and administrative environment for doing business” and “to improve public procurement and competition policy”. Given the description above, these objectives cover the needs only partially. Bilateral donors often do have cooperation strategies, such as the Swiss Cooperation Strategy Serbia for 2010-2013, but these often do not contain specific objectives in the area, even if European integration and economic development are priorities for many of them.

In addition, there are *still clear important issues to be addressed* by Serbia in relation to the internal market Acquis. This concerns certain pieces of legislation (e.g. for metrology), but first and foremost this relates to the enforcement of this legislation and the related administrative capacity, for instance in the field of state aid. Especially in order to strengthen administrative capacity, donor support can generally be very relevant and therefore progress in these areas should be planned more strategically in documents outlining Serbia’s needs in terms of ODA. However, what the NPI is *lacking is a concise and logical framework of medium-term objectives* to be achieved. Such a framework would make it easier to identify key needs in terms of ODA when it comes to progressing towards full alignment with the Acquis, more specifically in relation to the internal market in the framework of this evaluation. These needs could then be more specifically and more completely covered in documents such as the NAD.

In terms of internal market issues not directly related to the Acquis, certain areas are progressing well. Trade integration with the EU, for instance, is not a particular worry in terms of size, as well almost 80% of trade flows are with EU member states or other CEFTA states. In terms of Foreign Direct Investment (FDI), the EU even covers 80%-90%. On the one hand, this is satisfactory, but on the other hand this exposes Serbia more and more to the competitive pressures of the EU internal market. This can be especially problematic in case of large inefficiencies, such as in the case of state enterprises. State influence in the economy remains high, due also to the predominant share of state ownership in major sectors of the Serbian economy such as energy (electricity and gas), railway and air transport and telecommunications. State-owned companies, which are overstaffed in general, employ more than 10% of all employees in legal entities. They make a loss of around € 1 billion a year or about 40% of all losses in the economy²⁹. Overall, in a difficult economic environment, the privatisation process has been very slow and even partially reversed. Further progress in this respect is a key need in terms of Serbian competitiveness and the argument of possibly lower revenues from selling state-owned enterprises should not prevail over the need to increase efficiency of the economy.

²⁹ Serbia 2012 Progress Report - European Commission

Some of the most important other needs of the country relate to price liberalisation and maintaining price stability (which may be conflicting at times), as well as coming to terms with relatively high exchange rate volatility. In addition, there is still a lot of work to do in terms of the ease of doing business. The setting-up of new businesses is still seriously hampered by difficulties in obtaining construction permits and the process of dealing with construction permits and land remains costly and lengthy. Regulatory reform (the 'regulatory guillotine') is ongoing, although it has slowed lately³⁰. Also, the informal economy remains strong and is a major hindrance to fair competition and business development. Transparent information in terms of business and land ownership is also an important issue in order to facilitate quick investment decisions (including Foreign Direct Investment - FDI), but this has been addressed more clearly under ODA. All of these issues directly impact on the business environment in which Serbian companies operate. They are preconditions for a predictable and efficient economic environment in which the forces of competition drive growth. However, not all of these topics have been covered strategically in the relevant programming documents while consistent and coordinated support in the context of ODA would certainly contribute to improvements in this area.

The above should not be taken to mean that ODA has not been able to address these key needs: it only implies that this may not always have happened consistently and strategically. Almost by definition, *IPA has been providing substantial support to Serbia's approximation to the Acquis* (see Chapter 2). Issues such as state aid, competition, market surveillance, consumer protection and quality infrastructure have been supported by IPA consistently, even though continued assistance is needed on enforcement and administrative capacity, and this support can therefore be assessed as highly relevant. IPA support has been much less significant in areas not directly related to the Acquis, with the possible exception of trade (although this was mainly multi beneficiary assistance). Here, good complementarity with bilateral donors can be observed: issues such as land management, restructuring of the financial sector and regulatory reform (to be covered under the SME sub-section) have been extensively addressed by various donors (see Chapter 2). These topics are part and parcel of a predictable and efficient business environment and assistance targeting them is therefore also clearly relevant.

Therefore, concluding, *some gaps remain, both strategically and in terms of individual ODA interventions*. Among others, these relate to the informal (grey) economy, kick-starting the privatisation process and forceful market deregulation in order to give more room to competitive forces, possibly accompanied by programmes to compensate any temporal, negative social impacts. Also, the approximation to the Acquis should be addressed more systematically and specifically in strategic documents. However, despite the lack of focus and some strategic gaps, ODA (2007-2011) in the competitiveness sub-sector of internal market has been *highly relevant* to Serbia's needs.

The chosen *implementation arrangements* were *mostly appropriately chosen*. In various cases, beneficiaries appreciated the flexibility of TA contracts in terms of the wider possibilities to substitute less suitable experts. Also, TA has had the advantage of presenting a variety of models to follow instead of promoting the "export of one's own model", which might have happened in the case of twinning.

³⁰ Serbia 2012 Progress Report - European Commission

In terms of design, one of the weaknesses which surfaced in a number of interventions has been a certain degree of *over-ambition in terms of objectives and results*. This was especially true for the elements which were less demand-driven and considered to be “less tangible” by beneficiaries, such as a strategy for further development of the policy area where a system was still in the early phases of being set up. Whereas a strategic approach is often necessary, and precisely so in the beginning of an institution building process, the capacity of the responsible Ministry departments on the ground often turns out to be largely insufficient to implement such strategies, which then lead these strategies to leave the impression of “over-shooting” their target. This has been particularly apparent in the state aid and consumer protection fields, where transitions from the “old” system to a new one have been particularly fast. More realism is needed in such cases.

Indicators in strategic documents, if presented at all, are *little specific and not always very relevant* for the objectives, aims, priorities or measures presented. The first sector-based NAD 2011-2013 did not have any indicators, the indicators mentioned in the MIPD 2011-2013 are not very specific, neither are they very relevant for these two objectives, except perhaps “improvement of Serbia’s ranking in the World Bank’s annual Doing Business Report”. The NPI 2009-2010 does not contain indicators suitable for the assessment of progress made in terms of achieving objectives (indeed, in many cases such objectives themselves are unclear).

However, notable improvements in both intervention logic at strategic level as well as the corresponding indicator system are imminent, given the ongoing discussions on the successor of the current NAD. Other improvements include bilateral donors making their objectives more specific, e.g. the Swiss Cooperation Strategy 2014-2017 is likely to base its results framework on the intervention logic of the new needs document coordinated by SEIO.

At project level, indicators have been mostly weak, especially in the earlier interventions (2007-2009) in the sector. Indicators such as “Further harmonisation of the legislation with EU Acquis” and “State Aid Department and Independent Commission are fully operational” are not specific or measurable, while others such as „Number of drafted laws and sub-laws” and “Number of issued certificates” might be measurable but have relevance problems vis-à-vis the specific objectives the achievement of which they are supposed to measure. Although formulating and measuring indicators for institution building interventions is somewhat more challenging than e.g. for entrepreneurship support, clear improvements could be made (see Chapter 5).

3.1.2 Industrial policy and SMEs

Except for a series of gaps, the priorities and needs of Serbia in the Industrial Policy and SMEs (IP&SMEs) subsector have been translated effectively into programming of assistance. This has happened through relevant implementation modalities (although some gaps exist here, too) as well as deficiencies in the design of the interventions. Overall, interlinkages between the projects and programmes analysed exist, however, these rather occur on an ad-hoc, immediate need-driven basis, than as a clear strategic choice. Additionally, there is not sufficient coordination, coherence and potential for synergy put in place between donors’ interventions and national programmes. Progress in building adequate monitoring systems at project and programme level, and especially interlinkages between the two, still needs to be booked.

The needs and priorities of Serbia, as identified in the NPI and in NAD 2011-2013³¹, are closely observed by all interventions in the IP&SMEs subsector.

Improving the business environment has been addressed mainly by a series of USAID projects; “Business Enabling Project” (BEP) follows up the “Competitiveness” programme under which the “regulatory guillotine” process was initiated and promoted, and a series of important laws for the Competitiveness sector in Serbia were drafted or amended (e.g. the new Energy Law, Amendments to the Law on Construction and Planning, full implementation of the E-Doc and E-Gov primary legislative framework). An important contribution to improving the business environment was brought also by the Worldbank (WB) Second private and financial development policy loan through the preparation of a new Bankruptcy Law, the Law on State Aid, draft Competition Law, amendments to Company Law, new Law on Planning and Construction, amendments to Enforcement law, impulse given to review of the process registered with the regulatory guillotine and one-stop-shop for business registration. Regarding the *institutional environment* for SMEs, most projects addressed strengthening the capacity of the institutions involved in the sub-sector either through dedicated capacity building components (e.g. EU) or ensured the effectiveness of their interventions with straight-to-the point TA sessions (e.g. WB)³².

Most projects covered by this evaluation have implemented different activities which would lead *to increasing the role of the private sector in the economy*, as envisaged by both NAD and NIP. *Improving business infrastructure*³³, mainly through supporting clusters³⁴ formation and functioning, has been the focus of Norwegian, UNIDO, followed by EU projects (Cluster Development Support Project in 2007, SECEP³⁵) and on a more ad-hoc basis by GIZ and ADA. Under ICIP, a proposal for strengthening innovation-based Business Incubators was made.

As it could be observed also in the previous chapter, different instruments have been available to enterprises in Serbia to enhance their *access to finance* since 2007 through loans (i.e. EIB Apex Loans, Italian credit lines and CIP/EIP through EIF, LEDIB³⁶) and equity financing (USAID SEAF and Dutch PSOM, the latter under the form of joint ventures). In this sub-sector *grant schemes* were available to a limited extent to SMEs (i.e. grant schemes of in total roughly 1.7 M€ under USAID Competitiveness and BEP).

Through the *advisory services* provided, BAS, ICIP, Japan together with NARD under the project “Institutionalization of Mentoring in SMEs”, SECEP (2nd component) addressed the need of *increasing the level of knowledge of Serbian SMEs*. SECEP, next to the EEN under CIP/EIP also covered the operational objective “*access of SMEs to international markets*”, including networking with larger companies while GIZ focused, through its projects directed to private sector development, on the

³¹ which covers under its Priority 1 “Increase competitiveness and expert of enterprises” the provisions of the Strategy for Development of Competitive and Innovative Small and Medium-sized Enterprises (2008-2013

³² Further details are presented in the next section, “Efficiency”.

³³ This is defined as business support infrastructure includes business incubators, clusters, industrial zones and technology parks.

³⁴ As presented in the Analysis of Business Support Infrastructure in the Republic of Serbia, published by NARD, pages 12-13, first incubators in Serbia were set up with Norwegian support (ENTRANCE project) in 2007. Ministry of Economy and Regional Development did not set support to incubators as a priority, which resulted in development of incubators based only on *ad-hoc* initiatives from local government and some donors: USAID, Austria, OSCE, EU. None of the projects in the sample intervened in this area, with the exception of ICIP.

³⁵ To a more limited extent in the current period, when only SEENECO under CIP/EIP is under implementation.

³⁶ Credit Facility Line worth 2 million €:

http://www.ledib.org/index.php?section=projects&subsection=show_projects_details&projects_id=4

introduction of *European standards and qualities in business*³⁷. Under the regional project Regional Entrepreneurial Learning Centre *entrepreneurship* starting from school education was supported.

While the interventions implemented or under implementation reflect existing needs of SMEs sector in Serbia and the priorities of the Government in this field, *some of the latter are addressed to a more limited extent*³⁸ through programmes or projects reviewed: the taxation system in Serbia and cooperation between SMEs and relevant public institutions, financing start-ups/new companies, targeting youth entrepreneurship (while women entrepreneurs are on the agenda of different donors), entrepreneurial culture, energy-saving technologies and renewable energy sources, legal framework for implementation of public-private partnerships (PPP) (as envisaged by NIP). The Strategy for the Development of Business-related Infrastructure was not set up³⁹ at the cut-off date of this evaluation.

Regarding implementation modalities, we should firstly underline that the interventions in the IP&SMEs sub-sector are very diverse: from *EU-wide programmes* (CIP/EIP) to *national programmes*, such as USAID BEP and Competitiveness, and GIZ ACCES, and *budgetary support* (WB), *credit schemes* (EIB), *equity financing* (SEAF and PSOM) *complex projects* (EU IPA projects), *regional projects* (RELC- SEECEL) and *national projects* (BAS, UNIDO, Cluster Support Serbia, Mentoring).

The *implementation modalities* applied by the donors in this sub-sector were mostly appropriately chosen. Regarding TA, particularly appreciated were flexible, hands-on/coaching types of services, such as mentoring, support to association building and business development (e.g. USAID Competitiveness and SEAF), targeted support to prepare legislation under the WB PFDPL, as well as targeted trainings and setting up standardized training programmes (under ICIP). Although access to finance is available to a large extent through loans, lack of availability of direct support (in the form of grants) to SMEs is a factor hampering the business development, an aspect confirmed also by the survey carried out⁴⁰. Further on, Serbian SMEs are (still) not aware enough of the value of business advisory services and hesitate to make investments in this direction. Some of the more sophisticated interventions e.g. innovation, high-tech, are relevant for a limited number of SMEs; the remaining ones have more basic needs.

In terms of *design of the interventions*, a limited number of weaknesses were identified by this evaluation. For projects or programmes with less converging or integrated objectives or components the challenge of ensuring internal communication and, in the end, effectiveness, is greater (e.g. SECEP). Loan schemes, although answering to a need well identified and documented, do not have a strong policy-related intervention (e.g. Apex loans), they answer to a request of the GoS which determines to a large extent the beneficiary sectors and types of companies. While credit lines

³⁷ Including for setting up a GOVERNMENTAL DEVELOPMENT STRATEGY FOR QUALITY INFRASTRUCTURE, see http://www.ats.rs/sites/default/files/download/helmut_mairhofer_24012013.pdf

³⁸ This finding is based only on the sample of projects evaluated and the fieldwork carried out.

³⁹ Unless it is covered by the Industrial Development Strategy and Policy 2011–2020, document not identified during the evaluation process. The strategy particularly stresses the development of three sectors – automobile and components industry, electronics and information technology, while emphasizing the attraction of direct investments as a crucial development factor. The Strategy stipulates that the fundamental objective of the new export-oriented growth model is to reach a 47.1% share of export in the gross domestic product by 2020. The projected total export of goods in 2020 would be EUR 24.8 billion (a EUR 18.8 billion increase compared to 2009). The cumulative net inflow of foreign direct investments by 2020 should be approx. EUR 22.7 billion. <http://wbc-inco.net/object/news/4098>

⁴⁰ See annex 5. The same question reveals that more sophisticated financing instruments as “mezzanine” financing are relatively unknown, and considered the least useful (32%). Grants are first preferred option of respondents (85% of which considered them useful). Venture capital is the second preferred option (65%) followed by guaranteed credit schemes and equity financing (51% and 49% respectively).

address already performing enterprises, interventions such as Mentoring, BAS target enterprises overall, with less focus on types of enterprises e.g. in a particular development stage, with a particular need, in a particular sector. The strength of the WB approach under the PFDPL consists in transferring the loan *when the agreed measures had been implemented by GoS*, a process during which WB extensively supports the national institutions in charge.

Overall, interlinkages between the projects and programmes analysed exist, however, these are triggered by ad-hoc needs and common context rather than by a strategic choice to create synergies. Efforts were made to ensure that interventions do not overlap, but complement each other (e.g. ICIP and BAS, the AC Cluster did not participate in SECEP as it was already benefiting from generous support under UNIDO, RSEDP II and GIZ ACCESS) and projects are designed by building on results of previous interventions (e.g. ICIP and IISP, USAID BEP and Competitiveness). SECEP cooperated and held joint events with EU projects ICIP (training on innovation and technology transfer) and RSEDP 2 (Regional Development Agency training on clustering, grant training – see also the REG sub-sector)⁴¹ and other coordinated activities were organised with ICIP and GIZ ACCESS⁴². All 4 programmes contributed to the EEN activities in Serbia, under CIP/EIP, as part of the overall institutional infrastructure for business and innovation support in the country. USAID and WB have joined forces in pushing forward the regulatory guillotine process and projects in the field of cluster support had been in contact during their implementation (the Norway cluster development project and UNIDO project, phase one, between 2007 and 2009).

Still, there is not sufficient coordination, coherence and potential for synergy created between EU's interventions and national programmes⁴³ and other sources of financing for SMEs (i.e. loan schemes). Different interventions do come together at the level of institutions functioning as “spiders in the web” (i.e. MoE, NARD, SIEPA) and it is up to their capacity to truly capitalize and create synergies, further than the strategic and theoretic thinking existing at programming level. As the fieldwork revealed, these institutions manage, at their level, to create synergy in the implementation of different interventions. This is also the case with some RDAs (e.g. Belgrade).

Therefore, interventions at contract or project level may be interlinked on an ad-hoc, need-driven basis and consistency, in the sense of avoiding overlapping/double financing, is ensured. Coordination exists between donors at the highest strategic level, through the donor coordination mechanism in place in Serbia under which regular meetings (i.e. general and in working groups) take place. One quick review of the donors' main strategies and positions in Serbia (e.g. WB Country Strategy and EU MIPD) do show that a common strategic vision for the country exists and important common actions are undertaken e.g. WB and EU budgetary support to Serbia to sustain anti-crisis measures, USAID/WB/EU cooperation for improving the situation of building permits. However, *an efficient and effective mechanism to translate, for all donors, common strategic thinking into aligned actions is currently missing*. The need for alignment is strong among loan schemes and between loan schemes and technical assistance support for enterprises, e.g. SECEL and UNIDO supported companies in

⁴¹ SECEP final report, page 10

⁴² ICIP final report, page 9

⁴³ Investment Incentives Program <http://siepa.gov.rs/en/index-en/invest-in-serbia/investment-incentives/financial-incentives.html>, Export Promotion Program <http://siepa.gov.rs/sr/index/finansiranje/podrska-za-izvozna-preduzeca/siepa-dodela-bespovratnih-sredstava/statisticki-pregled-rezultata.html>, National Cluster Programme (concluded), Development Fund of Serbia. These programmes usually offer direct support to SMEs for various purposes, but in rather low amounts.

entering international value chains: correlating these with credit schemes under EIB⁴⁴ but also under CIP/EIP and EBRD would ensure the effectiveness of both interventions.

The focus on effectiveness of donor interventions has increased significantly since 2002, and particularly in the last years (e.g. for the EU Cohesion Policy under the ex-post evaluations for the previous programming period and the preparations for the current programming period), which reflected in stronger requirements as regards adequate monitoring and evaluation (M&E) systems (including indicators). These developments have unfolded also under the EU enlargement policy and in Serbia, in this context. As in the case of the Internal Market sub-sector, overarching strategies set up in 2009-2010 (NPI 2009-2010⁴⁵, MIPD 2011-2013, NAD 2011-2013⁴⁶) had a poor indicator system (i.e. no indicators exist or where indicators are set up by the MIPD⁴⁷ no data collection methods and procedures exist, there is no interlinkage between the strategic level and operational level and no management or information system are put in place; these indicators are not quantified, do not have baselines and targets even when they are quantifiable).

Some progress in this respect has been registered at “programme” level when drafting the OP for Economic Development 2012-2013⁴⁸. Indicators are set for all three measures under Priority 3 “Competitiveness”, however, among others, these⁴⁹ do not sufficiently cover the objectives of the measures (i.e. only 1 output and 1 result indicator have been defined) and a static and not contextualised approach is taken to baseline and targets setting. There is a high probability that under the current SWAP for IPA II further progress will be booked in this area *in key institutions*, especially as there is awareness in Serbia on the importance of monitoring systems at these levels, mainly (i.e. some are developed under implemented projects - e.g. ICIP developed performance indicators and a monitoring and evaluation system for certified business support providers/consultants) and monitoring is already conducted in different settings (e.g. Small Business Act). Progress is already visible in the process to prepare the new strategic and needs assessment document for future ODA.

At project level different approaches are identified: under EIB loans only one indicator, i.e. jobs created, is reported by beneficiaries and followed by the commercial banks under the monitoring of the NBS while no “indicators” as such are set up under the WB PFDPL⁵⁰. Under most projects (including EU projects, PSOM, BAS) the indicators monitored are output indicators, while results and, to a more limited extent, impacts are assessed through evaluation exercises⁵¹. The result or impact indicators corresponding to the overall objectives of projects designed in accordance with the Logical Framework approach are in most cases not attributable and also not monitored/assessed. However, efforts are

⁴⁴ 40% of the APEX Loan II, with a total value of 150 million € was dedicated to automotive industry.

⁴⁵ Sets up only planned activities, see NIP pages 182-188, chapter “Business and Industrial Policies”.

⁴⁶ See NAD 2011-2013 (page 113) “In the 2011-2013 period, the NAD will be still a work-in-progress and will be enriched by the addition of indicators in future Needs Assessment Documents, which will allow the monitoring of the sectors.”

⁴⁷ Rate of enterprise creation and abilities to innovate; Increased export; Level of FDI; Improved access to finance for the private sector, in particular for SMEs; Improved cooperation between SMEs, R&D institutions and educational institutions; Serbia's active involvement in the implementation of the EU Strategy for the Danube; and, Improvement of Serbia's ranking in the World Bank's annual Doing Business Report.

⁴⁸ This programme hasn't been implemented as such.

⁴⁹ Which form the indicator “system”

⁵⁰ See page 55 of the PFDPL Programing Document, “Implementation, Monitoring and Evaluation”

⁵¹ These evaluation exercises may be internal (e.g. EU projects, BAS, Cluster support Norway), external (e.g. PSOM) or both (e.g. EU, GIZ monitoring system) and may be more qualitative and generic (e.g. EU projects) or quantitative and in-depth (e.g. BAS, PSOM, but at sector, not country level, Cluster support Norway).

made to set up adequate baselines by “policy-oriented” donors and this is a good first step in the right direction (see boxes below).

Good example of assessing and ensuring effectiveness – USAID Competitiveness – monitoring at programme level

The project activities were defined as Transactional or Transformational. Transactional activities encompass a range of Sales & Marketing efforts, including trade show participation, market research and strategies, customer identification and negotiations, and promotional tools and materials. Transformational activities are the longer term efforts that are intended to fundamentally enhance the long-term competitive position of a sector. Examples include developing Standards & Certification programs (ICT, Auto Parts, Wood Processing), establishing and building capacity of sector associations (Construction, Film, Tourism, and Renewables), and implementing reforms to improve the business enabling environment (National Competitiveness Council recommendations and the Guillotine process).

The effects of the Transactional activities of the project are calculated based on a specific methodology in terms of unattributed (\$277,561,639) and attributed (\$173,117,938) sales, exports and investment in the covered sectors. The effects of the transformational activities are presented more qualitatively. The impact of the project is quantified, again based on precise methodology in terms of Firm Level Growth, Job Growth and Final Return on Investment (ROI) Calculation.

Source: USAID Competitiveness final report

Good example of assessing and ensuring effectiveness – GIZ Result-based monitoring (RBM), one step further than the PCM approach

Results-based monitoring is part of commission management and thus comes under the managerial responsibility of the officer responsible for the commission. Monitoring data are highly relevant for the steering structure of a project. Monitoring is an *integral part* of the entire commission management procedure and is not a separate, individual activity that is only carried out at a specific point in time. The RBM system is designed *at the start of the implementation* phase as part of operational planning.

6 PROCESS STEPS ARE IN PLACE FOR DESIGNING AND USING AN RBM SYSTEM IN THE COMMISSIONING PROCEDURE:

1. Devise / examine / *adjust* the results model: To be mapped in the results model: intended results and objective; sphere of responsibility / system boundary; instruments and key activities
2. Clarify the requirements to be met by the RBM system: identify and involve stakeholders in strategic and steering decisions; clarify stakeholders' interests, expectations and need for information; examine the partner's system for possible synergies and if necessary adjust RBM accordingly; bear in mind the human and financial resources required for RBM
3. Make results measurable: formulate results hypotheses, assumptions and risks; formulate objective indicators and results indicators; bear in mind specific results areas (cross-cutting theme / BMZ and DAC markers) and formulate indicators if necessary
4. Detailed monitoring planning and devise RBM form: Transfer the results of steps 1 to 3 to an RBM form (e.g. Excel- or web-based) and add detailed monitoring information on Intended results and objective, activities, indicators (on objectives and results level as well as indicators for specific results areas / BMZ and DAC markers), results hypotheses, assumptions and risks, responsibilities for monitoring activities, time schedule for RBM / data collection; data collection methods
5. Collect and analyse data: Collect the following information for all indicators and / or record in the RBM form: baseline data / target value / milestones; results of data collection, data analysis and assessment

Use RBM results: Steering; Strategic, management and budget decisions; *Embedding RBM in the partner's decision-making mechanisms*; Accountability / substantiating results / reporting: Evaluation& Progress report and final report; Knowledge management / learning: Documenting the RBM results; Communicating and conveying information.

Source: GIZ Guidelines on designing and using a results-based monitoring system (RBM system)

3.1.3 Research, technological development and innovation

The ODA support in this sub-sector has *fully responded to the country's priorities* related to the preparations for integration into the European Union and the relevance is high. The country's needs and priorities in this sub-sector are underlined with the GDP spending in R&D⁵² which is below EU average and also below the national target.

The relevant programme document "Needs of the Republic of Serbia for International Assistance 2011-2013" (NAD, 2011) places the focus on developing of key elements of the national technology transfer infrastructure for bringing together the academic community and the business sector for greater number of innovative products. The NAD makes a reference to the commitment of the government to science and innovation through bringing the annual spending in R&D to 1% of GDP by 2015 in line with investing 800 million euros in R&D infrastructure. The NAD mentions the deployment of the EIB loan for R&D infrastructure⁵³ for general reinforcement of research capacity to be able to cooperate and increase the competitiveness of the Serbian economy. In fact, the effectiveness of the EIB loan is considered one of the preconditions of the success of the Strategy of Scientific and Technological Development of the Republic of Serbia for the period 2010-2015 (SSTDRS, 2010), establishing the strategic priorities of science policy for the period 2009-2014.

In regard to *innovation*, the NAD places the *future challenge of tackling the lack of access to finance* through supporting SME-s' investment in innovative activities as well as raising capacities of public and private sector business service providers to support SME-s on their way. The National Programme for Integration of the Republic of Serbia into the European Union (NPI, 2008) focuses on the legislative and institutional framework in this sub-sector, listing goals as to increase the level of investments in R&D and to raise budgetary allocations for research. In order to achieve these goals, NPI foresees, to bring out some, the need to design and adopt an integrated research policy, to determine dynamics of the growth of budget research allocations, to define complementary measures for increasing investment of industry and the private sector in research (e.g. tax incentives), to develop measures for the increase in the number and mobility of researchers, to develop support system with the view of greater participation in the Seventh Framework Programme of the EU (FP7).

The IPA Multi Annual Indicative Planning Documents 2009-2011 and 2011-2013 for Serbia (MIPD 2009-2011, MIPD 2011-2013) mention the corresponding need for developing Serbia's capacity to benefit from the knowledge-based society through a favourable legislative and policy framework, in line with the need to further develop business support structures (e.g. incubators, business/technology parks) in order to promote innovation related activities and public services.

⁵² In 2011, R&D spending from GDP in Serbia was 0.777% which was significantly lower in comparison to the EU27 average (2.03%). In 2004 the percentage was 0.32%, in 2006 it increased to 0.71%, in 2007 decreased to 0.64% and in 2008 increased to 0.732% again. By comparison to other Eastern European Countries, Serbia lags significantly behind Slovenia (2.47%), Czech Republic (1.84%), Estonia (2.38%), and Hungary (1.21), according to EUROSTAT data.

⁵³ Funded to a large part from EIB loan (200 mln EUR), also CEB loans (70 mln EUR and 35 mln EUR), 2010-2014

In conclusion, the main programming documents (NPI, NAD) are *clearly aligned with the country's priorities but need to be more specifically targeted*, as the investments and laws/strategies alone do not indicate improvements in the sub-sector. The objectives are defined widely and the NPI is lacking a logical framework of both long-term and medium-term objectives to be achieved in order to recognise the level of alignment with the Acquis. The Strategy of Scientific and Technological Development of the Republic of Serbia for the period 2010-2015 is adopted as a priority defined in the NPI (first implementation report in 2009) and entails several clear indicators (e.g. budgetary allocations to science; investments in science, percentage of success by Serbian researchers in the Seventh Framework Programme (FP7), number of researchers, different indicators to measure scientific output), in line with the programming documents.

IPA support in the sub-sector has been significant, in addressing the key needs, mainly innovation support services and access to finance – two important support areas. The Innovation Serbia Project⁵⁴ is the first EU project to offer financial support through grant scheme to the private sector and more importantly, in addition to start-up's, grants are provided also to established companies. Innovation Serbia Project provides resources to develop new mechanism of Government's direct support to technology transfer (the Innovation Fund, foreseen under the Law on Innovation Activities) and enhance institutional capacity (coaching, networking, awareness raising). Tackling the lack of access to finance among innovative SME-s, the Integrated Innovation Support Programme⁵⁵ has also been targeting new finance instruments in line with national legislative and support system for equity-based investments – a term only recently embedded in the Serbian industry and thus being highly relevant. The venture capital market is clearly underdeveloped in Serbia, the existing Law on Investment Fund does not impact innovation financing in SME-s nor have the existing investment funds taken that focus. The highly appreciated support from IPA in this area has enabled Serbia to take some important steps towards creating the legislative and institutional basis for financing innovation in SME-s.

There are *still some gaps to be addressed*, concerning the complementary measures for *increasing investment in research and development* (R&D). While tax incentives necessary for establishment of venture capital mechanism are introduced through recommendations for regulatory improvements in the framework of Integrated Innovation Support Programme, this topic as a crucial element of enhancing private sector investments in R&D need to be focused on in more detail (e.g. to reduce the amount of paperwork and energy one needs to put on getting tax deduction). Another matter is the "brain drain" of scientists and researchers. Building new housing and providing low-cost lodging on behalf of the government is certainly a measure that touches upon the subject but real impact in this matter will be possible only after sufficient workplaces and challenges in research (i.e. through FP7 projects) have been provided for scientists who would otherwise leave Serbia.

⁵⁴ Funded by EU IPA 2011 and administered by the World Bank

⁵⁵ Funded by EU IPA 2009

Interventions in the RDI sub-sector have targeted synergy in reinforcing their respective impacts and sustainability for increased participation in the Seventh Framework Programme for Research and Development (FP7) which helps increase the spending on R&D activities. While national programmes in this sub-sector include grant schemes for a large number of R&D entities and SME-s, the Innovation Serbia Project takes a step further in this regard, allocating grants to a small and privileged group of high quality innovators, thus preparing effectively the pipeline for FP7. The Integrated Innovation Support Programme makes a contribution as well by engaging in awareness raising activities for FP7. Furthermore, the future community programmes in this sub-sector (Horizon 2020), SME participation in research activities becomes a highly important success factor, which Serbia should address more aggressively.

The implementation modalities chosen are seeking synergy, e.g. construction contracts complemented with supplies contracts and TA contracts for building capacities in order to make good use of the infrastructure established under the R&D Infrastructure Investment Initiative (EIB). In regard to innovation development and SME support, TA contract for developing legislative and institutional capacity complemented with a grant scheme to pilot new mechanisms for financing innovation (EU, Innovation Serbia Project) is also a positive example to be followed in the future.

The *objectives and results* at project level are generally *over-ambitious*. For instance, in some cases these projects use the same level indicators as overarching strategies they are supposed to contribute to. For example the project purpose for the Innovation Serbia Project "Strengthening competitiveness of the Serbian economy by improving linkages between R&D and economic development" is to be measured with "Increased investments into R&D from 0,3% of GDP to 1% of GDP" which is one of the indicators underlying the SSTDRS and is thus clearly not achievable by just this one intervention. At the result level, there are also issues of over-ambitious targets that would rather serve the specific objective level, e.g. "Enhanced institutional capacity for efficient support to technology transfer and innovative high-tech start-ups". Most commonly, targets tend to be written down as activities which cannot be measured, e.g. "Encourage technological innovation within SME-s". Some of the indicators lack quantification, e.g. "the number of networking and educational events organized", or have issues with their relevance, e.g. the Integrated Innovation Support Programme indicator "Recommendations for regulatory improvements and introduction of tax incentives prepared" will not measure the achievement of the objective "Networks for informal venture capital investment into SME-s established".

3.1.4 Regional Development

As underlined in the "Needs of the Republic of Serbia for International Assistance 2011-2013" (NAD 2011-2013), one of the major challenges that Serbia has been facing are huge regional disparities that exist throughout the country. Two regions are above the average of national gross domestic product (GDP) – Belgrade region and Vojvodina in the north, whereas the other regions, to the south, are all below the average.

The National Regional Development Strategy 2007-2012 has retained in its Action Plan the following key objectives for the „problem area“ of the needed institutional frameworks for the policy supporting a balanced regional development of the country;:

- Set up the needed legal and regulatory framework in the field of regional development
- Form the regional development institutions on national and regional level;
- Prepare the methodology for measurement of development levels, in line with the NUTS methodology;

- Support more balanced regional development;
- Support development of underdeveloped areas;
- Capacity building of human resources for the implementation of regional development in line with the EU standards.

