

**THE PROJECT ON ESTABLISHMENT  
AND PROMOTION OF MENTORING  
SERVICE FOR SMALL AND  
MEDIUM ENTERPRISES  
IN THE WEST BALKANS (PHASE 2)  
SERBIA, BOSNIA AND HERZEGOVINA,  
MONTENEGRO, NORTH MACEDONIA**

**PROJECT COMPLETION REPORT**

**AUGUST 2020**

**JAPAN INTERNATIONAL COOPERATION AGENCY (JICA)**

**KIJIKU CONSULTING K.K**

**NOMURA RESEARCH INSTITUTE CO.LTD**

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Abbreviation	English
APERNM	Agency for Promotion of Entrepreneurship of the Republic of North Macedonia
BC	Business Center
CEFTA	Central European Free Trade Agreement
C/P	Counterpart organization
CRT	Classroom Training
CRTT	Classroom Training Trainer
DAS	Development Agency of Serbia
DDSME	Directorate for Development of Small and Medium-sized Enterprises
EBRD	European Bank for Reconstruction and Development
EU	European Union
FBiH	Federation of Bosnia and Herzegovina
GIZ	German Agency for International Cooperation
IBRD	International Bank for Reconstruction and Development
JETRO	Japan External Trade Organization
JICA	Japan International Cooperation Agency
MOE	Ministry of Economy
MODEC	Federal Ministry of Development, Entrepreneurship and Craft
MOFTER	Ministry of Foreign Trade and Economic Relations
OCM	Overall Coordination Meeting
OECD	Organization for Economic Co-operation and Development
OJT	On the Job Training
OJTT	On the Job Training Trainer
PDM	Project Design Matrix
RA	Regional Agency
RARS-MSP	Republic Agency for the Development of Small and Medium-sized Enterprises Republic of Srpska
RS	Republika Srpska
SERDA	Sarajevo Economic Region Development Agency
SME	Small and Medium-sized Enterprises
UNDP	United Nations Development Program
USAID	United States Agency for International Development

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- 1 Frequently Asked Questions for Foreign direct investors (Useful materials on investment promotion and the list of relevant organisations)  
(SRB, MNE, MKD, BiH)

# **1. Outline of the project**

## **1-1 Background**

This project was implemented in 4 countries, namely Serbia (hereinafter referred to as SRB country), Bosnia and Herzegovina (hereinafter referred to as BiH country), Montenegro (hereinafter referred to as MNE country), and North Macedonia (hereinafter referred to as MKD country). All these 4 countries were part of the Socialist Federal Republic of Yugoslavia formed after the Second World War. In the 1990's, these four countries declared independence except for Serbia and Montenegro, that kept existing as a union state until 2006. Currently the situation in each country is stable and economic development is going on. The financial crisis from 2008 had negative impact on the economic conditions and resulted in the negative growth trend in 2009: -3.5% in SRB, -2.9% in BiH, -5.7% in MNE, -0.36% in MKD). Since 2001, economic growth remains on the level of 1~2% for each country.

The Governments of each country have great expectations for SMEs as they occupy the majority of domestic enterprises and have the majority of domestic employers, in terms of revitalizing the economy, absorbing unemployed persons and relaxing trade deficits. Meanwhile, the targeted SMEs in the 4 countries have problems in financial access, administrative procedures, domestic inequitable competitive environment and other issues.

While the governments of the 4 countries are developing the policies and institutions aimed at strengthening the competitiveness of SMEs with EU system as a model, due to budget constraints and other factors, the organization of SME support institutions still has weaknesses, and it is necessary to strengthen the capacity of these institutions to support SMEs.

Considering the above, JICA has started to provide technical assistance on establishing of the mentoring service system in SRB since 2008, based on the Japanese experience of the economic advisers for enterprises. Implementation of Mentor System Organization Project between 2008~2010 targeted the improvement and establishment of the mentor system that would conduct company diagnosis and provide advice for SMEs.

Mentoring service system was introduced in many regions of SRB, however, after the project was completed, the issues regarding the quality of the service and the training system for fostering mentors had remained. Simultaneously, there was a request from the neighboring countries such as BiH and MNE to design and establish a similar system.

Therefore, during 2013~2016 period, using the improved mentoring service system in SRB as well as cultivated mentors and considering the request from the neighboring countries BiH and MNE, the project called "The Project on Establishment and Promotion of Mentoring Service for Small and Medium Enterprises in the Western Balkans (hereinafter referred to as Phase 1) was implemented, also targeting the strengthening of the cooperation of the countries.

During Phase 1, mentoring system in the 3 countries was designed and improved, SRB requested to receive guidance of Kaizen for its mentors and also support for the mentor evaluation system, while BiH requested to expand the project to the whole territory of Federation of Bosnia and Herzegovina (hereinafter FBiH) and the Republic of Srpska (hereinafter RS) and to establish the trainer system, whereas MNE also targeted the accomplishment of the trainer system and receiving continued support. In addition to the above, there was also a request from MKD to establish mentoring system for SMEs. In this relation, JICA has planned Phase 2 of the project, geographically expanding to the territory of the 4 countries, introducing Kaizen system and designing new support system for SMEs.

## **1-2 Outline**

### **(1) Project Name**

Project on Establishment and Promotion of Mentoring Service for Small and Medium Enterprises in the Western Balkans (Phase 2)

### **(2) Project Period**

September 2017~August 2020

### **(3) Overall Goal and Project purpose**

#### **【Overall Goal】**

The mentoring services for small and medium enterprises (SMEs) is maintained and expanded in Western Balkan region (Serbia, Bosnia and Herzegovina (BiH), Montenegro and Macedonia), and SMEs in the region continue to develop their business by using mentoring service.

#### Objectively Verifiable indicators

1. Mentoring service are continuously available in the targeted area.
2. Number of SMEs receiving the mentoring services has increased in each country in the cumulative total.
3. More than xx % of SMEs which received the mentoring services evaluate that their business has been improved through the services.

#### **【Project Purpose】**

Mentoring service for SMEs is improved in terms of service contents and implementation structure, and inter-regional mentoring system is established.

#### Objectively Verifiable Indicators

1. The target organizations are capable of modifying the mentoring system strategy/plan, mentoring

implementation guideline, training curriculum and evaluation method for mentors and services by organizations themselves.

2. More than XX% of the mentors improve mentoring ability by implementing mentor system.
3. Inter-regional mentoring system is established.

#### (4) Expected results, activities, targets

	Indicators	Activities
Output 1: Mentoring system is established and improved.	1 Mentor system strategy/plan, mentoring implementation guideline, training curriculum and evaluation method for mentors are developed and revised.	1-0 A base-line survey on SMEs situation and SME policy implementation issues is conducted. (Republic of Macedonia) 1-1 Mentoring service is established. (BiH and Macedonia) 1-2 KAIZEN methods and others are included in mentoring service, and the service contents are improved. 1-3 Model site implementation of the service is conducted. PR seminars are organized upon considering the necessity. (BiH and Macedonia) 1-4 Government budget for the service is allocated. (4 countries) 1-5 Service evaluation system, mentor qualification renewal system and former client monitoring system are established and implemented. (4 countries) 1-6 Nation-wide service delivery plan is formulated. (4 countries)
Output 2: Sustainable mentor training system is established.	2.1 Mentor training plan, training guideline for mentors and mentor trainers, and training curriculum are developed and revised. 2.2 More than xx persons are newly trained to acquire the ability of conducting mentoring services. 2.3 More than xx are newly trained to be mentor trainers. 2.4 More than xx% of mentor trainers are evaluated by the management/trainees that their ability is high enough to train mentors.	2-1 Mentor training plan is formulated. (4 countries) 2-2 New mentors are trained. (4 countries) 2-3 New Class-room trainers are trained. (4 countries) 2-4 New OJT trainers are trained. (4 countries) 2-5 Training modules of Kaizen are prepared and conducted. 2-6 Training modules for export promotion and linkage with foreign enterprises are prepared and conducted (Serbia, Montenegro, BiH, Macedonia if necessary)
Output 3: Inter-regional mentoring system is established.	3.1 Mechanism for maintaining the implementation system is discussed and approved by the Government. 3.2 Inter-regional mentoring system is adopted by the target organizations in the West Balkan Region.	3-1 Country and inter-regional mentor conferences are organized. (4 countries) 3-2 Inter-regional mentor conferences are institutionalized in the national mentor service structure. (4 countries)
Output 4: Base for business linkage among Western Balkan and foreign enterprises is established.	4.1 Information about investment climate such as laws, regulation, and local companies is gathered. 4.2 Information about local enterprises with high potential for business linkage with foreign enterprises is listed and introduced to foreign enterprises through website.	4-1 Information of business climate and local enterprises is compiled. 4-2 Information of business climate and local enterprises is provided to Foreign Enterprises. (4 countries)



Indicators	SRB	MNE	MKD	BiH	
				RS	FBiH
X	30	30	22	40	40
Y	20	18	11	12	14
Z	80	90	90	90	90

※ Each C/P discusses on the indicators with JICA Consultant and set the targets at JCCs in November 2018.

## (5) Target Countries

All territory of Serbia, Bosnia and Herzegovina, Montenegro, North Macedonia.

## (6) Counterpart organizations (hereinafter: C/P)

Country	C/P
SRB	• Development Agency of Serbia (DAS)
BiH	• Ministry of Foreign Trade and Economic Relations (MOFTER) • Republic Agency for the Development of Small and Medium Enterprises Republic of Srpska (RARS-MSP) • Federal Ministry of Development, Entrepreneurship and Craft (MODEC)
MNE	• Directorate for Development of Small and Medium Enterprises (DDSME <sup>1</sup> )
MKD	• Agency for promotion of entrepreneurship of the Republic of North Macedonia: APERNM

## 1-3 Purpose

As the project was expected to be implemented based on the collaboration among the 4 countries, it was important to achieve the project purpose through establishing Inter-Regional Cooperation Scheme. Based on that, it was expected to achieve following project purposes of each country and the common target of the region.

**Table-1 : Project purposes of each country**

Country	Purpose
SRB	Cultivate new OJT (On the Job Training) trainers and introduce basic know-how on Kaizen to the training program for mentors as a new module. Cultivate trainers for Kaizen classroom training and Kaizen for OJT. The mentor trainers of SRB are to help the other countries cultivate new mentor trainers. (Enterprise diagnosis and OJT)
BiH	Expanding the training system for mentors, which targeted only Sarajevo macro region in Phase 1, to other area. As for RS, JICA Consultant is to help RS establish mentoring service system, and cultivate new mentors and develop the capability of service providers on supporting SMEs. JICA Consultant is to train OJT trainers, while increase the number of CRT (Classroom training) trainers. After cultivating the trainers of Kaizen, JICA Consultant is to organize CRT and OJT on Kaizen in BiH with the support from SRB's trainers.
MNE	Cultivate CRT trainers and OJT trainers. In addition, after Kaizen trainers in SRB are cultivated, implement Kaizen classroom trainings and OJT in MNE under cross-border cooperation with trainers from SRB. Centralize the mentoring service system in SME support system by expanding the territory of mentoring service.

<sup>1</sup> At the restructuring of organization in 2018, DDSME was integrated into MoE (Ministry of Economy). After that, MoE administrated the project in MNE.

MKD	JICA Consultant is to cultivate new mentors and to develop the capability of service provides on SME support, helping the establishment of mentoring service system. JICA Consultant is to organize CRT and OJT on Kaizen with the support from SRB's trainers.
Whole Region	In order to promote business linkage between foreign companies and beneficiaries of mentoring service, JICA Consultant is to collect information regarding the investment climate of the region and the profiles of local companies and help C/Ps establish a scheme of disseminating the information to their targets.

#### 1-4 Summary of main materials and events

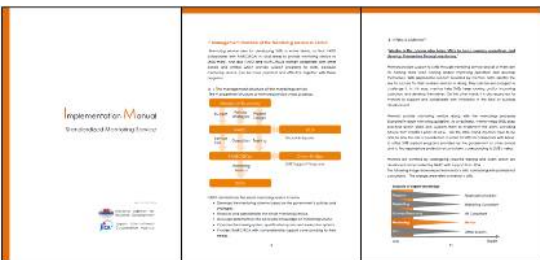

Among the materials and events which appear in this project, the summaries of especially important items are described in this part. The materials are categorized into 3 types as follows.

A : Developed in 1<sup>st</sup> phase. (No update)


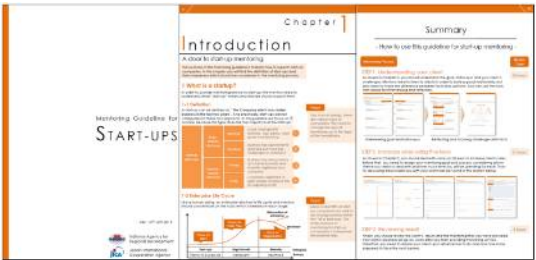
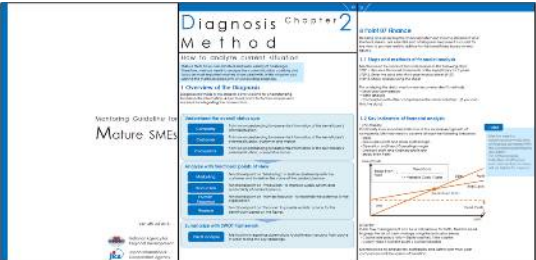

B : Newly developed in 2<sup>nd</sup> phase.

C : Developed in 1<sup>st</sup> phase and upgraded in 2<sup>nd</sup> phase.

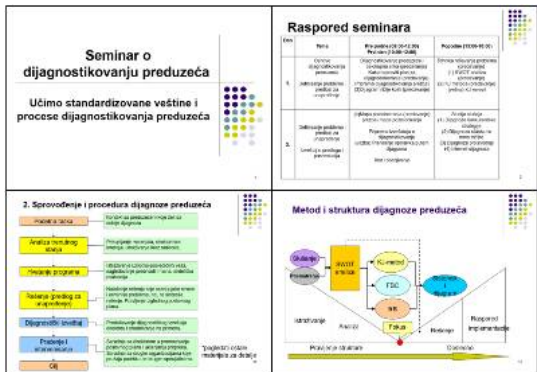
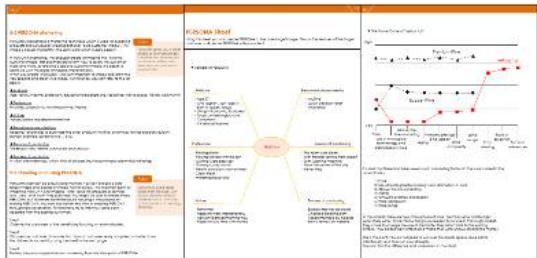

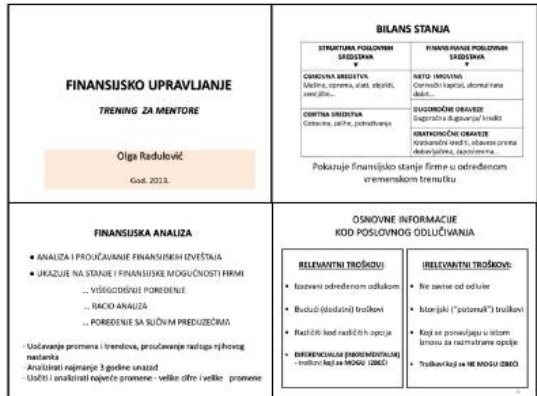
**Table-2 : Materials which define the fundamentals of mentoring system.**

<p>1. Mentoring Service Implementation Manual for Standardized Mentoring Service (C)</p> 	<p>A manual describing the structure of the whole mentoring system. Everyone involved in institutional design is required to understand the contents.</p> <p><u>Main items</u></p> <ul style="list-style-type: none"> <li>• Key concept of mentoring service (If falls under the policy of system design.)</li> <li>• Mentoring service provision scheme</li> <li>• Qualification system for mentors and mentor trainers.</li> <li>• Training system for mentors and mentor trainers.</li> </ul>
<p>2. Preparation Manual of Mentoring Service (A)</p> 	<p>A manual instructing the operation of mentoring system. The annual tasks of administrator such as public call of mentoring service and training for mentors are described.</p> <p><u>Main items</u></p> <ul style="list-style-type: none"> <li>• Process of public call of mentoring service</li> <li>• Process of beneficiary selection</li> <li>• Management of trainings</li> <li>• Management of qualification system</li> <li>• Evaluation of mentoring service</li> <li>• Management of mentor and trainers</li> <li>• Management of database</li> </ul>

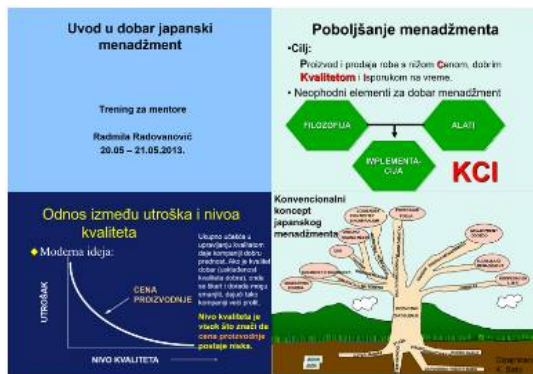
**Table-3 : Guidelines for standardizing mentoring service**

<p>1. Mentoring Guideline for Overall Understanding (C)</p> 	<p>A guideline that describes the whole mentoring service in order for mentors to be able to provide expected mentoring service.</p> <p><u>Main items</u></p> <ul style="list-style-type: none"> <li>• Key concept of mentoring service</li> <li>• Outline of mentoring service</li> <li>• Outline of various mentoring guidelines</li> <li>• Reporting scheme</li> </ul>
<p>2. Mentoring Guideline for Start-ups (C)</p> 	<p>A guideline on standardized mentoring service targeting Start-Ups that are less than three years old. It consists of contents tailored to the needs of SMEs at the close time of establishment, with direct intention on effective growth.</p> <p><u>Main items</u></p> <ul style="list-style-type: none"> <li>• Points of characteristics and guidance of newly established SMEs</li> <li>• Standardized Mentoring Process</li> <li>• Mentoring know-how for newly established SMEs</li> </ul>
<p>3. Mentoring Guideline for Mature SMEs (C)</p> 	<p>A guideline on standardized mentoring service targeting mature SMEs. For further growth of SMEs, this guideline provides directions on where to concentrate the company's management resources, utilizing corporate diagnosis.</p> <p><u>Main items</u></p> <ul style="list-style-type: none"> <li>• Features and points of mentoring SMEs</li> <li>• Standardized Mentoring Process</li> <li>• Mentoring know-how for SMEs</li> </ul>
<p>4. Mentoring Guideline (B) (Upgraded)</p> 	<p>A guideline which integrates the mentoring guidelines from 1 to 3 above, drastically upgrading the contents based on the achievements and findings from Phase 1. The guideline is used by mentors as the bible at any scene from classroom training for new mentors to providing mentoring service to beneficiaries.</p> <p><u>Main items</u></p> <ul style="list-style-type: none"> <li>• Overview of mentoring system</li> <li>• Overview of mentoring service</li> <li>• Mentoring for Start-ups</li> <li>• Mentoring for Matures</li> </ul>

**Table-4 : Training materials and modules of classroom training for new mentors**

<p>1. Overall Understanding for Mentoring and Mentoring for Mature SMEs (C)</p> 	<p>A training module for understanding the overall picture of mentoring service, learning standardized mentoring know-how and process.</p>
<p>2. Mentoring for Start-Ups (C)</p> 	<p>A training module for understanding the problems often faced by newly established SMEs, learning standardized mentoring know-how and standardized mentoring process for newly established SMEs.</p>
<p>3. Marketing (C)</p> 	<p>A training module for acquiring various marketing know-how to increase the number of customers and expand sales. Concrete and various examples of how marketing know-how is utilized in the standardized mentoring process are included.</p>
<p>4. Financial Management and Business Plan (C)</p> 	<p>A training module for learning financial analysis for identifying the company's business condition. During the initial JICA mentoring project, financial analysis software for mentoring service was developed and training for mentors was conducted. This knowledge makes it possible for mentors to develop a practical business plan by understanding more accurate figures in client's financial statements.</p>

## 5. Production Management (C)



A training module for learning production management know-how such as improving productivity and quality of products. It consists of basic know-how such as 5S, Kaizen, waste removal, problem analysis, production cycle management, etc., in order for mentors to be able to identify problems with the employees during factory diagnosis.

## 6. Human Resource Management (C)



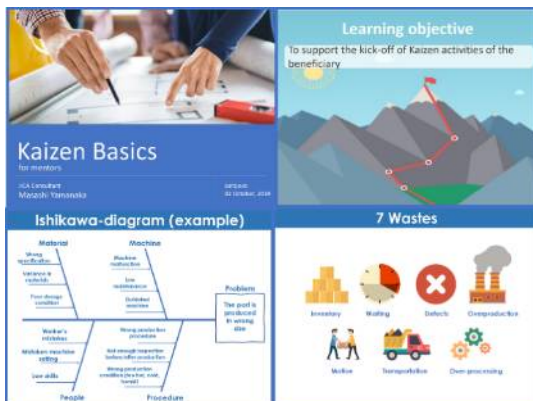
A training module for learning the analytical viewpoints of human resource management. It contains the knowledge of how to enroll employees more into the business, which is regarded as the work of managers.

## 7. Communication Skills (C)



A training module for learning communication skills in order to facilitate mutual understanding between beneficiaries and mentors. Trainees can learn the difference of communication styles among people by understanding 4 viewpoints.

## 8. Kaizen (B)



A training module for learning Kaizen on mentoring service. The word “Kaizen” is well recognized in the Western Balkans and the professional organizations such as Kaizen Institute provide their own Kaizen service. This training aims to clearly state the goals and activities of “Kaizen on mentoring”.



## 9. Internationalization (B)



A training module for learning the basics of internationalization of SMEs. The definition of internationalization of SMEs does not mean only "Export/Import" but also cooperation among SMEs in a variety of ways such as alliance of technologies. The training summarizes the key points of mentoring on internationalization, referring to the trend of foreign business linkage of SMEs in EU.

**Table-5 : Training Materials of Kaizen on Mentoring**

## 1. Kaizen Manual (B)





A manual that describes the basics of Kaizen and the activities on Mentoring. While there are professional consultants and organizations which can cover Kaizen, most of mentors are not professionals of production management. The manual aims to clearly state the mission and roles of mentors on Kaizen, considering the position of mentors among other specialist of Kaizen.

## 2. Kaizen Tools (B)





A tool that can facilitate mentoring on Kaizen by mentors. A poster regarding the concepts of 5S was developed in order to cultivate Kaizen Mind among beneficiaries.

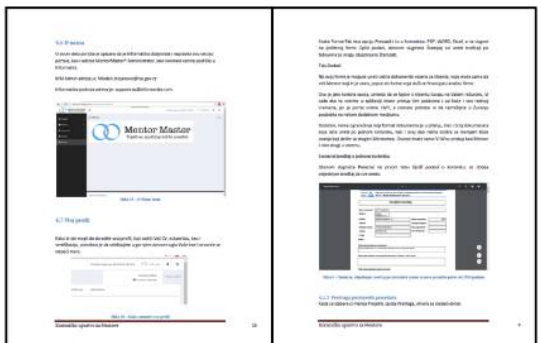
**Table-6 : Training materials and modules of classroom training for mentor trainers**

<p><b>1. Special Training for CRTT (C)</b></p> 	<p>A training module for classroom training trainers in order to learn the basics of trainer skills, which contains knowledge of how to make practical presentation slides, how to conduct training works, how to make training contents based on the standardized consultation know-how and process of mentoring.</p>
<p><b>2. Special Training for OJTT (C)</b></p> 	<p>A training module for OJT trainers in order to learn the basics of OJT, which contains the viewpoints of analyzing mentor's skills, the key points of advising and the mission and expected tasks of OJT Trainers in order to have mentors understand the standardized mentoring know-how and process.</p>

**Table-7 : Promotion Tools of mentoring service**

<p>1. Leaflet (C)</p> 	<p>A promotion tool in order for local SMEs to acknowledge mentoring service, which contains the outline of mentoring service, the eligible SMEs and their typical usages and the process of how to apply to the service. The promotion tool is distributed by regional agencies in each region.</p>
<p>2. Brochure (C)</p> 	<p>An information tool in order for SMEs which are interested in mentoring service to know more details of the service. It is important to properly control the SME's expectation to the service, the brochure clearly states what mentoring service is and what beneficiaries can expect to the service.</p>
<p>3. Handout (B)</p> 	<p>An information tool, which is utilized at Orientation (the first visit in mentoring), in order for both the mentor and the beneficiary to properly understand the service contents, because the understanding will affect a lot to the outcome and the beneficiary's satisfaction.</p>

**Table-8 : Scheme of knowledge management**

<p>1. Mentor Master (Only Serbia)</p> 	<p>A database, which is developed in SRB, storing the records of mentoring service and the best practices. The former database had stored the records of mentoring service, but mentors were not allowed to access the data due to strict regulation of confidentiality. In order to solve the problem, a scheme of information sharing was newly designed and the know-how presented at All Mentor Meeting and Mentor Award is now registered in the database so that all mentors can browse the contents. Currently, only SRB uses IT-based database while BiH and MNE are storing know-how by other means.</p>
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<p>2. All Mentor Meeting</p> 	<p>It is an event when all domestic mentors gather and share their know-how. All Mentor Meeting is to be held in the middle of mentoring service implementation period, at the time when the company diagnosis is completed, sharing practical corporate diagnosis know-how. This allows for many mentors to share and learn specific examples of corporate diagnosis.</p>
<p>3. Mentor Award</p> 	<p>During this event, mentors can share other mentors' cases of corporate diagnosis. This opportunity can stimulate mentors' motivation, prevailing standardized mentoring service among mentors, sharing practical mentoring know-how and ideal mentor's image. The excellent cases and knowledge selected at Mentor Award are to be registered into Mentor Master in SRB and all Serbian mentors can browse them online. In BiH and MNE the best experiences and cases are kept by SERDA and MOE in order for the domestic mentors to be able to access them.</p>

## 1-5 Fundamental business environment by country

The overview of the SMEs development policy and business environment of each country is as follows. (July 2020)

Country	National Strategy	Core Pillars of the Strategy	Major SME Support Organizations	Main Issues of SMEs
<b>SRB</b>	SME Development Strategy & Action Plan 2015-2020	<ol style="list-style-type: none"> <li>1. Improvement of business climate</li> <li>2. Providing better access to financial sources</li> <li>3. Continuous development of human resources</li> <li>4. Enhancement of the sustainability and competitiveness of SMEs</li> <li>5. Improvement in the approach to new market</li> <li>6. Development and promotion of entrepreneurial spirit and encouragement of women's, youths' and social entrepreneurs.</li> </ol>	<ol style="list-style-type: none"> <li>1. Ministry of Economy (MOE)</li> <li>2. Development Agency of Serbia (DAS)</li> <li>3. Regional Agency (RA)</li> </ol>	<ul style="list-style-type: none"> <li>● Bureaucracy</li> <li>● Access to finance</li> <li>● Unequal competition from grey economy</li> <li>● Time required for the collection of accounts receivables is long</li> <li>● Weak internationalization (for both import and export)</li> </ul> <p>Necessary days to start a business: 12 Necessary procedures to start a business: 6</p>
<b>BiH</b>	Central Government: No Plan FBiH: Action Plan for SME Development in FBiH for the period 2019-2020 RS : SME Development Strategy 2016-2020	<ol style="list-style-type: none"> <li>1. Competitiveness increase</li> <li>2. Business environment improvement</li> <li>3. Improve the access to finance</li> <li>4. Facilitate to start a business</li> </ol>	<ol style="list-style-type: none"> <li>1. MOFTER</li> <li>2. Ministry of Industry, Energy and Mining (MIER): RS</li> <li>3. MODEC: FBiH</li> <li>4. RARS: RS</li> <li>5. SERDA</li> <li>6. Local Development Agency, Local Development Department, Local Regional Agency</li> </ol>	<ul style="list-style-type: none"> <li>● Access to finance</li> <li>● Bureaucracy</li> <li>● Political intervention</li> <li>● Discrepancies in policies and regulations between entities</li> <li>● Lack of policy and regulatory support for factoring, leasing and innovation</li> </ul> <p>Necessary days to start a business: 65 Necessary procedures to start a business: 12</p>
<b>MNE</b>	MSME Development strategy (2018-2022)	<ol style="list-style-type: none"> <li>1. Improving business environment</li> <li>2. Improving financial accesses</li> <li>3. Support SEMs improve the competitiveness and innovation</li> <li>4. Promote entrepreneurship of youths, women and social entrepreneurs.</li> <li>5. Enhance the knowledge of entrepreneurs, technologies and promote the compliance in labor market.</li> </ol>	<ol style="list-style-type: none"> <li>1. Ministry of Economy</li> <li>2. Regional Business Center</li> </ol>	<ul style="list-style-type: none"> <li>● Access to finance</li> <li>● The difficulty of collecting accounts receivables</li> <li>● Access to foreign markets</li> <li>● Lack of financial and non-financial support for innovation</li> <li>● Lack of qualified workforce</li> </ul> <p>Necessary days to start a business: 10 Necessary procedures to start a business: 6</p>
<b>MKD</b>	National Small and Medium Enterprise Strategy (2018-2023)	<ol style="list-style-type: none"> <li>1. Enhancing policy making</li> <li>2. Simplifying the legal and regulatory environment</li> <li>3. Simplifying taxation</li> <li>4. Improving access to finance</li> <li>5. Fostering ICT</li> <li>6. Enhancing science, technology, and innovation</li> <li>7. Promoting entrepreneurship in education and training</li> <li>8. Encouraging internationalization</li> <li>9. Improving Business Development Services</li> <li>10. Strengthening public-private dialogue</li> </ol>	<ol style="list-style-type: none"> <li>1. Ministry of Economy</li> <li>2. APERNM</li> <li>3. Regional Agency</li> </ol>	<ul style="list-style-type: none"> <li>● Access to finance</li> <li>● Support for exporting</li> </ul> <p>Necessary days to start a business: 1 Necessary procedures to start a business: 1 (Macedonia is ranked 2nd out of 189 economies of the World Bank, considering starting business indicator)</p>

Basic information on SMEs		
Definition of SME	Distribution by Scale	Distribution by Industry
<p>Micro:            &lt; 10 employees            &lt; EUR 0.7 million operating revenues            &lt; EUR 0.35 million circulating assets</p> <p>Small:            &lt; 50 employees            ≤ EUR 10 million turnover or balance sheet</p> <p>Medium:            &lt; 250 employees            ≤ EUR 50 million turnover            ≤ EUR 43 million balance sheet</p>	<p>The number of companies:            86,996</p> <p>(Breakdown)            Large: 486            Medium: 2,025            Small: 8,787            Micro: 75,698</p>	<p>Wholesale and Retail Trade;            Repair of motor vehicles and motorcycles 38%            Manufacturing 19%            Professional, scientific and technical activities 13%            Construction 8%            Transportation and Storage 6%</p> <p>The number of workers in SME:            768,000</p>
<p>There is no legal definition for SME at the state level, only at the entity level.</p> <p>SME definition in FB by the Law on Development of Small Business Development</p> <p>1. Micro            &lt; 10 employees</p> <p>2. Small            &lt; 50 employees            ≤ BAM 2 million (~EUR 1 million) turnover            ≤ BAM 1 million (~EUR 0.5 million) balance sheet</p> <p>3. Medium            &lt; 250 employees            ≤ BAM 8.5 million (~EUR 4.25 million) turnover and/or            ≤ BAM 4.43 million (~EUR 2.15 million) balance sheet</p> <p>SME definition in RS by the Law on Incentives for Small Business Development</p> <p>1. Micro            &lt; 10 employees</p> <p>2. Small            &lt; 50 employees            ≤ BAM 10 million (~EUR 5 million) turnover or balance sheet</p> <p>3. Medium            &lt; 250 employees            ≤ BAM 50 million (~EUR 25 million) turnover and/or            ≤ BAM 43 million (~EUR 15 million) balance sheet</p>	<p>The number of companies:            34,500</p> <p>(Breakdown)            Large: 345            Medium: 2,070            Small: 6,210            Micro: 25,875</p> <p>(In the "Labor Force Survey of 2014", the Agency of Statistics estimated that there were 154,000 self-employed persons, meaning they manage or own an enterprise)</p>	<p>Wholesale and retail 43%            Manufacturing 19%            Professional, scientific and technical activities 10%            Construction 8%            Transportation 8%            Information and communication 7%</p>
<p>SMEs are defined as follows:</p> <p>1. Micro            &lt; 10 employees            ≤ EUR 700 000 turnover            ≤ EUR 350 000 balance sheet</p> <p>2. Small            &lt; 50 employees            ≤ EUR 8 million turnover            ≤ EUR 4 million balance sheet</p> <p>3. Medium            &lt; 250 employees            ≤ EUR 40 million turnover            ≤ EUR 20 million balance sheet</p>	<p>The number of companies:            25,955</p> <p>(Breakdown)            Large: 37            Medium: 220            Small &amp; Micro: 25,698</p>	<p>Wholesale and retail trade 54%            Construction 15%            Manufacturing 13%            Transportation 7%            Information and Communication 4%</p> <p>The number of workers in SME:            91,000</p>
<p>1 Micro            &lt; 10 employees            ≤ EUR 50,000 gross annual revenue            ≤ 80% of gross income is acquired from a single client/consumer and/or from an individual who is related to this client/customer            ≤ 2 natural persons who own all rights to participate in the micro-company</p> <p>2. Small            &lt; 50 employees            ≤ EUR 2 million annual income            ≤ EUR 2 million total assets            ≤ EUR 2 million total turnover</p> <p>3. Medium            &lt; 250 employees            ≤ EUR 10 million annual income            ≤ EUR 11 million total assets</p>	<p>The number of companies:            71,500</p> <p>(Breakdown)            Large: 200            Medium: 1,300            Small: 5,000            Micro: 64,000</p>	<p>Wholesale and retail trade 44%            Manufacturing 13%            Professional, scientific and technical activities 11%            Transportation 11%            Accommodation and food services 7%            Construction 7%</p> <p>The number of workers in SME:            370,000</p>

## 2. Achievement Status

### 2-1 Results of Outputs and the indicators

#### (1) Output1: Mentoring system is established and improved.

Indicator 1.1 Mentor system strategy/plan, mentoring implementation guideline, training curriculum and evaluation method for mentors are developed and revised.

#### Meanings of symbols of outcome

- The item was achieved  
△ The item was not achieved and issues are left

Key Issues	Result	Ideal Status	Summary of the result
The strategy and plan of mentor system is developed/imp roved.	○	<ul style="list-style-type: none"> <li>The strategy of establishing a nationwide mentor system is developed.</li> <li>In the strategy, the current status of SMEs, major issues of the government's SME development policy, a future vision of mentor system is stated.</li> <li>The necessary budget for mentor system is clearly estimated and stably allocated by the government.</li> <li>The necessary budgets such as mentoring service fee, administration costs (trainings, transportation costs of trainers and trainees) are estimated and acquired.</li> </ul>	<ul style="list-style-type: none"> <li>The strategy in the left was formulated in Dec 2017 in the target 4 countries.</li> <li>Baseline survey was conducted in the target 4 countries and identified the current statuses of SMEs and major issues of the government's SME development policy.</li> <li>All 4 countries acquired the budget for mentoring service fee in 2018,2019 and 2020.</li> <li>The budget for operational costs were requested to the government and partially acquired (cost of venue).</li> </ul>
Implementatio n manual of mentor system is developed/imp roved.	○	<ul style="list-style-type: none"> <li>4 countries developed/improved own implementation manual.</li> <li>The nationwide distribution scheme of mentoring service is established and described in the implementation manual.</li> <li>The qualification system of mentor and mentor trainer is established and described in the implementation manual.</li> </ul>	<ul style="list-style-type: none"> <li>The implementation manuals were developed and improved by all 4 countries from Sep 2017 until July 2019.</li> <li>The latest version of Mentoring Guideline was developed in 2020.</li> <li>The nationwide distribution scheme of mentoring service was designed in 4 countries and described in the implementation manual.</li> <li>The qualification system of mentor and mentor trainer was designed in 4 countries and upgraded through the implementation.</li> </ul>
The training curriculums are developed/imp roved.	○	<ul style="list-style-type: none"> <li>Training curriculums for mentors are developed/improved.</li> <li>Training curriculums for mentor trainers are developed/improved.</li> <li>Kaizen is introduced into the training curriculums for mentors and mentor trainers.</li> </ul>	<ul style="list-style-type: none"> <li>The points to be improved were identified through CRT from Dec 2017 until July 2019 and reflected to the training curriculums.</li> <li>The curriculums for mentor trainers were developed/improved from July 2018 until July 2019.</li> <li>CRT on Kaizen and OJT on Factory Diagnosis were developed and conducted from 2017 until 2019. The knowledge was reflected to the training curriculums for both mentors and mentor trainers.</li> </ul>

Key Issues	Result	Ideal Status	Summary of the result
The evaluation scheme for mentors was developed/Improved.	○	<ul style="list-style-type: none"> <li>The evaluation system for mentor, mentor trainer and mentoring service was established and described in the implementation manual.</li> </ul>	<ul style="list-style-type: none"> <li>The evaluation systems was designed in all 4 countries, described in the implementation manual and upgraded through the implementation.</li> <li>C/P is going to continuously upgrade the system corresponding to the development of the mentor system.</li> </ul>

## (2) Output 2: Sustainable mentor training system is established.

Indicator 2.1 Mentor training plan, training guideline for mentors and mentor trainers, and training curriculum are developed and revised.

Key Issues	Result	Ideal Status	Summary of the result
The training plan for mentors was formulated.	○	<ul style="list-style-type: none"> <li>The number of necessary mentors is identified based on the development strategy until 2020 and the training plan was formulated.</li> </ul>	<ul style="list-style-type: none"> <li>The 4 countries estimated the number of necessary mentors in July 2018 and formulated the training plan for mentors.</li> </ul>
The training guidelines for mentors and mentor trainers were improved.	○	<ul style="list-style-type: none"> <li>“Mentoring Guidelines” are developed/Improved.</li> <li>The mentoring guidelines are adjusted to each country, reflecting the name of organization, own database and so on.</li> <li>The improvement plan of mentoring guidelines is formulated.</li> <li>The mentoring guidelines are improved based on the plan above.</li> </ul>	<ul style="list-style-type: none"> <li>The 4 countries developed the mentoring guidelines which are adjusted to the conditions of their own country.</li> <li>The improvement plan of the mentoring guidelines was formulated and main improvements were completed in the 4 countries.</li> <li>The 4 countries improved the mentoring guidelines corresponding to the changes of situation of each country and the 2<sup>nd</sup> version of mentoring guideline was developed in July 2020.</li> </ul>
The training programs for mentors and mentor trainers were developed/Improved.	○	<ul style="list-style-type: none"> <li>The improvement plan of training for mentors is designed. (CRT, OJT, Mentor Award and All Mentor Meeting.)</li> <li>The improvement plan of training for CRTT (Classroom Training Trainer)/OJTT (On the Job Training Trainer) is formulated.</li> <li>The plan of training for mentor, CRTT and OJT is improved.</li> </ul>	<ul style="list-style-type: none"> <li>JICA Consultant had discussion with C/Ps on the training for mentors, identifying the key points to be improved through questionnaires after the trainings. Based on the results, the improvement plan was formulated and implemented.</li> <li>Facilitation Know-how was added to the training curriculum for CRTT.</li> <li>The training for CRTT was improved.</li> </ul>

Indicator 2.2 More than xx persons are newly trained to acquire the ability of conducting mentoring services.