Abstract from National Regional Development Strategy 2007-2012, Chapter I. Introduction Section 1. “Baselines, Targets and Principles” (in Serbian, translation by the evaluation team)

Over several decades, regional development was not considered as an integral part of the overall socio-economic development. This issue of regional development was marginalized and understood as a separate and less important dimension of global development. The fact was constantly avoided that development has its regional and spatial dimension so that any definition of the institutional development mechanism is never regionally neutral. Regional differences were looked at from the viewpoint of development level, neglecting their economic development, social, societal and even political effects. Basically, the goal was development of underdeveloped areas, allocating for that certain means and defining certain incentive mechanisms. The targets of regional development were defined very generally, without any update. The policy of incentives intervened as a sort of development compensation, without managing to alleviate deeper gaps with underdeveloped areas. Such an approach inevitably led to deepening of regional and structural development problems, with evident consequences on the space of the Republic of Serbia.

The regional development component within the “Competitiveness” sector is covered in the NAD 2011-2013 by the Priority 3 “Reduce disparities and promote balanced development”, aiming to support local economic development, strengthen economic activity and promote building business-related infrastructure, linked to business services, to increase investment and the number of enterprises and accelerate their growth.

The NAD 2011-2013 further anticipates that, in terms of future expected international support, an active regional policy will entail infrastructure development measures, incentives (business environment – industrial zones and business incubators, favourable loans) and training human resources for the implementation of development projects. It also expects that the privatisation of state-owned tourism companies, renovation of tourist facilities, improvement of tourism management and marketing and enhancement of tourism offers will continue.

Finally, the NAD confirms that the Serbian Government is creating regional development policy, together with other relevant institutions, with in particular:

- “Final by-laws resulting from the Law on Regional Development are being prepared and adopted;
- Most of the institutional framework has been established;
- The National Plan of Regional Development is expected to be adopted, in order to substitute the current Strategy 2007-2012;

As concerns the EU support, the MIPD emphasizes, inter alia, the need to facilitate socio-economic development and inter-municipal cooperation in the hinterland of the Danube, and raise its visibility as an area of growth, in order to increase the competitiveness of the Danube Serbia region⁵⁶, create new employment opportunities and raise the attractiveness to foreign and local private sector investors.

⁵⁶ It is obvious that this “thematic” region, structured by the scope and the course of the Danube river in Serbia, covers significant portions of several regions defined in the current Serbian Law and Strategy on Regional Development;

The overall relevance of the international support in this sub-sector can be assessed as follows, for each of three domains proposed above. Generally taken the international support in these three domains has fully responded to the country's needs and priorities, without necessarily having constituted a well-coordinated pattern of thematic and geographical focus and without having sought any particular synergy among certain projects where such a synergy would have reinforced their respective impacts and sustainability.

There has been no particular donor and donor-country coordination as concerns the support implementation modalities, nor have the observed contracts been linked to one another, except for the specific case of the EC support, where RSEDP2 and REGPOL belong to one overall "facility".

In this overall context, the EC instruments have been fully coherent, and have remained complementary to both the national budget instruments and to those of other donors; more particularly, both REGPOL and SEDSDR have responded well to the needs and priorities of Serbia, in particular as concerns the following:

- Policy advice for the formulation of the regional development strategy and technical assistance for the preparation of the national regional development plan (NPRD) and of the regional development plans on the level of each of NUTS 2 regions of the country;
- Continuous and steady support to the emergence and reinforcement of (sub)regional development actors – regional development agencies, with the strategic goal of "filling the vacuum" between the central and local government levels and of introducing a supra-municipal leverage for territorial development strategy planning and implementation and for more sustainable frameworks of inter-municipal cooperation;

In addition, the SEDDSR has very recently introduced an innovative structural initiative of thematic regional development, with an explicit focus on competitiveness, which is both part of the EU's Strategy for the Danube Region, and offers a privileged approach to Serbia's Danube riverside community of needs, interests and development ambitions.

The observed indicators established by the donor community for their respective projects, when existing, are generally not SMART enough in order to allow for a clear benchmarking of results and impacts. This reflects the difficulty of designing relevant indicators that can be used for measuring the performance of the donor support beyond mere efficiency, due to the absence of a more conducive environment (national policy priorities and strategy in this domain, etc), allowing the application and sound feedback of such indicators.

In addition to this general statement, the following project-specific findings highlight certain characteristics of this overall international support:

- The already completed project in support to the Integrated Regional Development Plan of Vojvodina, initiated and funded by the Austrian Development Agency (ADA) covered 6 components only⁵⁷, out of 15 IRDP's components or measures. Although it was reportedly well designed in order to reinforce the preparation and implementation of certain elements of the IRDP, it cannot be considered to have brought a more integrated structural response to the needs of Vojvodina AP in planning the strategy of its development.

⁵⁷ The 7th component was reportedly devoted to the Payment Agency

The Centre for Strategic Economic Research “Vojvodina-CESS”(hereinafter CESS) was one of the six components of the Integrated Regional Development Plan of Vojvodina which received support from ADA. The main goal of ADA’s help was to develop the capacities of Vojvodina-CESS for planning regional and economic development of the AP Vojvodina. Main activities covered by the ADA fund were as follows: education of employees in Vojvodina-CESS with regard to macroeconomic modelling and statistics, developing econometric model for forecasting macroeconomic trends (GDP, Inflation, Employment, Unemployment ...) and developing qualitative research of the Employers' opinions on the business environment – the Business Barometer.

In all the mentioned activities, the ABRD/CESS had the expert support from the Vienna Institute for International Economic Studies (WIIW) and the Institute for Advanced Studies (HIS) from Vienna. This cooperation is still ongoing. Furthermore, it is pointed out that ABRD/CESS has gained the ownership of the project considering that after the help of WIIW, it has been publishing all the mentioned publications on its own. All the aforementioned has contributed to the planning process in the AP Vojvodina and the Republic of Serbia. Main users of the ABRD/CESS publications are decision makers, economic subjects (especially the sector of small and medium enterprises) and professional public.

On November 9, 2011, considering all the activities that CESS realized, the Government of the AP Vojvodina adopted the decision on establishing the Agency for Balanced Regional Development of the AP Vojvodina (hereinafter ABRD), (Official Gazette of the APV, number 17, year LXVII) and with its establishment, ABRD took over all the activities and role of CESS.

Until now, ABRD/CESS has published five issues of the Macroeconomic Model for the Republic of Serbia and eleven issues of the Business Barometer. In addition to this, with ADA’s help, CESS developed the Strategy for Export Improvement for the AP Vojvodina 2011 – 2015 applying the gravity model. The latter two publications are policy oriented thus having a great impact on the planning process of the regional development.

Source: ABRD/CESS

- The GIZ-Swiss Project “Municipal Economic Development in Eastern Serbia” builds on the previous GIZ “Municipal Economic Development in the Danube Region”, completed in 2012 (10 partner municipalities) and has developed a more integrated approach covering both the capacity building for local economic development and the enhancement of the accountability among the local authorities, the private sector and the civil society. It offers a good example of partnership of two donors, GIZ providing the non-financial support and the SDC the grant scheme.
- The EU & Swiss co-funded EU Progres has had a much wider territorial coverage (25 self-governments) in the south and south west areas of Serbia marked by acute under-development and need to support the political and socio-economic stability;
- The Swiss funded projects in support of the private sector development in South and in South West Serbia have been planned to stimulate and facilitate systemic changes in favour of economic growth, with privileged focus on youth and gender equality or the target the improvement of the local-level regulatory environment for businesses, in tight cooperation with the Standing Conference of Towns and Municipalities;

- The USAiD “Sustainable Local Development Programme” has endeavoured to introduce a concept of inter-municipal cooperation (IMC), over several clusters in three “NUTS 2” regions of the country, by setting extremely ambitious goals of employment creation in each of these IMC territories and by using sporadically the leverage of the existing RDAs⁵⁸.

More generally, the international support to local and regional development with the national sector strategies has not had the possibility to be aligned to any well-defined and sustainable strategic framework, such as has not yet been established in the country and which is, more particularly, subject to the ongoing important contribution by the EC funded REGPOL to the ongoing preparation of the national regional development strategy and plan.

With this regard, one can also underline the fact that a fairly significant share of the international support to local economic development has been delivered on subnational level, without necessarily coordinating corresponding concepts and approaches with any particular governmental policy or strategy: to a certain extent, such support can be compared to the direct cooperation set up by most of the donors with certain municipalities already since the early 1990s, and, overall, with the civil society sector.

One can here also underline the case of the EU funded project in support of the national tourism strategy⁵⁹ where the Ministry in charge of tourism has indeed benefited from this international support but has failed to take this contribution on board by formally reviewing its already obsolete strategy. This weakness may constitute a shortcoming when it comes to the consolidation and review of the overall SEDDSR strategy, among others.

As for the SEDDSR as a whole, it has suffered from two design weaknesses or shortcomings:

- The operational partnership of two bilateral cooperation agencies within the overall frame of an Indirect Centralized Management (ICM) contract with the EC could not be activated for certain formal reasons;

The global strategy of the “Serbia Danube” development should have been reviewed, updated and redesigned before or at the very launching of the programme, and not over a year later

Finally, the EU support to regional development agencies (RDAs) across Serbia has indeed brought forward its share of contribution to the overarching objective of reducing regional disparities and increasing regional competitiveness and has thus proven the relevance of its approach, as illustrated more particularly by the following achievements:

- The RDAs that have benefited from the EU support for their creation and through the critical stages of their early development have now very usefully constituted an intermediate level of local and regional development action, between the local self-governments and the central governmental levels;
- In spite of their uneven degree of maturity and effectiveness, they have generally provided a precious leverage for inter-municipal cooperation in a number of key areas, not the least for

⁵⁸ The USAiD has commissioned an interim evaluation of this Program, the draft findings and recommendations of which have not been accessible to this evaluation team.

⁵⁹ “Support to the Implementation of National Strategy for Tourism”, Ref. N° 07SER01/2311/, IPA 2007

the preparation of shared development strategies and implementation of projects which can only be sustainable through scale economies;

- The RDAs have generally constituted inter-municipal partnership platforms which transcend the highly detrimental political oppositions among the local authorities;
- They have clearly confirmed their importance and usefulness in leading or participating to a significant number of cross-border cooperation (CBC) projects, across virtually all the current CBC programmes;
- Several RDAs have taken a proactive role in a number of programmes and projects: RARIS in “Municipal Economic Development in Eastern Serbia”, ZLATIBOR in “Private Sector Development in South West Serbia” and in “Sustainable Local Development Programme”; “Jablanica and Pcinja” in “Private Sector Development in South Serbia”; RDA “Sandjak and SEDA” in “EU Progres”, etc.
- The preparation of the draft National Regional Development Plan (NRDP) coordinated technically by the Ministry in charge of regional development and supported by REGPOL has benefited from the contributions of certain RDAs, in particular these located in two southern NUTS2 regions of the country⁶⁰;
- Certain RDAs have taken the initiative of preparing thematic inter-municipal plans and programmes, as in the observed case of RDA Banat and the tourism master plan of the Tisa river, through an interesting participative approach and as a tangible potential contribution to the reinforcement of the SEDDSR;

However, the role and the actual capacity of the RDAs would have been significantly reinforced if the general donor support and, more particularly, the assistance provided via RSEDP2 had also focused on the needed sectoral linkage between the RDAs and a number of relevant line ministries, within the overall realm of regional development and under the coordination of the Ministry of Regional Development and Local Self-Governments.

Finally, one can anticipate that the confirmed and well visible presence of the RDAs in their respective territories, as well as their already achieved capacity and action scope promise to be even more useful in the future once the institutional frame for local and regional development has been finally clarified and formally established, as a result, in particular, of the current REGPOL support.

⁶⁰ See also the chapter on Impact

3.2 Efficiency

This sub-section presents the main findings as far as the implementation process of the ODA interventions is concerned. Given the quality of design, to what extent were these interventions able to deliver what was planned and what were the reasons behind a smooth or rather cumbersome execution? It also addresses the extent to which the relevant institutions have or had the necessary capacity to guarantee successful implementation, as well as the degree to which the cooperation and communication among them has been sufficient. Finally, comments are made on the cost-efficiency of the interventions: could the same results have been achieved more economically?

3.2.1 Internal Market

In many cases, there has been good *co-operation* between the various parties involved. There are various reasons for this. First of all, despite the substantial level of regulation governing the implementation of IPA projects, the different key stakeholders seem to have found their role really well. In the current setting, there is certain clarity in terms of who does what. There is widespread satisfaction with the role played by the Project Managers in the EUD, their capacity and willingness to think together with the beneficiary organisations and help them find solutions to their problems efficiently and flexibly. Various beneficiaries have experienced very *open working relations* with their corresponding Project Manager, which gave them a secure feeling of the “EUD always being on our side”. Overall, they are very involved in everyday project implementation, monitoring the performance of experts closely and facilitating their replacement in terms of underperformance. There was also general satisfaction about the cooperation with contractors and, in spite of a few examples of the opposite, with the contributions made by the experts contracted.

One of the bottlenecks which have surfaced in the framework of the implementation of IPA projects has been the large need for *translation* of key documents for foreign experts. In addition, English language skills are insufficient for part of the personnel in the beneficiary Ministry departments, creating a barrier in the communication with foreign experts. This is coupled to quantitative restrictions of the human resources of the beneficiary departments in the Ministries, which reduces their absorption capacity of specific elements of the support provided, their ability to clearly articulate their demand, their degree of ownership over the results and the possibility of initiating corrective action should the work of external experts require them to do so.

One of the more interesting and innovative practices in the implementation of ODA support can be observed in the framework of Swiss bilateral assistance where the principle of the “*floating logframe*” is being applied to certain interventions, among others in the field of trade. In combination with early involvement of beneficiary, and sometimes even the implementing experts, in the design of a project, the possibility to review and adjust the activities and results to a changed project environment has proven to be very beneficial to the cooperation and therefore efficiency of interventions. This has led to a very practical, hands-on type of support in complex matters such as (the preparation for) WTO negotiations where Swiss experts have provide training for state officials (among others internships which have worked well) as well as strategic advice ahead of important meetings. The flexible set-up of this support has enabled adjusting it to changing circumstances.

There has been general satisfaction with utility of *internships, study tours and programmes of trainings* and workshops provided by a wide variety of donors, be it in the framework of IPA, official bilateral support or the many smaller events facilitated directly by e.g. embassies. Successful have also been various *awareness raising* activities, especially those in the field of consumer protection, where the so-called “Consumer Days” have been very beneficial in allowing key institutions such as the Serbian National Bank and various inspectorates, to get in touch with the general public (i.e. consumers) and provide on-the-spot advice, which provides immediate feedback on the practical value of policies in the field.

The benefit of targeted events is also the main reason why programmes such as CUSTOMS 2013 have been so useful: they provide ample possibilities for Serbian officials in a certain specified field to interact on a continuous basis with peers in more advanced countries (and not just one or two countries such as often the case in twinning projects) and jointly work on finding practical solutions to problems relevant at precisely that moment. The notion of “working visits” in CUSTOMS 2013 combines all these conditions in an efficient package of potential support, which can be mobilised on demand. At the same time, these are the elements which give such programmes a clear advantage (and therefore higher satisfaction on the ground) over IPA, which is perceived as slow and heavy on procedures. As a result, there is a belief among certain stakeholders that IPA is not able to “keep up with a fast changing reality”. Bilateral aid is often in between these two, possibly with the exception of more flexible programmes, such as Swiss support.

At the same time, such targeted, flexible and timely support has a clear positive effect on *cost-effectiveness*. Considering the limited contribution IPA has been making to this field (mainly by subsidising Serbia’s entry ticket to CUSTOMS 2013) and the relatively high share of co-financing (around 50% of annual contributions), coupled to the widespread use that is being made of the programme’s possibilities by various departments of the Serbian Customs Administration (SCA), there are hardly better ways to spend Community funds on preparing candidate countries for accession in specific areas such as those in the field of the internal market.

Another case of good cost-effectiveness is the provision of existing IT-systems in use in another Member State in combination with trainings and workshops, as well as hands-on advice on the pilot phases of working with such systems (adjusted for the purposes of use in the Serbian context). Examples are the provision of some of the necessary building blocks for the NSDI to the RGA by French bilateral support (in fact, a loan) and software for the TARES system to be used as an essential part of the customs clearance procedures, which was adapted from the corresponding Slovenian system in the framework of Norwegian bilateral support.

Another commendable example of good *project cycle management* can be observed in the IPA 2009 Consumer Protection project, which has addressed the issue of consumer awareness very systematically. The basis for this has been a survey to measure awareness at the beginning of the project, which will be repeated towards the end of the project.

3.2.2 Industrial policy and SMEs

In general terms, the interventions in the IP&SMEs sub-sector have been efficient, in the sense that outputs planned have been produced on time, qualitatively and at reasonable costs. This has happened despite the negative effects of the economic crisis on the interventions' target groups, strongly visible in projects such as UNIDO AC support II, USAID Competitiveness and (to a more limited extent) BAS. For other interventions the crisis had a reverse effect: need of finance prompted the disbursement of EIB and (to some extent) Italian credit lines. If in 2007/2008 openness towards equity financing was limited, this has increased lately and even success stories in countercyclical industries were identified (e.g. GOMEX under SEAF)⁶¹.

The credit lines facilities available through EIB have been quite efficient, as funds have been disbursed rapidly⁶². One exception from this rule is APEX-4 for which a governmental Steering Committee was established to endorse loans granted by commercial banks; this extra decision-making layer has triggered delays in the implementation of the scheme. In accordance with data provided by NBS, the efficiency of Italian schemes is also mixed: while the first Italian credit line (disbursed through a revolving fund but not included in the sample for this evaluation) lent funds quite rapidly, the second was less successful in this respect. The changes in the conditions governing the two schemes⁶³ might have impacted on their disbursement performance.

Interventions or activities concentrated on legal environment relevant for SMEs (e.g. under BEP, WB PFDPL) struggle more in terms of timely production of outputs, as the political instability in the country has often delayed implementation. However, some of the same interventions have been efficient (and effective) due to a particular approach taken: key problem areas were tackled (e.g. Company Law, building permits legislation, Factoring Law, Bankruptcy Law etc.) and for this purpose *targeted, hands-on and very efficient TA support* was provided to the GoS.

One factor strongly fostering efficiency (and effectiveness) is the *analytical underpinning* of an intervention, particularly strong in the case of the interventions triggered by "policy-making" donors (e.g. EU, WB, USAID partially EBRD⁶⁴) such as USAID Competitiveness, WB PFDPL, adjoined by the possibility to apply in Serbia lessons learned in other countries. A strong analytical underpinning ensures the setting up of a sound logic of intervention (needs-priorities-objectives-activities-output and result indicators-impact-utility-sustainability) and allows for *flexibility* in implementation while the expected effects and impact are still achieved. As an example, under SECEP if a preliminary sector

⁶¹ As displayed by the survey carried out in the framework of this evaluation (please see figure 12 in annex x) equity financing still seems a less preferred financing form, after grants, venture capital and loans but before mezzanine financing. However, these results need to be taken with a grain of salt as the level of knowledge on the features and advantageous of this more innovative financing forms might be even lower than the survey revealed. This state of affairs had been pointed at during several meetings held in the framework of the evaluation.

http://ec.europa.eu/regional_policy/information/evaluations/index_en.cfm#1

⁶² In accordance with consolidated data provided by NBS.

⁶³ For the first credit line of 33,25 million € and its revolving fund no conditions have been applied regarding total amount of collaterals, financial internal rate of return, and minimum debt service coverage ratio. At the same time, the related interest rate was nominal and this changed for the second credit line (September 2011). Simultaneously better conditions have been introduced for final beneficiaries (micro, small and medium enterprises) in the framework of the second credit line such as the maximum amount of collateral of 2:1, positive financial internal rate of return, and minimum debt service coverage ratio of 1,20%.

⁶⁴ In opposition to donors such as EIB, the Netherlands in the case of PSOM, focused on certain instruments, USAID in the case of SEAF.

analysis to target specific supply chain building opportunities had preceded the start of SME support activities, it would most likely have led to a significant number of specific supply deals between large buyers and SMEs⁶⁵. Projects/programmes with *longer duration*⁶⁶ which allow for adequate periods of time for the analysis and preparation and closing or evaluation phases and which *combine technical assistance with small grant schemes* (in the IP&SMEs sub-sector this has been particularly the approach of USAID) have also on average been slightly more efficient⁶⁷. An *insufficient number of good quality applications* also undermined the efficiency of projects analysed, especially in the first part of the 2007-2011 period covered by the evaluation (e.g. Cluster Development Support, Norway).

In a context not favourable to business advisory services provision, BAS managed to support with 2.9 million euros (i.e. 1.4 million € Dutch financing and 1.5 million € beneficiaries contribution, representing 100% leverage effect) 222 projects and 122 BSPs (average value of BAS grant 6.000 €) and proved that SMEs can *co-finance* interventions, when relevant and useful. However, from a wider perspective, these outputs may come at some high costs, respectively 1.6 million € for the management and implementation of the programme, which in itself then is not very cost-efficient.

Comparably assessing costs-effectiveness of different implementation modalities has proven challenging. Firstly, in the IP&SMEs sample there is a limited number of comparable services, e.g. ICIP and BAS are complementary rather than offering similar services which could be compared in terms of cost-efficiency. Secondly, when services are similar, we face a lack of comparable data. The Cluster Support Norway and Automotive Cluster project (II) UNIDO results are differently formulated (see final report of UNIDO project, Ch. IV Key achievements page 35 and CSN Final Report point bg. Page 2). At a first glance we may say that the Norwegian project seems to have been more efficient but its budget was more than two times larger. Interestingly enough, different loan schemes produce very different numbers of jobs per € invested: e.g. 20 million € worth Apex Global Credit line produced 551 jobs while a similar loan, worth 100 million € produced 515 jobs.

The value of projects implemented in the framework of CIP-EIP is lower than the country contribution itself (i.e. approximately 1 million €/year, in accordance with information provided during fieldwork), while the expectations set were very high⁶⁸. In financial terms the micro-credit scheme managed by Cacanska Bank may compensate for the approximately 50-60% of annual budget consumption of “project allocation”⁶⁹. Partly, this situation is due to late signing of the agreement between the GoS and the EC but the main issue is the low capacity of Serbian enterprises to compete at EU level in terms of application development⁷⁰ and especially in terms of project ideas; the 50% co-financing and covering own expenses when participating in B2B events also hamper the involvement of Serbian SMEs in the programme. At project level Serbia makes best possible use of the opportunity to take part in the programme, EEN Serbia being one particularly successful example.

SEECCEL also seems to face some efficiency issues: with a total project budget of 0.6 M€, the outputs of the project were piloted in a very limited number of schools (4); SEECCEL currently seems to depart from its initial mission (entrepreneurial learning) to “hot topics” such as women entrepreneurs, it is

⁶⁵ SECEP final report, page 12

⁶⁶ E.g. one of the conclusions of SECEP is: More time could have been spent on mentoring and advising SMEs in the supply chain component if the assessment period had been significantly longer (SECEP final report, page 75)

⁶⁷ These projects are also managed and implemented by a larger team than an average IPA-funded project.

⁶⁸ See NIP 2009-2011.

⁶⁹ 685.612,00 € in 2009, 591.204,60 € in 2010, 159.221,41 in 2011, 622.178,11 € in 2012.

⁷⁰ Support was ensured to enhance the quality of applications under different projects, including ICIP and GIZ ACCES.

involved in promotion activities and in search for a significant investment of more than 30 million € for building a new headquarter.

The *capacity of the central institutions* involved in the IP&SMEs sample (i.e. MoEF, NARD, SIEPA, CoC) has grown as a result of direct capacity strengthening activities but also through participation in the managing and implementing the projects/programmes. Particular empowering approaches were taken by Norway and JICA, which entrusted the management on implementation of the projects to the Serbian counterparts, mainly NARD, SEIO and MoEF.

Both at central level and at regional level institutional capacity is not even; especially in the latter case differences exist between different RDAs (e.g. Belgrade and Vojvodina RDAs are, reportedly, stronger), including in applying PRAG rules or offering support for applying under FP7 and CIP. Although cooperation between these institutions is permanent, the system does not seem fully fledged, yet, with multiple institutions involved at different levels in similar activities but not covering the support needs of SMEs, especially at very local level where municipalities are weak (particularly in the Southern part of Serbia). On the other hand, the system is, still, rather centralised and NARD's capacity needs immediate reinforcing for this institution to be able to ensure the sustainability of interventions in the sector.

Among final beneficiaries capacity development is visible: if 5-6 years ago companies/institutions were unfamiliar with donors' interventions and opportunities arising from here, in the last years they are setting up specialised departments in order to pursue them.

3.2.3 Research, technological development and innovation

In most cases *good co-operation between relevant parties* has been the key to smooth execution of the ODA projects. There is overall satisfaction with service contractors/consultants in this sub-sector, first and foremost due to their international expertise and specific know-how (World Bank, GFA, EPTISA). World Bank has been noted to have provided excellent coaching and mentoring of the Innovation Fund, especially intensively over the first year of the project (2011) that has enhanced efficiency to a high degree in the Innovation Serbia Project. Also, the Project Implementation Unit (PIU for R&D Investments Initiative) is generally considered technically excellent by different counterparts. There is overall clarity in terms of who does what. With national administrative units working together with highly competent service providers (GFA, EPTISA), contributors (World Bank) and donors (EIB, EU presented by the EUD in Serbia), the necessary capacity has been acquired to help efficient implementation of the interventions.

A good example of *quality of design* is the Integrated Innovation Support Programme. While the logframe is complex, it presents a clear logic for achieving the overall objectives. Most of the activities within the project are not interlinked (e.g. "Prepare and deliver training of Serbian managers for financial investments into VC funds" and "Establish linkages with EU Business Angel networks and identify potential Business Angels in Serbia") and thus potential flexibility is provided by the project design. The project engages in the preparations of national concepts and initiatives for effective support to innovation and engages in a high level of cooperation with different stakeholders. At the same time, a somewhat high degree of approvals is needed from the MESTD, which can reduce the efficiency of the intervention.

While the Innovation Serbia Project is considered very efficient by several stakeholders and the project monitoring report (from 2013) gives a high efficiency rate (B) to the project, there is a *level of bureaucracy* (e.g. at least 14 documents to be filled in/presented as integral part of the application, quarterly reporting of results and plans, detailed budget structure) for applicants and grant-holders that can hamper the efficient development of new innovative products and processes and even intimidate SME-s to apply. In this regard, simplification of the procedures of the grant scheme is needed in order to help the efficiency of the prototyping processes of innovative SME-s.

Despite the *general satisfactory efficiency*, there are some examples of rather *cumbersome processes* hampering the successful implementation of the ODA interventions in the sub-sector, most importantly concerning political changes that have affected the key personnel in relevant administrative units (e.g. in the PIU Ltd) which has led to some extent complicated execution of the R&D Infrastructure Investment Initiative.

Another highly important factor that has been seriously hampering the execution of the R&D Investment initiative by political change has been the *absence of a functioning Board of Trustees* (in the government-owned PIU Research and Development Ltd, the project implementing unit for R&D Infrastructure Investment Initiative) for a whole year (from June 2012 – July 2013). This has been a major obstacle in decision-making and has led to the lack of sufficient critical assessment of the cost-benefit of the planned infrastructure investments. Furthermore, the list of infrastructure investments (sub-projects) has been subject to political decision alone (and fixed in the loan agreements with donors) and some of the objects have been decided on already several years ago (e.g. Centre of Excellence in Nanoscience, Centre for Promotion of Science) under the auspices of previous Ministries. The lack of transparency, concerning huge investments like the 65 mln euro investment into the Centre for Promotion of Science (in preliminary design phase) has led to public debates.

Although the necessity for awareness raising activities and the development of educational interventions in the field of science is beyond doubt un-debatable, the question remains whether the establishment of the building for promoting science should be undertaken with an overly large budget under the current budgetary conditions and it is even questionable if such a building is needed at all in the state of development of Serbia's economy. These debates show the necessity for cost-benefit analyses and relevant discussions between stakeholders beforehand. While the relevant technical analyses (cost-benefit, cost-effectiveness, feasibility) seem to exist for most of the planned and on-going investments, these do not seem to be used as crucial components underlining the decisions.

To add to the abovementioned aspects also factors like e.g. obstacles in obtaining building permits, lengthy negotiations with technical service providers, non-performance of co-funding agency, variations of the scope of works, the implementation speed of the R&D Infrastructure Investment Initiative has been slowed down considerably from what was initially planned. As reported by the TA service contractor, the measurable progress has significantly fallen behind from the expected, e.g. the 33,57% of completion status of the tendering procedures and the 30,97% estimation of the progress of the monitoring and supervision of works and design contracts for infrastructure. As a result the delays have become critical for the overall performance of the intervention.

3.2.4 Regional Development

The overall efficiency of the donor support to local and regional development can be considered as satisfactory. Generally taken, the efficiency *stricto sensu* and the implementation modalities chosen by the donors have been efficient in that they have allowed to implement the planned activities and to achieve planned outputs. However, there has been no particular and coordinated alignment among the donors' implementation modalities other than the observed effort not to intervene simultaneously in the same territory and to avoid thereby overlaps or any excessive pressure on a given beneficiary, in particular as concerns the local self-governments.

Nevertheless, it is extremely difficult to respond with precision to the question on whether a sustainable capacity has been created in the beneficiary institutions to manage policy challenges and future assistance in this particular field. This is due to the fact that the overall context and external environment of the donor support to local and regional development has not been conducive at all for this support to reach any tangible achievements with regard to sustainability.

More particularly, the continuous absence of a more appropriate institutional framework on both central and local levels explains partly the difficulties for the donor support in its efforts to create any more significant sustainable capacity in the beneficiary institutions; this was further exacerbated by the weight of the economic crisis, low growth and poor structure of SMEs, etc., i.e. an environment hardly conducive for further capacity building of beneficiary institutions through application of transferred know-how and skills. Two major projects have encountered certain more important efficiency problems.

The delay in launching REGPOL, within the overall functional framework of RSEDP, has weakened not only its initial implementation efficiency but also the overall effectiveness of RSEDP 2. REGPOL's launching was postponed within the overall discussion between the EC and the Serbian Government concerning the preparation of the law on regional development, so that RSEDP 1 intervened without a parallel and synergetic delivery of the planned policy support. The consequence was the reported incapacity of RSEDP 1 to tackle in a more significant manner the support to the RDAs capacity in preparation of regional (NUTS 2) strategies, among others.

The above mentioned design weaknesses of the SEDDSR have directly affected its current efficiency and, not the least, strongly diminished its visibility towards its main stakeholders and potential local and regional actors, and, consequently, their appropriate understanding of the effective potential importance of SEDDSR. The current visibility of SEDDSR is basically reduced to the existence of its grant scheme, but the rationale and the strategic orientations of this grant scheme have not been reinforced by and based on a clearly spelled out project's strategy as a whole, since the revision of the 2007 Serbia Danube strategy study (or, rather, preparation of a new strategy) has only been commissioned very recently and its delivery is expected not earlier than end January 2014.

Nevertheless, one can conclude that certain non-negligible achievements in terms of more sustainable capacity building and reinforced institutional framework are found in the RDAs, in particular so since the highly volatile political tissue and the resulting frequent turnover of the key decision-making staff in the local self-governments have certainly not allowed to embed a more sustainable institutional capacity in a large number of local self-governments that have benefited from the donor support in the past.

3.3 Effectiveness

Under the heading of effectiveness, this sub-section deals with the extent to which planned results and (specific) objectives have been achieved by the time the implementation process ends.

3.3.1 Internal Market

Overall, most interventions in the area of Internal Market have been successful or very successful in achieving the planned results. However, due to the fact that some specific objectives (and their corresponding indicators) have been formulated too ambitiously, they could not always be achieved. For example, the IPA 2008 project on state aid was set to “strengthen the institutional and administrative capacity of the Serbian State Aid Department and other relevant authorities”, which is ambiguous enough to enable its achievement in a strict sense but in combination with the relevant indicators (“State Aid Department and Independent Commission are fully operational” and „State Aid regulation and schemes comply with EU requirements”) aimed somewhat too high. Such a specific objective rather describes the end-point of a longer process of development than the objective to be achieved by a single intervention. At the result level however, effectiveness can be assessed more positively with new procedures for granting state aid established, the State Aid Department in the MoFE having stronger capacity, state aid providers more aware of the relevant issues and existing state aid cases reviewed, the only less successful element being the fact that only a small part of the necessary corrective action in regard to existing (incorrectly granted) state aid has been implemented thus far. The latter, however, is again an example of a wider issue that should perhaps not be made the sole responsibility of one intervention only.

The most practical, hands-on interventions, such as the Swiss support to Serbia in the field of trade, have also delivered particularly useful results. Next to building capacity on the basis of internships and training courses, the “learning by doing” character of such assistance provides a double benefit: it helps address practical problems and builds capacity at the same time. A very tangible benefit of the Swiss support for instance has been meeting most of the pre-conditions for becoming a full WTO member (possibly before the end of 2013). It must be said, however, that it takes a considerable amount of time and persistence to reach such tangible results: Swiss support has been concentrating on trade issues in Serbia for close to 10 years now and where other donors have rather reduced their support to the area, Switzerland has raised its respective budget. In combination with a more flexible form of inclusive partnership (see Efficiency), this enables the establishment of a cooperation relationship which forms the basis for consistent joint work on a single or a few concrete topics.