Key Issues	Result	Ideal Status	Summary of the result
More than X mentors are newly trained.	△	<ul style="list-style-type: none"> <li>CRT (Classroom Training) was conducted and more than X mentors are newly trained.</li> </ul>	<ul style="list-style-type: none"> <li>The numbers of new trained mentors by country are as follows.  SRB .....45  BiH.....75  (RS 45, FBiH30)  MNE.....25  MKD .....28</li> <li>The CRT in 2020 was suspended due to COVID-19. Some countries or entities could not achieve the targets, because there were cases of lockdown imposed by the government and mentors could not resume the work, even though they considered online training.</li> </ul>

Indicator and result	SRB	MNE	MKD	RS	FBiH
X	30	30	22	40	40
Result	45	25	28	45	30

Remarks : The numbers of necessary mentors by country during the project period.

Country	Necessary mentors	Reason
SRB	80	SRB has 16 RSs as of 2017. If each RA needs 5 mentors, totally 80 mentors are needed. (16*5=80)
BiH	89	FBiH: 49mentors The target image is that 10 Cantons have 4 new mentors. As SERDA already has 9 mentors, totally 49 mentors are needed. (10*4+9=49) RS: 40mentors RARS thinks 30 service providers should have at least one mentor. RARS believes that it is important to set a higher target, more 10 new mentors are added. (30+10=40)
MNE	37	The distribution system targets to cover 23 regions. Among them, around 6 regions are expected to have more than 2 mentors. (23+14=37)
MKD	22	7 Regional Agencies and 7 Regional Centers should have mentors. Among them, 4 agencies and centers are expected to have more than 2 mentors. (7+7+4+4=22)

Indicator 2.3 More than xx are newly trained to be mentor trainers.

Key Issues	Result	Ideal Status	Summary of the result																				
More than X persons are trained to become mentor trainer.	△	<ul style="list-style-type: none"><li>• CRTT and OJTT are trained.</li><li>• More than Y CRTTs are trained at Special Training for CRTT.</li><li>• More than Z OJTts are trained at Special Training for OJTT.</li></ul>	<ul style="list-style-type: none"><li>• Special Training for CRTT was conducted and CRTTs were trained as follows.<table><tr><td>SRB</td><td>7</td></tr><tr><td>BiH</td><td>7</td></tr><tr><td>(RS 0、FBiH7)</td><td></td></tr><tr><td>MNE</td><td>0</td></tr><tr><td>MKD</td><td>0</td></tr></table></li><li>• Special Training for OJTT was conducted and OJTts were trained as follows.<table><tr><td>SRB</td><td>7</td></tr><tr><td>BiH</td><td>7</td></tr><tr><td>(RS 0、FBiH 7)</td><td></td></tr><tr><td>MNE</td><td>5</td></tr><tr><td>MKD</td><td>0</td></tr></table></li><li>• Special Training for CRTT/OJTT in 2020 was cancelled due to COVID-19. As the result of discussion with C/Ps regarding Online Classroom Training, the C/Ps decided not to organize the online training because it is not sufficient for producing skilled trainers.</li></ul>	SRB	7	BiH	7	(RS 0、FBiH7)		MNE	0	MKD	0	SRB	7	BiH	7	(RS 0、FBiH 7)		MNE	5	MKD	0
SRB	7																						
BiH	7																						
(RS 0、FBiH7)																							
MNE	0																						
MKD	0																						
SRB	7																						
BiH	7																						
(RS 0、FBiH 7)																							
MNE	5																						
MKD	0																						

Indicators	SRB	MNE	MKD	RS	FBiH
X	20	18	11	12	14
Y	14	7	7	7	7
Z	6	11	4	5	7
Result					
X	14	5	0	0	14
Y	7	0	0	0	7
Z	7	5	0	0	7

Indicator 2.4 More than xx% of mentor trainers are evaluated by the management/trainees that their ability is high enough to train mentors.

Key Issues	Result	Ideal Status	Summary of the result
More than X% of CRTTs and OJTts are considered as capable enough by the administrators and trainees.	○	<ul style="list-style-type: none"> <li>“Evaluation form” and “Evaluation process” after CRT are designed.</li> <li>The evaluation by administrators and trainees are conducted and the CRTTs are considered as capable enough.</li> <li>The result of evaluation was shared with the CRTTs and utilized for their improvements.</li> <li>The evaluation by administrators and trainees are conducted and the OJTts are considered as capable enough.</li> <li>The result of evaluation was shared with the OJTts and utilized for their improvements.</li> </ul>	<ul style="list-style-type: none"> <li>“Evaluation Form” and “Evaluation Process” after CRT were designed in Nov 2017 and utilized in 4 countries.</li> <li>From Nov 2017 until July 2019, CRTTs were evaluated after the CRT sessions by the administrators and trainees and all of them were considered as capable enough. The results of evaluation were shared with the CRTTs and utilized for their improvement.</li> <li>“Evaluation Form” and “Evaluation Process” after OJT were designed in Jan 2018 and utilized in 4 countries.</li> <li>From Sep 2018 until July 2019, OJTts</li> </ul>

Key Issues	Result	Ideal Status	Summary of the result
			<p>were evaluated after the OJTs by the administrators and trainees and all of them were considered as capable enough. The results of evaluation were shared with the OJTTs and utilized for their improvement.</p> <ul style="list-style-type: none"> <li>• JICA Consultant observed CRTs from Mar until Jun 2019, analyzing CRTTs' skills and upgraded the CRT modules with the findings.</li> </ul>

Indicator	SRB	MNE	MKD	RS	FBiH
X	80	90	90	90	90
Result					
	100	100	100	100	100

### (3) Output 3: Inter-regional mentoring system is established.

Indicator 3.1 Mechanism for maintaining the implementation system is discussed and approved by the Government.

Key Issues	Result	Ideal Status	Summary of the result
A mechanism for maintaining the implementation system was discussed.	○	<ul style="list-style-type: none"> <li>• The importance and administration methods of All Mentor Meeting and Mentor Award were discussed by each country.</li> <li>• Information sharing scheme among the system designers were discussed.</li> <li>• Overall Coordinating Meeting (OCM) was organized and a mechanism for maintaining the implementation system was discussed.</li> </ul>	<ul style="list-style-type: none"> <li>• Each country discussed upon All Mentor Meeting and Mentor Award in order to promote Inter-Regional Cooperation within the region and decided to organize the events.</li> <li>• The system designers of SRB visited MKD, BiH and MNE with JICA's financial support and discussed on the mechanism for maintaining the implementation system. The attendances did not only shared SRB's system but also the problems and key points which were found during the period of establishing SRB's case, in order to adjust their own mentoring service system which fits to the business environment.</li> <li>• OCMs were organized in Sep 2017, Nov 2018, Nov 2019 and Jul 2020 and the current status of SRB's mentoring service system and the future vision of each region's mentoring service system were shared.</li> </ul>
The mechanism for maintaining the implementation system was approved by the governments.	○	<ul style="list-style-type: none"> <li>• All Mentor Meeting and Mentor Award were approved by the government as the events which are important to promote Inter-Regional Cooperation within the region.</li> <li>• International Information Sharing Meeting among system designers are approved by the governments.</li> </ul>	<ul style="list-style-type: none"> <li>• The governments approved to organize All Mentor Meeting and Mentor Award on regular basis.</li> <li>• Each country organized All Mentor Meeting, Mentor Award with JICA's financial support (food and beverages).</li> <li>• The governments approved to organize inter-regional cooperation meeting among the system designers.</li> </ul>



Indicator 3.2 Inter-regional mentoring system is adopted by the target organizations in the West Balkan Region.

Key Issues	Result	Ideal Status	Summary of the result
Inter-regional mentoring system in the West Balkan is adopted by the target organizations.	○	<ul style="list-style-type: none"> <li>The 4 countries adopt the common mentoring guidelines.</li> <li>C/Ps adopt mechanisms which can invite CRTTs and OJTTs from other countries.</li> </ul>	<ul style="list-style-type: none"> <li>The common mentoring guidelines among 4 countries are developed and adopted, based on SRB's mentoring guidelines.</li> <li>4 countries adopted a scheme of inviting CRTTs and OJTTs from SRB.</li> </ul>

**(4) Output 4: Base for business linkage among Western Balkan and foreign enterprises is established.**

Indicator 4.1 Information about investment climate such as laws, regulation, and local companies is gathered.

Key Issues	Result	Ideal Status	Summary of the result
Information about investment climate such as laws, regulation, and local companies is gathered.	○	<ul style="list-style-type: none"> <li>The information about investment climate in the 4 countries is collected.</li> </ul>	<ul style="list-style-type: none"> <li>The information about the investment climate in the 4 countries was collected and "Frequently Asked Questions for Foreign direct investors" was composed.</li> </ul>

Indicator 4.2 Information about local enterprises with high potential for business linkage with foreign enterprises is listed and introduced to foreign enterprises through website.

Key Issues	Result	Ideal Status	Summary of the result
Information about local enterprises with high potential for business linkage with foreign enterprises is listed and introduced to foreign enterprises	○	<ul style="list-style-type: none"> <li>The list of beneficiaries of mentoring service which have interests in export and alliance with foreign companies are made.</li> <li>The companies are registered into Enterprise Europe Network<sup>2</sup>.</li> </ul>	<ul style="list-style-type: none"> <li>The beneficiaries who have interest in internationalization were listed through mentoring service since Sep 2019 and registered into Enterprise Europe Network.</li> </ul>

<sup>2</sup> Enterprise Europe Network : A network which provides public business matching service among European enterprises and institutions.

(5) **Project purpose : Mentoring service for SMEs is improved in terms of service contents and implementation structure, and inter-regional mentoring system is established.**

Indicator 1	Result	Ideal Status	Summary of the result
The target organizations are capable of modifying the mentoring system strategy/plan, mentoring implementation guideline, training curriculum and evaluation method for mentors and services by organizations themselves.	○	<ul style="list-style-type: none"> <li>The target organizations can develop/improve the plan/strategy of mentor system, the implementation guideline, training curriculums and evaluation system of mentor and service.</li> </ul>	<ul style="list-style-type: none"> <li>JICA Consultant focused on providing advice and relevant materials while avoiding to conduct activities which are supposed to be covered by C/Ps such as acquiring proper understanding of mentors on new evaluation, evaluating mentors based on the new criteria from Sep 2018.</li> <li>This indicator was achieved by the staff of the C/Ps who administrated the scheme, successfully transferring the knowledge from Japan.</li> </ul>
Indicator 1	Result	Ideal Status	Summary of the result
More than 90% (80% in SRB) of the mentors improve mentoring ability by implementing mentor system.	○	<ul style="list-style-type: none"> <li>The training programs of mentor and mentor trainers is developed/improved.</li> <li>Mentors and mentor trainers improved their skills through the trainings.</li> </ul>	<ul style="list-style-type: none"> <li>The countries trained and certified mentors and mentor trainers from Sep 2018, developing/improving the training programs and training mentors and mentor trainers.</li> </ul>
Indicator 1	Result	Ideal Status	Summary of the result
Inter-regional mentoring system is established.	○	<ul style="list-style-type: none"> <li>Inter-regional cooperation within the country is promoted.</li> <li>Inter-regional cooperation among countries is promoted.</li> <li>International cooperation among system designers is promoted.</li> </ul>	<p>Inter-regional mentoring system was established through the following activities.</p> <ul style="list-style-type: none"> <li>Inter-regional cooperation within the country, such as All Mentor Meeting and Mentor Award were organized.</li> <li>International cooperation among countries such as inviting mentor trainers from other countries was conducted.</li> <li>International cooperation meetings between SRB's system designers and other countries' designers were organized.</li> <li>The 4 countries discussed on inter-regional cooperation scheme in May and June in 2019 in order to establish sustainable mentor system and promised to keep the cooperation, following SRB's case.</li> <li>The 4 countries discussed in June 2020 and agreed to the idea that they will organize inter-regional cooperation meetings on regular basis. The countries agreed that they will keep the cooperation mainly on System Design, Quality Control, Branding and Training.</li> <li>The 4 countries confirmed at the 4<sup>th</sup> COM in July 2020 that they will enhance the cooperation through Inter-Regional Cooperation Meeting in the post project period.</li> </ul>

## 2-2 Results of planned activities

### (1) Efficiency of the project

#### 1) Efficiency of the planned schedule of human resources

The project was completed as planned when the project period (36 months) was passed, consuming 71.32 actual man-months among 71.30 planned man-months. The difference was caused by the changes between the work in Japan and dispatches to the Western Balkan countries.

The project allocated more man months to the period Sep to Dec 2017, when C/Ps had to establish the fundamental mentor system, and the period Mar to May 2018, when C/Ps planned to conduct the public call of mentoring service, in order to provide sufficient support to each country. In the second year of implementation, the project allocated man-months mainly to the period Sep to Nov 2018, when C/Ps had to follow new mentors and to the period from Apr to Jun 2019, when C/Ps needed support for the public call as same as the in the first year. In the third year, the countries were forced to enter lockdown due to COVID-19 and JICA Consultants could not visit the countries since Mar 2020. Therefore, JICA Consultant changed the schedule and provided the support from Japan, cooperating with the C/Ps via online means.

#### 2) Efficiency of the planned schedule of activities.

Despite the influence of COVID-19, most of activities were conducted and the targets were achieved as planned.

It was very difficult to have sufficient quality and amount of communication with C/Ps, due to the far distances between the locations of the 6 C/Ps in the 4 countries, as JICA consultants had to have a lot of discussions during the project period. It took 3 days for JICA consultant to have a meeting with each C/P, because they have to visit the city one day before, have the meeting on the planned day and to move to the next city on the next day. In addition to that, JICA Consultant needed time for the preparation and follow-up the meeting, so that actually it took 1 month just for one meeting with each of the 6 C/Ps. Considering the required MMs, JICA Consultant regarded it as impossible to have regular meetings with C/Ps and agreed with C/Ps that they will communicate through online meetings and phone calls.

JICA Consultant and C/Ps conducted the activities, sharing the information frequently and via phone call, Skype, Viber, E-mails and so on, reducing the days of transportation as much as possible and allocated the limited time to implementing their tasks.

After the spread of COVID-19 in 2020, the economies of the 4 countries were slowed down, and the project was forced to be suspended. However, the project successfully resumed most of activities by using online means to the remaining activities such as classroom trainings and so on.

The details of the planned and actual schedules of human resources and activities are as follows.

### Plan and result of the schedule of human resources

In Western Balkan countries	Name/Assignment		2017								2018									2019												2020								MM	
																																								Total	
			9	10	11	12	1	2	3	4	5	6	7	8	9	10	11	12	1	2	3	4	5	6	7	8	9	10	11	12	1	2	3	4	5	6	7	8	Date	MM	
Takahi Kimura Leader/ System Design(1)	Plan	29		28	21		30		28	31				23	30			30				30		37			37		30		30		30					444	14.80		
	Actual	9/8-10/12	10/23-11/17	11/25-12/17	1/21-2/11	2/17-3/7	3/29-4/22	5/6-5/25	6/2-6/22	7/2-7/21				9/6-10/3	10/15-11/9	11/18-12/9			2/16-3/10		4/15-4/28	5/4-5/26	6/1-9				10/26	11/24									387	12.90			
Masashi Takano Assistnat leader/System Design(2)	Plan			15	15					9												30											21					90	3.00		
	Actual		11/7-11/17		11	11				5/5-5/25					10/18-11/10																						67	2.23			
Masashi Yamanaka Kaizen/Productoin Management	Plan	35							21			17						30		23	30		37			41			30		60						344	11.47			
	Actual	9/8-10/5							3/21-4/8							11/6-11/25		1/26	3/2	4/13	30	6/2	6/22-7/14	8/15				11/9		2/15-3/18							296	9.87			
Tadao Ishii Factory Diagnosis (Kaizen)	Plan	15			42			21				30						30			23		37														198	6.60			
	Actual	9/16-9/30		11/16-12/17						5/19-6/17				9/15-10/13																							106	3.53			
Naoya Sakamoto Compnay Diagnosis	Plan		21	21								30										23				30											125	4.17			
	Actual	9/28-10/15		18						4/25-5/13				9/13-10/2	10/17-29					4/23-5/12		6/29-7/7	9/8	10/27												119	3.97				
Chine Koga Training	Plan	29		21			30					30					23	30				37				37											237	7.90			
	Actual	9/8-10/1		11/7-12/17		1/25-2/11				4/21-5/14				9/6-10/3	10/18-11/8				3/23-4/12		5/25-6/14	6/29-7/11	9/23	10/15	10/31	11/17										253	8.43				
A. Silnitsky Investment Promotion	Plan						23											23																			46	1.53			
	Actual													9/23-10/5	10/16-10/25																					23	0.77				
S. Tudor Start-Ups	Plan	29		28	21		30		28	31		30					23		30		23	30							30				30		30		393	13.10			
	Actual	9/8-10/11	10/23-11/16	11/26-12/16	1/28-2/15		3/22-4/9	5/6-5/24	6/3-6/21					9/7-10/2	10/14-11/12			2/10-3/2	3/24-4/26	5/5-6/9	6/24-7/14				10/31	11/20		30	1/19-2/15	2/24-3/5	5/8-13				390	13.00					
																																			Plan Total		1877	62.57			
																																			Actual Total		1641	54.70			

[illegible]













## Plan and result of the schedule of activities

Activities	Year	1st Year				2nd Year				3rd Year			
Sub-Activities		I	II	III	IV	I	II	III	IV	I	II	III	IV
Output 1: Mentoring system is established and improved.													
1-0 A base-line survey on SMEs situation and SME policy implementation issues is conducted. (Republic of Macedonia)	Plan												
	Actual												
1-1 Mentoring service is established. (BiH and Macedonia)	Plan												
	Actual												
1-2 KAIZEN methods and others are included in mentoring service, and the service contents are improved. (Serbia and Montenegro)	Plan												
	Actual												
1-3 Model site implementation of the service is conducted. PR seminars are organized upon considering the necessity. (BiH and Macedonia)	Plan												
	Actual												
1-4 Government budget for the service is allocated. (4 countries)	Plan												
	Actual												
1-5 Service evaluation system, mentor qualification renewal system and former client monitoring system are established and implemented. (4)	Plan												
	Actual												
1-6 Nation-wide service delivery plan is formulated. (4 countries)	Plan												
	Actual												
Output 2:Sustainable mentor training system is established.													
2-1 Mentor training plan is formulated. (4 countries)	Plan												
	Actual												
2-2 New mentors are trained. (4 countries)	Plan												
	Actual												
2-3 New Class-room trainers are trained. (4 countries)	Plan												
	Actual												
2-4 New OJT trainers are trained. (4 countries)	Plan												
	Actual												
2-5 Training modules of Kaizen are prepared and conducted. (Serbia, Montenegro, BiH, Macedonia, if necessary)	Plan												
	Actual												
2-6 Training modules for export promotion and linkage with foreign enterprises are prepared and conducted (Serbia, Montenegro, BiH,	Plan												
	Actual												
Output 3: Inter-regional mentoring system is established.													
3-1 Country and inter-reginal mentor conferences are organized. (4 countries)	Plan												
	Actual												
3-2 Inter-regional mentor conferences are institutionalized in the national mentor service structure. (4 countries)	Plan												
	Actual												
3-3 Implementation structure of inter-regional mentoring system is discussed and established.	Plan												
	Actual												
Output 4: Base for business linkage among Western Balkan and foreign enterprises is established.													
4-1 Information of business climate and local enterprises is compiled. (4 countries)	Plan												
	Actual												
4-2 Information of business climate and local enterprises is provided to Japanese enterprises. (4 countries)	Plan												
	Actual												
Duration / Phasing													
	Plan												
	Actual												

Monitoring Plan		Year	1st Year				2nd Year				3rd Year			
			I	II	III	IV	I	II	III	IV	I	II	III	IV
Monitoring														
Joint Coordination Committee	Plan		●	○		●		○		●		○		
	Actual		●	●		●		●				●	●	
Baseline Survey (BiH and Macedonia)	Plan		■	■										
	Actual		■	■										
Set-up the Detailed Plan of Operation (BiH and Macedonia)	Plan		▲											
	Actual		▲											
Submission of Monitoring Sheet	Plan			▲		▲		▲		▲			▲	
	Actual			▲		▲		▲		▲			▲	
Post Monitoring	Plan					▲								
	Actual													
Reports/Documents														
Project Completion Report	Plan													
	Actual													

## Rough schedule of establishing mentor system

This project parallelly established/improved mentor systems in 4 countries, but the activities were different by country and the timing of implementation of each activity was also different corresponding to the situation of the target countries. Therefore, this table represents the rough schedule of the establishment of mentor system in order to make it easier to understand.

	1st year	2nd year	3rd year
<b>Acquisition of the budget</b>			
<ul style="list-style-type: none"> <li>To acquire a significant position in the government's policy.</li> <li>To acquire the budget for mentoring service.</li> </ul>		To be introduced into the SME development policy.  To request the budget for the next year.	
<b>Development of the service contents</b>			
<ul style="list-style-type: none"> <li>To develop the standardized mentoring service.</li> </ul>		To develop own mentoring guideline.	
<b>Establishment of the network of service providers</b>			
<ul style="list-style-type: none"> <li>To establish a network of service providers.</li> <li>To establish a service provision scheme.</li> </ul>		To establish a network of domestic SME support organizations.  To establish flows of payment and contracts.	
<b>Establishment of the systems of qualification, training and evaluation.</b>			
<ul style="list-style-type: none"> <li>To establish a qualification system.</li> <li>To establish a training system.</li> <li>To establish a evaluation system.</li> </ul>		To identify the qualification requirement.  To develop training programs.	 To develop evaluation system.
<b>Training for mentors</b>			
<ul style="list-style-type: none"> <li>To train mentors.</li> <li>To train mentor trainers.</li> </ul>		 To train new mentors. To train own mentor trainers.	
<b>Provision of mentoring service</b>			
<ul style="list-style-type: none"> <li>To conduct promotion.</li> <li>To provide mentoring service.</li> </ul>			Public call with Media.  To provide mentoring Service.

## 2-3 Conducted activities by Output

### Output 1: System Design

#### 1-0 A base-line survey on SMEs situation and SME policy implementation issues is conducted. (Republic of Macedonia)

The baseline survey was conducted in all the four countries between September and December 2017. While only North Macedonia is referred to as the targeted county of the survey in the PDM, it was conducted also in the other countries to cover the entire region because of the following background. In case of Bosnia and Herzegovina, only the Sarajevo Canton was covered in the previous project so the system design activity is still a very new activity for both of the two entities: FBiH and RS. As for Serbia and Montenegro, although they have built nationwide service provision schemes in the previous project, still it is important for them to have basic information about the macro and micro environment so that the four countries can facilitate the discussion on inter-regional cooperation based on common baseline information.

The survey method consisted of official documents and interviews with the organizations involved, and the survey items were as follows:

**Table-9 : Main survey items in the baseline survey**

Categories	Main items
Adaptation to government policy and corporate environment	Government SME support policy, challenges of SMEs, industry structure, general situation of SMEs, mentor service system's positioning/importance in the SME policy of the Country
Collaboration with other donors	SME support measures provided by other donors, priority areas of SME support, and challenges in implementing SME support measures (possibility of collaboration with mentor service system)
Characteristics of beneficiary companies	Business domain, size and main business issues of the beneficiary
Private consulting market	Market size of private consulting services

Through the survey of these items, the current status of SME support policies and the position of the mentoring service system in each country were clarified. The survey report was used as a starting point to reaffirm the importance of building/reinforcing the mentoring service system and securing the budget in each country.

The baseline survey report was shared with the C/Ps and used as a basis for discussion.

#### 1-1 Mentoring service is established. (BiH and Macedonia)

The system design activity for establishing the mentoring service system was implemented in Bosnia and Herzegovina and in North Macedonia. The system design means to position the mentoring service system in the SME support policy of each country, to define the implementation system and procedures of the system, to draw up a medium-term plan for service provision and to secure the

necessary budget.

Specifically, the following activities were carried out.

- ① Development of system definition and procedures, and medium-term plans for the mentoring service system

In designing the mentoring service system, JICA consultants visited both countries and discussed with the C/Ps using the Serbian mentoring system implementation manual and mentoring guidelines developed in Phase 1 as a starting point.

As a result of the discussions, it was decided that the system would largely follow the implementation manual and mentoring guidelines that had been developed in Serbia, but details such as the pricing of services and the flow of contracts with the stakeholders involved were adjusted for each country and entity.

- ② Support to secure budgets in each country

Initially, the necessary budget was not secured in both countries and it was not clear when the provision of mentoring services can be started. For this reason, obtaining the budget in the first year of the project was an extremely important task. With this in mind, JICA Consultant worked in both countries actively, including joining the meetings with stakeholders, with decision-makers, including the ministers in charge. As a result, all four countries, secured the budget to implement the project activities throughout the project period.

- ③ Support for practical work and facilitation of know-how exchange within the region

After starting the operation of the system, practical issues such as selection and training of mentors, public call and selection of beneficiary companies, contracts with service providers, management of activities, compilation of reports, payments, evaluations and information sharing among mentors have arisen from time to time as the work progressed in each country. JICA Consultant was in constant contact with each C/P to resolve these issues.

As Serbia has many experiences and sufficient practical know-how, JICA Consultant supported Serbian C/Ps to visit Bosnia and Herzegovina, Montenegro and North Macedonia in order to support system designing and operational challenges. This support by Serbian C/Ps was highly requested by partner countries.

## **1-2 KAIZEN methods and others are included in mentoring service, and the service contents are improved.**

Improvements in the quality of mentoring services were made as follows.

- ① Conducting field surveys

The field survey was conducted by visiting all the companies that received the mentoring services in Montenegro, Bosnia and Herzegovina and North Macedonia in 2019. The result of the survey was



used to evaluate the current service quality and to identify challenges of mentoring services.

② Attendance of JICA Consultant for classroom training and OJT

Classroom trainings and OJTs were conducted mainly by Serbian trainers as a part of the inter-regional cooperation. Whenever possible, the Japanese consultants also attended these trainings because there were excellent opportunities to directly cooperate with mentors and SMEs, in order to understand their real situation while providing hands-on guidance to the trainers.

③ Development of training programs and materials on Kaizen

As described in section 2-3, training program and materials on Kaizen were developed and used to provide guidance to mentors in all target countries, including existing mentors.

④ Revising mentoring guidelines (creation of the 2<sup>nd</sup> edition of the guideline)

Based on the above process, in 2020, the mentoring guidelines were upgraded to be more in line with the current situation in the Western Balkans. The existing guidelines were the first edition created in 2015, so this was the first major upgrade after five years. This upgrade includes following points:

- Descriptions of the purpose of mentoring, the role of mentors and the overall flow of the mentoring system have been updated.
- Descriptions of the outline of the mentoring system, in particular, the series of steps from public call, selection, contracting, mentoring implementation to completion reporting, were added for each country.
- The standard mentoring process was revised to make it easier to understand what is required at each step.
- New sections on standardized mentoring service that were not described in the first edition (e.g., orientation, information gathering, review and reporting) were added to the guidelines.
- In addition, specific examples were added to improve the clarity and practicality of the standardized mentoring, which was described in the first edition (corporate diagnosis).

The C/Ps gave high praise to the second edition and expressed a willingness to continue to revise it in the future.

In order to ensure that the content of the Standardized Mentoring Service was established and put into practice effectively, the current situation was assessed and related materials were developed and revised. In particular, the implementation of the field survey and the revision of the mentoring guidelines were activities that required a large number of man-hours, but they were very effective in raising the quality.

**1-3 Model site implementation of the service is conducted. PR seminars are organized upon considering the necessity. (BiH and Macedonia)**

Bosnia and Herzegovina (FBiH and RS) and North Macedonia which joined this project from Phase 2, needed to select the service providers for mentoring services, in order to adopt mentoring

system. C/Ps gathered the potential agencies for SMEs and held the PR events or seminars.

① Bosnia and Herzegovina (FBiH)

MODEC gathered the representatives from 12 regional SME support organizations and held an informative seminar for service providers. SERDA introduced its experience of Phase 1 and JICA consultants explained Japanese mentoring system, the achievement of phase 1 and the benefits of participating in the project. After Q&A session with the participants, 11 agencies (including SERDA) decided to join this project.

② North Macedonia

In Nov 2017, during SME Week organized by EU, APERNM held its own PR event on mentoring services for the interested SMEs and the SME support agencies. JICA consultants introduced Japanese mentoring system, the achievement of Phase 1 and the benefits of participating in mentoring system. Ms. Ana Zegarac (DAS), who was invited from SRB, introduced Serbian mentoring system and successful cases.

In addition, APERNM held a meeting with the SME support agencies, explained the importance of establishing mentoring system and asked for their cooperation. As a result, 7 Regional Agencies decided to join this project and 7 mentor candidates participated in CRT in 2018.

The result of the public call in each country is as below.

**Table-10 : The result of the public call from 2017 to 2020**

**(The number of participating mentoring service)**

Name of country	2017		2018		2019		2017~2019 Result
	Target Number	Result	Target Number	Result	Target Number	Result	
Serbia	—	116	100	103	350	122	341
Serbia (Start-up)		105		—		271	376
Bosnia and Herzegovina FBiH	—	—	50	9	50	17	26
Bosnia and Herzegovina RS	—	—	23	18	30	22	40
Montenegro	—	17	17	13	30	10	40
North Macedonia	—	—	30	14	30	28	42

From the experience of Serbia, the wording of “Mentoring” was not known well among SME owners. As SMEs tend to think that public sector’s support is financial, it was necessary to show the merits of receiving mentoring services. Furthermore, it was not effective to distribute only advertisement materials to SMEs, as they did not have interest in them.

At the stage of introduction of mentoring services, it is mandatory for each service provider to approach local SMEs one by one and explain what is mentoring. As a result, from 2018 to 2019, although BiH and NMKD could not reach their target number of SME beneficiaries, they could increase the number of annual beneficiaries.

In 2019, JICA Consultant prepared a leaflet named “What is Mentoring?” in order to clearly explain its components and benefits. It became easier for mentors to explain mentoring to SMEs by using this leaflet, and JICA Consultant received positive feedback from mentors and C/Ps.

#### 1-4 Government budget for the service is allocated. (4 countries)

The result of the allocated budget for mentoring service in 4 countries is as below.

**Table-11 : The budget for mentoring service from 2017 to 2020**

Name of country	Currency	2017	2018	2019	2020	2017～ 2019Result
Serbia	RSD	—	—	—	—	58,620,000
Bosnia and Herzegovina FBiH	BAM	—	50,000	50,000	50,000	150,000
Bosnia and Herzegovina RS	BAM	—	35,000	45,000	45,000	125,000
Montenegro	EUR	12,000	15,000	26,000	35,000	88,000
North Macedonia	MKD	—	600,000	1,200,000	2,300,000	4,100,000

##### ① Serbia

Mentoring service started in 2008 in Serbia and it is regarded as one of the most successful projects implemented by DAS. The Ministry of Economy recognized the importance of the mentoring system and allocated significant budget for both 4 Priority Sectors and Start-ups programs. On the other hand, DAS promoted mentoring services to international donors and secured budget for mentor service from USAID from 2014 to 2017.

SRB expanded the way of securing budget for mentoring service. The budget for 3 years was approximately 58,620,000 RSD (approximately 565,380 \$ (as of in July 2020)): 54,330,000 RSD for mentoring service fee, 3,250,000 RSD for the expenses of Mentor Award, All Mentor Meeting, Mentor Forum and CRT, and 1,040,000 RSD for promotion costs. On the other hand, as it is necessary for Serbia to hold many domestic OJTs, the next challenge is to secure the budget for domestic OJTs.

##### ② Bosnia and Herzegovina

###### **Federation of Bosnia and Herzegovina**

Although MODEC secured the budget for 2018 in FBiH, there was a strict restriction for public spending. For example, MODEC could not pay mentoring fees to mentors directly and the payment had to be made through the SME beneficiary. Regarding events such as CRT, All Mentor Meeting or Mentor Award, it was difficult for MODEC to use the budget due to the public spending restriction. (For example, the budget of accommodation or transportation expenses could be used only for the staff which was employed at MODEC or other governmental institution.) So, in addition to securing the budget, MODEC needed to adjust various conditions in order to use the budget for the aimed purpose.

First of all, JICA Consultant had meeting with Mr. Amir Zukic, Minister of MODEC, and explained the necessity of mentoring system and asked to secure the budget for it. In addition, various schemes of payment of the mentoring fees were discussed with the person in charge of accounting in MODEC.

## Republic of Srpska

RARS was motivated to establish the mentoring system and smoothly secured the budget. In other countries, in the first year of implementation, there were cases when securing the budget was limited to the mentoring fee paid to the mentor. However, RARS secured the operational budget from the first year. For example, when CRT is held in the capital city, accommodation and transportation expenses for mentor candidates needed to be shouldered. In many cases, local RAs cannot cover these expenses, and it tends to become a big factor that RAs cannot dispatch mentors to CRT. However, RARS secured the budget for accommodation and transportation expenses from the first year.

### ③ Montenegro

In MNE, MOE considered both cost reduction and expansion of necessary budget. At first, the building of public institution (Ministry of Education) was used as the venue for CRT or All Mentor Meeting in order to reduce the cost. By doing so, MOE redistributed the budget to mentoring fees in order to increase the number of mentoring service. Although various costs are necessary to operate the mentoring service, MOE tried to cover the cost by itself. In regards to the expenses for holding CRT, Mentor Award, All Mentor Meeting (the cost of venue or catering), MOE requested the support from JICA's side, and the cost was sometimes split. (For example: JICA's side covered the cost of catering and MOE covered the cost of venue.)

### ④ North Macedonia

When the project started in Sept 2017 in NMKD, the budget application period for 2018 had finished already. However, APERNM submitted a budget proposal to the Ministry of Economy and Ministry of Finance and finally secured 10000 EUR from the budget of APERNM and 1000 EUR from MOE for 2018. In order to receive more support, APERNM proposed the necessity of establishing mentoring system toward economy team of the Deputy Prime Minister. APERNM made an effort to secure the budget positively. By this effort, the budget for mentoring services continued to double in 2019 and 2020.

## **1-5 Service evaluation system, mentor qualification renewal system and former client monitoring system are established and implemented. (4 countries)**

As a method of evaluating mentoring services, the system of feedback letters from SMEs, developed in Serbia in the previous project, was introduced in the other three countries, making it a common mechanism for all four countries. The letter is designed to receive feedback on the mentoring from the owners of the beneficiary companies after the completion of the mentoring.

On the other hand, in order to understand the actual situation that cannot be picked up by written feedback alone, there is an external evaluation that has been conducted in Serbia every few years. These evaluations are outsourced to a third party and are carried out at regular intervals, either through visits to companies, by telephone or other means, but not every year due to the need for a

considerable budget.

During the project period, it was determined that an evaluation that included similar field research would be effective in understanding the actual situation and preserving the know-how of the evaluation methodology.

For this purpose, field surveys were conducted in Bosnia and Herzegovina and Northern Macedonia, where mentoring services were newly introduced, as well as in Montenegro, where the C/P had requested to be conducted.

The status of the field survey is as follows.

**Table-12 : Field Survey Results**

<b>Countries</b>	<b>Period</b>	<b>Number of target companies</b>	<b>Summary of results</b>
Bosnia and Herzegovina (FBiH)	September 2019	9 companies	All companies were visited and interviewed, and it was confirmed that the mentoring services were highly valued by the business owners.
Bosnia and Herzegovina (RS)	March-April 2019	17 companies	Almost all of the companies (except for one company that was not available) were visited and interviewed, and it was confirmed that the mentoring services were highly valued by the business owners.
Montenegro	March 2019	17 companies	Almost all of the companies (except for three companies that were not available) were visited and interviewed, and it was confirmed that the mentoring services were highly valued by the business owners. On the other hand, with the expansion of the target area within Montenegro, new mentors with no experience in corporate support (e.g city officials) increased sharply, and some cases were detected where mentoring services were not provided in an appropriate manner. The results were discussed with the MOE and countermeasures were taken through the All Mentor Meeting and the revision of mentoring guidelines.
North Macedonia	April 2020	14 companies	All companies were visited and interviewed, and it was confirmed that the mentoring services were highly valued by the business owners. The field visits were jointly implemented with APERNM, enabling hands-on know-how transfer on how to conduct the study.

The results of these surveys (report attached as an appendix) were very useful in highlighting realities on the ground that cannot be captured by written documents alone and provided insights for the design and improvement of the system in the future.

The process of designing the survey questionnaire, conducting the survey and preparing the survey report is carried out in coordination with the C/Ps in each country. In Macedonia, in particular, APERNM and JICA Consultant visited the companies jointly and it facilitated the technology transfer.

This field survey proved to be an effective method that allowed for in-depth understanding of aspects that cannot be captured by written feedback letters alone, but on the other hand, there are budgetary hurdles in order for the C/P to carry out the survey on a regular basis. Therefore, the

consideration and development of a simpler method (e.g., random sampling telephone interviews were discussed) that falls somewhere in between these two methods is a challenge for the future.

#### 1-6 Nation-wide service delivery plan is formulated. (4 countries)

The service delivery plan and results for the nation-wide provision of mentoring services in each country are as follows.

##### ① Serbia

Serbia, which began training mentors in 2008, has 17 service providers across the country. Many mentors, from veterans to newcomers, have been supporting small businesses in each region for many years and the service providers are in stable business conditions.