Other very effective examples of practice-oriented support include the CUSTOMS 2013 programme, even though its official specific objectives are numerous, ambitious and might not always directly apply to candidate countries as a result of the fact that full participation in the EU customs systems is only possible upon accession. Its benefit for Serbia should therefore more be seen in terms of the contacts and cooperation established with peers in EU member states and other candidate countries, support in fulfilling the requirements of the Interim Agreement on Trade, and clarity on the next steps necessary in order to move closer to meeting the conditions for full participation in EU customs systems as well as in the issues to prepare for in the framework of accession negotiations.

Very effective has also been the support provided to the RGA by Norwegian and French support in terms of providing concrete building blocks for the NSDI and the Multi Beneficiary IPA in terms of helping Serbia to implement the INSPIRE directive, creating the necessary legal framework (although this still has certain gaps, see Impact), capacity building in the responsible ministry, the relevant universities, and the RGA, as well as raising public awareness.

Among the most important results achieved throughout the sub-sector is increased awareness outside the responsible Ministry departments. Good examples are NGOs and regulatory institutions in the field of consumer protection, potential grantors of state aid, and municipalities as potential users of databases containing geospatial information as well as a limited number of key economic operators participating in the so-called Trade Contact Group discussing practical aspects of the latest developments in the customs area. The key challenge now is to enlarge this group of receivers of awareness raising activities to the “real” final beneficiaries of such policy areas such as consumers and, perhaps even more importantly so in the framework of this sector, entrepreneurs.

Ultimately, proof of success of interventions in this sub-sector is the degree to which these target groups know their rights, understand how the system works and what they can do themselves to protect their own interests. The more they will feel able to do that, the more there will be trust in the systems being developed. In this respect, a first important tangible result is the pilot complaint register for consumers, which is online albeit not yet in its final form. The system has the potential (and indeed, the goal) to reach consumers directly. However, so far it has only been presented to the NGOs in the field and the last step remains to be taken. A similar argument goes for the state aid field: an overview of state aid granted (Annual Report of State Aid granted) now exists and it is fulfilling an important role in facilitating the work of the State Aid Department and the Independent Commission as well as in the communication with state aid grantors. However, more transparency is needed in the direction of companies: the moment they will start to see such system as a source of credible information on who has been granted what and on which grounds, and believe it covers all relevant cases of state aid, the system will have reached its full potential.

3.3.2 Industrial policy and SMEs

In order to answer the evaluation question: “To what extent has financial assistance been effective in achieving the sector results?”⁷¹ we consider as “sector results” the actions envisaged under Measures 1.1 “Strengthening the development of small and medium-sized enterprises (SMEs)” and Measure 1.3 “Developing e-business and strengthening the utilisation of e-commerce” under Priority 1. “Increase competitiveness and export of enterprises” of Competitiveness sector as defined under NAD 2011-2013. In section 3.1 we have already found areas in which no or insufficient interventions were carried out; evidently effectiveness will be none to limited here. At ODA intervention level, even if *the projects analysed have been, in general terms, effective in themselves, the specific objectives at sector level have been reached only partially*. The still existing needs of SMEs (as recipient/target group) and of institutions involved (as presented in the previous section), identified through data collection process (both interviews and survey), are clear evidences that support this overall finding.

⁷¹ Effectiveness (as impact and sustainability) may be assessed more extensively for completed projects; for projects under implementation (i.e. BEP, CIP/EIP, OPTIMUS) the perspective of being effective have been considered. Analysis is challenged also by lack of result indicators at intervention level (as mentioned before, most followed-up indicators are output), partially set aside by qualitative analysis in the project documentation itself and data collection carried out.

Significant progress has been booked in the period covered by this evaluation in offering *advice to SMEs* in different areas, from improving management skills (e.g. USAID Competitiveness Project Management Professional (PMP) training program with 465 individuals completing the training and 41 becoming PMP certified during the life of the Project), business planning and sales and *marketing* lean manufacturing, human resources and financial management (e.g. to 50 companies to SECEP under the supply chain component), SME Diagnosis, marketing and new products development, quality management (e.g. under the NARD-JICA Mentoring project to around 130 companies per year in 2011, 2012 and 2013, among which also start-ups).

The continuity of these activities on a sustainable basis is ensured by training and certifying mentors (i.e. 71 until the end of 2013) and business services providers (i.e. 46 under ICIP), particularly among the staff of NARD and RDAs. Under ICIP standardized training support set of materials has been particularly appreciated by receivers – a next step would be the development of customized training for companies with specific needs. Additionally the BSPs data base created under ICIP, next to the body of advisors at the disposal of BAS, constitute a solid base for good quality services available to enterprise in Serbia (in Serbian). Monitoring and evaluation systems have been put in place to maintain the quality of the services offered by the certified BSSs and mentors. Notably the interventions in this area lead to an increase in understanding of the importance of non-financial support, e.g. among mentoring users, but among other business-owners as well (e.g. 78 per cent of client enterprises under BAS declared to have engaged a consultant again after benefiting under the project).

Support (including advice) to *clusters* has been continuously provided since 2007 until EU-financed project SECEP was concluded in March 2012⁷² but this was limited in the last one year. There are more than 40 clusters in Serbia at the moment of writing the report (officially registered or not) and the donors' interventions contributed substantially to this development; however, it seems that only some of them booked significant results (e.g. expanded in number of members as ICT Network from 15 in 2010 to 25 in 2012 during SECEP implementation). Further advice to clusters has been made available with national and GIZ support, and to a more limited extent under RSEDP II and under SENECO (CIP/EIP project).

⁷² While earlier initiatives concentrated on wide cluster formation and strengthening (with Norwegian support 10 cluster initiatives were started – 7 more than initially envisaged, out of which 6 become operative, as well as a network of clusters) or focused on automotive industry (i.e. UNIDO initiatives), SECEP concentrated on 6 (out of which 3 newly formed) clusters which were advised on the preparation of cluster development roadmaps and mentored on the implementation of their action plans.

Internationalisation of products of Serbian SMEs has considerably increased since 2007 as numerous initiatives⁷³ have been taken in this area⁷⁴ since then. EEN Serbia has played a major role in this sense through the business contacts data base set up (3000 entries among which at least 1000 active) and 8000 participants to different B2B events. The effectiveness of these activities is difficult to judge as tracking partnership agreements and especially transactions after B2B events is a challenge. However, if we take into account the number of partnership agreements signed (e.g. 6 under CoC coordination in two years), the effectiveness of B2B types of interventions is low. Still, as the results of the survey indicate (see box under) internationalisation activities (especially “meeting the buyer” activities) do have beneficial effects on their beneficiaries in terms of inspiring, learning and changing mentality. A series of factors do hamper effectiveness in this area: participation fees and related expenditures are often too high for Serbian enterprises, especially smaller ones; SMEs do not have the capacity to adequately prepare for B2B events (especially for meeting buyers) and institutions involved (SIEPA, CoC) do not have capacity to offer customised support. Events organised and/or participation to events ensured in the framework of some projects haven’t been, in some cases, relevant to the most stringent needs of the enterprises targeted.

Limited initiatives were carried out in the IP&SMEs subsector to facilitate enterprises understanding and application of *technical standards* including of the EU (with the exception of GIZ ACCES, 3rd priority focused on quality infrastructure). SMEs still need massive support in this area, especially in a context when the rules and regulations are changing often and unexpectedly.

As presented in the mapping chapter, the *access to credit* for SMEs has been significant since 2007⁷⁵; however, access to finance is still perceived both by SMEs and policy-makers as the number 1 need of SMEs (see also survey results below), with grants being the most popular financing source⁷⁶. This apparent gap might be due mostly to (1) the target group of these loans (i.e. mainly solid companies with solid credit history; start-ups seem to be in the worst position from this point, as well as companies at the border between white and grey economy) but also to (2) visibility of these possibilities. The situation is quite the opposite as regards equity financing – in the evaluated period this has been made available to a very limited extent (mainly Dutch PSOM and SEAF). It is important to note that equity financing results under PSOM and SEAF are comparable: out of 5-6 interventions one is very successful, one if a complete failure and the remaining 3-4 constitute medium cases of success. These results are important as a benchmark when designing future similar interventions. Equally important is the Dutch approach to effectiveness: the last payment (10%) is made 6-12 months after the project closure, when it is certain that the expected results are in place⁷⁷. Current developments will enhance access to finance for SMEs (Factoring law and Venture capital law).

Despite stringent need and limited progress already commented upon in the NIP 2009-2010 (page 186), effectiveness in the area of *development of entrepreneurial culture* remains limited⁷⁸. Despite

⁷³ SECEP - 4 Meet the Buyer events and facilitated 889 buyer-supply registered meetings under the supply chain development component; under UNIDO - Joint trade-fair appearance were organized, Norway cluster project - 28 international fairs and forums; USAID competitiveness several among which Automechanika fair in Frankfurt, Mobility and City Transport Exhibition, Building Materials Market Connection Activities including Mosbuild.

⁷⁴ In addition to activities carried out by SIEPA under its mandate.

⁷⁵ and considered at EU level by the SBA 2012 Factsheet for Serbia

⁷⁶ 85% of participants to survey consider this either very useful, or useful

⁷⁷ A similar approach is taken by Norway, which do require funds back if results not achieved.

⁷⁸ Despite this area being no. 1 action pillar under Entrepreneurship 2020 action Plan and although it seems that in 2012 a Council of Partnership for Entrepreneurial Learning was established (SBA 2012 factsheet). The chairmen of the Council were interviewed in the framework of this evaluation, in relationship with SEECCEL, but the Council was not mentioned.

some notable successes, e.g. entrepreneurial courses and related extracurricular activities taught in secondary schools as well as an exchange of experiences at regional level under SEELEC⁷⁹, *“entrepreneurship” is still not part of the curricula in schools, high schools and (systematically) at university level*⁸⁰. Reportedly, there is still a “stigma” associated with the status of “entrepreneur” in Serbia and the need of a nation-wide, sustained campaign, based on good and clean examples of entrepreneurs is stringent⁸¹.

Not enough progress has been booked in setting up *one-stop-shops*; currently the project “Improving Environment for Businesses at local level through Regulatory reform” continues USAID Competitiveness and IFC initiatives in the field and aim to have all licenses taken at municipality level. However, in addition the capacity and attitudes of municipalities⁸² and public utilities themselves, the lack of adequate spatial planning hampers this process. There have been important developments lately in this field (see Internal Market sub-sector) but these have yet to become visible on the ground.

SMEs haven’t been assisted in a structured manner *to introduce energy-saving technologies and renewable energy sources*, and a strategy in this field is lacking⁸³. Disparate initiatives in this area were taken: BAS had a regional Initiative to develop an Industrial Energy Efficiency Manual for SMEs (followed by an awareness raising event), UNIDO established a partnership with the National Cleaner Production Center in Serbia for the purpose of assisting local component manufacturers to implement environmental management programs in their firms and fulfill buyer requirements in this domain, and under the USAID Competitiveness a Green Building Strategy in Serbia was set up to leverage ongoing activities in the areas of renewable energy, building materials, construction services and sustainable wood processing. The eco-innovation measure under CIP/EIP, open directly to SMEs, has not been particularly successful in Serbia, mainly due to capacity of the target group to present and develop ideas competitive at EU level. Decrees concerning renewable energy sources are late more than 300 days, causing investments worth EUR 700 million, in wind energy only, to not be able to come through⁸⁴.

A system for the *monitoring and evaluation of policy implementation and new policy actions*, to accelerate efforts on upgrading SME policy in line with Small Business Act and the current situation in the SME sector in Serbia is in place, through the NARD’s annual report on SMEs. Further efforts need to be made in order to improve the monitor and evaluate the attributability of effects to different interventions and learning from past experiences. The new Strategy for SMEs and related Action plan currently under development with donors support (USAID under BEP and others) is likely to contribute to improvements in this area.

In the field of *developing e-business and strengthening the utilisation of e-commerce* good progress has been booked⁸⁵. Major pieces of legislation were passed in 2009 with USAID support (i.e. the Law on E-Commerce, Law on Electronic Document), the portal for Government E-Procurement was upgraded and further actions were taken with WB support since 2011. As the SBA 2012 factsheet

⁷⁹ And apparent success of “Junior Achievement”, widely implemented (in 100 schools) in Serbia.

⁸⁰ Although these were developed years ago with Norwegian support, under the project “Business Schools”.

⁸¹ The latter is confirmed also by the 2012 SBA Factsheet: page 3: Share of adults who think that successful entrepreneurs receive a high status in the society (as %) in 2009 was 56 in Serbia (EU average: 69).

⁸² In principle an exception would constitute the Business Friendly Municipalities as certified by NALED.

⁸³ From here also the low position of Serbia as regards “environment” in the SBA 2012 Factsheet.

⁸⁴ NALED: REGULATORY REFORM STATUS IN THE III QUARTER OF 2012

⁸⁵ Evidences identified during the evaluation might be incomplete, as this area was covered to a very limited extent by the sub-sample

mentions, a new Law on Registration enabled all documents related to business registration to be submitted electronically, thus reducing registration time and getting closer to the SBA Action Plan recommendation. Further electronic innovations concern the electronic submission of VAT forms, which came into force in June 2011. However, e-governance systems at municipality level (e.g. permits asked for on-line) or for SMEs as tax payers are not in place yet.

Efforts to *improve the business environment* continued between 2007 up to this date with and their effectiveness is satisfactory. Although the EU does contribute to this area (e.g. Venture Capital Law), the main donors acting in this field in the IP&SMEs sub-sector are USAID, World Bank and to a more limited extent GIZ. The Regulatory Guillotine, initiated under USAID Competitiveness and continued under the coordination and monitoring of NALED and GOoRRaRIA has enjoyed a good success rate: up to the 3rd quarter of 2012 rate tape was cut 25% and 70% of recommendations for simplifying regulations were (the exceptions were simplifying and reducing the costs of obtaining building permits, reform of inspections and reform of labour legislation)⁸⁶. Key pieces of legislation for the competitiveness sector drafted under both WB and USAID projects (e.g. among many others the Factoring Law) were adopted by the Serbian Parliament, although the fieldwork revealed that some pieces of legislations (e.g. Construction Law, Energy Law) await modifications proposed by business community. Initiatives currently under implementation aiming to improve environment businesses at local level through regulatory reform have high potential of becoming effective and, thus, push RR further than central level.

Important business *associations* were created and supported to actively pursue their roles to promote measures for improving business environment. Other forums were also set up, more or less sustainable (see further) such as Serbian Enterprises Parliament⁸⁷, Business Council, Competitiveness Council, SMEs Council; however, it is widely acknowledged that the degree of representation of SMEs in Serbia is low, and these do not speak with one voice in this country.

⁸⁶ NALED: REGULATORY REFORM STATUS IN THE III QUARTER OF 2012

⁸⁷ Quasi non-existing on the www (in English) and apparently with no activity since 2011 (search in Serbian).).

Summary of survey results - effectiveness

For enterprises answering to the survey the most beneficial activities were (in this order): new, innovative product developed (36.08%); investment in new equipment, including software (32.91%); investment in new technologies (25.32%); applying European standards, including in management (24.68%); meeting buyer (23.42%), learn about investment possibilities (18.99%); learn how to set up a business plan (including marketing measures) (17.72%). The least (but still) beneficial were, in this order: meeting the investor (10%), learn how to market company and products (13%), set up corporate structure (14.56%).

The main obstacles to growth experienced by respondents are, in this order: Lack of investment capital (38,32%); lack of contacts with other enterprises/potential buyers (14.37%), taxation and para-fiscal obligations (13.17%); lack of contacts with other enterprises/potential investors (9.58%); lack of information on sources of finance/other types of assistance (7.19%). *Over-regulation (2,99%), difficulty to obtain permits (including building permit), work with public administration (4.79%) and high administrative costs (5,99%) do not seem to be serious issues*, perspective in contradiction with the results of other instruments of data collection (i.e. individual and group interviews) applied in the framework of the evaluation.

3.3.3 Research, technological development and innovation

Overall, most of the interventions in the area of RDI sub-sector have been successful in achieving the planned results. In spite of somewhat ambitious or not sufficiently quantified targets in some of the interventions, the *effectiveness to date can be considered generally good*. The survey results (see Annex 5) show that the most beneficial activities for SME-s received under different projects/programmes has been innovation-related, e.g. innovative product developed, investment in new technologies.

Some examples underlining this assessment include the preparations of the concept of technology brokers programme to enhance the institutional capacity for innovation support; the preparations of the concept of the innovation voucher scheme to enhance instruments for financing of innovation; *delivering innovation* support to 355 SME-s (superseding the target of 300 SME-s) and preparations for the Roadmap for Reform for establishment of venture capital mechanisms in Serbia (notably the preparations of Venture Capital Law) in the framework of the Integrated Innovation Support Programme. Innovation Serbia Project, as well, *is implemented at a good pace of achievement*. Although the targets are not always sufficiently quantified at the results level, the Innovation Fund together with World Bank have succeeded in the establishment and implementation of three successful grant disbursement cycles (the 4th one has already started). In spite of some scepticism at the beginning of the project concerning the demand for grants by innovative SME-s, three calls for proposals have attracted already 329 SME-s out of which 43 were funded with a total amount of 4.8 mln euros.

Serbia has been an *excellent example* among Western Balkan countries to *absorb available FP7 funds*. The success rate in winning FP7 grants has been huge (16% as of July 2013, excluding Marie Curie activities). Next to paying an entry ticket for 7 years of FP7 duration of 32 million euros (of which half through IPA), the R&D entities as well as public sector and non-profit organisations and companies have received funds of up to about 65 million euros, doubling the contribution by the government. Even though this is realised taking into account the substantial rebate granted to EU candidate countries (65% on average for Serbia), as a comparison in the same group only Croatia (joined EU on July 1st 2013) and the former Yugoslav Republic of Macedonia are achieving similar levels in participating in FP7.

A *weaker example* in the RDI sub-sector is the R&D *Infrastructure Investment Initiative*. The design of this investment project does not specify objectives and expected results on the intervention level which makes assessment of the effectiveness of the project somewhat complicated. The programme consists of 29 sub-projects, 11 of which are in progress and 7 are in preparation. According to the latest project progress report (May, 2013) only five projects are in their final phase (Zvezdara Science and Technology Park, University of Novi Sad, Svilajnac Natural Centre, Science and Technology Park in Novi Sad, Science Centre Petnica) – works have been substantially completed but not yet taken over by the beneficiary due to different reasons.

A remarkable example of a newly completed establishment that has been on hold for almost a year is the Zvezdara Science and Technology Park. In addition to *external factors hindering the effectiveness of such huge investments* (e.g. getting the Permit to Use) there seems to be lack of clear vision of how to put the establishment to good use, like appointing the responsible personnel and building the demand of companies through marketing. All of the above is causing unnecessary delays in creating potential benefits for the RDI sector with the investment. However, some positive examples of effectiveness in the intervention include the New capital equipment for research sub-project in the framework of which a software application system was developed which enables analytical review of the procured equipment for the scientific and research institutions, scientific technology parks and centres of excellence. The system is of high value to the scientific community and helps keep track of the existing scientific equipment in Serbia.

3.3.4 Regional Development

The needed effectiveness of the international support to the sector of “Competitiveness” in Serbia has been expected in the particular domain of local and regional development on three main levels:

- Creation of a sustainable regional development policy, strategy and plans (including regional NUTS 2 level plans) and of the corresponding funding and implementation mechanisms;
- Empowerment of the local (local self-governments) and (sub) regional (regional development agencies etc) territorial actors in order to plan and implement sustainable development;
- Their capacity building in order to stimulate economic development and reduce or lift barriers to businesses;

It is too early to reach a diagnosis concerning the central policy & strategy level, which is about to enter a key decision-making phase (albeit within a highly moving context of government reshuffle as of August 2013), with the presentation of the draft national regional development policy, strategy and plan. Nevertheless, the available information about the concept and contents of the corresponding draft proposals delivered by REGPOL allows to expect their approval which is *likely to result in a more sustainable concept and mechanism* set up to steer and boost Serbia’s regional development.

As for the *empowerment of local territorial actors* (local self-governments, inter-municipal cooperation, etc), and as underlined under “Efficiency”, significant efforts have been invested but their real *effectiveness still remains to be confirmed* within and against the expected new strategic and planning framework.

In the same manner, the effectiveness of the donor support to *local institutional capacity* in stimulating economic growth and facilitating its location on their respective territories also *needs more tangible proofs* through tests in a hopefully more conducive overall economic environment.

Finally, some of the overall assistance components would have significantly gained in effectiveness if:

- they had been better coordinated by seeking possible synergies not only in modalities, such as coupling non-financial with financial support, but also in combining and cross-fertilizing different concepts;
- they could have benefited from a more proactive and clearer policy context and government support.

An example is the overall effectiveness of the RSEDP2 grant scheme, which allowed to award over 30 relatively high amount grants, throughout the country and in support of competitiveness. Several of the awarded projects focused on promotion and reinforcement of a number of “clusters” (honey⁸⁸, cheese, raspberry, automotive, metal, wood, etc), and these projects would very probably have been more successful in building up their future sustainability if the two conditions cited above had been met.

3.4 Impact

The key findings presented in this sub-section address the degree to which the ODA interventions have managed to make a contribution to the wider objectives of the competitiveness sector as well as those related to reconstruction and reconciliation. It also deals with any potential unplanned (positive or negative) impacts. An analysis is made of the factors hampering these contributions. Moreover, this sub-section goes into the issue of visibility of support, and the delivery of key strategic messages to the main target groups.

⁸⁸ It can also be observed that the ongoing grant scheme in the frame of the SEDDSR has awarded three grants out of the total of 17 to different initiatives of honey clusters or producers.

3.4.1 Internal Market

The *evaluation of the impact* of ODA in the field of Internal Market has been *complicated* by the way in which *wider objectives have been formulated* for individual interventions. Among numerous examples, the 2008 IPA project on State Aid is one of the clearest. Its wider objective “to reduce disparities in regional growth rates in Serbia through more efficient allocation of resources and market competition, by improving the Serbian State aid system” does not provide a clear focus on what it is that needs to be achieved in the field in the medium- to long-term. First of all, it consists of various, rather vague elements or concepts which are not necessarily logically connected among each other. For instance, a more efficient allocation of resources is not generally known to lead to a reduction in regional growth rates. Quite on the contrary, the latter has required certain forms of state aid to overcome the negative consequences of (private) investment decisions to the benefit of more central regions. In fact, regional disparities in Serbia are amongst the largest in Europe and they have been increasing over the last few years. This however should not mean that ODA interventions in the field of state aid have been without impact, even if there are bottlenecks in this respect (see below).

In other cases (e.g. Consumer Protection), the wider objectives might have been formulated more realistically but there the problem lies in *omitting the wider perspective of competitiveness*, focusing purely on progress in the sub-area itself (as defined in terms of the Acquis). This makes it more difficult to view these interventions as part of a larger effort to bring Serbia closer to an efficient and transparent market with its players able to stand the competitive pressures of the EU internal market. This in turn complicates forging links and synergies between interventions in different sub-areas potentially contributing to the same wider objectives.

Given the difficulties in judging impact on the basis of wider objectives, it makes more sense to proceed from the *contributions made to the Acquis*. According to the 2012 Progress Report for Serbia, most Acquis chapters are moderately advanced or on track, with some gaps in legislation but bigger needs in terms of enforcement and administrative capacity, also more urgently consolidation of institutions in the areas. ODA, and in particular *IPA, has made important and in some cases crucial* (consumer protection) contributions. However, some other progress (e.g. company law) has been made without much assistance. Overall, it is fair to state that IPA has been a driver for alignment and institutional change, especially in the fields of market surveillance, consumer protection and state aid. It is often leading and even initiating the needed changes up to the point where the responsible officials have the feeling of the IPA project “being in front of us”. In addition to the Acquis, various interventions have made important contributions to the implementation of Interim Agreement on Trade.

While this in itself shows the strong impact of IPA on the extent to which Serbia is able to align itself with the Acquis in these areas, it also points in the direction that a number of *key decisions* as to the *institutional set up* of the particular policy fields are *not being taken sufficiently fast* by the GoS. This is related to the extent to which some of these areas (consumer protection, state aid) are conceived to be a priority at governmental level. First of all, this is apparent from the position of the respective departments within the ministries. The field of consumer protection has been moved between various ministries (first the responsible ministry for Trade, later Agriculture followed by – again - Foreign and Home Trade and Telecommunications), where it has had to compete for attention and resources with more mainstream topics such as agriculture and telecommunication. Possibly as a result, there is a lack of vision as to the further institutional development of the area.

A similar argument goes for state aid, where a much needed IT component was taken out from the IPA 2008 project, at the initiative of the GoS, and in a context where the responsible department was heavily understaffed and decisions as to the way the communication with state aid grantors was going to take shape. The same kind of lack of clarity can be observed in case of the NGA, where a badly needed IT system for maintaining the cadastre was omitted from applications to corresponding Norwegian support for reasons beyond the understanding of the beneficiary.

Also complicating further progress in this sub-sector is the *quality of legislation* and, more precisely, the existence of *incompatibilities between laws*. One example is the Law on State Aid, which is to some extent conflicting with the Media Law (which in fact provides the basis for state aid to certain organisations). Even more striking is the fact that rules on tax incentives, which are governed by the same ministry (MoFE), are not in conformity with the new rules on state aid. Such a problem is indicative of a situation where various individual policy areas are developed in isolation without consideration for possible any cross-impact that might occur or a higher level vision or set of wider objectives which might govern the contribution each area needs to make in order to make the Serbian market efficient, transparent and competitive.

Another issue to be resolved in order for impact to be stronger in the field of state aid (also in terms of the faith in the system on the part of entrepreneurs) is the independence of the State Aid Commission, where the biggest state aid grantors together decide on whether to allow notified state aid cases or not. Even if voting procedures would reduce possible conflicts of interest in a strict sense, the appearance this makes does not allow for wider impact on the market in terms of trust in the system.

On the other hand, despite the institutional bottlenecks to wider impact, IPA projects did have a certain impact on the future set-up of various areas. Within the Consumer Protection project for instance, it provided suggestions for alternative solutions in the framework of the Strategy on Consumer Protection, which the GoS has now adopted. Also, the 2008 State Aid IPA project produced a strategy for the field which may have been premature but which did provide the basis for different scenarios to be followed in terms of further institutional development of the area.

Along with this, an important contribution by the project to the institutional set up in this area is the clearly improved cooperation, or at least coordination and communication, between various relevant parties in the field. Among others by participating (more actively) in the National Council for Consumer Protection, various parties (Ministry, inspectorates, other relevant institutions such as the Serbian National Bank, NGOs) are now better informed about each other's (and their own) roles. This is certainly facilitated by the new Law on Consumer Protection which gives the NGOs more power in dealing with complaints (e.g. giving legal advice).

A similar argument holds for the NSDI council, which has enjoyed consistent support from bilateral interventions (e.g. Norway, France). It is hard to overestimate the importance of the contribution such projects have made on bringing together the relevant players in the respective fields, including the crucial involvement of potential users and beneficiaries, for example municipalities in case of geospatial data.

Next to cooperation, *greater awareness in various areas* is an important positive impact. For example, there is now a basic understanding of state aid principles at local level. Even though rules may not always be followed strictly, at least potential state aid grantors at municipal level now understand the implications of the decisions to grant or not and to notify or not. Without such basic level of understanding among the multitude of potential grantors, it would have been impossible to move ahead at state level with this topic. The same goes for consumer protection, where various events – such as Consumer Rights Day - in shopping centres have given consumers the possibility to consult directly with various institutions in the field, thereby both increasing their awareness as well as general visibility.

Mainly as a result of these awareness raising activities, *visibility among direct target groups* (NGOs, municipalities, consumers) *has been good*. For instance, the Consumer Protection project has been highlighted by the EUD as an example of good practice in terms of visibility partly due to its joint efforts to reach out to the target group (Consumer Rights Day) and partly as a result of targeted activities in the direction of journalists, which in turn was informed by the results of the survey measuring awareness among consumers carried out early on in the project. However, there is an issue with the wider visibility of ODA in this sub-sector among possibly the most important target group in terms of competitiveness: entrepreneurs. Research⁸⁹ has shown that Serbian entrepreneurs generally have little faith in the “fairness” of the market. This has been confirmed during the interview phase of this evaluation, even to the extent where the picture being drawn seems to be overly negative, possibly aggravated by the halo-effect⁹⁰ caused by an overall disenchantment with politics in general in Serbia⁹¹. On the basis of interviews carried out, it also appears that entrepreneurs are often little or not at all informed about efforts to improve the situation, let alone about contributions made by ODA in this respect. This is in part a result of the lack of targeted communication in the direction of entrepreneurs in the framework of these interventions, which leads to an attitude among entrepreneurs that “IPA is not for us”.

Critical to the creation of further impact in almost all internal market areas is now enforcement. For instance in the field of consumer protection, a lot has been done to create a latent demand among consumers, but the question now becomes: will they actually be able to do anything with their rights? A key issue in this respect, also with a view to the prohibitively high court costs related to any possible disputes with producers, is related to the efficiency and potency of complaint procedures, support to be provided by NGOs and the institutionalisation of alternative dispute resolution. A similar argument goes for state aid: now that a basic awareness among potential state aid grantors is looming, the question is now one of transparency and, ultimately, one of credibility: will entrepreneurs start to believe in the system and have more faith in the market. This is of critical importance to Serbia at the moment: the more entrepreneurs feel they are on a level playing field, the more they will believe in their long-term potential and the more they will be willing to invest in their business and thus into the competitiveness of Serbia as a whole.

⁸⁹ For instance: „The shadow economy in Serbia, new findings and recommendations for reform“, March 2013, Foundation for the Advancement of Economics.

⁹⁰ A halo-effect appears when a sentiment in relation to one aspect of a certain concept or field (in this case trust in politics) spills over into other aspects and blurs the capacity to distinguish between these aspects.

⁹¹ A 2013 Transparency International report (<http://www.transparency.org/gcb2013/country/?country=serbia>) finds that no less than 80% of respondents in Serbia felt that political parties were corrupt/extremely corrupt. Numbers for public officials and civil servants (78%) and the judiciary (82%) were similarly bleak. These numbers were all significantly more negative than for surrounding countries such as Romania, Hungary and Croatia.

3.4.2 Industrial policy and SMEs

For this sub-sector the impact of interventions may be defined as “more competitive SMEs, both nationally and internationally”, performance which may be reflected through a number of indicators such as increase in number of employees and increase in exports, SMEs contribution to GDP and employment⁹². NAD 2011-2013 was built on the assumption that economy would return to growth in 2010 and to trend rates in 2012; during the period covered by NAD 8 000 to 10 000 new SMEs per year would be set up and the number of employees in the SME sector would increase by 20 000 to 25 000 per year. The continuous economic crisis distorts the image of the impact the interventions have in the IP&SMEs sub-sector. In the box below we present a snapshot of the state of affairs in the SMEs sub-sector, which provides the context for assessing impact.

Snapshot of the state of affairs in the SMEs sector in 2011

- Export of SMEs increased slightly (1-1,5%) in 2011 in comparison with 2010 (while export of large enterprises decreased 2%);
- In 2010 and 2011, 9,470 and 8,471 respectively new SMEs were established, however, the number of closed SMEs skyrocketed in 2011 (13,593) and survival rate of SMEs decreased 10% in the same years⁹³;
- Micro and small enterprises experienced growth in employment in 2011 (not the case with sole traders and medium enterprises) but the overall trend is negative;
- In 2011 SME's turnover was higher in real terms (+0.2%);
- Serbia ranks very low on institutions (130 out of 144, downgraded from 130), business sophistication (132 out of 144, downgraded from 130) under the Competitiveness Index 2012-2013, with inefficient government bureaucracy, corruption and access to financing being the most problematic areas in doing business (Competitiveness index 2012-2013);
- Values of “second chance” and “skills and innovation” indicators very low in comparison with EU average (SBA factsheet 2012).

Businesses are somewhat less optimistic in 2012 than they were in 2011. Businesses feel that the burden of laws and regulations is slightly lower in 2012. Access to finance – particularly for small and medium enterprises (SMEs) – remains an issue in Serbia, especially compared to Serbia's regional peers and middle income countries' averages. Only 37 % of respondents say that they borrowed money from formal sources (banks and family). All other formal sources of financing are virtually negligible in relation to these two dominant ones, and have declined compared to results from 2011 (USAID BEP 2012 Business Survey).

In the framework of the survey carried out under this evaluation exercise, only 26% of the respondents to the survey have experienced an increase in turnover and number of employees (10-15% or more) as a result of the intervention they benefited of. Similarly, the export of 20% of respondents increased due to intervention. Also, the survey results hint in the direction that interventions in the sector have had practically no impact on import substitution: the enterprises participating in the survey perceive that this either increased, it remained stable or it was not influenced at all by assistance.

⁹² This section is based on quantitative data presented by NARD in the 2011 SMEs report.

⁹³ In this context the Bankruptcy law is essential. This law was drafted in the framework of the WB PFDPL and subsequently improved as mentioned by the National Bank; however, Serbia scores low for “second chance” in the SBA 2012 Factsheet, where effectively dealing with honest bankrupts is one of the key actions envisaged under the Entrepreneurship 2020 Action Plan.

Based on the above, we find that the interventions in the IP&SMEs sub-sector have had a certain impact on the beneficiaries. However, *the impact at sector/sub-sector level is low*. At intervention level *impact is quantified only in some cases* and mainly through evaluations, not through the monitoring system. Where quantified, the impact has also been assessed as medium-low⁹⁴.

A positive impact have had interventions under which *programmes* further implemented by the GoS (the Programme for Cluster Development support) were set up or under which national *strategies* are built, together with a monitoring and evaluation system. These exercises strengthen the capacity of beneficiaries in terms of policy-making and create preconditions for measures to be taken in the longer run. These positive impacts may be undermined if the government does not take ownership of the strategies and policies set up and if these are not pursued or implemented, which has happened in several cases in Serbia (e.g. Serbia 2020). The impact of legislation built up in the framework of enabling business environment is lowered by long periods of time needed to adopt secondary legislation (e.g. the responsible institutions are late on average 330 days for adopting 82 by-laws, necessary for the implementation of 19 laws relevant for businesses – NALED 2012 Regulatory Reform Status), by lack of dialogue with associations set up as policy-making partners (e.g. Association of Construction Engineers in Serbia and Construction Law, Serbian Wind Energy Association and Energy Law) and, overall, by *lack of stability and predictability* in this environment (including institutional stability).

Insufficient attention is given to the *profile of SMEs* and consequently, their *specific needs*, when designing interventions: the average microenterprise in Serbia has 1.16 employees and small enterprises 20. “Advancing” from micro- to small and from small to medium may be a quantum leap and cannot be orchestrated so easily. The enterprises at the borders between categories should be targeted and supported, including the companies with growing and exporting potential. At the same time, in order to determine growth, interventions need to take into account the needs of the SMEs depending on their development stage and industry. Sophisticated instruments (i.e. innovation vouchers) may become effective in themselves, but they reflect the needs of a (small) category of SMEs in Serbia. For the bulk of the SME sector, the major factor which hampered the impact of guaranteed credit lines was their *limited embedding into the policy-making of the country*. This is especially so in a situation where these interventions were not directed towards specific groups of SMEs with specific needs and where no adequate monitoring and evaluation, at country level, was put in place, which would have facilitated policy learning and improving.

As mentioned above, *scale* has been an element hampering impact: in the current setting, projects can only target a limited number of SMEs or clusters; at the same time interventions are *fragmented*, thus “integrated interventions” (e.g. export enhancement through value chain integration via TAs combined with grants *and* loans) are missing as operational coordination among donors is also limited. Short-run projects (e.g. 1-2 years) might not be very successful in adopting such an integrated approach.

⁹⁴ A first example would be USAID Competitiveness, presented in the box above (see relevance section). Under BAS 54 % of client enterprises, reported an increase in the number of employees; 68 % of client enterprises reported an increase in turnover; 61 % of client enterprises reported an increase in productivity, 34 % of client enterprises secured an external investment (with an average size of €700,000). Under Mentoring, turnover growth in 2011 was reported by 57,03% of mentoring users, 44% of users have recorded improved business results (growth of their profits) compared to 2010 and 31% of users have increased number of employees in 2011. Under SECEP on average the group of 18 respondents to a survey experienced a sales increase of 50% in 2011 relative to 2009, workforce growth of 14% and productivity improvement of 34% (measured in terms of sales per employee). In accordance with the final report of the same project only two of the 6 supported clusters registered an increase in export (ICT Network and Fashion & Apparel Cluster).

Targeting the loans towards financially solid enterprises (although a logical choice for a bank) might have created market distortion by pulling resources away from other companies in need of finance. In the Serbian context loans alone are not the only instruments which are conducive to performance – the type of intervention should take into account the potential and needs of the targeted company and grants or mezzanine financing might be the right approach. In order for better impact to be generated, the lack of knowledge on the benefits of these more sophisticated types of financial instruments needs to be tackled, first.

None of the interventions analysed *combined loans and grants*, however, the combination technical assistance and loans (under WB and to a more limited extent EIB) and technical assistance and grants (e.g. USAiD projects) proved to lead to higher impacts. This combination enhances the effects of interventions also when provided to companies separately - for example when RDAs support an enterprise with advisory services and directs it towards sources of finances. The fieldwork revealed that the EBRD might have a good approach in combining loans with grants.

The overall perception is that not sufficient attention is given to *visibility of ODA* in this sub-sector in Serbia. The EU-financed projects in the IP&SMEs sub-sample also represent some extreme poles. While under some projects wide, especially active information and communication activities were carried out, in the framework of a communication strategy and with the support of communication experts, minimum, passive communication activities (e.g. web page) were conducted by other projects. In the former case (i.e. ICIP) the expected impact was reached, more precisely, “stronger awareness of and access to EU innovation funds”; the high number and quality of applications to the Serbia Innovation Fund exceeded expectations and this might be due to ICIP activities, too. EU representatives of projects (e.g. EUD staff, contractors) seem to be significantly less present in activities in this sub-sector conducted by beneficiaries (in comparison with other donors) and this undermines the visibility of EU in itself but also the trust of beneficiaries on the (non-financial) support of this institution. However, EEN brings a significant contribution to conveying key strategic messages on the rationale of the EU interventions through targeted I&P events organised under SIEPA coordination among the network’s numerous members.

Judging by the current state of affairs in Serbia, as analysed by the Competitiveness Index, SBA 2012 Factsheet and the USAID BEP 2012 Competitiveness Survey presented in the box above, the impact of the activities conducted to *improve business environment* is low. However, the added value of the USAID and WB approach is its holistic nature, i.e. they attempt to solve a particular issue by tackling all its causes, regardless of their nature/source.

3.4.3 Research, technological development and innovation

The potential impact of ODA interventions to the wider objective of NAD 2011-2013 “Bringing together the academic community and the business sector for greater number of innovative products” can be seen as two-fold: The *short-term impact is higher in the IPA* interventions that focus on new financing mechanisms for innovation in SME-s, but in the *long-run the potential impact of the R&D Infrastructure Investment Initiative is huge*.

The Innovation Serbia Project entails the first grant scheme in Serbia for SME-s that can really make a difference in innovation as seen by the grant holders interviewed – both because of tough selection criteria and the exclusiveness of the few grant-holders that makes it possible to provide a considerable amount of money for developing innovative products and processes, *paving the way for high-quality innovative SME pipeline for FP7 participation*. Also, the potential impact of the achievements in the legislative framework in combination with raised awareness of equity-financing, technology brokers programme and the preparation of companies for venture capital investments is huge to Serbia's economy, raising in itself the private investments in science through technology transfer. Good visibility of the interventions is built up; making use of the results of previous interventions, the exceeded expectations of SME demand for innovation support in both the Integrated Innovation Support Programme and the Innovation Serbia Project might be due to previous projects in the same field (e.g. ICIP in the Industry/SME-s sub-sector).

However, there are weaker examples of impact in the sub-sector as well. While the shortage of national budgetary resources is making the government reluctant to spend money on R&D, *some support schemes* prepared under the Integrated Innovation Support Programme (e.g. the innovation voucher scheme) are *left on hold*.

The socio-economic returns of the investments in basic research are difficult to measure because of the longitude of the process from results to real economy. An effective integration of science with technology and economic policies is an underlining assumption for the impact to take effect. Excellence in science and the capacity to participate in the Community programmes are a key component in this respect. Serbia may be associated with the Horizon 2020 programme and the relevant coordinating EC officials see good potential in Serbia's researchers on the basis of participation in FP7 up until now. Very good impact has been achieved so far through FP7 capacity-building projects (e.g. providing challenges to excellent researchers tied them well to Serbia, in e.g. RECPOT III project) for the research community. As a consequence, Serbia has been put on the European map of R&D.

However, there exists a high risk of losing the potential if RDI is not given high priority on government level. Until spending on R&D as a % of GDP (0.77% in 2011) hasn't increased considerably and reached the national target of 1%, Serbia will probably not be able to start to acquire the research excellence that successful participation in Horizon 2020 requires. In 2007-2013 Serbia has participated in 170 projects under the FP7 theme "Cooperation" but of these projects only 10 have been coordinated by Serbia. This figure among other evidence shows that Serbia has still a *long way to go in order to be considered a serious player in the RDI on European level*. While Serbia has shown excellent results in absorbing the available FP7 funds and fairly good steps have been taken towards good impact for the research community, the SME participation in the FP7 programme still remains low⁹⁵. Furthermore, several stakeholders have noted that the quality of SME applications are of rather poor quality (concerning the know-how and quality of the ideas). In order to create real impact to the economy further effort is needed through government commitment and continuous support from the donors.

⁹⁵ As of 1st March 2010, FP7 signed contracts entailed 6-10 SME beneficiaries from Serbia, according to the EC

In the development of innovation, *weak cooperation at national level* has been noted by several stakeholders. While under the auspices of MESTD some important steps have been taken in the development of knowledge triangle (connecting education, research and innovation) in Serbia⁹⁶ (e.g. the establishment of National Platform for Knowledge Triangle), but no joint interventions have been taken up with the MoFE in the field of innovation, which, by definition, should be a united effort of the two Ministries, R&D institutions, the academic field and the industry.

3.4.4 Regional Development

On the central level of support to policy and strategy of regional development, the ultimate phase of REGPOL, planned to be completed before the end of this year, is expected to deliver the *draft regional development strategy* and national plan as well as the skeleton frameworks for the further completion and finalization of the NUTS 2 level regional plans. These results will have a considerable chance of being further developed into the needed impacts of structural nature, if the process will be immediately backed by a clear political will and strong determination to set up at last a sustainable frame for the country's regional development. From this viewpoint, this EU's support has been instrumental and can be expected to exert a real positive effect on the overall socio-economic and territorial cohesion of the country and thereby its competitiveness.

The ongoing thematic SEDDSR programme still offers the promise of a potentially innovative approach, with a fertile ground for *participatory development planning*, while belonging to a wider EU strategy framework. However, its weaknesses and shortcomings (underlined under Relevance and Efficiency) are feared to already weigh quite a bit on its expected potential impact. Moreover, its *visibility has been very poor* indeed and has so far failed to deliver any message of more strategic nature, since its only visible segment has been the ongoing grant scheme, which has also suffered from the absence of a well-visible strategy rationale and objective for the project as a whole.

On the level of the country-wide support (i.e. not limited to a specific part of the country) to sub-regional (equivalent to NUTS 3 level) and local development, the creation of the RDAs, initially multi-donor supported and more continuously backed by the EU, has led to the *tangible presence of a whole network of RDAs*, covering virtually the whole territory of the country. This result has already been translated into a lasting impact of structuring nature, creating *supra-municipal leverage* for development planning and implementation and filling to some extent the "void" between the local and the central levels of institutional action.

However, the future sustainability of (at least a large number of) the RDAs will depend to a great extent on the new regional development strategy and plan, and within this framework, to a more effective and more self-sustainable role that could be devolved to them. The current situation bears the *risk of weakening the RDAs* due to the progressive depletion of bottom-up financial and institutional support (concerned self-governments and other major local stakeholders, including the SME community), doubled by an insufficient support by the Government.

⁹⁶ In the framework of Tempus IV project the National Platform for Knowledge Triangle in Serbia was developed

This is illustrated in the recently published Regulation on a Programme of “Improvement of Institutional Infrastructure”, which defines the modalities of the Government support to the accredited RDAs (ARDAs) for their contributions for the preparation of regional (NUTS 2) and sub-regional/local development planning. Whereas this Regulation confirms – if need be, the relevance of their needed contributions, the financial aid (grants) it provides is far from being commensurate with the level of the effort demanded from these ARDAs.

Regulation on Establishment of the Programme for Improvement of Institutional Infrastructure – Standardized Set of Services for Accredited RDAs in 2013
<p>The Programme created by the Regulation will contain two types of services delivered by the accredited RDAs (ARDAs):</p> <ul style="list-style-type: none"> • Participation in preparation of proposals for regional development strategies at NUTS 2 level; • Provision of assistance for the preparation of proposals for local and district (sub-regional) development programmes. <p>The beneficiaries of these services are the local self-governments and the direct recipients of the State aid in the frame of the Programme are the ARDAs. The maximum grant support to an ARDA for its participation in the preparation of the proposed regional development strategies is fixed at 50,000 RSD (equivalent to around 440 Euros) per quarter in 2013, i.e. a maximum yearly grant of 20,000 RSD (equivalent to about 1,760 Euros), increased by the same amount if the ARDA's contribution is approved by the competent institution. The maximum grant support to an ARDA for its participation in the preparation of local & sub-regional development programmes is fixed at 20,000 RSD (equivalent to around 180 Euros), doubled equivalent to total grant of around 360 Euros) if the delivered contribution of the ARDA is approved by the beneficiary institution.</p>

Source: Text of the Regulation dated 31/07/13 (abstract translated by the team)

Finally as concerns the support to local (municipal and inter-municipal) development on sub-regional level, which is characterised by a significant number of different initiatives and support focuses, there is no possibility of appraising their respective results and impacts in a more tangible manner, due to their territorial dispersion and to a number of other internal or external factors, such as in particular:

- Generally taken, absence of any particular synergy within this overall and heterogeneous pattern of donor support: if this has been achieved in certain situations and by certain donors in combining non-financial and financial support or in co-funding a given project, such a synergy in concepts or approaches has not been achieved in order to pave the ground for a much more sustainable impact (e.g. combining the assistance to reinforce institutional support to economic development and the support to facilitate the regulatory environment and eliminate administrative constraints within the same territory, etc.).
- It has been next to impossible to appraise the weight and the solidity of the achieved results in a project due to the economic recession on the one hand and to the high rotation of the key local governments' staff on the other hand.

Bearing all this in mind, it can be considered that more sustainable impacts at project level are likely to be anticipated from the overall RSEDP approach, i.e. an integrated support on both central policy & strategy level and throughout the country in order to introduce and empower a (sub) regional presence of development actors, represented today by the RDAs.

3.5 Sustainability

This sub-section deals with the capacity of the ODA interventions to make a lasting contribution. It also analyses whether results achieved have been embedded in existing (legal or administrative) systems and whether their continued use has been safeguarded. The text below goes into the degree to which the means have been provided for the maintenance of investments (to be) made, outlining which are the factors contributing positively or negatively to this issue.

3.5.1 Internal Market

The most important issue for sustainability in this sub-sector is one of *general uncertainty in relation to the future institutional set-up*. This goes for the areas of consumer protection and state aid but just as well for land management. For consumer protection the key questions are whether this will remain a part of a ministry, at the moment the Ministry of External and Internal Trade and Telecommunications (MEITT), whether this should be at all a government task (in many EU countries it is not). There are various alternatives, such as the creation of a new, separate and independent public institution or agency, the transfer of related tasks to an existing public institution or to one or several of the strongest NGOs in the field. This in turn is related to (uncertainty in relation to) adjustments in several key laws such as the Law on Consumer Protection and the Law on Mediation. Further development of the field would very much benefit from advances in terms of alternative dispute resolution (ADR), which would reduce court costs for consumers (and producers) currently keeping gains made in terms of awareness on either side from having real impact in terms of behaviour. ADR would require a strong Centre for Mediation, which did in fact exist in Serbia, but saw its role considerably changed as a result of the latest legal developments.

A similar argument holds for *state aid*: as yet, it is not clear *for how long such a function will remain part of a ministry*. After all, one of its key roles is that of the secretariat for the Independent Commission for State Aid Control, which by definition should not be part of a ministry. A key question is also until when notifications will have to be sent to the MoFE, itself in fact being the biggest grantor of state aid in Serbia. In any case, it is very likely that further legal and institutional changes are upcoming, which cannot but affect the sustainability of results achieved so far and, in case they continue, those of future interventions. Another example comes from the field of geoinformation. At the moment, new activities and functions in relation to certain aspects of land management are being developed for which no legal framework exists. This means there is a risk that when such institutional and legislative decisions will be taken, they do not provide enough room for the actual continued use of results achieved now, possibly as a result of the decision that such a function should not be carried out in the public sector at all. On the basis of these examples, a general rule should be formulated: no investments until the institutional and legal set-up has been decided upon or even proven to be stable to some extent for a particular period of time. Possibly introduce “pilot phases” to let the institutions in the field function practice their new tasks in order to facilitate learning by doing. In any case, full-fledged investments should be planned only after the field and its institutions have been functioning in a more or less stable setting for some time. Another option would be to introduce ex post conditionalities on further support in terms of institutional stability.

Another, to some extent related, *key risk factor for sustainability are staffing levels* in the beneficiary departments in the *responsible Ministries*. Currently, capacity is kept at a more or less satisfactory level by recruiting experts in the context of e.g. Framework Contracts to carry out everyday tasks the department is not able to perform due to a lack of people. While the reasons behind this problem are largely related to the necessity for Ministries to cut their budgets, this situation is paradoxically to some extent due to the success of earlier institution building interventions. A good example is the IPA 2008 project on state aid, which has resulted in much more active work in tracing possible cases of un-notified aid. This in turn has increased the everyday workload of the responsible department and despite the fact that a number of new people were indeed recruited; there is still a gap with what would be needed to carry out all the department's tasks in full. This is especially salient in cases where further ODA interventions aim to take the policy field further, which requires a certain absorption capacity on the part of the beneficiary department, thereby still further increasing the already existing staffing problem.

In terms of another classical risk in terms of the sustainability of institution building interventions, trained *officials leaving the beneficiary department*, the *situation* in the Internal Market sub-sector in Serbia is *mixed*. On the one hand, there are various cases where staff turnover is relatively low and here the related risk of low training sustainability is small. This mostly goes for executive agencies in the field, such as the RGA and the SCA, but also applies to the State Aid department in the – at the time – MoFE, despite the staff shortages mentioned above. On the other hand, there are institutions, such as the Consumer Protection Department in the MEITT, where budget cuts are likely to lead to a number of officials who have been trained being made redundant.

An excellent example of good practice in terms of sustainability can be found in a France sponsored IGIS project with the RGA. The elaborate IT systems provided to Serbia in the framework of the project in areas such as cartography, mapping and remote sensing, is subject to a so-called *3+2 formula*: three years of implementation (including training until full autonomy) are followed by a two year period during which the RGA still receives technical support, updates of satellite data, spare equipment, software upgrades and bug correction services for little or no extra money. This gives the beneficiary organisation some more time to adjust from building and installing a new system to its full and autonomous use and maintenance, during which its value can be proven to those making the necessary funding decisions needed for further sustainability.

In the field of customs, continued support is partly guaranteed in terms of the CUSTOMS 2020 programme which is being prepared. However, investments made in the framework of the SEED project are under some more risk when it ends in the summer of 2014. Even if assistance will be able to be obtained from IPA II, there will be a financing gap of approximately 1.5 years for which there is currently no clear plan how to keep the systems invested in under the SEED project running. In order to avoid such sustainability loss, around 225,000 € will have to be found in the case of Serbia.

A specific aspect of sustainability in relation to the interventions in the Competitiveness sector concerns the extent to which loans are being taken by the Serbian state in order to finance investments. The key issue in this respect is an analysis of the return on investment and the related payback period. In the Internal Market sub-sector, the share of loans in the total ODA package excluding MBP support is roughly 33% at more than 11 M€ (all of which connected to the French assistance in the field of geodetics), which is almost 0.1% of Serbia's total outstanding public debt. Despite the positive (potential) impact on competitiveness in terms of business opportunities as well as a more transparent investment climate, it is *questionable whether such a relatively large investment loan* for the development of such a specific policy area *will be able to pay itself back* within a reasonable period.

This is all the more salient in the light of one of the prevailing principles guiding Serbian public debt in recent years (and not in the least in the framework of ODA in particular), namely that in addition to the level of debt, Serbia should pay closer attention to the *purpose of borrowing*. Since loans create an increasing burden on Serbia's future ability to invest in competitiveness, they should not only be assessed in terms of their own return on investment but also, and perhaps even more importantly so, in terms of their possible yields, relative to alternative ways of investing in competitiveness, now as well as in the future (for example: building Serbia's NSDI vs. supporting the development of seed capital funds). Despite the importance of meeting the conditions set out in the Acquis in the field of the Internal Market, of which land management and the INSPIRE directive are no doubt important parts, it would be proof of sound financial management of both ODA-related and Serbian national funds to finance Acquis-related projects, and in fact all interventions mainly aimed at institution building, from grants – or possibly better still, from direct guidance without actually transferring funds, such as the Swiss approach – but not from loans. The main reason for this is a too indirect and too long-term impact on Serbia's competitiveness in terms of it being able to generate export growth and move up in international value chains. This is not to say that link is not there: not investing will likely lead to further postponement of Serbia joining the EU beyond 2020, which is obviously not good for competitiveness. The difference however, is in the nature of the impact: instead of directly raising Serbia's position in open competition with other countries (among others EU Member States), it contributes to meeting the standards set by those very countries for being able to join that competitive arena in the first place. For that reason alone, ODA in the area of Internal Market should be predominantly non-refundable by principle.

3.5.2 Industrial policy and SMEs

Overall, there is awareness among policy/programmes and projects managers and implementers on the importance of sustainability. Most programmes and projects do envisage, from the outset, measures to ensure sustainability. In some cases these measures are also carried out under specific projects (i.e. SINTEF ENTRANSE Exit phase 2008) or through follow-up initiatives (e.g. BEP continues activities undertaken in the framework of USAID Competitiveness). However, less awareness on the matter exists among decision-makers and *results and impacts booked are sustainable to a limited extent* (see also summary of survey results under).

As mentioned before, administrative capacity did improve in the framework and due to the interventions analysed and several strong institutions exist in the IP&SMEs sub-sector in Serbia, especially at central level. Their development process is not finalised, yet, and further capacity building measures need to be taken in order for these institutions to reach maturity, embrace a modern public management and build and empower resources (especially when often new employees enter the institutions in the context of a high turnover of staff). However, this enhanced capacity is seriously undermined by political and institutional instability, as is the case for instance in the field of Internal Market. The most important factor in this context is represented by the delays in setting up a fully-fledged *system for SMEs support*, which adequately articulates all actors involved in this area (i.e. dedicated institutions and partners: Ministry, NARD, SIEPA, RDAs, municipalities, IMCs, CoC, Business Associations, Donors, NALED). Recent developments under BEP (i.e. development with donors' support of a new SMEs Strategy with the involvement of a SMEs Council) might contribute to this if cooperation and partnership mechanism in place are run effectively and if Serbian institutions are empowered in the process⁹⁷.

⁹⁷ Previous USAID efforts to set up a National Competitiveness Council failed.

Most business associations created under different interventions struggle with sustainability issues, as membership fees⁹⁸ and services fees do not cover expenditures incurred, let alone development. One notable exception is the Serbian Energy Association, supported by a small number of strong companies in the field. However, as the delayed adoption of relevant the legislation causes significant losses, the interest of investors might be lost, too, together with the association itself. The case of Serbia Film Commission is particularly relevant as regards factors hampering sustainability: the international competitiveness and performance of the film sector depends on a tax credit or basic cash refund (of 20-40%) which the government should grant to companies coming to film in Serbia as in other, competing, countries. This measure is currently not undertaken by GoS, this negatively affects Serbia's competitiveness and the development and performance of members of Film Commission and the commission itself. None of the business associations approached during field phase are adequately involved in the policy/legislation-making process.

A similar situation exists as regards *cluster support interventions*. Most clusters (e.g. supported under SECEP), even the successful ones, do not cover basic expenses out of membership fees and are dependent on grants (with the exception of Fashion & Apparel Cluster). AC SERBIA, substantially supported by Norway, UNIDO, GIZ and EU, has reached the limit of this development phase and a new twist, innovative, should be taken by the management to push the cluster in the right direction in terms of growth and export increase (e.g. further technological innovation and integration in the national and international value chain). Sustainability is endangered in this area also by the lack of a governmental strategic approach. The limited results and impacts of the *internationalisation* efforts undertaken in most projects in the subsample are seriously undermined by Serbia's insufficient legislative framework in this area (see SBA 2012 Factsheet, chapter X.)

Sustainability is ensured by interventions covering business advice (mainly BAS, ICIP, and Mentoring) through a focus on supply side, especially on Serbian experts (independent and part of the public system). However, although the NARD seems to have strong ownership over the results of these interventions, further efforts need to be taken to promote and sustain them (e.g. the certification system, including regular monitoring and evaluation of BSPs and mentors, the database of certified BSPs⁹⁹ and the tool "Innovate"¹⁰⁰). In this context it may be argued that projects whose concrete results were integrated into the national framework were more sustainable (i.e. the Cluster Support Programme developed under the CDSP 2007-Norway¹⁰¹).

⁹⁸ when paid as this hasn't always been the case in the context of the economic crisis

⁹⁹ Not active, yet <http://baza-konsultanata.preduzetnickiservis.rs/>

¹⁰⁰ Available as web-based app only <http://www.preduzetnickiservis.rs/sr/alati/>

¹⁰¹ This programme was closed in 2011; apparently a new governmental programme is currently under preparation (from discussions with MoEF).

The sustainability of *legislative acts/packages* developed under different interventions is seriously undermined by delayed adoption of secondary legislation (as monitored by NALED¹⁰²) and of proposed modifications which would make the laws functional (e.g. Construction Law, as proposed by Association of Engineers in Serbia). Carrying out RIAs is still a practice in its infancy (quasi not applied at local level and not including (in 2012, at least the SME test) and current efforts in this direction (i.e. setting up and strengthening the capacity of NO for RR and RIA as well as projects for improving RR at local level) need to be continued and intensified¹⁰³. The institutions relevant in the process of the “business environment” do not constitute a “*network*”, a unified forum (e.g. under NALED’s coordination) to function as a dialog partner in the policy-making process¹⁰⁴.

Sustainability in the case of *equity financing* may be interpreted as survival and performance of the successful investment, in its entirety, or after the exit phase of the foreign capital; in both cases covered by our evaluation the exit phase hasn’t been initiated, yet, due to poor market conditions.

Sustainability could not be extensively assessed by the participants to the survey, as for almost 40% of them the assistance was still on-going. In the case of 20% of beneficiaries of interventions in this sector the results booked were not sustainable, while this fades away each year for the remaining 40% – if for 23% of participating enterprises the results were sustainable in the first year, this was valid for only 6.45% of interventions in the third year.

Summarising, the key factors facilitating sustainability are: setting up from the outset a clear methodology for ensuring sustainability, with measures embedded in the project activities and/or in an ex-post monitoring and evaluation system as well as *stable institutions with the understanding, capacity and power* to enforce this methodology and system and an institutional champion gearing the process and ensuring its effectiveness.

3.5.3 Research, technological development and innovation

Overall, there is awareness among policy/programmes and projects managers and implementers on the importance of sustainability. Most programmes and projects do envisage, from the outset, measures to ensure sustainability. In some cases these measures are also carried out under specific projects (i.e. Integrated Innovation Support Programme). However, less awareness on the matter exists among decision-makers and *overall sustainability in the RDI sub-sector is achieved to a limited extent*.

¹⁰² See REGULATORY REFORM STATUS IN THE III QUARTER OF 2012 <http://www.naled-serbia.org/documents/download/Report%20for%20III%20quarter%202012%20-%20Regulatory%20reform%20status.pdf>

¹⁰³ The National Strategy for Regulatory Reform hasn’t been adopted, yet and GO opinions on legislations are not obligatory.

¹⁰⁴ SBA 2012 Factsheet mentioned a Business Council set up by GORRR, however, no information regarding this council was identified during evaluation.

Very good sustainability is proven in the *Innovation Serbia Project* already at this stage. This is shown by the government's intentions to inject further national resources into the Innovation Fund in order to continue the implementation of the mechanisms of the government's direct support to innovation in SME-s and in a longer perspective administer all grants to innovation in the country. The *ownership* of its responsibilities has been well embedded in the Innovation Fund. Good sustainability is achieved also by the Integrated Innovation Support Programme: it has the implementation logic to provide sustainability of the intervention from the start and the key beneficiaries are committed to providing SME-s with support to innovation through the key institutions existing on the national and local levels (e.g. RDA-s). Sustainability could be under question in case where a lack of analysis and insufficient communication beforehand has led to the mismatch of existing resources and what is required from the institutions expected to take up the responsibilities stemming from the intervention (e.g. RDA-s support for innovative SME-s).

It is currently too early to assess full sustainability prospects of the R&D Infrastructure Investment Initiative as the project hasn't progressed that far. In general, the factors contributing negatively to the sustainability of the investments are those of the extent to which the government is committed to providing budgetary allocations (e.g. for maintenance, for personnel) and the lack of a business plan which foresees the sources from where income is obtained and the necessary actions to produce it. For example, the Zvezdara Science and Technology Park is lacking leadership (MESTD has not appointed a manager for Zvezdara) and thus a clear vision of how the sustainability of this highly investment-heavy establishment should be achieved.

Potential sustainability of FP7 is good when the project teams continue on to participate in Horizon 2020 activities. Little evidence could be received through current evaluation based on the statistics of FP7, considering that specific statistics in this sector might not even be available (e.g. number of scientists who participated in FP7 who have left Serbia) but existing evidence on the interviews carried out prove that the good impact created with FP7 participation on the faculty and university level (e.g. Faculty of Natural and Mathematical Science, University of Belgrade) certainly helps increase the sustainability through the readiness (and eagerness even) of the scientists to participate in further projects of FP7 and Horizon.

3.5.4 Regional Development

The results that are currently being achieved on the *central policy and strategy level* are expected to be *more sustainable*, in terms of direct capacity building, and assuming that the proposed strategy and planning framework for the national regional development will be approved and accepted by all the key stakeholders.

In addition to the above mentioned, the overall achievements of the RSEDP2 would have been much more sustainable if it had achieved one of its goals of reinforcing the actual (or creating a new) association of RDAs, in order to empower them in their partnership relations with the NARD and encourage the cross-fertilization of their forces and best practices

The expected *sustainability is less certain* for the results achieved on *sub-regional level*, due, as underlined, to very weak or no synergy among the donors, such as would have allowed to reach a critical mass of impact, and, on the other hand, on the *very low institutional capacity* of the beneficiary local authorities in particular in the least developed southern parts of the country, exacerbated by frequent political changes, not the least the observed absence of a stronger concertation between the donor support on local level and the Government policy and action.

Nevertheless, the EU/Swiss funded EU Progres programme has had a more sustainable impact, thanks to its more integrated nature, involvement of all relevant stakeholders, including the civil society, and a continuous focus on the same territory over a longer period of time.

It can therefore only be hoped that the SEDDSR project will have the ambition to reach such a more sustainable impact if it will manage to reinforce significantly its actual effectiveness and to obtain a continuous multi-donor support over a sufficiently long period of time.

3.6 Answers to the Evaluation Questions

In this section, explicit answers to the evaluation questions (see Annex 2) are provided on the basis of the findings presented in the previous sections of this chapter, synthesised across the four sub-sectors. The answer to Evaluation Question 1 ("What is the full mapping of EU and other donors' support in the sector?") has been provided already in sub-section 3.1 of this chapter.

EQ2 - How effectively have priorities/needs of Serbia been translated into programming of assistance based on the priorities identified in the NPI and programming documents?

Except for a series of gaps, the priorities/needs of Serbia in the Competitiveness sector have been translated effectively into programming of assistance. Some minor gaps exist in this respect, as well as deficiencies in the design of the interventions. The main programming documents (NPI, NAD, MIPD) are clearly aligned with the country's priorities but need to be more specifically targeted. The objectives in the programming documents as well as individual interventions are often defined widely, while the NPI is lacking a logical framework of both long-term and medium-term objectives to be achieved. Overall, therefore, despite some gaps remaining, assistance is being programmed on the basis of real needs but objectives need to be more focused.

EQ3 - To what extent has financial assistance been effective in achieving the sector results?

Overall, most interventions in the sector have been successful in achieving their planned results. However, due to the fact that some specific objectives (and their corresponding indicators) have been formulated too ambitiously, they could not always be achieved. Also, even if the projects analysed have been, in general terms, effective in themselves, the specific objectives at sector level have been reached only partially. This is also due to the limited scale of the interventions (except for the loan schemes in the Industrial Policy and SMEs sub-sector). In the Regional Development sub-sector, significant efforts have been invested but their real effectiveness still remains to be confirmed within and against the expected new strategic and planning framework.

EQ4 and EQ6 - Were the immediate and intermediate results delivered by the evaluated assistance translated into the desired and expected impacts? Can impacts be sufficiently identified and quantified? What is the importance of ODA for the real economy including, SMEs and their competitiveness? What was the impact of this assistance? Were there any additional (negative or positive) impacts?

The evaluation of the impact of ODA in the Competitiveness sector has been complicated by the way in which wider objectives have been formulated for individual interventions, which often do not provide a clear focus on what it is that needs to be achieved in the field in the medium- to long-term. Nevertheless, many interventions have had a certain impact on the beneficiaries (e.g. SMEs), although the impact at sector level is generally quite low, except for the contributions made in terms of the Acquis, which have in some cases been of crucial importance.