**Table-13 : Service providers in Serbia**

	Service providers	Regions
1	Regional Development Agency Eastern Serbia	Zaječar
2	Regional Agency for Socio-economic Development “Banat”	Zrenjanin
3	Center for the Development of the Jablanica and Pcinja Districts	Leskovac
4	Regional Agency for Spatial and Economic development of Raska and Moravica Districts	Kraljevo
5	Regional Development Agency “South”	Niš
6	Regional Development Agency “Zlatibor”	Zlatibor
7	Regional Development Agency “Backa”	Novi Sad
8	Regional Development Agency “Srem”	Ruma
9	Regional Development Agency of Sandzak	Novi Pazar
10	Regional Economic Development Agency for Sumadija and Pomoravlje	Kragujevac
11	Regional Agency for Development and European Integration of Belgrade	Beograd
12	Regional Development Agency of the Podrinja Podgorevine and Radjevine	Loznica
13	Regional Development Agency “Branicevo-Podunavlje”	Požarevac
14	Regional Development Agency of PANONREG	Subotica
15	Agency for regional development of the Rasina administrative district	Kruševac
16	Regional Development Agency of South Banat	Pančevo
17	Regional Development Agency “Pcinja District”	Vranje



**Fig-1 : Service providers in Serbia**

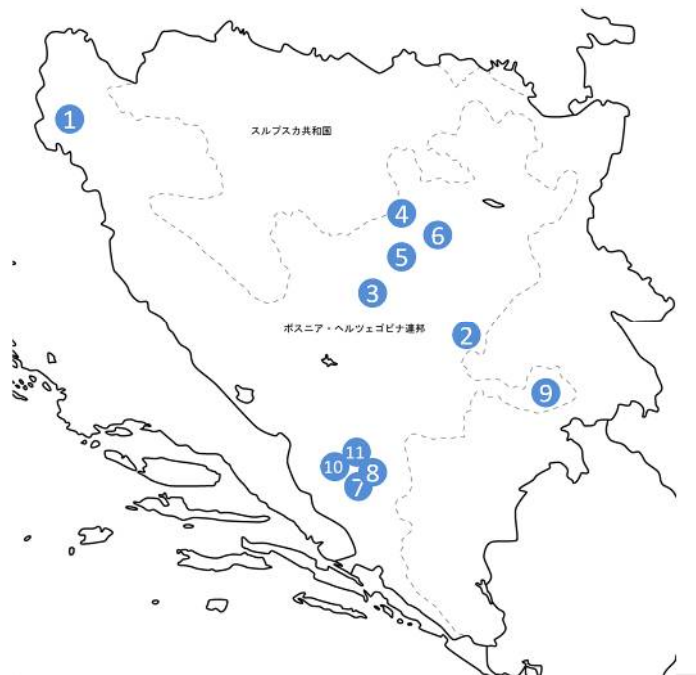
② Bosnia and Herzegovina

**Federation of Bosnia and Herzegovina (FBiH)**

Aiming to cover the entire area, MODEC requested 10 cantons to provide information on regional SME support agencies that could be service providers. As a result, 11 SME support agencies from seven cantons have pledged their cooperation in building a mentoring system. Normally, it is RAs, business centres or the small business section of municipalities that become the service providers, but the addition of Technology Park (INTERA Mostar, Linnovate) and Business Park (SPARK), a private company which specializes in IT trainings for entrepreneurs, makes it different from other countries.

**Table-14 : Service providers in FBiH, Bosnia and Herzegovina**

	Service providers	Regions
1	Development Agency Una-Sana Canton	Bihać
2	Sarajevo Economic Region Development Agency	Sarajevo
3	Regional Development Agency for the Region of Central BiH	Zenica
4	Tešanj development agency	Tešanj
5	Development agency Žepče	Žepče
6	Development agency Zavidovići	Zavidovići
7	INTERA Technology Park	Mostar
8	SPARK business park	Mostar
9	Association for Local Development Initiatives	Goražde
10	Meta Software Solution MSS d.o.o.	Mostar
11	Regional Development Agency of Herzegovina	Mostar



**Fig-2 : Service providers in FBiH, Bosnia and Herzegovina**

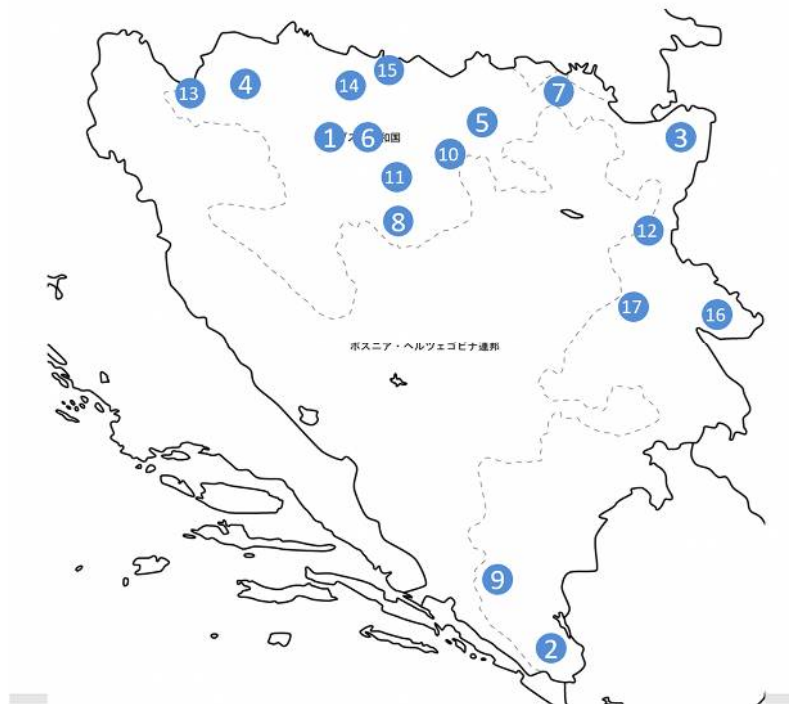
### **Republika Srpska (RS)**

In an effort to create a network that covers the entire area, RARS approached various SME support organizations and 17 service providers have expressed their cooperation in establishing mentoring services. Currently, service providers are located in half of its territory.

**Table-15 : Service providers in RS, Bosnia and Herzegovina**

	Service providers	Regions
1	Republic Agency for the Development of Small and Medium Enterprises (RARS)	Banja Luka
2	Agency for Development of Small and Medium Enterprises, Trebinje	Trebinje
3	Agency for Small and Medium Enterprises, Bijeljina	Bijeljina
4	Agency for Development of the City Prijedor (PREDA)	Prijedor
5	Agency for Small and Medium Enterprises, Doboj	Doboj
6	City Development Agency, Banja Luka (CIDEA)	Banja Luka
7	City Development Agency, East Sarajevo (RAIS)	Šamac
8	Municipality of Samac	Kotor Varoš
9	Agency for Lokal and Economics Development (ALERK)	Ljubinje
10	Municipality of Stanari	Stanari
11	Development Agency of the Municipality, Celinac	Čelinc
12	Municipality of Osmaci	Osmaci
13	Municipality of Novi Grad	Novi Grad
14	Municipality of Laktaši	Laktaši
15	Agency for Development of Small and Medium-Sized Enterprises, Srbac (APIS)	Srbac
16	Municipality of Srebrenica -Directorat of Construction and Development of Srebrenica (DIRS)	Srebrenica
17	Municipality of Han Pjesak	Han Pjesak





**Fig-3 : Service providers in RS, Bosnia and Herzegovina**

③ Montenegro

Service providers have been placed in 16 locations with the aim of establishing nationwide service provision scheme. The service providers are comprised of the business centers and the SME division of the municipalities. One of the characteristics of the network is that municipality staff tend to have less experience working in SMEs, and their understanding of SME practices is weaker than in other countries. Therefore, more than in any other country, trainings (especially OJTs) for mentors are needed and there is an urgent necessity to improve the quality of mentoring services.

**Table-16 : Service providers in Montenegro**

	Service providers	Regions
1	Business Start-up Center Bar	Municipality Bar
2	Business Center Cetinje	The Old Royal Capital Cetinje
3	The Old Royal Capital Cetinje	The Old Royal Capital Cetinje
4	Municipality Bijelo Polje	Municipality Bijelo Polje
5	Innovation and Entrepreneurship Center Tehnopolis	Municipality Nikšić
6	Bureau for support to the business community	Capital City Podgorica
7	Municipality Mojkovac	Municipality Mojkovac
8	Municipality Berane	Municipality Berane
9	Regional Business Center Berane	Municipality Berane
10	Municipality Pljevlja	Municipality Pljevlja
11	Municipality Rožaje	Municipality Rožaje
12	Municipality Plav	Municipality Plav
13	Municipality Kolašin	Municipality Kolašin
14	Municipality Danilovgrad	Municipality Danilovgrad
15	Municipality Kotor	Municipality Kotor
16	Municipality Tivat	Municipality Tivat
17	Municipality Niksic	Municipality Niksic
18	Municipality Herceg Novi	Municipality Herceg Novi



**Fig-4 : Service providers in Montenegro**

④ North Macedonia

The entire country is covered by a network of 7 RAs. However, the fact is that one agency covers a fairly large area, so additional service providers are needed to provide more localized services with close contact.

The service providers in North Macedonia have a weak management base, as they usually have only one or two staff members and their operating costs are covered by a small number of SME-related project budgets. Therefore, it is needed to strengthen the management of the service providers themselves by increasing the number of projects, while building a mentoring service system.

**Table-17 : Service providers in North Macedonia**

	Service providers	Regions
1	Foundation for development of small and medium-sized entrepreneurship	Skopje
2	Foundation for development of small and medium-sized enterprises	Veles
3	Foundation for development of small and medium-sized enterprises	Strumica
4	Foundation for development of entrepreneurship and regional and cross-border cooperation	Bitola
5	Foundation for development of small and medium-sized enterprises	Kumanovo
6	Foundation for enterprises support	Tetovo
7	Foundation for enterprises support	Ohrid



**Fig-5 : Service providers in North Macedonia**

## 1-7 Implementation of Japan Training

### ① Purpose

For the purpose of building a mentoring system in each country and improving mentoring quality, Japan Training was conducted once a year for a total of two times over the three years from 2018 to 2019. This training program was designed in two major stages.

Japan Training in 2018, which was the first stage, was aimed at those who are involved in system design among C/Ps in each country, considering that it was the time when a new mentoring service system was being constructed especially in BiH and MKD. The focus was on understanding the Japanese SME support system and cases and practicing the mentor system in their own country.

The 2019 and 2020 training programs, which were the second stage, were aimed at core mentors in order to improve the quality of the mentoring service system that had been established and have them understand know-how cases of Kaizen so that the quality of the mentoring service of each country would improve. Japan Training from 2020 was cancelled due to Covid-19 crisis.

**Table-18: Target human resources of Japan Training participants by year**

2018	C/P members involved in the mentor system construction
2019-2020	Mentors who are in leadership positions, such as trainers and winners of the Mentor Award and who can spread the training contents to others.

### ② Basic Policy of Curriculum Design

At the end of the training, the participants presented specific action plans for their countries and how they would apply the training contents in the field of system design and mentoring upon their

return. In particular, mentors who attended in 2019 were always instructed to share their experiences with their home country mentors, and in all four countries, the participants used the opportunity of All Mentor Meetings or Mentor Awards, which were held in their countries, to present the training contents and other mentors found them very helpful.

### ③ Overview of each year

#### 1) 2018

- Training period

Sunday, June 24<sup>th</sup> - Saturday, June 30<sup>th</sup>, 2018

- Number of participants in each country

	SRB	BiH	MNE	MKD
The number of participants	2	5	2	3

\* 12 people in total

- Results

C/Ps involved in system construction in each country participated in this training and learned about the contents of Japanese SME's support system. In particular, participants in BiH and MKD, who are in the early stage of establishing the system and need to consider SME support measures as a systematic system, found the opportunity to learn about the Japanese system remarkably helpful. In addition, it was also a valuable opportunity for the participants from SRB and MNE, who had already established and introduced a mentoring system as a “vision” for brushing up the system, to look at the issues in their own countries, which provided them with a valuable opportunity to build their own system in the future.

This training was highly evaluated by all the participants and ended successfully, but the training schedule (1 week) was tight considering the travel time from Europe to Japan and the time difference. As for the next year and subsequent years, some participants expressed a desire to learn thoroughly with case studies during a training period of two weeks, just like the previous project.



**Photo: Lecture scene at Organization for SMEs and Regional Innovation, JAPAN**



**Photo: Facility tour at Small and Medium Enterprise College**



**Photo: Group photo with trainees, supervisory staff and training supervisors**

## 2) 2019

- Training period

Sunday, June 16<sup>th</sup> - Saturday, June 29<sup>th</sup>, 2019

- Number of participants in each country

	SRB	BiH	MNE	MKD
The number of participants	4	6	2	2

\* 14 people in total

- Results

The experienced mentors of each country participated in this training program and after understanding the overall picture of Japan's support for SMEs, they visited companies and learned specific Kaizen cases, methods and ways of thinking. The training was evaluated as significantly meaningful.

There were many comments from participants that they had learned a lot about the practice of Kaizen, which is typical of Japanese companies. For example, they said that "the mind and culture that underlie Kaizen are important", "Kaizen can greatly improve productivity not only in the factory, but also in the service industry", "many Japanese companies value their employees", "contributing to society through environmental considerations is necessary for a company's continued existence " and so on.

On the final day of the training, each country presented its own action plan and the

participants from all the countries declared that they would share their training experiences with other mentors in their own country and practice the same program in the mentoring field. In fact, through the opportunities of All Mentor Meetings and Mentor Awards, the learning contents of the training in Japan were reported by the participants and shared with other mentors in all four countries.



**Photo: Lecture scene at MS & Consulting Co., Ltd.**



**Photo: Factory tour at Kito Co., Ltd.**



**Photo: Presentation of Action plans**

### 3) 2020

Japan Training in 2020 was cancelled due to the global expansion of COVID-19. Therefore, the following information is an overview at the time of planning.

- Training period

Sunday, May 10<sup>th</sup> - Saturday, May 23<sup>rd</sup>, 2020

- Number of participants in each country

	SRB	"BiH"	MNE	MKD
The number of participants	2	6	2	2

\* 12 people in total (planned)

- Main contents

Considering the Japan Training from 2019, the plan was to first learn about the overall picture of support for SMEs in Japan and visit training places chosen to learn Kaizen activities focusing on fostering a corporate culture in various industries and occupations such as factories, service industries and white-collar jobs. In addition, based on the fact that in the previous years the participants learned about the mindset and stance underlying Kaizen activities of Japanese companies and shared the contents of these activities in each country, more specific methods and case studies were selected for Japan Training of 2020.

However, due to the impact of the global spread of COVID-19, which began in December 2019, it is virtually impossible to move from the Western Balkans to Japan. In addition, as it should be the highest priority to ensure the safety of the participants, it was decided to cancel this program after consultations with JICA Headquarters.

## Output 2: Training for mentors and trainers

### 2-1 Mentor training plan is formulated.(4 countries)

From Nov 2017 to March 2020, the training plan including CRT and OJT for mentor is as below.

**Table-19 : Training Plan for mentor from 2017 to 2020**

	Classroom Training	OJT/Other
SRB	<p>&lt;2017&gt;</p> <ul style="list-style-type: none"> <li>• 11~12 : CRT</li> </ul> <p>&lt;2018&gt;</p> <ul style="list-style-type: none"> <li>• 5 : CRT (Kaizen) (1<sup>st</sup> time)</li> <li>• 9 : CRT (Kaizen) (2<sup>nd</sup> time)</li> <li>• 10 : Special Training for CRT Trainer</li> <li>• 10 : Special Training for OJT Trainer</li> </ul> <p>&lt;2019&gt;</p> <ul style="list-style-type: none"> <li>• 3 : CRT</li> <li>• 5 : Special Training for OJT Trainer</li> <li>• 7 : Special Training for Foreign Business Linkage</li> <li>• 9 : CRT (Kaizen)</li> </ul> <p>&lt;2020&gt;</p> <ul style="list-style-type: none"> <li>• 2 : Special Training for CRT Trainer</li> </ul>	<p>&lt;2017&gt;</p> <ul style="list-style-type: none"> <li>• 11~12 : Factory Diagnosis</li> </ul> <p>&lt;2018&gt;</p> <ul style="list-style-type: none"> <li>• 6 : Factory Diagnosis/OJT (Kaizen) (1<sup>st</sup> time)</li> <li>• 9 : Factory Diagnosis/OJT (Kaizen) (2<sup>nd</sup> time)</li> <li>• 5 : Mentor Award</li> </ul> <p>&lt;2019&gt;</p> <ul style="list-style-type: none"> <li>• 6 : Mentor Award</li> <li>• 10~11 : OJT</li> <li>• 11 : All Mentor Meeting</li> </ul> <p>&lt;2020&gt;</p> <ul style="list-style-type: none"> <li>• 5 : Mentor Award</li> </ul>



	Classroom Training	OJT/Other
FBiH	<p>&lt;2018&gt;</p> <ul style="list-style-type: none"> <li>• 2 : CRT (1<sup>st</sup> time)</li> <li>• 3 : CRT (2<sup>nd</sup> time)</li> <li>• 7 : Special Training for CRT Trainer</li> <li>• 7 : Special Training for OJT Trainer</li> </ul> <p>&lt;2019&gt;</p> <ul style="list-style-type: none"> <li>• 7 : CRT</li> <li>• 9 : Special Training for Foreign Business Linkage</li> </ul> <p>&lt;2020&gt;</p> <ul style="list-style-type: none"> <li>• 2 : CRT (Kaizen)</li> <li>• 4 : CRT</li> </ul>	<p>&lt;2018&gt;</p> <ul style="list-style-type: none"> <li>• 9 : OJT</li> <li>• 10 : OJT</li> <li>• 10 : All Mentor Meeting</li> </ul> <p>&lt;2019&gt;</p> <ul style="list-style-type: none"> <li>• 1~3 : OJT</li> <li>• 4 : All Mentor Meeting</li> <li>• 7 : Mentor Award</li> <li>• 9~10 : OJT</li> <li>• 10 : All Mentor Meeting</li> </ul> <p>&lt;2020&gt;</p> <ul style="list-style-type: none"> <li>• 3 : OJT (Kaizen)</li> <li>• 3 : Mentor Award</li> </ul>
RS	<p>&lt;2018&gt;</p> <ul style="list-style-type: none"> <li>• 2 : CRT (1<sup>st</sup> time)</li> <li>• 3 : CRT (2<sup>nd</sup> time)</li> </ul> <p>&lt;2019&gt;</p> <ul style="list-style-type: none"> <li>• 2~3 : CRT</li> <li>• 9 : Special Training for Foreign Business Linkage</li> </ul> <p>&lt;2020&gt;</p> <ul style="list-style-type: none"> <li>• 2 : CRT (Kaizen)</li> <li>• 2 : Special Training for CRT Trainer</li> <li>• 3 : CRT</li> <li>• 3 : Special Training for OJT Trainer</li> </ul>	<p>&lt;2018&gt;</p> <ul style="list-style-type: none"> <li>• 9 : OJT</li> <li>• 10 : OJT</li> <li>• 10 : All Mentor Meeting</li> </ul> <p>&lt;2019&gt;</p> <ul style="list-style-type: none"> <li>• 1 : OJT</li> <li>• 4 : Mentor Award</li> <li>• 9~10 : OJT</li> <li>• 10 月 : All Mentor Meeting</li> </ul> <p>&lt;2020&gt;</p> <ul style="list-style-type: none"> <li>• 2 : OJT (Kaizen)</li> <li>• 4 : Mentor Award</li> </ul>
MNE	<p>&lt;2017&gt;</p> <ul style="list-style-type: none"> <li>• 11~12 : CRT</li> </ul> <p>&lt;2018&gt;</p> <ul style="list-style-type: none"> <li>• 6~7 : CRT</li> <li>• 7 : Special Training for OJT Trainer</li> </ul> <p>&lt;2019&gt;</p> <ul style="list-style-type: none"> <li>• 4 : CRT</li> <li>• 6 : Special Training for OJT Trainer</li> <li>• 9 : Special Training for CRT Trainer</li> <li>• 9 : Special Training for Foreign Business Linkage</li> <li>• 10 : CRT (Kaizen)</li> </ul> <p>&lt;2020&gt;</p> <ul style="list-style-type: none"> <li>• 2 : CRT</li> </ul>	<p>&lt;2018&gt;</p> <ul style="list-style-type: none"> <li>• 1~2 : OJT</li> <li>• 9 : OJT</li> <li>• 9 : Mentor Award</li> <li>• 10 : OJT</li> <li>• 10 : All Mentor Meeting</li> </ul> <p>&lt;2019&gt;</p> <ul style="list-style-type: none"> <li>• 6~7 : OJT</li> <li>• 9 : OJT</li> <li>• 9 : All Mentor Meeting</li> <li>• 10 : OJT (Kaizen)</li> <li>• 11 : Mentor Award</li> </ul>
MKD	<p>&lt;2018&gt;</p> <ul style="list-style-type: none"> <li>• 3~5 : CRT</li> </ul> <p>&lt;2019&gt;</p> <ul style="list-style-type: none"> <li>• 2~3 : CRT</li> <li>• 9 : Special Training for Foreign Business Linkage</li> <li>• 10 : CRT (Kaizen)</li> </ul> <p>&lt;2020&gt;</p> <ul style="list-style-type: none"> <li>• 2 : CRT</li> <li>• 2 : Special Training for CRT Trainer</li> <li>• 3 : Special Training for OJT Trainer</li> </ul>	<p>&lt;2018&gt;</p> <ul style="list-style-type: none"> <li>• 9 : OJT</li> <li>• 10 : OJT</li> <li>• 10 : All Mentor Meeting</li> </ul> <p>&lt;2019&gt;</p> <ul style="list-style-type: none"> <li>• 5 : All Mentor Meeting</li> <li>• 6~7 : OJT</li> <li>• 9 : OJT</li> <li>• 10 : OJT (Kaizen)</li> </ul> <p>&lt;2020&gt;</p> <ul style="list-style-type: none"> <li>• 3 : Mentor Award</li> </ul>



## 2-2 New mentors are trained. (4 countries)

### ① Classroom Training

#### 1) Implementation of Classroom Training

In order to cultivate new mentors, in each country, Classroom Training (CRT) was held. In Phase 1, there were cultivated 49 mentors in SRB, 9 mentors in BiH and 11 mentors in MNE. In SRB, each RA was planned to cultivate mentors so that RAs can keep enough number of mentors. Furthermore, in Phase 2, mentors were cultivated in 7 cantons of FBiH, half of the territory of RS, 23 municipalities of MNE and 7 RAs of NMKD.