At intervention level impact is quantified only in some cases and where quantified, the impact has also been assessed as medium-low, although the potential long-term impact of the investments in R&D infrastructure is high. The results in the Regional Development sub-sector will have a considerable chance of being further developed into the needed impacts of structural nature, if they will be

immediately backed by a clear political will and strong determination to set up at last a sustainable frame for the country's regional development. The socio-economic returns of the investments in basic research, regional development and internal market are difficult to measure because of the indirect and longitudinal character of the process from results to impact on the real economy. Also, the lack of suitable indicators and data collection methods is affecting the assessment of impact.

Despite the difficulties in quantifying impact, ODA in the period under evaluation has been extremely important for the real economy in Serbia, from two perspectives: on one side, the business environment interventions do contribute to improving the legal and strategic setting in which SMEs operate, as well as of the administrative capacity (at central but also at local level) of the relevant institutions. The most important element in the context of this question is (as the mapping has proved) the high amount of loans ODA has made available in the last 7 years to SMEs. The amounts lent in the period 2007-2011 are close to the EU/ERDF contribution to the OP Competitiveness in Romania, which is 2.5 billion € for the period 2007-2013, out of which 1.7 billion € for 2007-2011. The importance of ODA in RDI sub-sector for the real economy lies in paving the way for innovative and successful startups that create new jobs. Furthermore, fostering the way to excellence in science by enhancing investments in the RDI and building state of the art infrastructure and providing support and encouraging co-operation between research institutes and SME-s, helps create challenging research opportunities for young and promising scientists that would otherwise leave Serbia. The impact on the real economy is less visible for the Internal Market and Regional Development sub-sectors.

EQ5 and EQ7 - Were the achieved results sustainable, especially in terms of retaining improved administrative capacity and maintenance of provided investment? What is the sustainability of assistance provided to the legal, institutional and administrative framework in terms of the extent to which its results have been integrated into the national framework? Were the identified impacts sustainable?

Overall, there is awareness among the key stakeholders on the importance of sustainability. Most programmes and projects do envisage, from the outset, measures to ensure sustainability. In some cases these measures are also carried out under specific (additional) projects or "exit phases" of a number of years after the official end of a project, during which continued support is provided for sustainability purposes. However, less awareness on the matter exists among decision-makers and in some parts of the sector (e.g. the RDI sub-sector) overall sustainability is achieved to a limited extent.

In the field of Regional Development, the main obstacle in this regard is a very low institutional capacity of the beneficiary local authorities in particular in the least developed southern parts of the country, exacerbated by frequent political changes, on the one hand, and the observed absence of a stronger coordination between the donor support on local level and the Government policy and action, on the other hand. It is anticipated that the future sustainability of (at least a large number of) the RDAs will depend to a great extent on the new regional development strategy and plan, and within this framework, to a more effective and more self-sustainable role that could be devolved to them. The current situation bears the risk of weakening the RDAs due to the progressive depletion of bottom-up financial and institutional support (concerned self-governments and other major local stakeholders, including the SME community), doubled by an insufficient support by the Government.

EQ8 - Were there elements which could hamper the impact and/or sustainability of assistance? If yes, what measures could be undertaken to prevent negative effects of such elements?

One of the factors contributing negatively to the sustainability of the investments are the sometimes limited extent to which the government is committed to providing budgetary allocations (or in a position to do so) as well as a lack of a vision, strategy or business for the development and institutional set-up of a specific policy field or institution supported. One of the key factors facilitating sustainability is setting up from the outset a clear methodology for ensuring sustainability, with measures embedded in the project activities and/or in an ex-post monitoring and evaluation system, alongside sufficiently stable beneficiary institutions. In some areas (e.g. in the Internal Market sub-sector), another key risk

factor for sustainability relates to sometimes critically low staffing levels in the beneficiary departments in the responsible ministries.

The impact of interventions in the legal framework in certain areas (e.g. internal market, business environment) is lowered by the sometimes long periods of time needed to adopt secondary legislation, by lack of dialogue with associations set up to function as partners in policy-making and, overall, by a lack of stability and predictability in this environment.

Various measures could be undertaken in order to reduce the influence of these factors, including a decision that full-fledged investments should be planned only after the field and its institutions have been functioning in a more or less stable setting for some time. In addition, ex post conditionalities on further support in terms of institutional stability could be introduced. Furthermore, the good practice example of a “sustainability transition period” of 1-3 years after the end of a project, covering part of the operating costs of systems or tools created by ODA interventions, could be applied more widely. Another possible measure would be to embed ODA interventions fully into governmental strategies, both in terms of their objectives and results achieved. In terms of creating a more direct link to the real economy, further efforts should be made to create a real, functional forum for consultation and cooperation between public institutions in charge with policy-making and business associations and other relevant non-public institutions.

EQ9 - To what extent are the donors' chosen implementation modalities relevant? To what extent are the donors' chosen implementation modalities efficient? To what extent are the donors' chosen implementation modalities aligned with each other?

The mix of implementation modalities (technical assistance, grants, loans, etc) has generally been well chosen and suitable for the type of interventions, both in terms of fitting the results to be achieved and the process of delivering them. In various cases, beneficiaries appreciated the flexibility of TA contracts in terms of the wider possibilities to substitute less suitable experts. Also, TA has had the advantage of presenting a variety of models to follow instead of promoting the “export of one’s own model”, which might have happened in the case of twinning. In addition, the flexible, hands-on and coaching types of services, such as mentoring, support to association building and business development as well as targeted trainings and setting up training programmes, were appreciated in relation to the TA provided. Although access to finance is available to a large extent through loans, lack of availability of direct support (in the form of grants) to SMEs is perceived as a factor hampering the business development.

Although there are examples of good alignment of implementation modalities among donors (e.g. the EU with the Worldbank in the case of Innovation Serbia, and with Swiss bilateral aid in the case of Progress), as a result of which different systems are combined in order to enable a smooth implementation of interventions requiring implementation modalities that cannot easily be used by one donor only (e.g. providing grants or equity to SMEs using IPA funds). However, there is still quite some unused potential for further donor coordination and joint interventions based on joint policy objectives.

EQ10 - How well were the selected contracts linked to other related contracts?

Although there are various examples of coordinated action by various donors (see answer to EQ9), the challenge of pooling resources remains. Overall, interlinkages between interventions analysed exist, but these rather occur on an ad-hoc, immediate need-driven basis than as a clear strategic choice. Efforts were made to ensure that interventions do not overlap, but complement each other and projects are designed by building on results of previous interventions. Good practice examples include the GIZ-Swiss Project “Municipal Economic Development in Eastern Serbia” which builds on the previous GIZ “Municipal Economic Development in the Danube Region” which has developed a more integrated approach covering both the capacity building for local economic development and the enhancement of the accountability among the local authorities, the private sector and the civil society.

It offers a good example of partnership of two donors, GIZ providing the non-financial support and the SDC the grant scheme.

On the other hand, there are various examples of rather isolated forms of support. For instance, loan schemes, although answering to a need well identified and documented, do not have a strong policy-related intervention (lacking clear objectives and results to be achieved). They therefore do not lend themselves to coordination with much more policy-oriented interventions. As a result, support to entrepreneurship as a whole is fragmented with various contracts being uncoordinated among each other.

EQ11 - To what extent the support provided by the EC instruments coherent and complementary to the national budget and other donors?

Generally taken, the EC instruments have been fully coherent, and have remained complementary to both the national budget instruments and to those of other donors; more particularly, they have responded well to the needs and priorities of Serbia. For instance in the field of Regional Development, they have provided continuous and steady support to the emergence and reinforcement of (sub)regional development actors, with the strategic goal of “filling the vacuum” between the central and local government levels and of introducing a supra-municipal leverage for territorial development strategy planning and implementation and for more sustainable frameworks of inter-municipal cooperation.

In other cases (e.g. Internal Market), IPA has been a driver for alignment and institutional change, especially in the fields of market surveillance, consumer protection and state aid. It is often leading and even initiating the needed. In that sense, coherence with national policy would have been hard to achieve as the latter did simply not yet exist. In the field of RDI, EC contracts have allowed for preparing – to some extent – a pipeline for FP7.

Still, there is not sufficient coordination, coherence and potential for synergy put in place between EU's interventions and national programmes and other sources of financing for SMEs (i.e. loan schemes). Different interventions do come together at the level of institutions functioning as “spiders in the web” (i.e. NARD, SIEPA) and it is up to their capacity to truly capitalize and create synergies, further than the strategic and theoretic thinking existing at intervention level.

EQ12 and EQ13 - Have suitable and appropriate indicators been established, allowing for reasonable and efficient measuring of results, outcomes and, where applicable, impacts? Are these indicators SMART? Which better indicators can be proposed (including baselines and targets) at sector and policy objective level? Are the indicators in line with the overarching strategies and policy priorities?

Indicators in strategic documents, if presented at all, are little specific and not always very relevant for the objectives, aims, priorities or measures presented. The first sector-based NAD 2011-2013 did not (and was not supposed to) have any indicators, the indicators mentioned in the MIPD 2011-2013 are not very specific, neither are they very relevant. However, notable improvements in both intervention logic at strategic level as well as the corresponding indicator system are imminent, given the ongoing discussions on the successor of the current NAD. Other improvements include bilateral donors making their objectives more specific, e.g. the Swiss Cooperation Strategy 2014-2017 is likely to base its results framework on the intervention logic of the new needs document coordinated by SEIO. Some other progress in this respect has been registered at “programme” level when drafting the OP for Economic Development 2012-2013 (which hasn't been implemented as such). On that basis, it is likely that there will be further progress under the current SWAP for IPA II.

At project level, indicators have been mostly weak, especially in the earlier interventions (2007-2009) in the sector. Indicators such as “Further harmonisation of the legislation with EU Acquis” and “State Aid Department and Independent Commission are fully operational” are not specific or measurable

The observed indicators established by the donor community for their respective projects, when existing, are generally not SMART enough in order to allow for a clear benchmarking of results and impacts. This reflects the difficulty of designing relevant indicators that can be used for measuring the performance of the donor support beyond mere efficiency, due to the absence of a more conducive environment (national policy priorities and strategy in this domain, etc), allowing the application and sound feedback of such indicators.

Proposals for indicators at sector and policy objective level are presented in Chapter 5 of this report.

EQ14 - Has sustainable capacity been created in the beneficiary institutions to manage policy challenges and future assistance?

In some of the beneficiary organisations there is very good capacity by now. The implementation of various consecutive projects supported by various donors has led to sustainable teams of project managers in organisations such as the SCA, the RGA, NARD, SIEPA, and the Innovation Fund. However, the capacity in the coordinating ministries may sometimes not be enough (and sufficiently stable) to deal with both regular tasks and managing projects on new developments, e.g. in fields such as state aid, consumer policy, and cluster policy. Still, the capacity of the key ministries has also grown as a result of institution building activities but also through the participation in the management and implementation of donor interventions. Particularly empowering approaches were taken by Norway and JICA, which entrusted the management and implementation of their projects to the Serbian counterparts, mainly NARD, SEIO and MoEF. However, capacity is not even, between layers and among institutions at the same level (some RDAs have, apparently, more capacity than others).

However, the continuous absence of an appropriate institutional framework, for Competitiveness as a whole and SME policy in particular, on both central and local levels partly explains the difficulties for donor support in its efforts to create more significant sustainable capacity in the beneficiary institutions. This was further exacerbated by the weight of the economic crisis, low growth and poor structure of the SME sector, which together formed an environment hardly conducive for further capacity building of beneficiary institutions through the application of transferred know-how and skills.

EQ15 - Was the institutional framework adequate to deliver programmes in a sustainable manner?

In the context of the overall institutional framework, the picture is mixed. While the local and regional level (except for some RDAs) is relatively weak, some of the national-level institutions seem strong (see above). However many of them do not yet adequately perform in terms of sustainability of results. The reasons behind this range from political and institutional instability, to a high workload, insufficient capacity in both quantitative and qualitative terms, especially for new staff, but also to a lack of a comprehensive monitoring and evaluation framework for competitiveness policies. This affects the ability of these institutions to take sustainability issues into account during the planning and implementation of interventions. Several of the good-practice examples in terms of sustainability (see EQ 5 and 7 above) have to be attributed to donors rather than beneficiary institutions.

EQ16 - Has the EU assistance achieved maximum visibility? Did the implemented visibility activities succeed in conveying the key strategic messages justifying the delivered assistance?

The overall perception is that insufficient attention is given to the visibility of ODA in this sector in Serbia. However, the picture here is mixed as well. Wide, especially active information and communication activities were carried out in the framework of some projects, based on an explicit communication strategy and with the support of communication experts. On the other hand a minimum set of rather passive communication activities (e.g. a webpage) was carried out by other projects. In the former case (i.e. ICIP, Consumer Protection) the expected impact was achieved in terms of stronger awareness of and access to EU innovation funds. This is apparent for instance from the high

number and quality of applications to the Serbia Innovation Fund, which exceeded expectations and may be attributed in part to ICIP activities, too. EU representatives of projects (e.g. EUD staff, contractors) seem to be significantly less present, in comparison with other donors, in activities in certain parts of the sector (e.g. SME interventions), thus undermining the visibility of the EU in itself but also the trust of beneficiaries in the (non-financial) support of this institution. However, EEN brings a significant contribution to conveying key strategic messages on the rationale of the EU interventions through targeted events organised under SIEPA coordination among the network's numerous members.

For those interventions including specific awareness raising activities, visibility among direct target groups has been good. For instance, the Consumer Protection project has been highlighted by the EUD as an example of good practice in terms of visibility partly due to its joint efforts to reach out to the target group (Consumer Rights Day) and partly as a result of targeted activities in the direction of journalists, which in turn was informed by the results of the survey measuring awareness among consumers carried out early on in the project.

EQ17 - How do the costs (time, money) and sustainable outcomes and impact at contract or project level compare to each other?

Comparably assessing costs-effectiveness of different implementation modalities has proven challenging as comparable data was not available and no extensive analysis could be carried out in the timeframe at disposal. In general terms, however, many interventions in the sector have been cost-efficient, in the sense that outputs planned have been produced on time and at reasonable costs. Interventions or activities concentrated on legal environment relevant for SMEs (e.g. under BEP, WB PFDPL) struggle more in terms of timely production of outputs, as the political instability in the country has often delayed implementation. However, some of the same interventions have been efficient (and effective) due to a particular approach taken: key problem areas were tackled (e.g. Company Law, building permits legislation, Factoring Law, Bankruptcy Law etc.) and for this purpose targeted, hands-on and very efficient TA support was provided to the GoS.

The most cost-efficient type of support is provided by targeted, flexible and timely interventions, such as CUSTOMS 2013. Considering the limited contribution IPA has been making to this field (mainly by subsidising Serbia's entry ticket) and the relatively high share of co-financing (around 50% of annual contributions), coupled to the widespread use that is being made of the programme's possibilities by various departments of the SCA, there are hardly better ways to spend Community funds on preparing candidate countries for accession. Another case of good cost-effectiveness is the provision of existing IT-systems in use in another Member State in combination with trainings and workshops, as well as hands-on advice on the pilot phases of working with such systems (adjusted for the purposes of use in the Serbian context).

EQ18 - Which lessons can be learned from the implementation of assistance?

- In order for synergy to develop and wider impact to be achieved, a more strategic and systemic form of donor coordination is necessary in addition to operational co-operation (e.g. in the form of avoiding overlaps) as currently various donors are using different approaches and incidentally producing incompatible (institutional) results. The focus should be on finding the largest common denominator in terms of donor priorities, formulating joint wider objectives for the donors' respective interventions, which can then be fine-tuned further according to the (other) priorities of the respective donors.
- An unstable legislative, political and institutional setting may annul the positive effects on SMEs of ODA interventions. Consequently, efforts need to be focused on improving and stabilising the environment in which SMEs operate. Investments made in this direction have the potential to be far more cost-effective than e.g. the large amount of loans provided so far.

- Empowering national institutions by letting them take full responsibility for the implementing of ODA interventions does bear certain risks, but brings results in the medium to long run in terms of a more sustainable institutional capacity.
- A functioning steering committee is crucial for the supervision of planning and implementation of large infrastructure investment programmes. Each investment decision should be based on cost-benefit, cost-effectiveness and feasibility analyses, accompanied by discussions between the relevant stakeholders and a clear vision on the ownership and sustainability of the investment afterwards.
- Without including activities aimed at raising the awareness of a wider public of final beneficiaries (entrepreneurs, consumers), they often do not see the benefit of ODA interventions aiming at institution building on topics such as state aid, consumer protection, and competition or are not even aware of them. This could help to address the generally low "faith in the market" in Serbia at the moment.
- The impact of considerable and consistent support at local or regional level will be heavily reduced if implemented in the context of a weak policy framework, the lack of a guiding strategy for regional development at national level, poor financial sustainability and frequent changes in the power base.

EQ19 – Which have been the weaknesses and strengths of the assistance delivered?

Strengths:

- Clear focus on, relevance for, and impact in terms of Acquis in case of internal market sub-sector
- Most interventions were highly relevant for the needs of the SMEs
- Sustained investments and efforts to improve business environment
- Good potential for sustainability of some interventions (e.g. Mentors, BAS and ICIP – certification of trainers/mentors)
- The added value of the USAID and WB approach is its holistic nature, i.e. an attempt to solve a particular issue by tackling all its causes, regardless of their nature/source
- ODA in the RDI sub-sector is creating impact on the real economy in creating new jobs with providing grants to SME-s and established companies to create new and innovative products. An innovative implementation mechanism was found combining IPA funds with Worldbank support to make this possible.
- Fairly continuous presence in supporting subnational territorial actors, with a more sustainable achievement in initiating and supporting development of RDAs; ii) significant potential achievement in support on policy level for national strategy and plan formulation

Weaknesses:

- Limited coordination in designing interventions among donors leading to limited synergy
- Limited coordination between ODA and national interventions – thus coverage of sections of target groups (e.g. start-ups) being rather an one-off interventions and less of a strategic choice
- Limited coverage of needs in terms of scale and, in this context, limited prioritisation which led to scattering resources and effects
- Lack of a fully-fledged monitoring and evaluation system, which would oversee also sustainability issues
- Limited effectiveness, impact, and sustainability – due to previous point, limited "learning" took place thus policy was improved to a limited extent
- Weak cooperation at national level (ministries responsible for economy and education and science, R&D institutions) and with the academic field and industry, no joint interventions in the field of innovation.
- Weak government commitment to huge R&D investments (lack of ownership, lack of clear vision, business plan) as well as to new support mechanisms for innovative companies (some initiatives on fold due to budgetary issues).

EQ20 – How could financial assistance be better coordinated and aligned with ongoing reforms to improve effectiveness, impact and sustainability?

The key to better coordination with ongoing reforms is strengthening the strategic basis for ODA, embedding it into a national strategic framework in the field of competitiveness. In order for this to happen, coordination and cooperation needs to be improved among the ministries responsible for finance, the economy, trade, education and science, and regional development. Jointly, these ministries should expand the needs assessment for the ODA competitiveness sector to include the national reform agenda as well as other national strategic objectives in the field. The current donors' coordination mechanism should be embedded into a management and implementation system (MISC) of the SMEs Competitiveness policy in Serbia (see also the Recommendations table in Chapter 4).

EQ21 – Which are the 3 or 4 key success factors for effective and efficient implementation of assistance?

1. Analytical underpinning of interventions (action on the basis of studies, needs assessments and evaluations of previous support). This all should happen within the framework of a coherent policy framework for competitiveness, which covers both national and ODA interventions.
2. Partnership and permanent dialogue with target groups, involving (the representative organisations of) SMEs and municipalities in the design and delivery of interventions.
3. A functioning donor coordination at both strategic and operational level, leading to joint action in providing more added value (e.g. IPA and Worldbank in the RDI sub-sector)
4. A far more systematic approach to sustainability, with investments only to be made in case of proven stability of the institutional set-up and absorption capacity of the beneficiary organisation, with a gradual withdrawal of support instead of an abrupt end (i.e. introducing a "sustainability transition period")

EQ22 - Through which institutional mechanisms (TA, Twinning, supplies, etc.) could financial assistance be best channelled?

In the sub-sector of internal market, TA has the advantages of being flexible in terms of the wider possibilities to substitute less suitable experts and of presenting a variety of models to follow instead of promoting the "export of one's own model", which might have happened in the case of twinning. However, whenever a choice for a certain "model" has been made, specific experience with this model might be best mobilised by means of twinning with a country having applied that specific model for a longer time already. When financing the investment in equipment in the field of the internal market, loans are generally not the preferred option due as it is questionable whether relatively large investment loans for the development of specific policy areas will be able to pay itself back within a reasonable period.

When supporting the SME sector in terms of the access to finance, loans are preferable in the case of support to a wider target group of firms, while setting up venture capital funds and schemes works well in case of technology-driven, high-risk companies. For investments in RDI infrastructure, loan schemes with a long horizon are to be preferred, in combination with TA to implement complex investment programmes.

In the case of regional development, the effectiveness of any institutional mechanism will directly depend on the presence of a clear and solid national regional development strategy and plan; if these are put on track in line with the proposals prepared with the EC support it would be useful to progressively introduce and increase the twinning component, in particular on the level of the decentralized cooperation (peer to peer cooperation of subnational territorial actors). Another mechanism which seems to have already proven its effectiveness and which presupposes tight cooperation of different donors is allying non-financial support (capacity building) and well focus financial support (embedded grant schemes targeting key structural issues) within one sole project.

EQ23 – Which type of assistance and reforms achieved the most sustainable results under the provided assistance? What are the reasons behind that?

In addition to the factors mentioned under EQ 21, interventions whose results were taken over by the GoS and embedded into the national policy making framework (e.g. the Programme for Cluster Development Support - Norway) generally have the best chances for sustainability in terms of their results being used beyond the lifetime of the project which produced them. Furthermore, interventions designed and implemented in strong partnership with beneficiary and target group, closely supported by donors having a hands-on approach, which means working directly with the beneficiary instead of providing funds to contract external expertise as well as empowering the beneficiary as much as possible to take responsibility for the implementation of the intervention. Also, the most flexible interventions, i.e. those where the logic of intervention could be adjusted during project implementation, had better chances of producing sustainable results.

Other factors contributing to sustainable changes were: a result-orientation of interventions, in the framework of which effects and impacts were regularly assessed (BAS, USAID Competitiveness, and Mentoring).

In the sub-sector of local and regional development, the EU/Swiss funded EU Progres programme has had a sustainable impact, thanks to its more integrated nature, involvement of all relevant stakeholders, including the civil society, and a continuous focus on the same territory over a longer period of time. It can also be still expected that the SEDDSR project may reach such a more sustainable impact if it will manage to reinforce significantly its actual effectiveness and to obtain a continuous multi-donor support over a sufficiently long period of time.

EQ24 and 25 - What are the needs of the sector not covered so far by the assistance? What are the potential future needs that will have to be addressed by the NFP 2014-2020?

While the interventions implemented or under implementation reflect existing needs of SME sector in Serbia and the priorities of the Government in this field, some of the latter are addressed to a more limited extent under programmes or projects reviewed: the taxation system in Serbia and cooperation between SMEs and relevant public institutions, financing start-ups/new companies, targeting youth entrepreneurship (while women entrepreneurs are on the agenda of different donors), entrepreneurial culture, energy-saving technologies and renewable energy sources, legal framework for implementation of public-private partnerships (as envisaged by NIP). The Strategy for the Development of Business-related Infrastructure was not set up at the cut-off date of this evaluation.

In the field of the internal market, some gaps remain, which should be addressed in the framework of future ODA interventions. Among others, these relate to the informal (grey) economy, kick-starting the privatisation process and forceful market deregulation in order to give more room to competitive forces, possibly accompanied by programmes to compensate any temporal, negative social impacts. This will help to reduce state influence in the economy as well as the importance of the informal economy which is a major hindrance to fair competition and business development.

As for research, development and innovation, one of the most important issues in the coming period to facilitate by means of ODA is the creation of a strong project pipeline for Horizon 2020. This would include opportunities for talented Serbian researchers to establish important contacts with potential partner institutions (mostly in Western-Europe) with a much stronger track record. Also, providing funds for targeted training on how to be successful in international research competitions would be beneficial. In addition, it would be needed to continue the build-up of excellent research infrastructure, while targeting a few specialised research areas to concentrate on along the principles of smart specialisation.

EQ26 - How well aligned is the support for local and regional development with the national sector strategies? Are institutional competences clear? Are the delivery mechanisms sustainable? Are they aligned with EU best practices in terms of planning, programming and implementation? How much has EU support to Regional Development Agencies (RDAs) across Serbia contributed to the objective of reducing regional disparities and increasing regional competitiveness?

The international support to local and regional development with the national sector strategies has not had the possibility to be aligned to any well-defined and sustainable strategic framework, such as has not yet been established in the country and which is, more particularly, subject to the ongoing important contribution by the EC funded REGPOL to the ongoing preparation of the national regional development strategy and plan.

With this regard, one can also underline the fact that a fairly significant share of the international support to local economic development has been delivered on subnational level, without necessarily coordinating corresponding concepts and approaches with any particular governmental policy or strategy: to a certain extent, such support can be compared to the direct cooperation set up by most of the donors with certain municipalities already since the early 1990s, and, overall, with the civil society sector.

Finally, the EU support to regional development agencies (RDAs) across Serbia has indeed brought forward its share of contribution to the overarching objective of reducing regional disparities and increasing regional competitiveness and has thus proven the relevance of its approach.

EQ27a - How much has the support for state aid and competitiveness helped to align Serbia with the Acquis in these areas?

ODA, and in particular IPA, has made important (state aid) and in some cases crucial (consumer protection) contributions. However, some other progress (e.g. company law) has been made without much assistance. Overall, it is fair to state that IPA has been a driver for alignment and institutional change, especially in the fields of market surveillance, consumer protection and state aid. It is often leading and even initiating the needed changes up to the point where the responsible officials have the feeling of the IPA project “being in front of us”. In addition to the Acquis, various interventions have made important contributions to the implementation of Interim Agreement on Trade. While this in itself shows the strong impact of IPA on the extent to which Serbia is able to align itself with the Acquis in these areas, it also points in the direction that a number of key decisions as to the institutional set up of the particular policy fields are not being taken sufficiently fast by the GoS. This is related to the extent to which some of these areas (consumer protection, state aid) are conceived to be a priority at governmental level.

The SMEs sub-sample had a limited number of interventions directly targeting the acquis. However, all interventions targeting business environment have taken into account the European framework, as Serbia has been embarked on its path towards the EU. Particularly, GIZ under ACCESS promotes the EU standards among SMEs, but more needs to be done in this respect.

EQ27b-d How effective has EU support been to help create new SMEs and to assist existing SMEs to grow? How has EU support helped to improve the business environment in Serbia? What are the possibilities for blending grants and loans in the support for SMEs?

The EU projects in the SMEs sub-sample (ICIP, SECEP, SEECCEL and CIP/EIP) contribute to a more limited extent to this goal. No new SMEs were created under ICIP or SECEP, and, overall, the number of new companies and their survival rate decreased in Serbia after 2009-2010. However, SECEP had a strong impact in terms of assisting SMEs to grow particularly through clusters newly formed (Serbian Furniture Cluster, Nis Advanced Technology Cluster, Fashion & Apparel Cluster (developed immediately after formation), Knowledge Intensive Services for Agriculture) and already existing (ICT Network) but also under the Supply Chain Development component.

None of the EU projects in the SMEs sub-sample targets business environment. The LEDIB was in a good position to have contributed to this, but this intervention was not assessed as part of the sample for this evaluation. In any case, the EU projects contributed to the strengthening of the capacity of the institutions involved (MoE, NARD, SIEPA-to a more limited extent, RDAs).

None of the interventions analysed combined loans and grants, however, the combination technical assistance and loans (under WB and to a more limited extent EIB) and technical assistance and grants (e.g. USAID projects) proved to lead to higher impacts. This combination enhances the effects of interventions also when provided to companies separately - for example when RDAs support an enterprise with advisory services and directs it towards sources of finances. The fieldwork revealed that the EBRD has a good approach in combining loans with grants. At the same time, the Ministry of Economy prepared, with USAID support, a scheme directed at SMEs combining loans and grants. However, the time at disposal did not allow for an in-depth research of these two isolated cases.

EQ28 - What are the results achieved and impact in terms of the absorption of funds from the 7th Framework for Research (FP7) and the Competitiveness and Innovation framework programme (CIP) in Serbia in view of future programmes? What are the lessons learned in this respect?

Serbia has been an excellent example among Western Balkan countries to absorb available FP7 funds as the success rate in winning FP7 grants has been high. Impact for the academic community has been noted on faculty level. Especially the capacity building projects have had good impact in creating challenges in research for scientists that would otherwise leave Serbia. Serbia may be associated with Horizon 2020 where the participation of SMEs will be a success factor, but in Serbia the participation of SMEs in FP7 has been weak. Further awareness raising activities should be carried out and further support for SMEs in preparing applications in cooperation with research institutions should be fostered in order to enhance SME participation in Horizon 2020. Serbia hasn't yet acquired the scientific excellence needed to participate in research cooperation projects that will be the essence of Horizon 2020 and a substantial increase in RDI is a crucial precondition to the success of Serbia in Horizon 2020.

The return on Serbia's participation in CIP-EIP seems disappointing, despite the setting up of EEN Serbia. The value of projects implemented in this framework is lower than the country contribution

itself, while the expectations set were very high¹⁰⁵. Partly, this is due to late signing of the agreement between the GoS and the EC but the main issue is the low capacity of Serbian enterprises to compete at EU level in terms of application development but especially in terms of project ideas. This means that strong support has to be offered to applicants under CIP/EIP, but also for collecting the most appropriate ideas, which can compete at EU level.

¹⁰⁵ See NIP 2009-2011.

4. CONCLUSIONS AND RECOMMENDATIONS

The following comprehensive table presents the conclusions and recommendations made on the basis of the findings in Chapter 3. Although generated at sub-sectoral level, most conclusions (and corresponding recommendations) are valid at a cross-sectoral level. In all cases, sub-sectoral specificities have been clearly marked. No conclusions have been made for which no recommendation could be made (e.g. in case this would be clearly outside the scope of ODA). Vice versa, all recommendations are based on triangulated conclusions, have a corresponding timeframe and addressee, responsible in first instance for its follow-up.

Conclusion	Recommendation	Timing	Addressee
<p>Conclusion 1. Throughout the sector, donor coordination is not systemic and insufficiently strategically oriented. Despite good examples of shared objectives and operational co-operation, interventions in general lack synergy and in some cases focus on different priorities, using different approaches and incidentally producing incompatible (institutional) results.</p> <p>For instance, the priorities/needs of Serbia in the Industrial Policy/SMEs subsector have been translated effectively into programming of assistance and interventions implemented have been to a large extent relevant to these needs. This has happened, however, with a certain degree of fragmentation. Donors' coordination at strategic level (in the sense of consultations) is effective to a more limited extent; at the same time, at project level attention is paid to avoiding overlapping, but setting up and implementing projects together, in order to ensure synergy is rather the exception than the rule.</p> <p>Although local and regional development in Serbia have been subject to a significant donor support in the considered period and up to date, the effectiveness and</p>	<p>Recommendation 1. Agree among donors – in the framework of the Sectoral Working Group – to pay detailed attention to the upper levels of the intervention logic (i.e. the specific objectives, but especially the wider objectives), making sure that they always include or at least directly relate (contribute) to the sectoral objectives in the successor documents of the current NAD and check (e.g. on the basis of external research) to what extent there is a verifiable logical link between the specific objective and the wider objectives the intervention is supposed to be contributing to. Also, the specific objectives and results should all be realistically achievable by the intervention itself.</p> <p>Designing the policy <i>and the subsequent interventions</i> (programmes and projects) should be carried out in close cooperation between <i>all</i> donors, in such a way that the necessary preconditions for synergy creation are put in place; the design process should take into account national programmes in the field, too, as by coordinating donors' interventions among them and with the national programmes will ensure synergy, thus effects and impacts at sector level. These programmes should be made subject to standard ex ante assessments of new interventions for all donors in the sector, to be performed on the basis of a similar methodology (see also Recommendation 10).</p>	<p>To be initiated at the next SWG meeting, on the basis of the new needs assessment document</p>	<p>Donor community, SEIO to coordinate</p>

impact of this support have suffered from low or no synergy, most often reduced to mere complementarity by trying to avoid overlaps in covering certain target areas in the country.	Where appropriate, discuss and agree among donors on a certain degree of division of labour in terms of fields, topics or groups of stakeholders to support. This could help build a longer-term relationship between a particular donor and a particular field (such as Switzerland and the field of trade) with a more diversified and flexible portfolio of small and larger scale interventions, alongside the more formalised project-by-project and annually based interventions in the framework of IPA		
Conclusion 2. There are various examples of investments with low sustainability (or under such risk) due to unstable either institutional or legal frameworks.	Recommendation 2. As a general rule: no investments into e.g. equipment should be made until the institutional and legal set-up has been decided upon or even proven to be stable to some extent for a particular period of time. Possibly introduce “pilot phases” to let the institutions in the field practice their new tasks in order to facilitate learning by doing. In any case, full-fledged investments should be planned only after the field and its institutions have been functioning in a more or less stable setting for some time. Another option would be to introduce ex post conditionalities on further support in terms of institutional stability.	For all interventions funds have yet to be allocated to (as from IPA 2014 in the case of the EU)	SEIO, EUD, other donors
Conclusion 3. Beneficiary institutions (and especially departments in the coordinating beneficiary ministries) often lack the capacity to absorb the assistance being provided by ODA institution building interventions, both quantitatively and in certain cases also qualitatively (among others English language skills).	Recommendation 3. Perform a standard assessment of the absorption capacity of the main beneficiary institution (at least at department level), which analyses the number of people as well as the necessary level of initial knowledge (on the topic) and skills, including (English) language skills	For all interventions funds have yet to be allocated to (as from IPA 2014 in the case of the EU)	SEIO, EUD, other donors
Conclusion 4. Serbia’s participation in “peer-to-peer” programmes, such as CUSTOMS 2013, has been particularly effective as well as cost-efficient, when compared to more standard IPA-funded TA projects. Also, its prospects for impact are better.	Recommendation 4. In areas where direct cooperation with peers from other Member States or Candidate Countries, IPA should invest more in co-financing the cost of Serbia’s participation in existing programmes (such as SEED in the field of customs) or the cost of otherwise organised working visits, in addition to the more traditional forms of institution building with a fixed (either twinning or TA) partner organising workshops, study tours and training sessions.	As from IPA 2014	EUD

Conclusion 5. Entrepreneurs often do not see the benefit of ODA interventions aiming at institution building on topics such as state aid, consumer protection, competition, customs (often subject to support from IPA) or are not even aware of them. At the same time, their "faith in the market" is moderate to say the least.	Recommendation 5. When planning awareness raising activities within the framework of ODA, make sure to include where possible activities aimed at a wider public of final beneficiaries, for instance consumers alongside consumer rights NGOs and entrepreneurs alongside institutionalised partners. More efforts to show the relevance of internal market interventions to entrepreneurs, partly related to taking a more strategic perspective (add wider objective of „faith in the market“)	Where possible adding relevant activities to projects in the pipeline (e.g. IPA 2013), otherwise starting in the context of the new needs assessment document	Donor community (especially EUD), SEIO
Conclusion 6. One of the main needs in the sector which is as yet uncovered (or at least, insufficiently so) is the informal economy, with its share estimated at some 25%. This contributes to a lack of trust in the market among entrepreneurs.	Recommendation 6. Design targeted interventions in order to reduce the size of the informal economy: detailed analysis per sector, bring together all relevant parties, design, implement and evaluate pilot measures, prepare necessary changes in regulations, design and implement training programme and awareness campaign	Programming in the framework of the new needs assessment document	Donor community, SEIO
Conclusion 7. The key strategic documents in the sector do not include specific objectives in relation to approximation of Serbia to the Acquis, which has contributed to a somewhat isolated design and implementation of interventions in this area.	Recommendation 7. Formulate specific and measurable objectives covering all relevant elements of the Acquis, in terms of legislative approximation as well as enforcement and administrative capacity, both of the responsible public bodies and the wider field (such as the relevant NGOs).	Programming for IPA II	SEIO, EUD
Conclusion 8. Although still perceived as the primary need of SMEs in Serbia, considerable access to finance in the form of guaranteed credit lines existed in the period evaluated. The major issue in this respect is the insufficient embedding of funds available through this channel in the SMEs policy, thus also their limited synergy with other interventions. A second major issue is the fact that the SMEs not qualifying for guaranteed credits schemes (including micro-finance) have limited access to other sources of finance, existing in the form of grants schemes established under donor's projects and national programmes.	Recommendation 8. The credit lines made available to SMEs in Serbia (through the national bank or directly through commercial banks) should be better connected to the governmental policy in this area, both in the programming, but also in the implementation, monitoring and evaluation phases. For this purpose banks should constitute a constant partner in the policy-making process in the field, starting with the new Industrial Policy Strategy currently under preparation by MoE with USAID support. Mechanisms to ensure this partnership and the embedding of loans into policy-making should be developed: representatives, meetings, mandate. Partnering with banks will have a long-term benefit as they are prepared, in this manner, to support also the implementation under the EU Cohesion Policy, by providing loans for co-	Immediately Partnership mechanisms to be in place in short term, the latest in June 2014.	Government of Serbia/Ministry in charge with SMEs and competitiveness Management and implementation system (MISC) of the Competitiveness sector (see recommendation 10)

	financing. Regarding grants, please see Recommendation 12.		
<p>Conclusion 9. GoS has implemented numerous national programmes targeting SMEs, including advisory services, internationalization activities, direct grants and loans and entrepreneurship. As in the case of loans, the potential of synergy between these national programmes and donors' interventions is insufficiently tapped.</p> <p>Conclusion 10: Although systems for monitoring in different sub-sectors are in place (e.g. monitoring of SMEs under the coordination of the NARD, monitoring of RDI under MESTD coordination), improvements are needed for this to be effective.</p>	<p>Recommendation 9. The process of creating a fully-fledged, strong and coherent system for the management of SMEs/competitiveness sector (composed of ministry in charge with competitiveness, NARD, SIEPA, RDAs, municipalities) should be concluded in the shortest time possible. Ownership of the system should be clear and its policy-making capacity should be considerably strengthened - with all its phases: programming, implementation, monitoring and evaluation and RIA.</p> <p>Recommendation 10. The ownership of this national system on the sector should be ensured, as this will guarantee learning, effectiveness, impact and sustainability in long run. The current donors' coordination mechanism should be embedded into a management and implementation system (MISC) of the SMEs Competitiveness policy in Serbia. MISC should be managed by a Troika formed of the ministry in charge (to ensure ownership, empower and strengthen the national institutions), a coordinating donor (to ensure technical support to the ministry) and SEIO (to ensure the link with the EU integration process). Specific working groups may be created, as well.</p> <p>Recommendation 11. In the case of the RDI sub-sector, more account should be given to (innovation-related) national programmes when designing donor-supported grant schemes.</p> <p>Recommendation 12. The logic of the interventions should take more closely into account <i>specific features</i> of sub-categories of SMEs, as target groups: types (i.e. sole trader, micro, small, medium, at the high end of each category), development phase (i.e. start-up, development phase, consolidation phase, bankruptcy), sector, exporting/not exporting and should provide intervention instruments/modalities relevant to these specific</p>	<p>(R9) to be implemented in short-medium term (before the end of the year 2014)</p> <p>(R10)MISC to be created in short-term (the latest before March 2014)</p> <p>(R11-14) Recommendations to be implemented beginning with the moment when the evaluation report is finalised and approved, by all programming exercises undertaken by GoS and donors in this sector.</p> <p>(R15-16) Recommendations to be implemented immediately for the new NAD and IPA II documents.</p>	<p>Government of Serbia (ministries responsible for economy, education and science)Ministry in charge with competitiveness</p> <p>Governmental Office for RR and RIA</p> <p>Management and implementation system (MISC) of Competitiveness sector (see recommendation 10)</p> <p>SEIO, EUD, other donors</p> <p>Donors</p>

	<p>needs of these subgroups. One of the instruments most needed by the Serbian SMEs is represented by grants, almost not available in the period evaluated. Also tax incentives might be one measure which would boost performance in some sectors – valid for R&D&I and film sector.</p> <p>Recommendation 13. Where possible, <i>integrated projects</i> providing TA, grants and loans with a view to better insert the targeted SME into the value chain (internationally, if relevant) should be designed, through cooperation between EU, other “policy-making” donors and financing institutions (EBRD/EIB).</p> <p>Recommendation 14. The length of projects should allow for the analysis and closure (including evaluation) phases to be adequately carried out. At the same time, more flexibility in implementation of projects should be ensured, obviously without departing from goals and indicator’s targets initially set.</p> <p>Recommendation 15. The system in place for monitoring the state of affairs in the SMEs sector and in the RDI sector and the effects of the interventions implemented should be improved by: (1) ensuring that all interventions in the sector are covered (loans), (2) creating adequate interlinkages between policy, programme and project levels through an integrated set of indicators, dedicated human resources and data collection procedures and by (3) adding an evaluation system to the monitoring process. By adding these three elements the attributability issue may be tackled and the policy would be adequately improved through learning from past experiences.</p> <p>Recommendation 16. Technical assistance should be ensured for the programming of the future Sector Support Programme covering the competitiveness sector, programme which should undertake ex-ante evaluation, too.</p>		
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<p>Conclusion 11. Effectiveness of interventions evaluated in SME-s and RDI sub-sectors is medium to high; the sub-sector specific objectives have been reached partially. Low to medium impact has been booked in the following areas: business environment, clusters development, internationalisation, efficient tax administration, youth entrepreneurship, entrepreneurial culture, energy-saving technologies and renewable energy sources, public-private partnership, scientific capacities.</p>	<p>Recommendation 17. The difference between “needs” and “priorities” is that the latter represent those measures which should be implemented in the timeframe and with the budget at disposal so that maximum effects are achieved. Future policies/programmes should adequately identify the <i>priorities</i> in the sector and avoid a “shopping list” approach. This is particularly important in a context in which financial resources are scarce, situation with limited chances to change for the better in short- to medium term.</p> <p>Recommendation 18. Transparency should be improved in the prioritizing of huge R&D infrastructure investments. Cost-benefit analyses should be embedded in the decision-making process.</p> <p>Recommendation 19. “Entrepreneurship” as subject should be embedded in the curricula at primary, secondary and university levels, in specialized and non-specialized areas of study. The possibility of creating synergy with SSP Human Resources Development, where the latter finances the training of “entrepreneurial teachers” should be sought. At the same time, a nation-wide, long term campaign should be initiated, based on good examples, which would promote a positive image of “entrepreneurship”.</p>	<p>(R17 and 18) Short- term (2014)</p> <p>(R19) Short- medium term (2014-2016)</p>	<p>Government of Serbia/Ministry in charge with competitiveness</p> <p>SEIO</p> <p>Ministry of Education, Science and Technological Development</p> <p>Ministry of Labour (managing institution of SSP HRD)</p>
<p>Conclusion 12. With the exception of loans and business environment interventions the limited total scale of interventions is a key factor leading to low impact. In the case of loans and business environment interventions a series of factors significantly hampered maximum capitalisation: limited embedding in policy-making framework, instability and lack of predictability of the political and institutional setting, delays in adopting secondary legislation and/or modifications to laws, insufficiently applying the partnership principle into the policy-making cycle.</p>	<p>Recommendation 20. Progress in improving and stabilising the legislative environment and the institutional system responsible with SMEs support (at all levels and including tax administration) needs to be urgently booked.</p>	<p>Urgent Short-medium term (2014-2016)</p>	<p>Donor community and the Government of Serbia</p>

<p>Conclusion 13. Ensuring sustainability of results and impacts achieved has been affected by a series of factors, mainly: limited scope of sustainability mechanisms in place and institutions to gear these mechanisms and ensure sustainability.</p>	<p>Recommendation 21: Next interventions, including loans, should clearly define what sustainability means in each particular case (e.g. sustainability of internationalisation interventions is different than sustainability of legislation drafted), the measures to be taken to ensure this sustainability, a mechanism for enforcing these measures embedded into a monitoring and evaluation system managed by a responsible (national) institution. One good example of such a mechanism is the implementation of a "sustainability transition period" of one or two years after any institution building intervention including investments, during which the donor covers (part of) the costs for technical support, maintenance, updates of software, etc.</p>	<p>Implemented in short- term (the latest until mid-2014) and maintained permanently.</p>	<p>Ministry of Economy (in charge with competitiveness)</p> <p>Management and implementation system (MISC) of Competitiveness sector (see recommendation 10)</p>
<p>Conclusion 14. On the central policy level, this support (REGPOL) has eventually reached a decisive stage with the expected finalization of the draft national regional development strategy and plan. However, assuming that the proposed strategy and plan will be approved, their overall sustainability will depend, among others, on a further assistance to reinforcement of the existing territorial actors on sub-regional level, but also, where needed, development of new the regional ones (NUTS 2). This would therefore concern not only the RDAs and their mobilization for the preparation of the sector strategies but also the NUTS 2 actors, including the support to the Vojvodina agency for balanced regional development</p>	<p>Recommendation 22: Maintain the support on both the central policy level, and on the further empowerment of RDAs for their due role in sector development planning and implementation, and on development of NUTS 2 territorial actors. This is particularly important since the short term prospect stronger bottom-up support to the (NUTS 3) level territorial actors by local authorities is very uncertain to say the least.</p> <p>This may constitute a privileged ground for wider and better coordinated multi-donor cooperation</p>	<p>Short and medium term (2014-2020)</p>	<p>Donor community led by the EU, coordination by SEIO</p>
<p>Conclusion 15. Certain projects of (sub) regional support to local economic development such as "Municipal Economic Development in East Serbia" offer very good practice in terms of both the donor coordination and of the approach to the mobilization and coordination of the concerned territorial stakeholders, with, in particular, an important role devoted to the RDA (RARIS). This should be replicated and even reinforced by introducing the donor coordination not only in terms of</p>	<p>Recommendation 23: (i) Give priority to support concepts which have demonstrated best practice and which offer fertile ground for replication towards more/better integrated approaches (the highlighted project "Municipal Economic Development in East Serbia" is one example of an innovative approach which deserves replication and can inspire new initiatives of more integrated donor cooperation.), and (ii) aim widening the donor support to the SEDDSR while reinforcing its strategic orientation and visibility.</p>	<p>Immediate short term</p>	<p>EU and donor community, coordination by SEIO</p>

<p>modalities (e.g. technical assistance versus grant scheme) but also in combining and cross-fertilizing the support focuses, towards a more integrated assistance</p> <p>Conclusion 16. The SEDDSR still offers the potential of a very innovative structuring programme deployed over a large portion of the national territory and focused on a shared “Danube” identity of the targeted beneficiaries on local and sub-regional level. In order to safeguard this potential, the project as a whole needs to be strongly positioned on its consensually updated strategic foundation and orientations, and deserves a much more effective communication and outreach, in order to grow into a success story</p>			
<p>Conclusion 17. Absence of a more systematic coordination with the corresponding government policies (where effective) and support (policy and financial) has been a weak link and would definitely have to be significantly improved, hopefully in the frame of and enhanced by the expected new regional development strategy and plan.</p>	<p>Recommendation 24: Within the expected new overall policy approach and strategy for development, significantly reinforce the linkage between the government policies and support and the donor support deployed on the ground</p> <p>The necessity to tighten the linkages between the donor support and the governmental policy and institutional support instruments is expected to benefit from a better perspective within the new regional development strategy and plan activation, and to contribute thereby to a more balanced overall development approach and effort, combining national and donor resources</p>	Short and medium term	Donor community and the Government
<p>Conclusion 18. While Serbia has shown excellent results in absorbing the available FP7 funds and good impact for the research community (e.g. faculty level in university) has been achieved through individual projects, SME participation in the FP7 programme is still low. Furthermore, several stakeholders have noted that</p>	<p>Recommendation 25: The Serbian Government together with donor community should focus on identifying the reasons behind that and take action accordingly:</p> <p>a) Prepare pilot projects entailing groups of excellence in priority fields: 20-30 scientists and researchers covering smart specialization fields¹⁰⁶ working together</p>	Short and medium term (2014-2020)	SEIO, EUD, donor community, MESTD, MoFE

¹⁰⁶ Seven national priorities in the field of science and technology, as defined in the STDSRS: Biomedicine; new materials and nanosciences; environment protection and countering climate change; agriculture and food; energy and energy efficiency; information and communication technologies; improvement of decision making processes and affirmation of national identity

<p>the quality of SME applications is of rather poor quality (concerning the know-how and quality of the ideas).</p> <p>Conclusion 19: The “brain drain” of scientists and researchers has not been enough targeted. Building new housing, providing low-cost lodging is one measure that touches upon the subject, but real impact can be underlined with providing challenges in research for young scientists in Serbia.</p>	<p>with existing innovative high-quality SME-s on challenging technologies to foster co-operation in this field;</p> <p>b) Further enhance awareness activities on FP7</p>		
<p>Conclusion 19: In the development of innovation, weak cooperation at national level has been noted by several stakeholders. While under the auspices of MESTD some important steps have been taken in the development of knowledge triangle (connecting education, research and innovation) in Serbia (e.g. the establishment of National Platform for Knowledge Triangle), but no joint interventions have been taken up with the MoFE in the field of innovation, which, by definition, should be a united effort of the two Ministries, R&D institutions, the academic field and the industry.</p>	<p>Recommendation 26: The MESTD and MoFE should establish a joint committee for managing joint efforts in innovation and prepare a joint strategy on how to achieve sustainability in FP7 and how to perform better in Horizon 2020; In addition, a Project Preparation Facility should be set up that supports costs related to preparations for Horizon 2020 applications, i.e. Field research, administrative costs for hosting potential foreign partners, travel expenses for collaboration of Serbian institutes and companies with foreign partners;</p>	<p>Immediate short-term (2014)</p>	<p>EU, donor community and the Government</p>
<p>Conclusion 20: While ODA in the field of Intellectual Property is concentrating on institution building (EU), there is a gap in practical on-ground support to relevant service providers.</p>	<p>Recommendation 27: Serbian Government together with national institutions (the IPO) should prepare further interventions addressing the awareness of SME-s of IPR. Once the critical demand for service providers in the Intellectual Property field is reached, on-ground training and support on practical solutions should be provided for the patent lawyers, IP experts and other service providers in the field.</p>	<p>Short and medium term (2014-2020)</p>	<p>EU, IPO, MESTD</p>

5. PROPOSAL FOR POLICY OBJECTIVES FOR THE PERIOD 2014-2020

In the tables below, we present the policy objectives and corresponding indicators for the period 2014-2020 which would enable reflecting the evaluation findings presented in Chapter 3 strategically.

Proposed Policy Objectives	Proposed Related Indicators	Means or Source of Verification	Institution in Charge
GLOBAL OBJECTIVE(S)			
Increased competitiveness of SMEs in Serbia	<ul style="list-style-type: none"> Increased exports by SMEs Increased GVA of SMEs 	<ul style="list-style-type: none"> Serbian Business Registers Agency Survey 	<ul style="list-style-type: none"> SBRA at request of owner of monitoring and evaluation system Owner of monitoring and evaluation system
Regional disparities are being alleviated within a well-coordinated regional development strategy and plan	<ul style="list-style-type: none"> Statistical data show tangible reduction (trend); More balanced development trends are observed among NUTS 2 regions in the frame of the new strategy and plan; 	<ul style="list-style-type: none"> Statistical follow-up (yearbooks etc); Ad hoc statistical follow in the frame of M&E of the regional development; Feedback through reporting from main programmes in this domain 	<ul style="list-style-type: none"> Ministry of regional development and local self-government; Ad hoc inter-ministerial body if set up for the purpose of boosting regional development; Donor community (coordinated pooled support); (sub) regional development actors (RDAs etc);

Competitiveness of Serbian municipalities and (sub) regions has been enhanced within a more coherent and better coordination prioritisation on regional and sub-regional levels	<ul style="list-style-type: none"> Significantly better achievements are observed in terms of economic development in priority (sub)regions and municipalities (more sustainable SME growth, FDI, stable employment growth); Financial resources of local self-governments in prioritized areas show sustainable growth; 	<ul style="list-style-type: none"> Statistical follow-up on national, regional and sub-regional/local levels; Ad hoc statistical follow up in the frame of M&E of regional development; Feedback through reporting from main programmes in this domain; Local governments' financial statistics follow-up 	<ul style="list-style-type: none"> Ministry of Regional Development and Local Self-government; Ad hoc inter-ministerial body if set up for the purpose of boosting regional development Donor community (concentration of pooled donor support on priority areas, both geographic and thematic);
Efficient and transparent markets	<ul style="list-style-type: none"> Reduction of the importance of the informal economy Paying taxes indicator DB Protecting investors indicator DB Share of state enterprises in all employees in legal entities (to 5%) 	<ul style="list-style-type: none"> Separate follow-up studies (ILO, USAiD) Worldbank Doing Business Report EC Progress Report 	<ul style="list-style-type: none"> Ministry in charge of Economy EUD / EC
Full access to EU internal market	<ul style="list-style-type: none"> Serbia is an EU Member State by 2020 	<ul style="list-style-type: none"> European Council 	<ul style="list-style-type: none"> SEIO / GoS / European Council
Serbian economy more knowledge intensive	<ul style="list-style-type: none"> Investments in R&D 1% of GDP 	<ul style="list-style-type: none"> Worldbank 	<ul style="list-style-type: none"> METD
SPECIFIC OBJECTIVES			
Increased institutional capacity for policy making (programming, implementation, monitoring and evaluation and integrating donor and national interventions) in the field of Competitiveness and its sub-sectors	<ul style="list-style-type: none"> Transparency of government policy making Gov't services for improved business performance Competitiveness Policy Making Index 	<ul style="list-style-type: none"> The Global Competitiveness Index, indicators 1.12 (and/or 1.13) Annual study/monitor of capacity to be commissioned by the Ministry in charge of Economy 	<ul style="list-style-type: none"> Ministry in charge of Economy
Trust in the market among entrepreneurs	<ul style="list-style-type: none"> Ethical behavior of firms indicator Share of entrepreneurs who trust market (e.g. at least 4 on 5-point Likert scale) 	<ul style="list-style-type: none"> The Global Competitiveness Index, indicator 1.18 Annual business survey 	<ul style="list-style-type: none"> Ministry in charge of economy, World Economic Forum
Serbia meeting the criteria for accession in the field of Competitiveness	<ul style="list-style-type: none"> Share of chapters (out of 6) for which Serbia is at least "advanced" 	<ul style="list-style-type: none"> EC Progress Reports 	<ul style="list-style-type: none"> EUD / EC

Improving business environment with a view to enabling SMEs to become competitive (including one-stop shops, tax administration, e-governance at all levels, inspection, commercial courts)	<ul style="list-style-type: none"> • Decrease of ratio of administrative costs in GDP • Decreased burden of government regulations • Gov't services for improved business performance 	<ul style="list-style-type: none"> • USAID annual measurements • SBA/Competitiveness Index • Competitiveness Index 	<ul style="list-style-type: none"> • USAID • GoRRR • Ministry in charge of Economy • Ministry in charge of Economy
Enhance the quality of legislation from the perspective of SMEs needs	<ul style="list-style-type: none"> • RIA, including SME test, applied at all levels 	<ul style="list-style-type: none"> • GO for RR and RIA measurements 	<ul style="list-style-type: none"> • GO for RR and RIA
Improved conditions for honest bankruptcy	<ul style="list-style-type: none"> • Decreased time to close a business • Decreased cost to close a business 	<ul style="list-style-type: none"> • SBA monitoring 	<ul style="list-style-type: none"> • Ministry in charge of Economy
<p>Improved entrepreneurial learning practice in education system, with a view to create an entrepreneurial culture conducive to competitiveness.</p> <p>Improved prestige of entrepreneurship with a view to create an entrepreneurial culture conducive to competitiveness</p>	<ul style="list-style-type: none"> • Curricula developed and integrated into education system all levels, all specialties from secondary school, high school, universities • Share of adults who think that successful entrepreneurs receive a high status in the society (SBA) 	<ul style="list-style-type: none"> • METD annual reports • SBA 	<ul style="list-style-type: none"> • METD • Ministry in charge of Economy
Improved access to finance for SMEs investments needed to ensure their competitiveness	<ul style="list-style-type: none"> • Access to public financial support including guarantees • Availability of financial services • Affordability of financial services 	<ul style="list-style-type: none"> • SBA • Competitiveness Index • Competitiveness Index 	<ul style="list-style-type: none"> • Ministry in charge of Economy • Ministry of Finance • National Bank of Serbia
Improved existing business infrastructure	<ul style="list-style-type: none"> • Increase in occupancy ratio in financed business infrastructure • State of cluster development 	<ul style="list-style-type: none"> • Projects reports • Global Competitiveness Index 	<ul style="list-style-type: none"> • Project owner • Ministry in charge of Economy, World Economic Forum
Serbian successful participation in Horizon 2020	<ul style="list-style-type: none"> • Serbia "breaking even" 	<ul style="list-style-type: none"> • DG Research reports 	<ul style="list-style-type: none"> • METD

Lot 10: Trade, Standards and Private sector FRAMEWORK CONTRACT

Request 2013/313196-Version 2

SPECIFIC TERMS OF REFERENCE

Technical Assistance for Evaluation of Competitiveness sector implemented and financed by IPA Programme and other Donors in the Republic of Serbia

1. BACKGROUND

1.1 Contracting Authority

The contracting authority is the Delegation of the European Union in the Republic of Serbia (EUD) on behalf of the EU Commission.

1.2 Relevant country background

The European Council granted Serbia the status of candidate country on 1 March 2012, on the basis of the Commission Opinion on Serbia's membership application adopted on 12 October 2011. The Council concluded on 5 December 2011 that the opening of accession negotiations will be considered by the European Council, in line with established practice, once the Commission has assessed that Serbia has achieved the necessary degree of compliance with the membership criteria, in particular the key priority of taking steps towards a visible and sustainable improvement of relations with Kosovo*, in line with the conditions of the Stabilisation and Association Process.

Relations between the EU and Serbia

Serbia is participating in the **Stabilisation and Association Process**. The **Stabilisation and Association Agreement** was signed, along with the **Interim Agreement** on trade and trade-related matters, in April 2008. It provides a framework of mutual commitments on a wide range of political, trade and economic issues. The Interim Agreement entered into force on 1 February 2010. At the 14 June 2010 Foreign Affairs Council, Ministers agreed to submit the Stabilisation and Association Agreement to their parliaments for ratification. The process is close to completion, with ratification still pending in only one Member State.

Serbia has built a positive track record in implementing the obligations of the Stabilisation and Association Agreement and the Interim Agreement on trade and trade-related matters. An interim committee and a number of sub-committees meet annually, to discuss topics including the internal market, competition, transit traffic, trade, customs, taxation, agriculture and fisheries. In general terms, Serbia is meeting its SAA/IA commitments in these areas and cooperation is progressing well.

In January 2012, the Serbian government adopted a revised and updated version of the National Programme for the Integration of Serbia in the European Union for the period 2008–2012, taking account of the Commission's Opinion.

Political dialogue meetings at ministerial level have been held since 2003. Policy dialogue between the European Commission and the Serbian authorities has been taking place as part of **Enhanced Permanent Dialogue** (EPD) since 2003. Inter-parliamentary meetings between members of the

* This designation is without prejudice to positions on status, and is in line with UNSCR 1244/99 and the ICJ Opinion on the Kosovo declaration of independence.

European Parliament and of the Serbian parliament have been held annually since 2006. Several EPD meetings covered sectors of the SAA that are not included in the Interim Agreement, such as energy, the environment, social policy, justice, freedom and security.

Serbia participates in the multilateral **economic dialogue** with the Commission and the EU Member States. The aim of this dialogue is to prepare Serbia for participation in multilateral surveillance and economic policy coordination under the EU's Economic and Monetary Union. In this context, was invited for the first time to the Council meeting on pre-accession fiscal surveillance in May 2012.

Visa liberalisation for citizens of Serbia travelling to the Schengen area has been in force since December 2009. The Commission set up a post-visa-liberalisation monitoring mechanism to assess whether the implementation of reforms introduced by the country was consistent with the visa roadmap and sustainable. This was complemented by an alert mechanism to prevent abuses. A **readmission agreement** between the European Union and Serbia has been in force since January 2008.

Financial assistance is provided through the Instrument for Pre-Accession Assistance (IPA). IPA assistance is currently managed centrally by the EU Delegation in Belgrade. Serbia is preparing for decentralised management of IPA funds. The Multiannual Indicative Planning Document for the period 2011–2013 adopts a sector-based approach focusing assistance on the following seven sectors: justice and home affairs; public administration reform; social development; private sector development; transport; the environment, climate change and energy; and agriculture and rural development. In addition, the country continues to benefit from various regional and horizontal programmes. Cross-border cooperation is also used to promote capacity building and dialogue between the local and regional authorities of neighbouring countries, namely Bulgaria, Hungary, Romania, Bosnia and Herzegovina, Croatia and Montenegro.

Overall, between 2001 and 2012, the EU committed over € 2.2 billion to Serbia in the form of grants and € 5.8 billion in the form of soft loans. For the period 2007–2012, the Commission has earmarked € 1,176 million for IPA projects to be implemented in the country.

The economic situation

Serbia is facing serious economic difficulties. The effects of the global economic crisis are widely felt. The year 2012 is characterised by negative economic growth (-1.5%), high inflation (11%), rising unemployment (up to 26%) and a double digit current account deficit. The difficult economic situation is also reflected in worsening fiscal indicators. The budget deficit for 2012 is estimated at 6.7% of GDP, the public debt at 60% (both substantially higher than the Government's own fiscal rule prescribes; 4.5% and 45% resp.). To address the situation, the Government has adopted a 3 year fiscal consolidation strategy and is considering structural reforms in the business environment, labour market, pension system, competition and public enterprises.

The political situation

Serbia held parliamentary and local elections at their normal term in May 2012. Early presidential elections were also held in May 2012, after the incumbent, President Boris Tadic, decided to resign. The leader of the Serbian Progressive Party (SNS), Tomislav Nikolic, won in the presidential election. Following the parliamentary elections, a new coalition government took office in July, on the basis of an agreement between SNS, SPS, URS and two smaller parties, with the leader of SPS assuming the position of Prime Minister. The new Prime Minister has pledged to accelerate the EU agenda of reforms with the aim of opening accession negotiations.

1.3 Current state of affairs in the relevant sector

The national Competitiveness sector corresponds to the Private Sector Development in the MIPD, and encompasses SMEs, R&D, competition, consumer protection, business related infrastructure, tourism, industry and trade. Comparing to MIPD Private Sector Development, public procurement is not

considered part of the Competitiveness sector but falls under the national sector 'Public Administration Reform'.

The Need Assessment Document 2011-2013 (NAD) summarises the objectives and priorities identified in a number of strategic documents adopted by the Government of Serbia in this particular sector. In accordance with the NAD three mid-term objectives have been identified as the most important. The first one is to **increase competitiveness and export of enterprises** by **improving business environment** in which enterprises particularly SMEs function as well as to **develop and implement SME support mechanisms** that would help them to grow and access new markets. Furthermore, focus is on **increasing investment in research and development** through the development of the national technology transfer infrastructure and actions supporting cooperation between business and research communities. The second one is to **ensure effective competitiveness and market operations** by focusing on establishing a functioning market through the introduction of **full approximation of national legislation with the EU Acquis** and **improved overall capacities** of quality infrastructure, market surveillance and consumer protection institutions as well as institutions ensuring enforcement of competition (including state aid) and intellectual property policies. The third one is to **reduce disparities and promote balanced development** by focusing on development of **economic and business related infrastructure** (including regeneration of brownfields) and **services**, as well as **strengthening the capacities of local and regional stakeholders** including their cooperation, particularly in underdeveloped areas, where the enhancement of these capacities is prerequisite for further investments, business growth and job creation. Serbia is currently drafting a National Plan for Regional Development (NPRD) which should be completed by the end of 2013. The Ministry of Regional Development and Local Self-Government has adopted a sectoral approach to the delivery of regional development objectives. In this respect it intends to perform a coordination role between regional development implementation and the relevant national sectors. This will enable regional development implementation to align more effectively with EU Objectives and take a more strategic role in the future.

On the other hand, most of the **Multi-annual Indicative Planning Document 2011-2013 (MIPD)** specific objectives in this sector correlates with the national objectives and priorities. Namely, one of the priorities of the MIPD is to **overcome the economic crises and improve its competitiveness** by focusing on **the improvement of business environment and business infrastructure** in order to stimulate domestic growth, increase exports and **attract foreign investment**. Also, support should be given to help Serbia move to an innovation driven economy (where the economy shifts to higher value added products) by **increasing investments in research and development** and upgrading innovation support services, building capacities of all innovation stakeholders and strengthening links between education, research institutes and business. Additionally, the MIPD underlines **development of public services and information businesses** that will increase efficiency, cuts costs and raise their competitiveness. Furthermore, **by improving competition, including state aid policies** and its enforcement institutions, Serbia will improve its market efficiency thus enabling enterprise competitiveness, creating a wider choice for consumers, helping to reduce prices and improving quality of products on the market. Finally, MIPD emphasizes the need to **facilitate socio-economic development and inter-municipal cooperation in the hinterland of the Danube and raise its visibility as an area of growth**. By focusing on that particular area and investing in its soft and physical infrastructure, the aim is to enable Serbia's Danube river bank municipalities to increase the competitiveness of the region, create new employment opportunities and raise the attractiveness of the Danube Serbia Region to foreign and local private sector investors.

A clear policy direction for competitiveness has been provided in the **Strategy for Industrial Policy (2011-2012)** that can be considered an overarching document. It has identified goals of industrial restructuring through dynamic and sustainable industrial growth and pro-active role of the Government. It emphasises the need for institutional set-up, improvement of the competitiveness of Serbian industry, faster development of entrepreneurship, exports increase and restructuring, reform of the education system in line with labour market demand, active and dynamic cooperation of science and industry, support to innovation, research and development, new investment in new products, employment and labour market policy reform, balancing Government's role in stabilisation, development and social issues, development of the regional industrial centres and regional economic infrastructure, improvement in energy efficiency and environment protection. The Strategy envisages the process of consistent implementation of structural reforms and adjustments in order to create business environment where social partners (private enterprises, government institutions and civil organisations) work together to achieve abovementioned goals.

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 a sustainable, international competitive and export-oriented SME sector based on knowledge and innovation. The Action will address this objective by providing the business advisory services customised to the needs of each individual SME in sectors with high growth potential, and helping them to become more productive and competitive.