#### 2) Outline of Classroom Training

Classroom training including 7 subjects had been held for 12 days in 4 countries.

**Table-20 : Training curriculum for new mentors**

Objective	Learn the basics of mentoring at an optimum level	
Style of training	Classroom style	
Training Subjects	① Overall Understanding for Mentoring/ Mentoring for Mature SMEs	2 days
	② Mentoring for Start-Ups	2 days
	③ Marketing	2 days
	④ Financial Management and Business Plan	2 days
	⑤ Production Management	2 days
	⑥ Human Resource Management	1 day
	⑦ Communication Skills	1 day

Classroom Training Trainer (CRTT) conducted the examination at the end of each subject. It was essay-type examination so that knowledge could not be just memorization. It is the condition for certification that the candidates need to participate in all subjects with more than 75% attendance and get more than 70% points in all subjects.

Main CRTTs were Serbian trainers. (Bosnian trainers were in charge of CRT in NMKD in 2019.) After CRT, trainees evaluated the trainers and contents, CRTT evaluated trainees and themselves, and C/P evaluated CRT as administrator of the system. It was an opportunity to review CRT from 3 parties.

#### 3) Implementation of Classroom Training

**Table-21 : Schedule of Classroom Training**

Name of country	Schedule
SRB	① 2017:11/28~12/15 ② 2019:3/14~4/12 ③ 2020:3/3~6/2 (Partial Online)
BiH FBiH	① 2018:2/5~2/22 ② 2018:2/26~3/16 ③ 2019:9/2~10/4 ④ 2019:5/25~6/25 (Partial Online)

BiH RS	① 2018:2/6～2/23/2018 ② 2018:2/27～3/15 ③ 2019:2/25～3/12 ④ 2020:2/11～6/4
MNE	① 2017:11/20/2017～12/12 ② 2018:6/19/2018～7/10 ③ 2019:4/1～4/23
NMKD	① 2018:3/12～5/15 ② 2019:2/6～3/3 ③ 2020:2/19～6/9 (Online)

In March 2020, due to COVID-19, JICA consultants could not visit Balkan countries and all local activities were suspended. However, CRT resumed via online training. In FBiH, all 7 subjects were held online from June 2020.

4) The number of target and cultivating for new mentors

**Table-22 : Result of Classroom Training**

Name of county	2017～2020 Target number	2017 Result	2018 Result	2019 Result	2020 Result	2017～2020 Result
Serbia	30	17	0	16	12	45
Bosnia and Herzegovina FBiH	40	—	17	12	1	30
Bosnia and Herzegovina RS	40	—	23	11	11	45
Montenegro	30	6	7	12	0	25
North Macedonia	22		11	8	9	28

5) The result of Classroom Training

Serbian trainers were in charge of CRT in SRB, BiH and MNE, and Bosnian trainers were dispatched to NMKD.

In SRB, DAS requested to include the training with some case studies presented by JICA Consultant. So, in addition to the usual training for 12 days, JICA consultants conducted one day training. The trainers were Mr. Takano (Assistant Team-Leader) and Ms. Koga (Human Resources Expert). Mr. Takano introduced some successful cases of mentoring in other countries, and Ms. Koga introduced some successful cases of Japanese SMEs.

In FBiH, in 2018, there was a possibility that disturbance of transportation might occur due to snow in early February and the participants could not attend the trainings continuously for 12 days. Two sessions of CRT (First session: 12 days, second session: 12 days) were prepared, and it was possible for participants to select the 7 subjects from any of the 2 sessions. In 2020, due to the influence of COVID-19, it was difficult for MODEC to find mentor candidates, as a result only one mentor was educated via online one-to-one CRT for 12 days.

The situation of RS was same with FBiH and 2 sessions of CRT were held in 2018.

In MNE, due to the influence of conflict between 2 major parties lasting from 2015, all

consulting services for SMEs including mentoring had been suspended. This issue was solved in 2017 and consulting services were resumed. As the deadline for consumption of the budget was approaching at the end of 2017, CRT for new mentors was held in Nov 2017.

In MNE, in addition to the mentors belonging to business center, there were also municipal office workers who had less experience of supporting SMEs and the quality of their mentoring service was falling. So, as a solution, whenever MOE asked municipal offices to recommend mentor candidates, MOE had interview with each candidate in order to check if they had enough experience of providing support to SMEs. After passing the interview, the candidates could undergo the CRT. MOE adopted this procedure in order to keep the quality of mentors.

In NMKD, most of 7 RAs had only 1 or 2 staff, so it was very difficult for them to leave their office for 12 days for CRT. Additionally, it was difficult to select the candidates, because of the small number of the employees. However, 28 mentors were cultivated, considering the target number of 22 mentors.

## ② On the Job Training

OJT Trainers (OJTT) of SRB, BiH and MNE were dispatched to other countries and accompanied mentors for OJT. The result of OJT is as below.

**Table-23 : Information of OJT in 4 countries**

Name of country	Duration	Target regions	Number of companies	Number of mentors	Dispatching country
Serbia	2019:9/25~10/3	Loznica, Požarevac, Kraljevo, Novi Pazar, Užice, Zrenjanin, Pančevo, Leskovac, Niš, Zaječar, Novi Sad, Subotica, Kruševac, Kragujevac, Ruma, Belgrade	16	16	JICA Consultant
Bosnia and Herzegovina FBiH	2019:1/29~3/14	Tesanj, Vogosca, Mostar, Zepce, Zenica	9	8	SRB
	2020:1/27~2/24	Tešanj, Sarajevo, Zavidovići, DobojJug, Žepče, Bihać, Bužim	17	13	SRB
Bosnia and Herzegovina RS	2018:9/25~10/4	Banja Luka, Doboj, Bijeljina, Istočno Sarajevo, Trebinje	18	18	SRB
	2019:1/29~1/30	Trebinje	2	2	SRB
	2019:10/14~10/25	Banja Luka, Bijeljina, Doboj, Istočno Sarajevo, Prnjavor, Šamac, Obudovac, Trebinje, Laktaši	22	21	SRB
Montenegro	2018:9/18~11/1	Podgorica, Bijelo Polje, Bar, Kotor, Pljevlja, Niksic, Rozaje, Tivat	13	11	SRB
	2019:6/25~7/4	Podgorica, Bar, Budva, Niksic, Kolasin, Berane	9	12	SRB
North Macedonia	2018:9/18~11/1	Bitola, Skopje, Veles, Strumica, Ohrid, Kumanovo, Tetovo	14	7	BiH
	2019:6/25~7/4	Skopje, Ohrid, Kumanovo, Bitola, Veles, Tetovo, Strumica	24	14	BiH MNE

JICA Consultant asked OJTTs to instruct mentoring based on the standardized mentoring process and standardized mentoring guideline. JICA Consultant accompanied mentors and OJTTs, checked the quality of mentoring and confirmed the skill of OJTT's support.

Mentors in each country highly evaluated the experienced Serbian OJTTs and the Bosnian OJTTs were also highly evaluated in NMKD.

C/Ps were very interested in OJT, as mentors actually can utilize the knowledge which was learned during CRT. C/Ps showed a strong expectation to the future OJT.

### **2-3 New Class-room trainers are trained. (4 countries)**

Some parts of the training of classroom trainers went ahead as planned, while others were affected by COVID-19 and the initial plan had to be changed.

Special Training for CRT Trainer, the training for classroom training trainers, was conducted in the FBiH of Bosnia and Herzegovina and Serbia as follows.

**Table-24 : Results of Special Training for CRT Trainer**

Countries	Period
Serbia	November 2018 (7 participants)
Bosnia and Herzegovina	July 2018 (7 participants)

For the other target areas, in the context of not yet having mentors with sufficient experience, the Special Training for CRT Trainer was planned to take place at the end of the project when the number of mentoring experiences would have been increased.

However, after March 2020, all consultants were forced to leave the Western Balkans due to the impact of COVID-19, making it difficult to conduct the training. Discussions continued with the C/Ps, and online implementation was considered. However, in consultation with all the C/Ps of the four countries, the decision to postpone the training was finally taken. The C/Ps provided the following view as the reason of the postponement. "The quality of the trainers is very important and the training should be done face-to-face, not online. We want to wait for the opportunity to do so. In the meantime, we will continue to work with Serbia, which has a number of classroom training trainers, to educate mentors."

On the other hand, materials for training new CRT trainers have been developed. In addition, Japanese consultants actively participated in the classroom training conducted by the existing trainers and it facilitated to monitor the training quality and to identify challenges to further improve.

### **2-4 New OJT trainers are trained. (4 countries)**

In Phase 1, OJT trainers were trained in Serbia. In Phase 2, OJT trainers were also trained in Bosnia and Herzegovina and Montenegro.

The Serbian mentors who qualified in Phase 1 have already become experienced trainers and have contributed a lot in the dispatches to the other three countries. The C/Ps and mentors from other

countries appreciated the practicality of the training because of the similarity of the environment and this has led to trust building between countries, with communication continuing even after the implementation of OJT. During Phase 2, the second generation of trainers were also actively utilized and dispatched to other countries. JICA consultants accompanied the Serbian OJTTs to assess the situation and found that they were well prepared and provided the mentor with practical and detailed advice based on their experience in addition to the standardized know-how described in the mentoring guidelines. It is confirmed that the Serbian trainers have sufficient skills as OJTTs. However, the gap between the abilities of the second generation and those of the first generation is still open in some aspects and the second generation needs to develop their skills from experiences of OJT in future.

In FBiH, MODEC trained SERDA mentors as trainers and sent them to North Macedonia. SERDA mentors were well equipped as trainers and were appreciated by APERNM for the practical training they provided.

In Montenegro, five people were trained as OJT trainers. The reason for the result of five trainers against the target number of eleven is that after the announcement of the mentoring program, there were not enough mentoring opportunities due to insufficient number of companies. As a result, the number of eligible candidates was limited because they were unable to meet the criteria for trainer candidates, which were: (1) experience in mentoring for at least six companies, and (2) participation in at least three OJT sessions. Of the five certified trainers, three were actually sent to North Macedonia.

Special Training for OJT Trainer was scheduled to take place in March 2020 in Republika Srpska, North Macedonia and Montenegro, but due to the ban on travel of JICA consultants due to COVID-19, it was not feasible to conduct the trainings according to the initial plan. As an alternative, online implementation was suggested to the C/Ps. However, through the discussions with the C/Ps from Republika Srpska and North Macedonia, it was decided not to hold the trainings in online format, considering the significance of the trainer's role and strict requirements for the training quality.

Eventually, OJT trainers were trained in Serbia, FBiH of Bosnia and Herzegovina, and Montenegro and this can be a solid foundation for the future mentor training through inter-regional cooperation.

**Table-25 : Results of Special Training for OJT Trainer**

Countries	Period
Serbia	October 2018 (4 participants) / May 2019 (3 participants)
Bosnia and Herzegovina FBiH	July 2018 (7 participants)
Bosnia and Herzegovina RS	Not yet implemented
Montenegro	July 2018 (2 participants) / June 2019 (3 participants)
North Macedonia	Not yet implemented

## **2-5 Training modules of Kaizen are prepared and conducted.**

The training program was developed in two stages as follows.

① Stage 1 (Pilot version: for Serbia)

A pilot version of classroom training for the introduction of kaizen was developed and classroom training and OJT were conducted in Serbia. This pilot version focused on the production management field and included specialized knowledge.

Classroom training was conducted for Serbian mentors, with the first session held in May 2018 (28 participants) and the second session in Sept 2018 (18 participants).

On-the-job training (OJT) was conducted at the time of development of the training program and after the training, to improve the program to fit the actual situation of the companies in the country and to introduce Kaizen on the spot.

The list of OJT's is as follows.

November 2017

Company/ City	Products/ Employees	Hours of visit	Participa nts (compan y)	Participa nts (mentors )	Number of Kaizen (Implemented/Proposed)			Evaluation	
					5S	Quality	Compa ny	Mentor	Trainer
<b>Milan smederebo</b>	Cooking stove 400	11	10	7	10/11	0/4	91	89	96
<b>Alfac Čačak</b>	Constructio n equipment 76	9.25	7	5	3/3	0/1	92	92	98
<b>Mikan Novi Pazar</b>	Cloths 100	10.2	5	4	0/5	0/2	86	87	95

June 2018

Company/ City	Type of business/ Employee es	Hours of visit	Participa nts (compan y)	Participa nts (mentors )	Number of Kaizen (Implemented/Proposed)			Evaluation	
					5S	Quality	Compa ny	Mentor	Trainer
<b>Dallas Tutin</b>	Furniture 65	10.7	4	5	8/9	0/7	93	96	100
<b>GRO-AS Aleksandrovac</b>	Metal materials 20	9.67	3	8	8/9	0/7	96	96	100
<b>ES Prijepolje</b>	Food 280	7.25	1	6	0/0	0/1	92	60	85

September-October 2018

Company/ City	Type of business/ Employees	Hours of visits	Participant s (mentors)	Number of Kaizen (Impleme nted/Propo sed)	Company/ City	
					5S	Quality
<b>Minel General Electric Nova Pazova</b>	Electrical appliances 46	10	7	55	5/8	0/1
<b>DMV Industrial controlling systems Nis</b>	Electrical apliances 100	9.6	4	4	1/2	0/1

<b>Ambio Arilje</b>	Cloths 60	8.9	2	10	0/2	0/3
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While this first stage of the program was successful, challenges remained at the same time. The feedback from the mentors who participated in the program was that they were able to guide companies as far as 5S. On the flip side, the rest of the know-how was not well established. As the mentors don't have the career background for professional consulting in manufacturing in the first place, it was a natural reaction, given that their role is to diagnose companies as home doctors and connect them with specialists when necessary.

Based on these responses, the second stage of the program was developed as a Kaizen program tailored to the mentoring system in the Western Balkans, with a focus on how to guide/support Kaizen in the standardized mentoring process.

## ② Stage 2 (final version: for 4 countries)

When introducing kaizen in mentoring, it is important to introduce kaizen based on the reality of Western Balkan countries and the role of mentors, or in other words, to create a Western Balkan-style package, rather than just bringing in the production management techniques of large Japanese factories.

In Phase 2, based on this concept, Kaizen training materials and instructional tools were developed, and classroom training and OJT were conducted.

The training materials and tools developed are as follows.

**Table-26 : Kaizen Training tools**

Item	Outline
Curriculum	Curriculum for a one-day training program on Kaizen
Training materials (slides)	Slides for a one-day training program on Kaizen. The slides are developed in a way that mentors can use them as the tool when the mentor conducts a kick-off meeting on Kaizen in SMEs. The data were sent to the mentors after the training, along with other tools.
Training materials (videos)	Video materials prepared by JICA and those available to the public were introduced and the participants were instructed to make use of them while paying careful attention to copyrights.
Kaizen Manual	The introduction procedure for Kaizen mentoring was made into a manual and distributed as a booklet.
Cards	Key slides (5 Steps of Kaizen Introduction and 5S concepts) from the training materials were printed as portable cards and distributed.
5S poster	A large poster detailing the 5S procedure was created and distributed.



Photo : 5S poster

Mentors and C/Ps responded very highly to the Kaizen training using these tools, with responses such as "This was the most useful training to date," and "All the points I didn't understand about Kaizen became clearer."

After the training, Kaizen OJT was conducted. The list is as follows.

Table-27 : Kaizen OJT (Stage 2)

Country	City	Company	Products/s ervices	Employ ees	Day	Participant s (company)	Participant s (mentors)
RS, Bosnia and Herzegovina	Laktaši	TPE	Metal products	34	15 Oct 2019	5	2
	Banja Luka	FullDent	Dentistry instrument s	76	16 Oct 2019	27	2
	Trebinje	Komunalno	Cleaning	81	23 Oct 2019	14	1
Montenegro	Bar	Enterijer Dizajn Studio	Furniture	6	25 Oct 2019	6	1
	Bijelo Polje	Put Gross	Dairy products	145	29 Oct 2019	18	3
	Podgorica	Tring	Packages	14	1 Nov 2019	9	2
FBiH, Bosnia and Herzegovina	Mostar	Eurosan	Hygiene products	168	3 March 2020	14	2
	Tesanj	Devostone	Wall materials	4	5 March 2020	4	3

## 2-6 Training modules for export promotion and linkage with foreign enterprises are prepared and conducted (Serbia, Montenegro, BiH, Macedonia if necessary)

Initial PDM includes following as Activity 4.3, which was removed in Nov 2018 with the approval from all C/Ps and JICA: “Local companies with high potential for receiving FDI are introduced to Japanese companies through information exchange scheme among relevant institutions, publications and seminars more than xx times.”