According to the Law on Ministries, the sub-sectors included in the Competitiveness in the Republic of Serbia are predominantly addressed by the following institutions: Ministry of Finance and Economy, Ministry of Regional Development and Local Self-Government, Ministry of Education, Science and Technological Development, Ministry of Foreign and Home Trade and Telecommunications, National Agency for Regional Development, Serbian Investment and Export Promotion Agency, Innovation Fund and Intellectual Property Office. The main actors in the consultation mechanism with CSOs are Sector Civil Society Organisations (SECOs). SECO is a consortium of CSOs of maximum three partners, where one is clearly defined as a lead partner.

According to Serbia's Inter Sectoral Development and Aid Coordination Network (ISDACon) database, it is estimated that a total amount of almost EUR 189 million was actually disbursed in assistance from the international donor community to the sector in Serbia, in the period 2007-2011.

In the four annual programmes since 2007, IPA component I has financed projects in competitiveness sector, focused on the effective operation of markets: strengthening the market surveillance system for non-food and food products, through transposing EU directives, establishing an appropriate management system, harmonising guidelines for inspectors and delivering training, and raising public awareness; enhancing consumer protection in Serbia, with help in drafting enforcement legislation, facilitating institutional cooperation, developing information systems for policy makers and implementing an information campaign on consumer rights; and supporting the enforcement of intellectual property rights. IPA assistance is also improving the quality, range and availability of business support services, supporting cluster development, supply chain development, export promotion and innovation within SMEs and technology transfer through an enhanced institutional framework, improvement in the business support infrastructure, strengthening conformity assessment structure and development of instruments for financing SMEs innovations as well as supporting activities linking tourism potential to economic development, identifying the attractiveness of tourism products and positioning Serbia within the global tourism market. Promotion of national growth by increasing the competitiveness of Serbian SMEs, supporting firms to attain international standards and certification, supporting sales and marketing (trade shows and market research), creating industry groups and associations, stimulating business clusters, establishing cooperative network of public and private actors, and encouraging e-government through website standardisation have been supported by donors, such as Germany, Austria, Denmark, Italy, Slovakia, Switzerland, United States and the World Bank.

In the ongoing projects, challenges identified in the MIPD and EC Opinion on Serbia have been addressed. The need to tackle complex procedures and red tape has partly been envisaged by bilateral assistance through various Government and donor initiatives. These initiatives included World Bank's support to Regulatory reform ("Regulatory Guillotine") which ended in 2011, and the ongoing **USAID Business Enabling Project (USAID BEP) and Sustainable Local Economic Development Project (USAID SLDP)** aiming at improving the business enabling environment, supporting macroeconomic stability, further development of financial markets, and increasing business and financial management capacities within businesses and the Government.

The USAID BEP is a five year demand driven programme worth \$ 16.7 million based on the priorities of the private sector and Serbian Government. The project is implemented through the annual Work Plans and the current issues project is addressing within the business environment component are related to improvement of inspections operation and organization, reduction of quasi fiscal burdens to businesses, support to implementation of the Law on Enforcement, streamlining construction permitting, reduction of employing workers burden and public private dialogue improvement. Furthermore, strengthening legislation, policy and coordination capacities at the central level will partly deal with the need to combat late payments and will complement recent legislative changes

undertaken by the Government¹⁰⁷. Results achieved in the first year and the half of the programme is the following: Improve Inspections operations and organization: Strategy for Inspections Reform has been developed; Inventory of para-fiscal charges conducted with recommendations for removal or reduction of such charges; Newly Fiscal Council support provided to monitor Government budget decisions; New Capital markets Law and by-laws adopted and implemented; new decree issued to enable conversion of real estate usage rights to ownership rights; new Strategy for Regulatory reform developed with the aim to remove specific impediments to business growth; New code of Corporate Governance; Draft Law and by-laws on Enforcement and Security; Draft Law on Factoring;

The USAID BEP cooperates closely with the line ministries, and the future plan is to use their expertise and experience to **prepare analysis of the overall situation in business environment** in Serbia, and **to make and prioritize recommendations** as to how to improve the ranking of Serbia in WB's Doing Business report. This is to be done in line with all Government's and other donors' initiatives and results achieved in this field. The results of the analysis and the proposed recommendations are to be incorporated in the proposed measure for improving business environment.

The USAID BEP also supported National Alliance for Local Economic Development (NALED)¹⁰⁸ to prepare the inventory, analysis of effects, recommendations for reform of the system of non-tax and quasi - fiscal charges in Serbia. This analysis is an attempt to provide, for the first time, a comprehensive overview of non-tax burdens payable by businesses in the Republic of Serbia; to give an initial assessment of the effects of these burdens; and to present businesspeople and public finance policymakers with possible directions of reform. NALED is annually issuing the Grey book - Recommendations for removing administrative obstacles to doing business in Serbia, with the idea to identify administrative obstacles and procedures unnecessarily imposed on the business sector. Also, the idea is to find the simplest solutions for their solving with the assistance of SME and Corporate Companies from Serbia. Significant part of these recommendations (received directly from the representatives of the business sector) has been incorporated in the work of Comprehensive Regulatory Reform Unit, thus ensuring the link with the Government and increasing the chances for their implementation.

The USAID SLDP is a five year programme (2010-2015) worth \$ 22 million supporting municipalities, businesses and civil society organizations to move beyond city-by-city solutions in favor of cooperative, inter-municipal approaches to improving public services and invigorating their economies. The Programme will provide support to business enabling environment through the assistance at the local, sub-national and national level. It will support the Business Friendly Certification Program, increase business community involvement in the inter-municipal partnerships: in refining the local development priorities and contributing to the development of modern concepts of corporate social responsibility and private-public partnership as well as to increase the level of investments, thus increasing the number of jobs in partner municipalities. Results achieved in the first year and the half of the programme is the following: 8 inter-municipal partnerships have been formed with 32 municipalities; 24 inter-municipal initiatives have been launched in the area of regional touristic development, agriculture, industrial zones and waste management; capacities of 4 inter-municipal partnerships have been increased in planning and preparation of the projects and attracting investment; citizen participation has been ensured in 4 inter-municipal partnerships; contribution was provided in law making process in following areas: managing utility services, public property, referendum and citizen initiatives, PPP and concessions; 4 guides for establishing PPPs and one guide for involving citizens in decision making at local level; 1 inter-municipal partnership received recommendations for improving business climate at local level.

¹⁰⁷ Government has adopted a Regulation partly aligned with the Directive on combating late payment in commercial transactions

¹⁰⁸ The National Alliance for Local economic Development (NALeD) is an independent association of businesses, local governments, and nongovernmental organizations working together to create a business friendly environment in Serbia. The Alliance was established in March 2006 within USAID's Municipal economic growth Activity with the support of the Serbian President and the U.S. Ambassador. To date, NALeD has brought together over 130 members, among them some of the most successful companies in Serbia, as well as reform-oriented and proactive nongovernmental organizations.

World Bank has supported the **Council for Regulatory Reform and the Comprehensive Regulatory Reform Unit** in the process of the so called „regulatory guillotine“ which has operationally started in 2009 with the aim of reducing administrative costs of doing business and improving administrative efficiency. CRR Unit has forwarded 340 recommendations to the regulatory bodies, and so far 196 have been implemented by either putting out of force inefficient legislation, or amending and improving the existing Acts and Regulations, saving annually approximately 120 million euro. Remaining 36 are in the process of adoption, 72 are not adopted, and additional 36 are refuted. The estimation is that there will be approximately 30% less legislation, nearly 25% reduction of the cost of doing business and between 150 and 200 million euro annual cost savings upon the implementation of all recommendations.

The Western Balkan Enterprise Development and Innovation Facility project financed by MB IPA/EIB/EBRD (EUR 142 million) is aiming to improve access to finance for innovative SMEs, as well as, to establish four complementary mechanisms of support for SMEs which will significantly improve opportunities for SMEs to access funds from banks, as well as potentially reduce the costs of borrowing thus increasing their capacity to innovate and develop new technologies. This Facility, which should become operational by the end of 2012, will also, through its technical assistance component address the challenges with the regulatory framework in the region poses on the operations of private venture capital and private equity funds. Business innovation and SMEs capacity in this area will be influenced by the projects Improved SME competitiveness and innovation, Integrated innovation support programme.

Improved SME Competitiveness and Innovation Project – ICIP (IPA 2008; EUR 3 million) in the component relevant for innovation has implemented activities on capacity building of Business Innovation Support Organisations (BISOs) in order to provide general and specialist innovation services which would improve enterprise competitiveness and enforce cooperation between R&D organisations and SMEs. The project is also conducting innovation scanning of enterprises to access innovation potential of Serbian enterprises and provide inputs for improvement of innovation policy, as well as to provide adequate pipeline for future financial instruments that support innovation. In addition, the project will provide support to SMEs to facilitate their access to EU and other innovation funds, such as applications for replicable eco-innovations solutions. Results achieved in the first year and the half of the programme is the following: The capacity building programme was designed at two levels: Specialist workshops for Key BISOs, incorporating a strong element of Train the Trainer, with the purpose of ensuring improved capacity and competence of BISOs to provide general and specialist innovation services which would further improve the competitiveness of enterprises. In particular, the Key BISO training sought to cover the full innovation cycle as a depth that would allow participants to understand, apply and transfer skills to other organisations and SME clients. Non-Specialist workshops to raise awareness and improve the capacity of those attending to develop a culture of innovation in Serbia. In total, 19 trainings were delivered and 188 employees in BISOs were supported.

The project is also conducting innovation scanning of enterprises to access innovation potential of Serbian enterprises and provide inputs for improvement of innovation policy, as well as to provide adequate pipeline for future financial instruments that support innovation. In addition, the project is providing support to SMEs to facilitate their access to EU and other innovation funds, such as applications for replicable eco-innovations solutions. This support is provided in form of trainings, but also in form of drafting project proposals and coaching. ICIP supported BISO in accessing EU funds, such as TEMPUS or FP7, and build capacities of those institutions to enable them to actively participate in those funds in the future, too. ICIP actively promoted collaboration of scientific and research institutions and private sector through the 18th coaching sessions. Project team prepare the qualitative evaluation of the business incubators in order to provide inputs for development and implementation of incubators policy in Serbia.

Integrated Innovation Support Programme (IPA 2010; EUR 3 million) is focusing on development of the institutional capacity and new financial instruments/programmes for efficient support to innovative SMEs and technology transfer. The project will provide direct support to 300 enterprises, of which 20 will receive in-depth support, in encouraging technological innovation, connect innovative SMEs with BISOs through develop of technology brokers as a new support mechanisms and extend innovation activities to local level and integrate them with the national level structure. In addition,

project will support development of equity financing instruments, such as venture capital, business angels and mezzanine financing schemes and implementation of voucher schemes.

Results achieved and expected results

- Policy Brief – ‘best practice’ resources introduced, detailed recommendations for SME support process including development of the database with more than 700 companies.
- Support to 300 innovative SMEs initiated in order to improve production processes and technology upgrading; 20 SMEs out of 300 would receive in depth support for specific innovative needs.
- Serbian Business Angels Network supported to achieve European Business Angels Network membership and board appointment
- Innovation activities extended to local level and integration with the national level structures initiated. Identification of local access points and regional initiatives finalized. The Integration process with national level structure expected through establishment of at least 10 local access points and at least five local initiatives.
- Client management system for tracking the 300 innovative SMEs and the 100 Finance SMEs developed

The Human Resource Development and Research “Innovation Serbia Project” (IPA 2011) worth EUR 8.4 million and lasting three years has three goals. The first is to build the capacity of the Innovation Fund to develop and execute innovation financing instruments. Two grant schemes were already developed through this component and are being executed. In addition, this project has enabled the establishment of the Innovation Fund’s independent and international investment committee, as well as using international peer review for project evaluation. The first component also envisages development of two additional grant schemes, which will be used in the preparation of financial instruments anticipated by Measure 3.1. of this document. The second component of the Innovation Serbia Project aims to provide financing for early stage development of innovative companies while stimulating business R&D expenditure. This component address the lack of risk financing for developing innovative companies, however additional mechanisms are needed to address the transfer of knowledge from academic institutions to businesses. The first call for proposals under this component has been completed with 11 companies selected for financing out of 58 that registered. Two additional calls for proposals are currently open, with high private sector interest in applying. The third component is technical assistance that will propose how to reorganize research institutes to better address the challenges of technology transfer and working with industry and should provide an excellent starting point for developing a new strategic framework for R&D which is more focused on innovation and creating a knowledge based economy.

The Serbian R&D Infrastructure Investment Initiative which was launched in 2010 aims to create the necessary pre-conditions for improving human resources in sciences, raising research excellence and creating links between research and industry. The Government’s 400 million EUR initiative is supported through financial agreements with the European Investment Bank (200 million EUR), the Council of Europe Development Bank (two agreements worth a total of 105 million EUR) and through national, regional and local co-financing. The initiative includes projects such as the Nanosciences Center in Belgrade, the Petnica Science Center (aimed at high school students), the Center for Promotion of Science, the Natural History Center in Svilajnac, non-commercial housing for researchers, 50 million EUR of new research equipment for all RDIs, consumables for R&D projects, science and technology parks (Belgrade, Novi Sad, Nis and Kragujevac) and other projects. The initiative will also create long term national capacity for management and purchase of R&D equipment and consumables. The projects are also being promoted through the European Strategic Forum for Research Infrastructure (ESFRI) and used to leverage Serbia’s participation in European Research Infrastructure Consortia (ERIC’s) as the established mechanism for creating regional and pan-European research infrastructure initiatives.

Western Balkans Regional Research and Development for Innovation Strategy (MB IPA 2010) has the goal of building on the existing collaboration in the area of R&D and innovation between the EU and the Western Balkan Countries and creating a regional strategy in this area. The initiative for the creation of this strategy was signed by all Western Balkan ministers in charge of science in 2009. The World Bank and the EU signed an agreement to implement a technical assistance program for the development of this strategy. The strategy will identify priorities in terms of legal requirements,

infrastructure, education and training, policies and programs to be implemented by the beneficiary entities. The value added of the proposed technical assistance is twofold. First, the focus will be on how to increase the economic impact of research and development (R&D) in the Western Balkans. Secondly, the technical assistance will have a comprehensive approach integrating the three axes of the knowledge triangle, namely education, research and innovation. The first draft of the strategy will be available in the fall of 2012, following the launch meeting in December 2011, and a series of regional workshops which have been held.

Recently finalised IPA 2007 **“Support to Enterprise Competitiveness and Export Promotion”** project – *SECEP* (with a total budget of €3.5 million), supported local SMEs to be more efficient, improve the competitiveness of Serbian products in the international market and enhance the long-term economic stability. In close cooperation with the Ministry of Economy and Regional Development, Serbian Investment and Export Promotion Agency, Chamber of Commerce and National Agency for Regional Development, project organised four international “Meet the Buyer” events where 60+ multi-national companies were in direct contact with more than 1.100 potential Serbian suppliers. Through in-company assessments, business improvement projects, international consultant support and tailor-made workshops 50 companies from key sectors (Automotive, Metals working, Electronics, IT and Packaging) were assisted to enter global supply chains.

During the project, Serbia has appeared for the first time on the European cluster network and intensive support to six prioritized clusters resulted in more than 100 SMEs and over 20 partnering organizations (such as academia, institutes, chambers) becoming cluster members. Just as an example, Serbian Furniture Cluster came up with an innovative, award winning product that will be exhibited in the Milan Furniture Fair. Finally, *SECEP* supported the establishment of the first professional Exporters association of Serbia. All of the implemented activities will further enhance preparation of the private sector in Serbia for the European single market.

Development of National Strategy for Quality Infrastructure Project financed through long-term **GIZ ACCESS Private Sector Development Program** (3 years agreed, additional 6 years planned), is focusing on enhancement of the Quality Infrastructure (QI) through enhancing policy making capacities of the MERD related to the EU accession process and industry needs, and strengthening the services of QI institutions for selected sectors. First phase of the project comprises two components. Component 1: Overall analysis of current situation covering 4 aspects: analysis of industry needs with regard to conformity assessment („demand side“), analysis of CABs capacities for implementation of the new technical legislation (“provider side”); assessment of the NQI Institutions and analysis of functionality of a new legal system of NQI. According to results of industry and CABs analysis, in the scope of strategic development priorities in Serbian economy, this project should provide assessment of needs for conformity assessment equipment with detailed technical specifications and mechanisms for their use. Component II includes: benchmarking of NQI with EU countries - overview of QI in Europe – institutional and legal framework; building of an advisory “Quality Infrastructure Council”; awareness raising activities; assistance to MERD in transposition of MID, NAWI and Pre-packages Directives and preparation for ACAA negotiation process. It also includes support to the Serbian Metrology Institute “DMDM”, support of the Serbian Accreditation Body “ATS” and support of the Serbian Standard Institute “ISS”. Additionally, the project will prepare recommendation for development of Serbian QI which will be the base for defining the scope of further technical assistance.

In line with the project work plan the analysis of Conformity assessment bodies (CABs) capacities for implementation of the new technical legislation ("provider side") has already been finalised. The analysis of industry needs with regard to conformity assessment ("demand side") will be completed in the third quarter of 2012. Following the results of this analysis ACCESS project will, in the last quarter of 2012, prepare detailed technical specifications of missing/necessary testing equipment. In addition, activities under this Project include comparison analysis (covering minimum 2 EU member states) of conformity assessment systems (with strong respect of free market of conformity assessment services and distortion of competition principle) which should provide information on the possible mechanisms for defining of future availability of equipment (in the sense of ownership of equipment, placement, maintenance, use of equipment, main contracting conditions between the owner and user of equipment, price calculation for usage of the equipment by CAB and industry, CAB selection criteria in case that purchased equipment should be installed in the existing CAB and other issues) in Serbia. All these issues will be resolved without distortion of competition between CABs aiming that SMEs sector

is provided with good services for testing and certification of products, with reduction in costs what will increase competitiveness of SMEs.

Project Quality Infrastructure in the Western Balkans and Turkey (MB IPA 2011) is focusing to facilitate harmonisation of legislative framework and implementing mechanisms in field of free movement of goods. The project will enhance trade amongst beneficiaries and EU. Following activities are planned: 1. Independent expert assessments of progress made since 2009 in main quality infrastructure fields; 2. Conducting regional proficiency testing exercises by inter-laboratory comparisons in priority sectors; 3. Practical training courses in various quality infrastructure fields; 4. To continue work of cooperation committee and other networking-building activities. According to all above mentioned, focus of this project is to improve NQI bodies through regional networking initiatives, further improve confidence in products testing, through proficiency testing (some kind of benchmarking) and to contribute to removal of technical barriers to trade between beneficiaries and EU.

Strengthening of the Serbian system of Market Surveillance for non-food and food products (IPA 2010) - the purpose of this multi stakeholder's project is to contribute to the market surveillance system (MSs) in Serbia to be able to effectively and efficiently perform its tasks and responsibilities under the new legislation for product safety and food safety, and to protect against products that pose serious threats to health, safety, and the environment. Expected results of project are: enhancing the technical capacity of beneficiaries to implement new rules and regulations for product safety in Serbia, aligned with EU Acquis; facilitating and managing change in strategy development of MS authorities and improving cooperation as well as coordination; facilitating and managing change in the operational field by enhancing the market inspectors' (practical, general, legal, risk assessment, inspection skills, etc.) understanding of legal and theoretical aspects of the new regulations.

Municipal Support Program North-East (CARDS) supported implementation of two business infrastructure projects - technology park Vršac and industrial zone Zrenjanin. Both facilities have been significantly filled with tenants, with the additional plans to extend the current capacities, which prove that the demand for this type of investment is high. Three IPA projects **MISP 2008, MISP 2010 and PPF4** are concretely dealing with preparation of the technical documentation for business infrastructure projects which will contribute to unlocking the potential for economic growth and address the needs of existing businesses, at the same time providing the opportunity for establishment of new SMEs in less developed areas of Serbia. In parallel, two projects of IPA Component 1 (**Regpol and RSEDP2** IPA 2007) are supporting the preparation of strategic documents for regional development policy at national and regional level. With the support of these 2 projects, Serbia is currently drafting a National Plan for Regional Development (NPRD) which should be completed by the end of 2013. An extension of the existing 2007-2012 Regional Development Strategy will form the basis for an interim 'Strategy for Regional Development 2013'.

The European Partnership with Municipalities – EU PROGRES IPA 2010, is a joint project of the European Union, the Government of Switzerland and the Government of Serbia, aiming to assist development of **25 local self governments** in the South and South West Serbia. The Programme is budgeted at **18,1 million Euros**, beginning in July 2010. The European Union has provided 14,1 million Euros, the Government of Switzerland 2,5 million Euros, and the Government of Serbia 1,5 million Euros. The main project components are:

1. Good Governance - strengthening respect of principles of participatory, accountable, transparent, non-discriminatory and efficient governance. The Swiss Development and Cooperation Office (SDC) is providing consultants which are supporting the EU PROGRES in implementing good governance as a transversal theme within the Programme.
2. Municipal Management and Development Planning - improving the quality of municipal services and assisting local governments in development of spatial and regulations plans.
3. Physical, Economic and Social Infrastructure - Providing infrastructure improvements through financing of small scale infrastructure projects, co-financing of inter-municipal and national projects, and development of technical documentation.
4. Public Awareness and Branding of Areas - Building a more positive image of the South and South West Serbia and making positive social change through implementation of campaigns and branding projects.

This project will also focus on conducting a comprehensive study that will assess the level of competitiveness of 25 municipalities participating in the Programme. The Study will benchmark municipalities according to the findings and provide indicators that will enable regular assessment of local competitiveness levels. Furthermore, the Study will be used for development of technical assistance (TA) that will be provided to municipalities by EU PROGRES successor project planned within EU IPA 2013. This assessment should also stimulate discussion among stakeholders on strategies, policies and actions that should help municipalities, area and Serbia on a whole to improve competitiveness.

The Study will analyse: elements of legal and administrative framework, quality of and access to infrastructure, economic and business environment, market efficiency, health and education, labour force, technology readiness and business sophistication. The analysis will capture the way in which municipalities manage their public finances and determine a range of specific indicators, such as time needed for registration of a new company with local tax office or time needed for issuing of building permits, etc.

Support to Socio Economic development of the Serbia Danube region- IPA 2011 This EU funded project (19,500,000 EUR) is a comprehensive effort to take advantage of socio-economic development opportunities for the Danube Serbia Region and indeed for Serbia as a whole by promoting investments of the private sector, creating job opportunities and increasing the attractiveness of the Danube Serbia Region to foreign investors through infrastructure development. The project's **overall objective** is: To advance the comprehensive and sustainable socio-economic development of the tourism sector for the Danube Serbia Region and indeed for Serbia as a whole by promoting investments of the private sector, creating job opportunities and increasing the attractiveness of the Danube Serbia Region to foreign investors through infrastructure development. The **project purpose** is: To tackle current problems in the tourism sector, which hinder the socio-economic advancement, and thus enable Serbia's Danube river bank municipalities to increase the competitiveness of the region, to create new employment opportunities and to raise the attractiveness of the Danube Serbia Region to foreign and local private sector investors through the establishment and development of basic municipal environmental and business infrastructure.

Support to SME development (IPA 2012) is almost EUR 7.9 million project with two components related to the strengthening of SME performance by providing quality professional support services and improving e-business environment. Through component one the EBRD (EGP/BAS) will provide specific SME demand-driven support and develop business advisory service market while component two will propel the development of 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 e-Services for businesses.

Institutional Support to the Serbian Consumer Protection Sector (IPA 2009)- 2.3 MEUR. The project aims at contributing to the protection of consumer rights and interests in Serbia in accordance with the EU Acquis. The project is divided in three major components comprising activities related to review of existing consumer protection legislation and by-laws and implementing regulations; institutional capacity building to ensure vigorous enforcement of consumer protection rules; and awareness -raising activities.

Strengthening the institutional capacity of the Commission for Protection of Competition (CPC) in Republic of Serbia (IPA 2011) – 2.8 MEUR. The project started implementation in September, 2012 and its duration is 30 months. The overall objective of the contract is to increase the ability of Republic of Serbia to assume the obligations stemming from the SAA in the field of competition. The project purpose is to strengthen the institutional capacity of the Commission for Protection of Competition (CPC) for more effective enforcement of competition policy with expected economic benefits for consumers and market participants.

Delivery and installation of forensic software for the Commission for Protection of Competition (IPA 2011) – 0.2 MEUR. The contract comprises the supply, delivery, installation and commissioning the forensic software/hardware and trainings to CPC staff. The implementation was completed in October, 2012.

Technical Assistance to Support the State Aid System in Serbia (IPA 2008) – 1 MEUR. The purposes of the contract are: 1/ to assist State Aid institutions in the implementation of the Law on State aid control and its relevant by-laws in line with the EU acquis and to provide legal advice for the finalization of the state aid legal framework; 2/ To strengthen the institutional capacities of state aid institutions to carry out their activities concerning decision preparation, notification, record keeping, reporting, monitoring and institutional cooperation in line with EU acquis and practices; 3/ To increase awareness on state aid policy among governmental and private sector actors as well as the judiciary;

Support to State Aid Authorities in Republic of Serbia for the alignment of State Aid schemes with EU acquis (IPA 2011) – 0.2 MEUR. The specific objectives of the contract are: 1/ Support the Department for State Aid Control (DSAC) within the Ministry of Finance in aligning identified state aid schemes with the Law on State Aid Control, the Regulation on Rules for State Aid Granting and the EU acquis, 2/ Support DSAC and the Commission for State Aid Control with regards to notifications on granted State Aid, 3/ Identify and prioritize the concrete needs and possible activities in the field of State Aid

2. DESCRIPTION OF THE ASSIGNMENT

This framework contract is intended to assist the Government of Serbia to perform an assessment/evaluation of the ODA (Official Development Assistance) as defined by the OECD/ DAC within the Competitiveness Sector for period 2007-2011, meaning projects implemented and financed by IPA Programme, bilateral donors in Serbia and concessional loans with grant element of at least 25%.

The main stakeholders of the evaluation are:

- EU Delegation in Belgrade
- The Government of Serbia represented by Serbian European Integration Office (SEIO), Ministry of Finance and Economy, Ministry of Regional Development and Local Self-Government, Ministry of Education, Science and Technological Development, Ministry of Foreign and Home Trade and Telecommunications, National Agency for Regional Development, Serbian Investment and Export Promotion Agency, Innovation Fund and Intellectual Property Office and other beneficiaries in the sector
- Other Donors and IFIs.

The role of the Evaluation Expert(s) will be to design and carry out the entire process of evaluation, ensuring that the stakeholders benefit fully from the learning and experience of the evaluation process. The Evaluation Expert(s) will be responsible for smooth and effective functioning of the process and for completing the Final Evaluation Report in accordance with guidelines and general format agreed during the Inception Phase.

Scope of the Evaluation, Methodology and Plan of Work

The evaluation team will review, analyze and provide conclusions/recommendations on the following:

- The extent to which the project design and the activities implemented to date are contributing to the stated objectives;
- The likely effectiveness of the project approach in achieving stated objectives;
- Assessment of external factors affecting the project, and the extent to which the projects have been able to adapt and/or mitigate the effects of such factors;
- The approach to project management, including the role of stakeholders in the steering committee and coordination with other projects in the same sector.

Given the time constraints and large amount of work as well as geographical area that need to be covered the evaluation will be based upon review of documentation and discussion with staff and other key stakeholders, complemented with field visits to a selected number of projects sites. It is proposed that the work plan should be as follows although at this stage, dates are indicative subject of confirmation during the Inception Phase:

Indicative start of the project	15 April 2013
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Submission of the Draft Evaluation Report	24 June 2013
Submission of the Final Evaluation Report	08 July 2013

2.1 Global objective

To maximise impact of financial assistance in the sector of **Competitiveness** in Serbia from the EU and other donors.

2.2 Specific objectives

The specific objectives of this evaluation are to:

1. Map and assess the impact, effectiveness, efficiency, relevance and sustainability of ODA interventions in the sector Competitiveness including the activities financed by EU Programmes as CIP and FP7 etc.
2. Provide lessons learned and recommendations for decision-making on improvements of future financial assistance where relevant.
3. Propose measurable policy objectives not included in the NAD and related measurable indicators for further assistance

2.3 Requested services including proposed methodology

With regard to specific objective 1, the evaluation will cover EU financial assistance provided to Serbia under IPA and other development assistance provided by other partners. The evaluators will focus particularly on effectiveness, impact and sustainability of financial assistance during period 2007-2011. Evaluation will take into account document that has been initiated by the SEIO "Evaluation of effectiveness and efficiency of development assistance to the Republic of Serbia per sector" which will include all eight (8) sectors according to the relevant Needs Assessment issued by the Serbian authorities.

With regard to specific objectives 2, the evaluators will focus on support provided by the EU in order to gain a full understanding of EU and other donors' interventions, and particularly where and why they have worked well, and where and why they have worked less well. On that basis, the evaluation will provide relevant recommendations to improve the design, programming and implementation of EU interventions, with the view to improving their relevance, efficiency, effectiveness, impact and sustainability. In addition the evaluators will provide with an assessment for future needs in this sector for the next programming period 2014-2020.

The proposed methodology must be included in the offer.

2.3.1 Evaluation questions

The evaluation will include a focus on the following questions categorised on the basis of objectives

Impact effectiveness, efficiency, relevance and sustainability of IPA and other donors funded interventions:

- What is the full mapping of EU and other donors' support in the sector
- How effectively have priorities and needs of Serbia been translated into programming of assistance based on the priorities identified in the NPI and programming documents?
- To what extent has financial assistance been effective in achieving the sector results?
- Were the immediate and intermediate results delivered by the evaluated assistance translated into the desired and expected impacts? To what extent did they contribute to achieve the strategic objectives and priorities linked to reconstruction and reconciliation? Can impacts be sufficiently identified and quantified?

- Were the achieved results sustainable, especially in terms of retaining improved administrative capacity and maintenance of provided investment?
- What was the impact of this assistance? Were there additional (negative or positive) impacts?
- Were the identified impacts sustainable?
- Were there elements which could hamper the impact and/or sustainability of assistance? If yes, what measures could be undertaken to prevent negative effects of such elements.
- To what extent were the donors' chosen implementation modalities relevant, efficient and aligned with each other?
- How well were the selected contracts linked to other related contracts and whether other contracts could deliver better?
- To what extent was the support provided by the EC financial instruments coherent and complementary to the national budget and other donors?
- Have suitable and appropriate indicators been established, allowing for reasonable and efficient measuring of results, outcomes and, when applicable, impacts? If yes are they SMART? Which better indicators can be proposed (including baselines and targets) at sector and policy objective level?
- Are the indicators in line with the overarching sector strategies and policy priorities?
- Has sustainable capacity been created in the beneficiary institutions to manage policy challenges and future assistance?
- Was the institutional framework adequate to deliver programmes in a sustainable manner?
- Has the EU assistance achieved maximum visibility? Did the implemented visibility activities succeed in convey the key strategic messages justifying the delivered assistance?
- Cost/benefit analysis of the type of support either on contract or project level (e.g. table listing costs on one hand in terms of time and money, and sustainable outcomes and impact achieved on the other.

Lesson learnt and recommendations to an extent relevant and applicable:

- Which lessons can be learned from the implementation of assistance?
- What have the weaknesses and strengths of delivered assistance been?
- How could financial assistance been better coordinated and aligned with ongoing reforms to improve effectiveness, impact and sustainability?
- Which are key success factors (max 3 to 4) for effective and efficient implementation of assistance?
- Through which institutional mechanisms (meaning, Technical assistance, twinning, supply etc) could financial assistance be best channelled?
- Which type of assistance and reforms achieved the most sustainable results under the provided assistance and the reasons behind that?
- What are the needs of the sectors not covered so far by the assistance?
- What are the potential future needs that need to be addressed by the new financial perspective 2014-2020?

Sector Specific issues that need to be taken into consideration during the evaluation (list non exhaustive):

- how well aligned is the support for local and regional development with the national sector strategies? Are institutional competences clear and are the delivery mechanisms sustainable? Are those aligned with EU best practices in terms of planning, programming and implementation? How much has EU support to Regional Development Agencies across Serbia contributed to the objective of reducing regional disparities and increasing regional competitiveness?
- how much has the support for state aid and competitiveness helped to align Serbia with the acquis in these areas? How effective has EU support been to help to create new SMEs and to assist existing SMEs to grow? and how has EU support helped to improve the business environment in Serbia?
- What are the results achieved/lessons learnt and impact in terms of the absorption of funds for FP7 and CIP in Serbia in view of future programmes?

The final version of the Evaluation questions will be agreed with the EUD and SEIO at the end of the inception phase.

For each evaluation question there should be at least one appropriate judgement criterion, and for each such criterion the appropriate quantitative and qualitative indicators should be identified and specified. This, in turn, will determine the appropriate scope and methods of data collection. Besides specific answers, the evaluation questions should also lead the evaluators to produce an overall assessment of the Donors support in Serbia in the specific sector.

2.3.2 Suggested Methodology

DG ELARG's Evaluation guide (to be provided during inception phase) and DG Budget's guide "Evaluating EU activities – a practical guide for the Commission Services" provide guidance on good practices concerning conducting an evaluation (to be provided during inception phase).

In general, the evaluation should follow the steps described below:

1) Desk Phase

- Collection and analysis of relevant documentation;
- Completion of the evaluation approach and methodology;
- Establish a list of contacts and sources of data for the field phase;
- Conduct preliminary interviews with the EU Delegation and SEIO;
- Prepare and submit a draft inception report, which:
 - summarises the objectives, scope and outputs of the evaluation;
 - provides the final draft of the evaluation questions;
 - describes the methodological approach, including the judgement criteria;
 - presents a work plan for the field and reporting phases.

The draft inception report will be sent to the SEIO and EUD for comments and final endorsement. The Field Phase will not start until the proposed approach has been approved by the SEIO and EUD.

2) Field Phase

In this phase, the team will work in the region, and (non-exhaustive list of actions):

- Conduct interviews with selected stakeholders (EU Delegation, SEIO, governmental and non-governmental beneficiary institutions) according to the work plan.
- Collect and/or generate data, as agreed in the assessment methodology.
- At the end of the field work, a de-briefing meeting will be organized to present preliminary findings, conclusions and recommendations stemming from the field and desk phase.

3) Synthesis Phase

This phase is mainly devoted to the preparation of the evaluation report based on the work done during the desk and field phases, and the outcomes of the briefing meetings held at the end of the field work.

The evaluator will make sure that his/her assessment is objective and balanced. The findings should be verifiable and substantiated, and should be presented with the recommendations following a logical cause-effect linkage. When formulating conclusions, the evaluator should describe the facts assessed, the judgement criteria applied, and how this led to the findings and recommendations.

Recommendations should address the weaknesses and strengths identified and reported. Recommendations should be operational and realistic, in the sense of providing clear, feasible and relevant input for decision making. They should not be general but should address the specific weaknesses identified, clearly indicating the measures to be undertaken and the addressee.

2.3.3 Quality control

Internal quality control

The evaluator should ensure an internal quality control during the implementing and reporting phase of the evaluation. The quality control should ensure that the draft report complies with the requirements in the methodology section above before its submission to the SEIO and EUD.

Quality control by Delegation and SEIO

For the purpose of this assignment existing Sector Working Group, which includes representatives of EUD, SEIO, line Ministries and donors active in this sector, will be used.

The reports shall undergo two external reviews: the first drafts shall be reviewed by the Sector Working Group, which will assess whether the draft report meets the quality requirements as explained in the methodology section above. If these requirements are not met, the Working Group will ask the consultant to improve the draft report. Once the draft report is endorsed by the SEIO and EUD, SEIO and EUD will decide on further distribution of the report for comments.

The final (second) drafts shall be reviewed by the SEIO and EUD, taking account of the comments made by the different stakeholders and how the evaluators have handled these comments. Once this process is completed, the SEIO and EUD will endorse the final version of the report for distribution to stakeholders and later presentation by the evaluator to the members of the Working Group and other interested parties. For this purpose an event will be organized by the consultants to present the findings to the members of the working group and any other interested parties.

2.4. Expected results

The outputs of the evaluation are:

- (1) An Inception Report.
- (2) An evaluation report. The evaluation report should specifically answer each of the evaluation questions agreed in the Inception phase, and meet all the specific objectives and requested services. The report will include: an executive summary, main section, conclusions and recommendations and annexes. The final outline of the report will be agreed during the inception phase. The draft and final report will be presented and discussed with the SEIO and EUD and after with the members of the sector working group.
- (3) A Final project Report providing information on the activities performed.

The outputs of this evaluation will be presented in the English language.

2.5. Cross-cutting issues

The documents to be developed are to appropriately mainstream the cross-cutting issues (regional and local development, gender, environment, minorities (with specific focus on Roma) and good governance).

3. EXPERTS PROFILE

3.1 Number of requested experts as per category and number of working-days per expert

The evaluation will be carried out by three independent consultants. Neither consultant should have participated substantively during ToR preparation and/or implementation and should have no conflict of interest with any proposed follow-up phases:

- One Senior Expert Team Leader/ Evaluator: 40 working days;
- Two Senior Experts/ Evaluators: 60 working days.

No	Experts	Category	Number of Working Days
1	Expert 1 – Team leader/ Evaluator	Senior	40
2	Expert 2 - Expert Evaluator	Junior	30
3	Expert 3 - Expert Evaluator	Junior	30
		TOTAL	100

The Contractor shall ensure that all services will be provided and where necessary supplementary support/expertise will be provided through back-stopping and will be included in the fees of the experts.

Note: Evaluation grid for the evaluation of experts is annexed

Language Skills

- Fluency in English, both written and spoken

Proposed experts that have been working on a long-term basis in IPA projects implemented as from 2008 in the specific sector may be subject of conflict of interest and therefore excluded from this assignment.

Senior Expert 1 Team Leader/Evaluator : 40 working days

Qualifications and skills

- A university degree in economics, business administration/management, public administration etc

General professional experience

- At least 10 preferably 15 years of professional experience in the public administration sector either as civil servant or as consultant

Specific professional experience

- At least 5 years of experience in performing evaluations including drafting of evaluation reports for impact, relevance, efficiency and effectiveness of funds provided by EU or other donors. Exact duration of the assignment and input of the expert in the specific assignment (preferably in man-days) to be indicated for every project reference in the CV of proposed experts. Tender Evaluations, monitoring or impact assessments are not to be considered as relevant.
- At least one (1) preferably (3) projects implemented in Competitiveness sector in EU Member state and or potential candidate country / candidate country

Junior Expert 2 –Expert/ SMEs/Competitiveness Sector Evaluator : 30 working days

Qualifications and skills

- A university degree in economics, business administration/management, public administration etc

General professional experience

- At least 3 preferably 5 years of professional experience in the public administration sector either as civil servant or as consultant

Specific professional experience

- At least 3 preferably 5 years experience in implementation and /or monitoring and/ or evaluation of projects funded by EU or other donors
- At least two (2) preferably four (4) support to SMEs/ Competitiveness projects in EU Member state and or potential candidate / candidate country

Junior Expert 3 –Expert/ regional Development Sector Evaluator : 30 **working days**

Qualifications and skills

- A university degree in economics, business administration/management, public administration etc

General professional experience

- At least 3 preferably 5 years of professional experience in the public administration sector either as civil servant or as consultant

Specific professional experience

- At least 3 preferably 5 years experience in implementation and /or monitoring and/ or evaluation of projects funded by EU or other donors
- At least two (2) preferably four (4) regional development projects supported by EU Structural funds in EU Member states

4. LOCATION AND DURATION

4.1 Starting period

The assignment will start after the signature of the Framework Contract. Tentative date: 15 April 2013.

4.2 Foreseen finishing period or duration

The estimated duration of the project is 3.5 calendar months after the signature of the Framework Contract.

4.3 Planning

The assignment will be organized over a total of 100 expert working days within maximum 3 missions per expert (to be confirmed during inception phase) indicatively distributed as follows:

ACTIVITY	EXPERT/DAYS
Inception Phase/ briefing with ECD /Inception report	10
<u>Implementation phase:</u>	
Full mapping of the assistance	15
Data collection, analysis and interviews, etc.	20
Development of Draft report, recommendations, indicators	30
Discussion with EUD, Line Ministries, SEIO, other donors etc.	10
Total:	75
Final Reporting	10
Travel days (home – Belgrade– home)	5
TOTAL	100

The inception phase foresees the inputs of 10 working days for the experts. During this period, in principle, only the Team Leader will be mobilized, he/she shall meet with the SEIO and EUD prepare the project plan of activities, the logical framework methodology, resources allocation and report accordingly in the project Inception Report, which is due 3 days after the inception phase is over (see section 5.).

The Implementation Phase will indicatively comprise 75 working days. The Team leader will have the responsibility of the assignment and managing the project as well as the drafting of the Reports both Evaluation and Project Reports.

In the course of the accomplishment of the required services, the Consultant shall maintain regular communication with the SEIO sector person and EUD Programme manager. The experts have to work in close cooperation with SEIO and EUD staff, which will be nominated as counterpart of this project.

4.4 Location of assignment

Experts should make their own arrangements for office space.

5. REPORTING

5.1 Content

It is essential that the expert maintains close dialogue with the SEIO and EUD. The SEIO sector person and EUD Programme Manager must be kept informed of the project progress, through weekly meetings. Experts will prepare short minutes for each meeting.

The Consultant is to produce concise and clear Inception Report and other reports as foreseen under paragraph

2.4. *Expected results* and a Final Report. The Evaluation reports shall be drafted according the instructions from the SEIO and EUD. Team Leader retains responsibility for the quality and timely submission of the Reports. Apart from the Evaluation report (draft and final), experts will also draft Inception and Final Report.

5.2 Language and copies

All reports shall be in written in English, and issued in two hard copies plus one electronic version (MS Word format).

All reports shall be submitted in the first instance to the SEIO and EUD, i.e. SEIO sector person who will be in charge of distributing it and proceed with the formal approval.

5.3 Timing

Time table for delivery of reports (indicative)

Report	Timing	Cleared by
Inception Report	8 days from start of the assignment (following section 4)	SEIO Sector Person EUD Programme Manager
Draft Evaluation Report	2 months after the start of the project	
Final Evaluation Report	2 weeks after the submission of the draft Evaluation report	SEIO Sector Person EUD Programme Manager
Final Project Report	Within 10 days upon completion of the assignment	SEIO Sector Person EUD Programme Manager

The SEIO and Contracting Authority may ask for additional reports/briefing notes during the time of the assignment.

6. ADMINISTRATIVE INFORMATION

The Contractor shall ensure that expert is adequately supported and equipped with PCs and/or other office automation equipments and in particular it shall ensure that there is sufficient administrative and secretarial provision to enable experts to concentrate on their Projects responsibilities. The Contractor must also transfer funds as necessary to support its activities under the contract and to ensure that its employees are paid regularly and in a timely fashion

Office-running related costs which may include office rent, communications (fax, telecommunications, mail, courier etc.), report production, secretariat assistance, backstopping from the HQ etc. are considered to be included within the fee rates of the experts. No costs of this nature may be charged in addition.

The Contractor will be responsible for the daily management of the Project, distribution of tasks and performance of activities. The Team Leader will act on behalf of the Contractor in front of the Contracting Authority and the Projects' beneficiaries.

The Programme Manager representing the Contracting Authority will deal with any issue that will arise on the daily management level, if the Contractor considers being necessary for the Contracting Authority to intervene.

7. Other authorized items foreseen under 'Reimbursable'

The Provision for reimbursable costs covers the eligible expenses incurred under this contract. It cannot be used for costs which should be covered by the Consultant as part of its fee rates, as defined above.

The amount to be budgeted under reimbursable expenses is approx. €62.000 Eligible expenditures are: (i) per diems for the nights spent in the beneficiary country (ii) international travel (iii) local travel to visit projects (iv) organization of an event where final report will be presented (max € 1.500) etc. No rent of offices is to be covered by the reimbursable.

In case experts do not speak Serbian language, they are expected to finance translation, interpretation out of their fees.

8. Tax and VAT arrangements

All the EU-funded Projects are VAT exempted. Under no circumstances can VAT be paid by a EU programme.

EVALUATION GRID

	Maximum	Assessment
Proposed methodology (Max 20 points)	20	
Senior expert 1- Team Leader (Max 40 points)		
<i>Qualifications and skills</i>	5	
<i>General professional experience</i>	10	
<i>Specific professional experience</i>	25	
Junior expert 1 (Max 20 points)		
<i>Qualifications and skills</i>	2	
<i>General professional experience</i>	5	
<i>Specific professional experience</i>	13	
Junior expert 2 (Max 20 points)		
<i>Qualifications and skills</i>	2	
<i>General professional experience</i>	5	
<i>Specific professional experience</i>	13	
Total score for experts	80	
Total Score	100	

ANNEX 2 – EVALUATION QUESTIONS

In relation to Specific Objective 1	
EQ 1	What is the full mapping of EU and other donors' support in the sector?
EQ 2	How effectively have priorities/needs of Serbia been translated into programming of assistance based on the priorities identified in the NPI and programming documents?
EQ 3	To what extent has financial assistance been effective in achieving the sector results?
EQ 4	<p>a) Were the immediate and intermediate results delivered by the evaluated assistance translated into the desired and expected impacts?</p> <p>b) To what extent did they contribute to the strategic objectives and priorities linked to reconstruction and reconciliation?</p> <p>c) Can impacts be sufficiently identified and quantified?</p> <p>d) What is the importance of ODA for the real economy including, SMEs and their competitiveness?</p>
EQ 5	<p>a) Were the achieved results sustainable, especially in terms of retaining improved administrative capacity and maintenance of provided investment?</p> <p>b) What is the sustainability of assistance provided to the legal, institutional and administrative framework in terms of the extent to which its results have been integrated into the national framework</p>
EQ 6	<p>a) What was the impact of this assistance?</p> <p>b) Were there any additional (negative or positive) impacts?</p>
EQ 7	Were the identified impacts sustainable?
EQ 8	<p>a) Were there elements which could hamper the impact and/or sustainability of assistance?</p> <p>b) If yes, what measures could be undertaken to prevent negative effects of such elements?</p>
EQ 9	<p>a) To what extent the donors' chosen implementation modalities relevant?</p> <p>b) To what extent the donors' chosen implementation modalities efficient?</p> <p>c) To what extent the donors' chosen implementation modalities aligned with each other?</p>
EQ 10	How well were the selected contracts linked to other related contracts?
EQ 11	To what extent the support provided by the EC instruments coherent and complementary to the national budget and other donors?
EQ 12	<p>a) Have suitable and appropriate indicators been established, allowing for reasonable and efficient measuring of results, outcomes and, where applicable, impacts?</p> <p>b) Are these indicators SMART?</p> <p>c) Which better indicators can be proposed (including baselines and targets) at sector and policy objective level?</p>
EQ 13	Are the indicators in line with the overarching strategies and policy priorities?
EQ 14	Has sustainable capacity been created in the beneficiary institutions to manage policy challenges and future assistance?
EQ 15	Was the institutional framework adequate to deliver programmes in a sustainable manner?
EQ 16	<p>a) Has the EU assistance achieved maximum visibility?</p> <p>b) Did the implemented visibility activities succeed in conveying the key strategic messages justifying the delivered assistance?</p>
EQ 17	How do the costs (time, money) and sustainable outcomes and impact at contract or project level compare to each other?

In relation to Specific Objective 2	
EQ 18	Which lessons can be learned from the implementation of assistance?
EQ 19	Which have been the weaknesses and strengths of the assistance delivered?
EQ 20	How could financial assistance be better coordinated and aligned with ongoing reforms to improve effectiveness, impact and sustainability?
EQ 21	Which are the 3 or 4 key success factors for effective and efficient implementation of assistance?
EQ 22	Through which institutional mechanisms (TA, Twinning, supplies, etc.) could financial assistance be best channelled?
EQ 23	a) Which type of assistance and reforms achieved the most sustainable results under the provided assistance b) What are the reasons behind that?
EQ24	What are the needs of the sector not covered so far by the assistance?
EQ25	What are the potential future needs that will have to be addressed by the NFP 2014-2020?
In relation to Specific Objective 3	
EQ26	a) How well aligned is the support for local and regional development with the national sector strategies? b) Are institutional competences clear? c) Are the delivery mechanisms sustainable? d) Are they aligned with EU best practices in terms of planning, programming and implementation? e) How much has EU support to Regional Development Agencies (RDAs) across Serbia contributed to the objective of reducing regional disparities and increasing regional competitiveness?
EQ27	a) How much has the support for state aid and competitiveness helped to align Serbia with the Acquis in these areas? b) How effective has EU support been to help create new SMEs and to assist existing SMEs to grow? c) How has EU support helped to improve the business environment in Serbia? d) What are the possibilities for blending grants and loans in the support for SMEs?
EQ28	a) What are the results achieved and impact in terms of the absorption of funds from the 7 th Framework for Research (FP7) and the Competitiveness and Innovation framework programme (CIP) in Serbia in view of future programmes? b) What are the lessons learned in this respect?

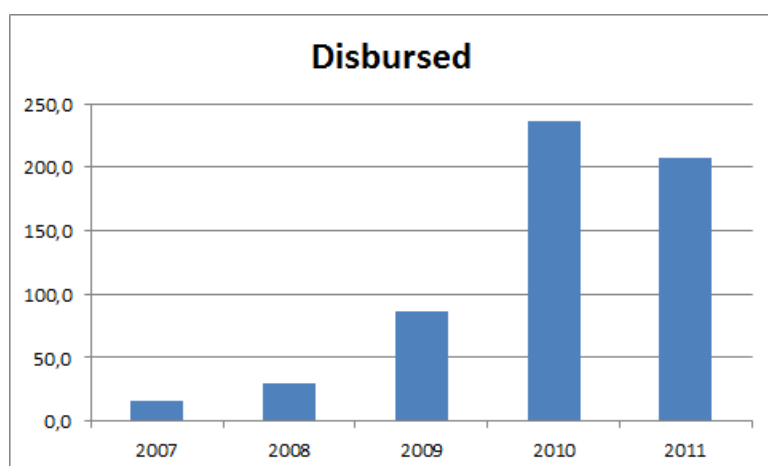
ANNEX 3 – EVALUATION SAMPLE

Donation name	Donor	Budget	Year	Sub-sector
Strengthening Consumer Protection in Serbia	European Union	2 500 000	2009	INT
Control of State Aids	European Union	1 500 000	2008	INT
CUSTOMS 2013	European Union	52 189	2009	INT
IGIS project: NSDI and Remote-Sensing Centre for the Republic of Serbia based on IGIS (Integrated Geo-Information Solution)	France	11 185 000	2011	INT
Development of IT support for the integrated Tariff of the Custom Administration	Norway	200 000	2008	INT
Twinning project Republic Geodetic Authority- Statens kartverk, phase 3, continuation	Norway	93 000	2010	INT
Trade facilitation programme - Regional Project for broader area of Western Balkans	Switzerland	1 324 455	2007	INT
Trade Cooperation Program Phase III - TRIPS and Gis	Switzerland	624 741	2010	INT
Trade Cooperation Program Phase III - WTO Accession	Switzerland	453 833	2009	INT
Business Enabling Project	United States	3 686 638	2011	INT-SME
Second private and financial development policy loan for year 2010	World Bank	77 700 000	2010	INT-SME
Improving Environment for Businesses at local level through Regulatory reform	Switzerland	1 104 000	2011	INT-SME
Research and development in public sector	EIB	200 000 000	2010	RDI
FP7 for Research, Technological Development and Demonstration Activities	European Union	43 391 561	2007	RDI
Innovation Serbia Project	European Union	8 400 000	2011	RDI-SME
Integrated Innovation Support Programme - IISP	European Union	3 000 000	2010	RDI-SME
Apex Global 3-kredit for the SMEs development	EIB	250 000 000	2010	SME
Apex Global 1- Small and Middle-size Enterprises Development Credit	EIB	20 000 000	2008	SME
Support to Enterprise Competitiveness and Export Promotion	European Union	3 500 000	2007	SME
Improved SME Competitiveness and Innovation	European Union	3 000 000	2008	SME
CIP EIP	European Union	2 098 756	2008	SME
Regional Entrepreneurial Learning Centre	European Union	594 000	2010	SME
Institutionalization of Mentoring in SMEs	Japan	1 500 041	2008	SME
Business Advisory Services Programme	Netherlands	1 978 099	2007	SME
PSOM Programme for 2007	Netherlands	1 432 291	2007	SME
PSO Programme for 2008	Netherlands	1 217 500	2008	SME
GIZ Access I	Germany	4 700 000	2010	SME
Cluster Development Support Project in 2007	Norway	480 000	2007	SME
Support SME manufacturers in the Automotive Component Industry in Serbia Phase II	United Nations	162 238	2010	SME
USAID Competitiveness project	United States	2 719 500	2008	SME

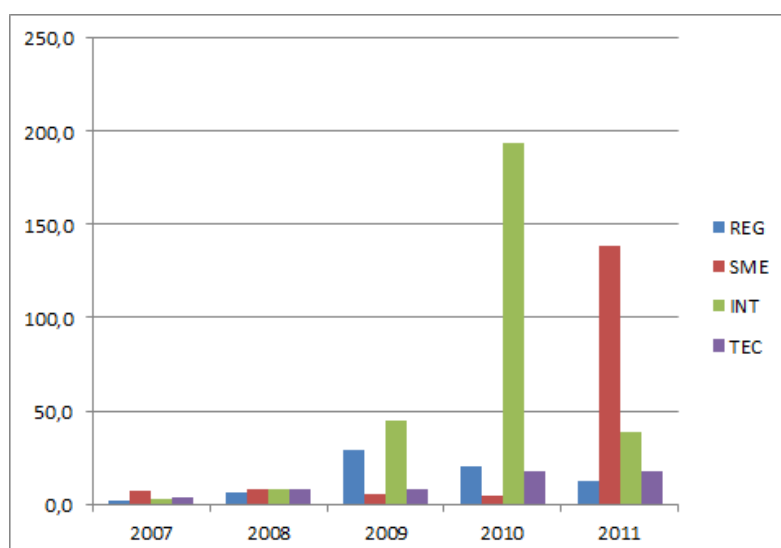
Small Enterprise Assistance Fund	United States	388 500	2008	SME
Italian Credit Line Facility for SMEs and LPUCs	Italy	30 707 332	2010	SME-REG
Promotion of Energy Efficiency Investments via the Serbian Banking Sector	Germany	45 600 000	2008	SME-REG
Support to the Integrated Regional Development Programme of Vojvodina	Austria	5 000 000	2007	REG
LEDIB Programme	Denmark	10 050 000	2007-12	REG
RSEDP2	European Union	4 985 000	2007	REG
REGPOL	European Union	1 800 000	2007	REG
Support to socio-economic development of the Serbia Danube region (SEDDSR)	European Union	19 500 000	2011	REG
EU PROGRES	EU and Switzerland	18 100 000	2011	REG
Municipal Economic Development in Eastern Serbia	Germany and Switzerland	4 050 000	2012	REG
Private Sector Development in South Serbia	Switzerland	1 645 535	2007	REG
Private Sector Development in South West Serbia	Switzerland	1 224 953	2011	REG
Improving Environment for Businesses at local level through Regulatory reform	Switzerland	1 103 945	2011	REG
Sustainable Local Development Programme	United States	5 380 582	2011	REG
TOTAL	14 donors	840 433 689	5 years	4 sub-sectors

ANNEX 4 – RECORDED ALLOCATIONS AND DISBURSEMENTS OF ODA

This Annex contains the recapitulation of an abstract from ISDACON received from SEIO during the inception mission. It summarises the allocations and disbursements corresponding to the period 2007-2011. The first table shows the disbursements made in the Competitiveness sector in each of the five years under evaluation, with the vast majority of funds disbursed in 2010 and 2011 (both over 200 million €, whereas total disbursements totalled around 575 million € in the period, against a total budget of close to 700 million €). Figures are in millions of Euros.



Split out over the sub-sectors SME (including industrial development, FDI and tourism), Regional Development (REG), technological development and R&D (TEC) and Internal Market (INT, including topics like customs, trade, standards, financial markets, consumer protection, state aid, better regulation, and land management), the picture is as follows. It becomes clear that internal market related payments dominated in 2010 and SME disbursements in 2011. Figures are in millions of Euros.



ANNEX 5 – WEB-SURVEY AMONG SMEs CARRIED OUT

(Separate pdf file attached)

ANNEX 6 – LIST OF PERSONS AND ORGANIZATIONS MET

Date	Surname	Name	Organization
REG SECTOR			
13.06.2013	Ljubinkovic	Vasilije	Ministry of Regional Development and Local Self-government
13.06.2013	Crofts	Richard	REGPOL in the Ministry of Regional Development and Local Self-government
14.06.2013	Budimir	Branko	SEIO
15.06.2013	Paunov	Mirjana	Former Director of RDA Banat (Zrenjanin, Vojvodina): in Novi Sad
17.06.2013	Mole	Santa	Italian bilateral cooperation
17.06.2013	Stankovic	Ana	EU Delgation
19.06.2013	Knezevic	Sanja	SEIO briefing on Serbia Danube Programme
19.06.2013	Deza Rosar	Rosic Arminio	Swiss bilateral cooperation
20.06.2013	Popovic	Nenad	Focus group of RDAs Kragujevac, Kraljevo, Novi Pazar & Zlatibor
20.06.2013	Stojanovic	Gordana	Kragujevac: meeting with Municipal LED office
20.06.2013	Veljkovic	Vojislav	Business Innovation Centre, Kragujevac
21.06.2013	Kapper	Klaus	Serbia Danube Programme
21.06.2013	Bojovic	Jelena	NALED (National Association of Local Economic Development)
3.07.2013	Kocevic	Sladjana	OPTIMUS
4.07.2013	Ockman	Howard	Sustainable Local Development Programme (USAiD)
5.07.2013	Ivanjic	Vanja	Vojvodina Agency for Balanced Regional Development (Novi Sad)
5.07.2013	Milosav	Branislav	Focus group of 3 RDAs in Vojvodina (Srem, Banat, Backa)
5.07.2013	Pekez	Zoran	Vojvodina Metal Cluster project (Novi Sad)
8.07.2013	Bugarski	Branislav	Minister of regional cooperation and local self-government Vojvodina Provincial government
8.07.2013	Matijevic	Sarita	Playground production (documentary films on Danube)
9.07.2013	Crofts	Richard	REGPOL
9.07.2013	Plamenac	Gordana	Director, National Tourism Organization of Serbia
10.07.2013	Zegarac	Ana	National Regional Development Agency
11.07.2013	Camernik	Boris	Danube Competence Centre
11.07.2013	Mairhofer	Helmut	GIZ Belgrade

15.07.2013	Grunauer	Alexander	GIZ Municipal Support East Serbia
16.07.2013	Maletic	Dragoljub	Regional Centre for Development of SMEs Belgrade
16.07.2013	Kovacevic	Ile	Editor in chief Internet site "Dunavska Strategija"
16.07.2013	Jankovic	Vera	Tourism Sector, Ministry of Economy and Finances
17.07.2013	Bogicevic	Sasha	Golubac Municipality LED Office (several participants)
18.07.2013	Marinkovic	Marija	Standing Conference of Towns and Municipalities

SME SECTOR

26.06.2013	Suvakov	Dejan	EUD
27.06.2013	Obradovic-Jovanovic	Katarina	MoEF (SEECCEL)
27.06.2013	Miljenovic	Ranka	MoEF (ICIP)
28.06.2013	Brefort	Loup	WB Country Manager
	Šestović	Lazar	WB Expert
1.07.2013	Andreas	Beikos	EIB (Head of Office WB)
2.07.2013	Suvakov	Dejan	EU Delegation
2.07.2013	Bain	Jannicke	Norway - Senior Advisor
2.07.2013	Mitosevic	Nenad	NL Policy Officer
3.07.2013	Jankovic-Jasic	Dijana	Erstebank Head ALM
	Stamenkovic	Nikola	Erstebank Head Corporate Division
	Maslovaric	Nikola	Erstebank Deputy Head Corporate Division
3.07.2013	Zoric Krzic	Aleksandra	Project Management Specialist
	Mihajlovic	Jelena	Programme Development Assistant
3.07.2013	Kocevic	Sladjana	OPTIMUS
4.07.2013	Ockman	Howard	Sustainable Local Development Programme (USAiD)
4.07.2013	Memedovic	Olga	UNIDO - <i>interview by telephone</i>
4.07.2013	Coin	Frederic	Societe generale President of Executive Board
5.07.2013	Ivanjic	Vanja	Vojvodina Agency for Balanced Regional Development (Novi Sad)
5.07.2013	Milosav	Branislav	Focus group of 3 RDAs in Vojvodina (Srem, Banat, Backa)
	Mijuk	Svetlana	Backa
	Pupavac	Nikolina	Backa

	Mijajlovic	Tanja	Srem
10.07.2013	Zegarac	Ana	National Regional Development Agency
10.07.2013	Dragutinovic	Djiana	NBS
	Radojevic	Slavica	NBS
10.07.2013	Todorovic	Zoran	NBS
	Bulatovic	Danica	NBS
11.07.2013	Vijatov	Igor	Automotive Cluster
11.07.2013	Aleksic	Dragana	GO RR and RIA
	Paunovic	Dijana	GO RR and RIA
11.07.2013	Mairhofer	Helmut	GIZ Belgrade
16.07.2013	Maletic	Dragoljub	Regional Centre for Development of SMEs Belgrade
	Markovic	Ljiljana	Regional Centre for Development of SMEs Belgrade
16.07.2013	Gojkovic	Dejan	SEIO
	Budimir	Branko	SEIO
16.07.2013	Vukosavljevic	Bojana	EBRD (BAS)
17.07.2013	Zivkovic	Radovan	Ministry of Education
17.07.2013	Nobuo	Sugiura	JICA
	Ryuichi	Ito	JICA
18.07.2013	Samardzic	Nina	MoEF Assistant Minister
	Milikic	Zlatko	MoEF Assistant Minister
18.07.2013	Petrovic	Dragijana	MoEF Assistant Minister
19.07.2013	Stolz	Tobias	GIZ Belgrade - <i>interview by telephone</i>
24.07.2013	Bajovic	Djordje	USAID SEAF
24.07.2013	Radoicic	Jelena	SIEPA
	Dimic	Aleksandra	SIEPA
26.07.2013	Roessler	Daniel	ADA
26.07.2013	Budimir	Branko	SEIO
26.07.2013	Markovic	Ljiljana	Regional Centre for Development of SMEs Belgrade
29.07.2013	Brnabic	Ana	Wind Energy Association/ USAID COMP
29.07.2013	Stanojevic	Dragana	USAID BEP

	Jolovic	Ana	USAID BEP
29.07.2013	Ilici	Ana	USAID COMP Film Commission
30.07.2013	Theuerkauf	Ulrich	Project Director ICIP - interview by telephone
30.07.2013	Kecman	Natasa	Chamber of Commerce
	Ilici	Zdravko	Chamber of Commerce
8.02.2013	Zivkovic	Sladjana	SEECEL - interview by telephone
			Association of Consulting Engineers of Serbia - ACES
8.02.2013	Sehic	Andrea	National FIDIC Association in Serbia - interview by telephone

RDI SECTOR

21.06.2013	Zikic	Radomir	Ministry of Education, Science and Technological Development
26.06.2013	Kundakovic	Ljiliana	Innovation Fund (Innovation Serbia Project)
26.06.2013	Simonović	Aleksandar	PIU (Research and Development in public sector)
26.06.2013	Suvakov	Dejan	EU Delegation
27.06.2013	Obradovic-Jovanovic	Katarina	MoEF (IISP)
27.06.2013	Conte	Stefano	EUD
28.06.2013	Brefort	Loup	WB Country Manager
26.07.2013	Vujic	Amit	iStreetLight Ltd (mini grant holder, Innovation Serbia Project)
26.07.2013	Husinec	Suren	Duochem Ltd (matching grant holder, Innovation Serbia Project)
29.07.2013	Cvetković	Vladica	University of Belgrade-Faculty of Mining and Geology (FP7 project RECPOT)
30.07.2013	Theuerkauf	Ulrich	GFA (Project Director IISP) - <i>interview by telephone</i>
30.07.2013	Bastic	Ilija	EPTISA (Project Director EU-HETIP Technical Assistance to PIU R&D)
	Petrovic	Darko	EPTISA (Senior Architect/Engineer EU-HETIP Technical Assistance to PIU R&D)
	Celic	Milica	EPTISA (Project Assistant EU-HETIP Technical Assistance to PIU R&D)
30.07.2013	Vucetic	Aleksandra	MoEF (IISP Project coordinator)
30.07.2013	Djokic	Stefanija	NARD (Member of Project Monitoring Committee, IISP)
	Mavrenovic	Jovanka	NARD (Member of Project Monitoring Committee, IISP)
31.07.2013	Simonović	Aleksandar	PIU (Research and Development in public sector)
31.07.2013	Popovic	Ivanka	Vice-rector for science of the University of Belgrade
7.08.2013	Friedrichs	Tania	DG Research and Innovation (FP7) - <i>interview by telephone</i>

13.08.2013	Beikos	Andreas	EIB (Head of Office WB) - <i>interview by telephone</i>
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INT SECTOR

13.06.2013	Ćurčić	Andrijana	Ministry of Finance and Economy, Head of State Aid Department
14.06.2013	Budimir	Branko	SEIO
19.06.2013	Rosic	Arminio	Swiss bilateral cooperation
21.06.2013	Bojovic	Jelena	NALED (National Association of Local Economic Development)
	Krstovic	Slobodan	NALED (National Association of Local Economic Development)
25.06.2013	Stoycheva	Tsvetana	EU Delegation
27.06.2013	Kukolj	Slavica	Ministry of External and Internal Trade and Telecommunications
	Maric	Olivera	Ministry of External and Internal Trade and Telecommunications
19.07.2013	Mustapic Momčilovic	Biljana	Customs Administration
26.07.2013	Milenkovic	Vladimir	Republic Geodetic Authority
	Derrey	Mathieu	Astrum (at Republic Geodetic Authority)
26.07.2013	Džamic Radevic	Gordana	Customs Administration
	Kronja	Marko	Customs Administration