The expert team discussed with JICA and C/Ps to clarify that all activities related to this index were



expected to be limited to supporting activities of this project. C/Ps also confirmed that "receiving FDI" can include business partnerships that do not involve direct investments, after explanation from JICA experts that many of the direct beneficiaries of this project are too small in scale from the perspective of the Japanese companies with the possibility of investing in the concerned area and the potential for capital tie-ups are low.

C/Ps also confirmed through discussion with JICA experts that it is enough to build a structure that can relay information on the investment climate of the said area to as many Japanese companies as possible, not stick on to the number of seminars and events. And, regarding partnerships with foreign companies, C/Ps understood that it is realistic to attempt collaborations between this project and existing systems such as Enterprise Europe Network. Due to this, and with the approval of all C/Ps, Activity 4.3 was removed in Nov 2018.

Under these circumstances, in order to maximize the limited man hours of the JICA experts in this Project, alongside performing "the collection and transmission of information on the investment climate and local companies", JICA Consultant delivered training module on "SME internationalization" from Sept 2019 to provide fundamental knowledge needed for promoting investments during the classroom training. JICA Consultant also made a point to make a flow that takes the investment needs arising through the mentoring and aggregates them every November and uploads them to business matching information sites such as Enterprise Europe Network etc.

**Table-28 : Training on Internationalization of SMEs**

	Training	Participant	Note
Serbia	1	49	JICA invited the management of a SME cluster in Bulgaria to present their experience.
RS, Bosnia and Herzegovina	2	20	Delivered in East Sarajevo City and Banya Luka as requested by the C/P.
FBiH, Bosnia and Herzegovina	1	11	
Montenegro	1	18	Delivered in Nov 2019 as original schedule in Sept was postponed.
North Macedonia	1	14	A case study was presented by a beneficiary of the project in 2013 who successfully internationalized their business.



**Picture: Case Study presented by a Cluster of SMEs**

In Serbia, JICA Balkan Office invited a business owner of a cluster of a furniture manufacturer from Bulgaria, who shared their learnings and points for consideration from their experience of internationalization.

### **Output 3: Inter-regional cooperation**

#### **3-1 Country and inter-regional mentor conferences are organized. (4 countries)**

All Mentor Meeting and Mentor Award were held for the opportunity to promote information sharing among mentors and exchange of experiences. It is expected to increase the skill of all mentors efficiently by promoting communication and exchanging knowledge or experience among mentors.

##### **① All Mentor Meeting**

All Mentor Meeting is the event where mentors gather to share their experiences and discuss towards finding solutions for their mentoring services. Although mentors conduct company diagnosis based on the knowledge which mentors learned during CRT, there are many cases when mentors do not perform enough diagnosis and cannot generate the appropriate action plan. As many issues of SMEs are similar, mentors can find hints of solution by sharing knowledge or experience among mentors at AMM.

AMM was held in all 4 countries and almost all mentors and C/Ps considered the event as very useful.

##### **② Mentor Award**

Mentor Award is the event where representative mentors from each service provider (who have excellent case of mentoring) make a presentation of their most successful case of the year. The mentors who attend as audience evaluate the cases from 3 perspectives. The first point is whether mentor utilized the standardized mentoring know-how/process. The second one is the result of mentoring service. The third one is whether other mentors can learn and use know-how from the presented case. Finally, the best presentation is selected and the mentor is awarded.

For both motivation of mentors and strengthening practical ability, this is a very effective way of training, and mentors and C/Ps highly evaluated MA every time.

**Table-29 : The result of meeting for information exchange from September 2018 to November 2019**

<b>Name of country</b>	<b>Implementation period</b>	<b>Name of meeting</b>	<b>Winners of MA</b>	<b>MA Number of presentation / AMM Number of attendance</b>
SRB	2018 May	Mentor Award	1st) Ljiljana Marković (Ms) 2nd) Boban Kostandinović (Mr) 3rd) Ivan Mihajlović (Mr)	11

	2018 November	All Mentor Meeting		27
	2019 June	Mentor Award	<Mature> 1st Ljiljana Marković (Ms) 2nd Branko Brkovic (Mr) 3rd Nataša Jovanović (Ms) 3rd Saša Dedeić (Mr) (Tie) <Start-ups> 1st Ljiljana Marković (Ms) 2nd Milica Cukaric (Ms) 3rd Saša Dedeić (Mr)	<Mature> 14 <Start-ups> 15
	2019 November	All Mentor Meeting		27
BiH FBiH	2019 April	All Mentor Meeting		18
	2019 July	Mentor Award	1st Goran Dodig (Mr) 1st ) Maja Lukic Grabovac (Ms) (Tie) 2nd Ismar Alagic (Mr)	7
	2020 March	All Mentor Meeting		11
BiH RS	2018 November	All Mentor Meeting		18
	2019 April	Mentor Award	1st Goran Ivanović (Mr) 2nd Boris Novarlić (Mr)	8
	2019 November	All Mentor Meeting		18
MNE	2018 October	All Mentor Meeting		11
	2018 November	Mentor Award	1st Saša Jovanović (Mr)	4
	2019 October	All Mentor Meeting		
	2019 November	Mentor Award		
NMKD	2018 November	All Mentor Meeting		7
	2019 May	All Mentor Meeting		15



**Photo : The winners of MA in 2019 June in SRB (For Start-ups and Mature company)**

### **3-2 Inter-regional mentor conferences are institutionalized in the national mentor service structure. (4 countries)**

In order to institutionalize All Mentor Meeting and Mentor Award, the following 3 activities were conducted and fixed.

#### ① Securing the budget

JICA Consultant discussed the necessity of AMM and MA with each C/P, and clarified the position in the mentoring system. Each C/P recognized that the events where mentors can share their experiences among other mentors are very helpful for them, and the C/Ps applied for the necessary budget. JICA Consultant shouldered the expenses for organizing AMM and MA (venue cost, lunch cost) until 2018. Gradually, each C/P secured the budget by themselves and all C/Ps managed to shoulder a part of expense (approx. half price) in 2019.

#### ② Improvement of operation skill in each C/P

In order to secure the sustainability of mentoring system in each county, it is necessary for each C/P to enhance their managerial skill for events. For that purpose, JICA Consultant prepared the manual for organizing events including the procedure, necessary formats and transferred the skill to each C/P.

### **Output 4: Investment Promotion**

#### **4-1 Information of business climate and local enterprises is compiled.**

Information of business climate of the four countries are collected and compiled in following reports per country;

1. Baseline Survey Report on the investment climate
2. Frequently Asked Questions on Investing in each country (hereinafter to be referred as “FAQ”)
3. The lists of useful materials and organizations relating to investment promotion

Regarding the FAQ mentioned above, amidst the 33-sections and 2,486 items from the question-and-answers each country submitted to the European Commission in the process of EU membership application, attention was placed on Section 20 “Business and Industry Policy”, and the questions thought to be of particular interest to foreign companies were extracted. In order for the answers to reflect updated information as of July 2019, confirmation and corrections were obtained from the government agencies below.

Serbia: RAS

BiH: MOFTER、MODEC、RARS

Montenegro: MOE

North Macedonia: APERNM

The reports were prepared in English for the convenience of not only Japanese companies, but also for companies and investors from other countries.

On the other hand, regarding information on local companies in the project area, the plan was that mentors attending the "SME internationalization" training in 2019 would gather the demands of the

2020 mentoring SME beneficiaries and, in cases where it is recognized that internationalization would actually benefit the beneficiary company, the mentor in charge would coordinate with the office in charge of internationalization assistance from each country to consolidate information. With regards to this, due to warnings against travel and the deterioration of the global market environment as a result of countermeasures taken against Covid-19, this step was not implemented in 2020.

#### **4-2 Information of business climate and local enterprises is provided to Foreign Enterprises. (4 countries)**

In addition to being shared with the confirmation of each country's investment promotion organizations, the FAQ and "The lists of useful materials and organizations relating to investment promotion" mentioned in 4-1 were submitted to the JICA Balkan Office and shared to the JETRO Vienna office. Going forward, it is anticipated that they will be used and distributed by each country's investment promotion organization as well as JETRO.

Aside from that, regarding Serbia, JICA Consultant received a request from DAS and reviewed the Japanese version of the July 2019 edition of the presentation material for investment promotion entitled "Investing in Serbia - A Business Chance for Japanese Companies". Regarding this material, it is anticipated that it will be distributed to Japanese companies through DAS.

Additionally, regarding local companies in the project area, a system was constructed in each country to enable mentors to connect Enterprise Europe Network (hereinafter referred as "EEN") personnel with mentoring beneficiary SMEs who are exploring the option of connecting with foreign companies or investors. In particular, in the case of relationships with Japanese companies, mentors participating to Japan Training visited the EU-Japan Centre for Industrial Cooperation which represents EEN in Japan to construct a framework for smooth information dissemination from project area to Japanese companies through EEN.

## **2-4 Result of Joint Review based on DAC Evaluation Criteria**

### **2-4-1 Relevance**

DAC	SRB	MNE	MKD	BiH	
				FBiH	RS
<b>Relevance</b>	High	High	High	High	High

The Relevance of the project is evaluated as "High" because Mentor Service is positioned as a main activity in the SME development strategy in all countries and clearly described in the SME development strategy paper of each country. Each country considers the comprehensive support to SMEs in the regions as the priority issue and expect Mentor Service to work as the important solution. Therefore, all countries evaluated "Relevance" as "High".

#### 2-4-2 Effectiveness

DAC	SRB	MNE	MKD	BiH	
				FBiH	RS
Effectiveness	High	High	High	High	High

The outputs and purpose of the project are evaluated as highly effective and related to each other by all countries. There are differences in the progress of system design, training for mentors and investment promotion, but all countries evaluate that they sufficiently achieved the project purpose. On the other hand, even though all countries have achieved the targets of the 2<sup>nd</sup> phase regarding Inter-Regional Cooperation, , they emphasize that they should promote the cooperation more and more and it is the important issue to the next.

#### 2-4-3 Efficiency

DAC	SRB	MNE	MKD	BiH	
				FBiH	RS
Efficiency	High	High	High	High	High

All countries evaluated the efficiency of the project as “High”. The project was influenced by COVID-19 after March 2020, but the project had proceeded as planned until February 2020 and expected to achieve all targets. After the emergence of COVID-19, the project could achieve the most targets, reducing the damage as much as possible by adopting Online Activities. Adding to the above, all countries have tried to improve the efficiency by negotiating with relevant companies and tried to save the expenses in order to cover the cost of mentor service system by own budget.

#### 2-4-4 Impact

DAC	SRB	MNE	MKD	BiH	
				FBiH	RS
Impact	Potentially High	Potentially High	Potentially High	Potentially High	Potentially High

MNE started the establishment of mentoring service in 2013 and MKD and BiH started it in 2017. As the countries have experiences for few years, they mention that it is too early to evaluate the impact as of today, however they evaluate that it is possible to achieve the overall goal in the future. The countries evaluate that the achievement of the project purpose can contribute to the achievement of the overall goal by keeping improving service contents, improving service system and promoting inter-regional cooperation.

#### 2-4-5 Sustainability

DAC	SRB	MNE	MKD	BiH	
				FBiH	RS
Sustainability	Middle to High	Middle to High	Middle to High	Middle to High	Middle to High

All countries evaluate Sustainability as high to the aspect of politics and institutions. This is because mentor system is clearly described in the SME development strategy of each country and mid-long term strategy is developed. As for the aspects of organizations and technical matters, Sustainability is evaluated as high, because each C/P expresses their responsibility to keep the activities and administrates the training system which are necessary to keep the system. On the other hand, all countries names the aspect of finance as the issue to be considered. Each country has requested and acquired the budget, but mentor system is still on a half way of the development about the scale of business and have expenses which are necessary but difficult for the countries to cover by own budget. All countries regard the domestic OJTs and Inter-Regional Cooperation with other partner countries are crucial, however the countries emphasize that it is difficult for them to acquire those budgets and need support.

### 3. Findings from the project implementation

#### 3-1 Output 1: System Design

##### 3-1-1 Acquisition of the budget

As same as in other JICA's projects, it is necessary for each country to acquire the budget in order to establish sustainable mentor system. However, most of countries did not have the budget as of Sep 2017, when the 2<sup>nd</sup> phase started, and especially BiH and MKD were supposed to face difficulties in their budget requests. Nevertheless, all 4 countries successfully acquired the budget and also secured the budget for the years of the post-project period. As the key factors of success, following points can be picked up.

#### (1) Mentoring service was clearly stated in the SME development strategy of the governments.

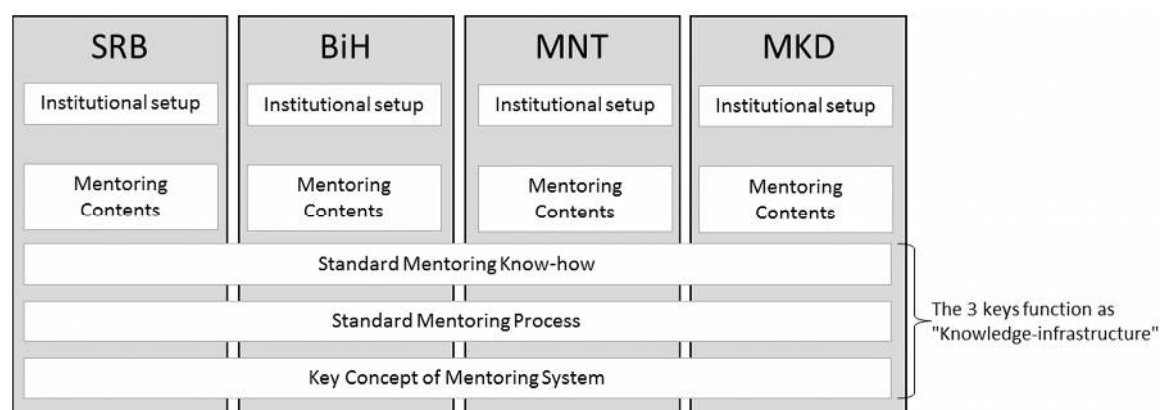
In prior to the start of the project, JICA Consultant researched the SME development strategies of the target countries and prepared the scenarios for relevant persons in the government, with which JICA Consultant could explain the importance of establishing mentoring service in the country. As a result of it, as of 2020, all countries introduced mentoring service into the SME development strategy as a major SME sector development measure.

#### (2) Support on the budget request by each C/P

Even though a C/P will request the budget to the government, it does not mean the government will allocate it for the mentoring system. Therefore, JICA Consultant provided C/Ps with support on the budget request in order to successfully acquire it, identifying the items to be included, estimating necessary costs and considering the timing and texts of the budget request. In this way, all C/Ps successfully acquired the budget of the activities in the next year.

##### 3-1-2 Balance between individual and common items of the systems of the 4 countries.

Mentor systems of the countries were established considering the situations by country, keeping important common components with other countries in order to keep the good cooperation.



**Fig-6 : Common/individual items among 4 countries**



Key points on keeping consistency of the systems among countries are as follows.

**(1) Key concepts of mentor system**

The 4 countries respect the key concepts of mentor system such as “What is mentor?” “What is mentoring?” and “Who are the beneficiaries?”. They may seem as pure definitions, but it is mandatory for them to have the same concepts, because it can affect a lot on the establishment of mentoring system. For example, if the definition of “What is mentoring”? is “Mentoring is to provide practical advice based on professional knowledge”, the mentoring system will hold professionals such as “Expert of online commerce”, “Expert of processing”, “Expert of managing pesticides” and it will become very different system from the current mentoring system.

**(2) Standardized mentoring process**

The mentoring systems have the same activities from the first step to the last step. For example, as the process includes “Financial Analysis” as a common activity, all mentors have the knowledge on financial analysis and conduct it during the mentoring. If the countries have different mentoring process such as a country has “Factory Diagnosis” while another has “Organization Diagnosis”, both mentors’ required knowledge and the service contents would become very different ones.

**(3) Standardized mentoring know-how**

Required mentoring know-how will be identified by introducing the common key concepts and mentoring process. Marketing, Kaizen, Financial analysis, Production management, Communication improvement, Human resources management... In the current mentor system, the mentors learn the knowledge as common know-how, so that they can effectively advise each other.

**(4) Contents of mentoring**

It is necessary to adjust the contents of mentoring service corresponding to the situation of each country. For example, SRB regards 50-hours mentoring service as the standard, but because the government holds the policy of providing numerous mentoring services to Start-Ups, 25-hours mentoring service was designed and provided.

**(5) Network of service providers**

It is necessary to establish a network of service provides, cooperating with local SME support organizations in order to cover the entire country. There are many types of SME support organizations such as business incubation center, city hall, regional agency and so on. Therefore it is important to establish the network corresponding to the uniqueness of the country. Besides, it means each country may have different schemes such as payment flow and contracts, so that it is important to optimize the service provision system which can fit to the country.

Considering the key points above, the 4 countries successfully took balance between “Common

items” and “Individual items” in their mentoring system.

### **3-1-3 Knowledge sharing among the countries**

When C/Ps administrated the mentor system, they had to develop operational procedures and documents such as a contract between C/P and partner organizations, a contract between partner organizations and beneficiaries, official documents on public call, criteria of beneficiary selection and so on. Therefore, the project dispatched the system designers from SRB to other countries and provided support on elaborating the procedures and documents. As a result, C/Ps gave very positive feedback to JICA Consultant, as the support from SRB was significant.

### **3-1-4 Agreement towards sustainable consistency of mentoring systems**

During the project period, SRB had provided the knowledge to other 3 countries and helped them establish their mentoring systems. However, it was needed for the C/Ps to discuss and decide on whether they will continue the common mentoring system after the completion of the project. Therefore, in May 2019, JICA Consultant invited the system designers from 4 countries to have joint meeting and discussed on a cooperation scheme in the post-project period, when each country had already successfully established their mentoring system. As a conclusion, the 4 countries agreed to keep following SRB’s mentoring system, with the small adjustments considering the situation in their own country. On the other hand, the system designer of SRB said that it is more appropriate to call it the standardized model, which was established based on the collaboration among 4 countries, rather than SRB’s model. In this way, the 4 countries agreed to cooperate to establish the common standardized mentoring system.

## **3-2 Output 2: Training for mentors and trainers**

### **3-2-1 Field Surveys to accurately assess the current situation**

In addition to the planned activities, field surveys were conducted in Montenegro, Bosnia and Herzegovina, and North Macedonia, with the aim of understanding the actual situation in the field and ensuring quality.

In Western Balkan culture, people tend not to give low evaluations of others unless there is something significantly wrong with them, so it is difficult to grasp the actual situation from questionnaires and evaluation sheets alone. For this reason, the field research, in which JICA Consultant visited the companies and interviewed their owners and managers on site, was very useful in understanding the evaluation, satisfaction and challenges faced by the beneficiary companies. The results of the survey were highly appreciated by the C/Ps in each country and served as a basis for improving the quality of mentoring in the second half of the project, and thus direct interviews would be useful in understanding the actual situation in the future management of the system.

### **3-2-2 Quality control of trainings**

In this project, emphasis was placed on drawing on the experience of other countries and CRT trainers

and OJT trainers were mainly dispatched from Serbia, but also partly from Montenegro and Bosnia and Herzegovina, in order to train mentors in the countries that newly developed the mentoring service system in Phase 2. JICA consultants were also present and accompanied as much as possible to monitor the quality of the training and provide on-the-job guidance.

JICA Consultant was present at the CRT training courses in Montenegro, Bosnia and Herzegovina and North Macedonia to monitor the progression and quality of the lectures. While the overall high standard of the lectures was confirmed, there was room for improvement in the overall structure of the classroom training program and in some subjects (marketing, production management and human resource management). For the issues identified above, on-the-spot guidance was provided and the findings were reflected in the revision of the mentoring guidelines.

For OJT, JICA Consultant accompanied the trainings in Montenegro and North Macedonia. Monitoring of the progress and content of the OJT was carried out and, if necessary, suggestions were provided on spot.

Since a large number of OJT trainers were dispatched from and to multiple countries in a complex schedule, it was a challenge to get an accurate picture of what level of OJT was actually being provided in each country. In all of the cases attended, it was observed that on-the-job training was provided to a satisfactory standard, in line with the standardized mentoring process. Experienced mentors from each country served as OJT trainers and together with the Western Balkan climate that emphasizes practicality, the OJT was well received by the C/Ps in each country.

### **3-2-3 Strengthening horizontal connections between mentors**

Since Phase 1, a consistent policy has been to emphasize the importance of creating an environment in which mentors, after acquiring basic skills through classroom training and on-the-job training, can share information with each other, work together and collaborate to improve their skills.

To this end, the All Mentor Meetings and Mentor Awards conducted in Phase 1 were continued and introduced in Bosnia-Herzegovina and North Macedonia. Through these events, a culture and relationship of information sharing among mentors in each country was fostered. In Bosnia and Herzegovina and North Macedonia, the C/Ps also commented that "the emphasis on information sharing is a typical Japanese way" and "this kind of relationship building is extremely meaningful because it will continue after the project is completed".

### **3-2-4 Improving operations through the Mentor Award**

#### **(1) Categorization of Mature SMEs and Start-ups in Serbia**

Beneficiary companies in Serbia range from start-up companies to those with a long history. Due to the difficulty of evaluating the mentoring content for mature and start-up companies equally, starting in 2019, a separate category for Mature SMEs and Start-ups has been established, with up to three awards of excellence for each (six winners in total). This makes it easier to compare the characteristics of mentoring to the Mature SMEs and the Start-ups.

## **(2) Improving the order of presentation in Serbia**

When voting for the best mentoring cases, the feedback of the audience can be affected by the order of the presentations. In order to ensure fairness, a method was introduced in Serbia through which the C/P decided the order by lottery.

## **(3) Improving the cases of previous award winners in Serbia and Montenegro**

Many of the experienced mentors in Serbia have been working on JICA projects since 2008. That is the reason two veteran mentors won the 2019 Mentor Awards at the same time, both for start-ups and mature companies. On the other hand, the number of mentors in Montenegro was small and many mentors were inexperienced, so a veteran mentor won the award for the second year in a row. As for future improvements, the several ways have been discussed to improve the program, such as having mentors graduate from presenting once they have won an award in the next year and beyond.

### **3-2-5 Development of mentor training support tools**

With regard to Kaizen, which was developed as a full-fledged program from this phase, it became clear through trials during the project period that there is a need and effectiveness in packaging basic know-how in an easy-to-understand format that can be put into practice in the field of SMEs in the Western Balkans, rather than introducing advanced expertise in production management.

For this reason, when developing the Kaizen program, emphasis was placed on handing out tools that mentors could use as they were, such as posters, cards, slides, related videos and learning games, which could be used directly in the company for kick-off meetings. This was met with very positive responses from the mentors, such as "extremely practical and gave confidence in my ability to introduce Kaizen in mentoring."

### **3-2-6 Implementation of online training**

Due to the impact of COVID-19 pandemic, all the remaining activities since March 2020 were forced to be implemented remotely. As a result, it was decided to conduct the remaining trainings online and an implementation system was developed.

Since it was the first time for both trainers and trainees to have an online training, a local consultant was hired as a project assistant to assist in the implementation of the TOT and the preparation of the operation manual, as well as to serve as the local point of contact for technical support on the day of the training.

As a result, all the online trainings were completed successfully.

The C/Ps commended this solution for being simple and effective.

## **3-3 Output 3: Inter-regional cooperation**

### **3-3-1 Establishing the network among each region**

The service providers from which mentors belong to are located in the entire country. Although mentors can have the opportunity to learn knowledge or gain experience from their colleagues who belong to the

same agency, the knowledge which mentors can gain is limited. As the number of conducted mentoring services in a year per mentor is limited, it takes years to increase the experience.

In addition to CRT and OJT, if mentors can share the experience of other mentors, each mentor can increase their knowledge or know-how almost as a stock. Accordingly, mentors share the information at All Mentor Meeting and Mentor Award among mentors, and supplement the knowledge to each other. At the same time, the network was established by mentors beyond their regions. In addition to the official place like Classroom Training, mentors are connected to each other via social networks like Facebook and they are creating even unofficial networks. When JICA consultant visited 16 regions for OJT in SRB, mentors posted the situation of OJT on Facebook. So the mentors who lived at the next place for OJT visitation knew the information of OJT. The communication among mentors is becoming more active.

DAS held Mentoring Forum in 2019 for the first time, event where the beneficiaries of mentoring service were gathered, and distributed the stickers as a proof of mentoring SME beneficiaries. Although there was no opportunity for beneficiaries to know each other, DAS appealed to the SMEs in order to start creating a connection as beneficiaries of a public sector support program.

### **3-3-2 Establishing the network among each country**

As North Macedonia joined this project for the first time in 2017, APERNM held a PR event in order to introduce mentoring service toward potential service providers and SMEs. JICA Consultant made presentation for the introduction of mentoring service and a system administrator from DAS, who was invited from Serbia, held a presentation for sharing the results of SMEs support in Serbia. Representatives of SME support service providers said they were stimulated by the presentations. APERNM appreciated the event and it was the first step of inter-regional cooperation.

Upon starting system design, considering the lack of budget, the way of increasing service provider, and the concrete procedure for public call, C/Ps in BiH and NMKD were anxious. The information from JICA Consultant was not concrete and practical, so that JICA Consultant proposed DAS to support C/Ps from other countries, considering its vast experience. DAS administrators cooperated with the C/Ps in other countries and the feedback was extremely positive, even beyond the expectation. Thanks to the support of DAS, the system of technology transfer was formed and the base for inter-regional cooperation was created.

### **3-3-3 Holding meeting regarding inter-regional cooperation**

The progress and goals for future were discussed at Overall Coordination Meeting (OCM) which was held for 4 countries in Serbia once a year. As this was the opportunity for officials in charge of system design to meet together in one place, so that they could learn and share appropriate information, excellent mentors or beneficiaries from each country were invited and made presentations for introduction of successful cases. Besides, the representatives of international donors in Serbia were invited at OCM in 2019 and a panel discussion was conducted regarding the way of contributing to the SME sector. The participating donors were 7 institutions: USAID, GIZ (Deutsche Gesellschaft für Internationale Zusammenarbeit), EBRD (European Bank for Reconstruction and Development), EUBID (European Union Support to Business Incubator Development), EUPRO (EU Support to Municipal Development), EU

Funded Project, SIPPO (Swiss Import Promotion Programme), in addition to DAS and JICA.

During the panel discussion, the possibility was discussed for the projects of other donors to be connected with mentoring and partial budget to be utilized for mentoring. From Serbia's case of the cooperation between DAS and USAID, C/P or mentors who attended the event had the impression that they gained useful information including the possibility of cooperation with other donors. In addition, as Serbian mentors could attend this OCM, it created the context of information sharing for domestic mentors, the person in charge of system design and mentors from other countries.

**Table-30 : The projects and aims of other donors**

	Name of organization	Name of project	Aim of project
1	USAID	Competitive Economy Project	Developing market-led and inclusive market system in frozen, fresh and speciality industry
2	GIZ	PSD Project	Improvement of the competitiveness and capacity for innovation of micro, small and medium-sized enterprises
3	EBRD	EBRD SME Advisory Support Program	Increasing competitiveness and productivity of private SMEs in Serbia
4	EUBID	The European Union Support to Business Incubator Development - EUBID project	Strengthening the capacity of business incubators and enhancing the range of services they provide to their tenants
5	EUPRO	EU Support to Municipal Development	Creating business environment conducive to new investments and job creation, more competitive enterprises, improved work of local self-governments
6	EU	EU Funded Project	Increasing the participation of Serbia in EU funded Projects
7	SIPPO	The SIPPO Mandate – Program component 1	Capacity building for improving the BSOs' market access activities and institutional strengthening of BSOs



**Photo : The panel discussion at OCM in 2019**

### 3-3-4 Promotion of joint events based on inter-region cooperation

The persons in charge of system design who were invited at Mentor Award in Serbia in May 2018, learned the model case of Mentor Award. At that time, there were less mentors in MNE, NMKD, and BiH. On the other hand, there were many mentors and excellent mentors in SRB. It was very helpful for each C/P to see the performance of skillful mentors in order to image the mentoring system which they aimed.

The mentor's cases were including companies from Start-Ups to Mature with 100 employees. It showed that mentoring service was useful for various stages. In addition, DAS were appealing Mentor Award positively and many media visited for coverage. Mentor Award was introduced on TV, and the winners were interviewed. Mentoring had been expanding in entire country.

The persons in charge of system design knew the future of mentoring like this, and stated their impression that they wanted to be able to hold Mentor Award like SRB. Actually MNE held successful Mentor Award imitating SRB in October 2018. MOE which was administrator for it, invited Media and the staff of MOE, appealed mentoring system and secured the budget for 2019.

### **3-3-5 Promote international collaboration among mentors**

Serbian and Bosnian CRT trainers or OJT trainers were dispatched for the training in other countries. CRT trainers were in charge of 7 classroom trainings for cultivating new mentors. OJT trainers accompanied the companies with mentors, conducted mentoring together and instructed the know-how of mentoring to mentors as OJT. Through that, the new exchange started. The reputation of the dispatched trainers was very high, and the opinion of mentors was that their advice was very practical. Not only during , but also after the training, the trainers shared some convenient tools such as financial analysis for mentoring via e-mail, and provided the advice to the worry of mentors via phone. They are continuously unstinting in support. Mentors in other countries appreciate Serbian and Bosnian trainers very much, and the network among countries was promoted at the level of mentors.

### **3-4 Output 4: Investment Promotion**

Since it was a project involving Japan, there was an expectation from C/Ps on the promotion of FDI from Japanese companies. And in fact, the investment climate of the target region improved compared to the beginning of Phase 1 and the investments from several Japanese companies had already begun. Additionally, the JICA expert assigned to this project invited executives from 5 Japanese companies from within and outside the period of their field work (2 companies from the real estate sector, 1 company each from manufacturing, IT and service sectors) individually to the area and they were able to conduct business matching with each country's FDI promotion officers.

However, the man hours of JICA Consultant were not enough to conduct these kinds of activities intermittently. Due to this, JICA Consultant tried to strengthen the network with Japanese Bank's department specializing in foreign expansion in order to collaborate with the office in charge of East Europe. However, the number of Japanese staff in the banks covering East Europe was limited and since each staff member was covering several countries it was not easy to gain their interest in the 4 Western Balkans countries. Additionally, among the companies that were Japanese and expressed interest in the concerned area, many were relatively large-scale business entities and were a mismatch content- and budget-wise to the type of involvement with foreign companies desired by the beneficiary SMEs of this project.

As a result of discussions held with the stakeholders, it was confirmed that it did not need to be restricted to "FDI" from "Japanese companies" and it could be reduced to an activity that can be held at any time, being a part of the project for promoting the construction and prevalence of the SME mentorship service, which was formalized in the revision of the English PDM. To implement the activity, classroom training was held for mentors and visitation to EEN Japan Office took place in order to promote cooperation with the existing organizations (such as JETRO and EEN), needed to strengthen partnerships between mentors and foreign companies.

Through these activities and putting into consideration the examples of SME internationalization published by Japanese assistance organizations and the lessons learned from them, the minimum basic knowledge an SME mentor would need to know for SME internationalization assistance was comprehensively organized in the "5C" framework. This framework is in conformity with the briefing papers of EU member countries and can also be utilized in future activities to support the internationalization of SMEs in other countries.



**Fig-7: From "Internationalization of MSMEs"**

### 3-5 Gender Balance

Based on the fact that this project is positioned at an integrated gender active project, JICA Consultant team noted that this project gave the equal opportunity between male and female.

#### (1) The number of male and female mentors

The number of male and female mentors, CRTTs and OJTTs is as below.

**Table-31 : The number of male and female in CRTT/ OJTT in 4 countries**

Name of country	Mentor				CRTT				OJTT			
	Male		Female		Male		Female		Male		Female	
	Number	%	Number	%	Number	%	Number	%	Number	%	Number	%
SRB	27	36.4	47	63.5	5	22.7	17	77.2	5	22.7	17	77.2
BiH	40	54	34	45.9	3	42.8	4	57.1	3	42.8	4	57.1
MNE	18	60	12	40	3	50	3	50	3	60	2	40



NMKD	9	47.3	10	52.6	0		0		0		0	
Total	94	47.7	103	52.2	11	31.4	24	68.5	11	32.3	23	67.6

In Western Balkan countries, woman's empowerment is proceeding more than Japan and there are not so many opportunities to be conscious of gender differences in social role. In this project, many female mentors, CRTTs and OJTTs are active.



3 winners out of 5 are women.

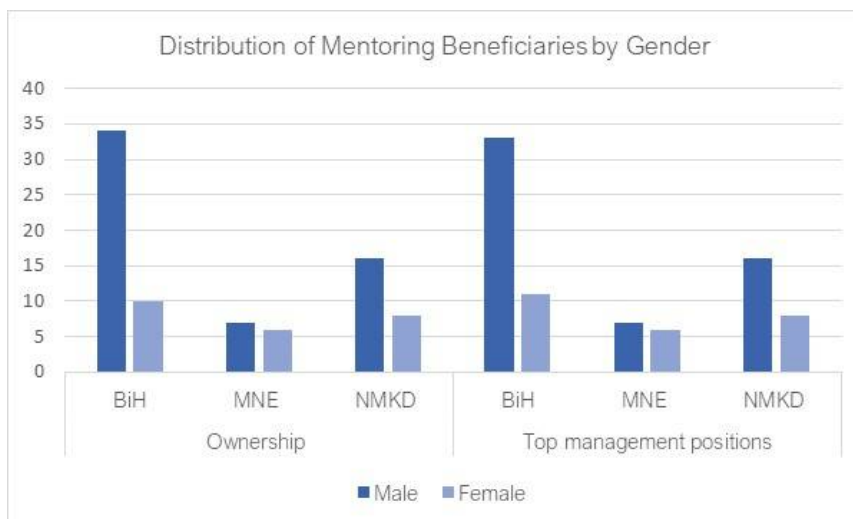
**Photo : The winner of Mentor Award in Serbia**

## **(2) The number of male and female mentors in the beneficiaries of mentoring service**

According to SME policy index Western Balkans and Turkey (WBT) 2019, only 27.5% of business owners in the WBT region are women and they hold just 14.2% of the top management positions.

In the case of the mentoring service, 29% of business owners of beneficiaries are women and they hold 30% of the top management positions. The women's activity in this project is higher than the regional average.

This result is by no means influenced by the operation/implementation of the mentoring systems, as the motivated companies were selected transparently and only skillful mentor and trainer candidates were cultivated, therefore, this result was naturally achieved.



**Fig-7 : The number of male and female in 4 countries**

### **3-6 Influence of COVID-19 and conducted counteractions**

#### **3-6-1 Policy for dealing with COVID-19**

COVID-19 had a significant impact on the four target countries, with all countries banned from travel from March 2020 and the project activities had to be suspended. Although the extension of the project period was considered, as a result of discussions with JICA Headquarters and C/Ps, it was decided that the remaining activities should be handled online and the project should be completed by the end of August 2020 as scheduled. The following is a summary of the impact of COVID-19 on the project and the measures taken.

#### **3-6-2 Project management with C/Ps**

Discussions with the C/P were handled in online meetings from March 2020 onwards. The JCC and OCM were also held in online meetings during June and July 2020.

#### **3-6-3 Impacts on new mentor trainings and countermeasures**

In Serbia, Bosnia and Herzegovina and North Macedonia, training for new mentors, scheduled to take place after March 2020, was suspended. Subsequently, in consultation with the C/Ps, it was decided that the training should be addressed in an online format and the training was resumed at the end of May 2020. The trainers and the participants were trained on the video conference tool (Zoom), in prior to the classroom training to prevent problems from occurring.

#### **3-6-4 Impacts on new CRT/OJT trainer trainings and countermeasures**

In all four countries, the training of new trainers, scheduled to begin after March 2020, was suspended. Through the discussions with the C/Ps, all C/Ps emphasized that the quality of the mentor trainers is

extremely important and it should be developed in an adequate educational environment, not by an online format, so ultimately, it was decided to suspend this training. Therefore, the shortage of mentor trainers in each country remains an issue for the future.

#### **3-6-5 Impact on Japan Training and countermeasures**

Due to the declaration of a national emergency in all countries, the third training course in Japan in 2020 has been cancelled in order to ensure the safety of the participants.

## **4. Suggestions towards Overall Goal**

### **4-1 Overall Goal and the indicators**

Overall Goal and the indicators are as follows.

#### **【Overall Goal】**

The mentoring services for small and medium enterprises (SMEs) is maintained and expanded in Western Balkan region (Serbia, Bosnia and Herzegovina (BiH), Montenegro and Macedonia), and SMEs in the region continue to develop their business by using mentoring service.

#### **【Indicators】**

1. Mentoring service are continuously available in the targeted area.
2. Number of SMEs receiving the mentoring services has increased in each country in the cumulative total.
3. More than 80 % of SMEs which received the mentoring services evaluate that their business has been improved through the services.

#### **【Prospect】**

Mentor service is described in the SME development strategy in the target 4 countries and the budget is secured. The networks of local service providers are established and mentoring service are provided through it. Therefore, the prospect of Overall Goal can be considered as high. On the other hand, 90% of the beneficiaries of mentor service from 2018 to 2019 considered that their businesses were improved by the service. Therefore, it can be said that mentor service will have good evaluations from beneficiaries even in the post-project period.

### **4-2 Suggestion on designing mentoring service system**

Key issues on System Design of each region towards Overall Goal are as follows.

#### **(1) System Design in SRB**

As the demand for mentor service is increasing, it is difficult to keep improving/administrating the system by only the budget from MOE. In order to enhance the sustainability of the system in the future, it seems an effective option to emphasize the importance of mentoring service to the government with the achievement that other ministries and donors utilized the mentoring service. By doing so, SRB can acquire bigger budget, diversify the sources of budget, increase the number of service providers and attract more beneficiaries. In this way, SRB can develop the mentoring system to the next stage in which it can contribute to the entire SME sector of SRB.

#### **(2) System Design in MNE**

While SRB has 7.5 million of population, MNE has 0.7 million of population and the scale of SME sector and the government's organization are no more than 10% of SRB's ones. Therefore, if MNE

administrates the mentor system in the same way of SRB, it would face the limit in the management resources such as the budget and human resources. Therefore, it is the wisest way for MNE to utilize the resources of partner countries as much as possible based on Inter-Regional Cooperation, which has been promoted through the project. There is no need to manage everything with only its own resources and it is important to identify what MOE can cover by its own resources and what it cannot. This kind of flexibility is necessary for MNE to make the mentor system sustainable.

### **(3) System Design in RS**

RARS has established mentoring system within a very short period and already started providing mentoring service. The mentoring system in RS has developed very fast as explained in the policy that RS is going to establish self-sustainable mentor system as soon as possible. On the other hand, there is a risk that the system will expand, holding problems unsolved. RARS had planned to train and certify their own mentor trainers in 2020, but the plan was cancelled due to COVID-19. In some sense, it might be a good decision that RARS did not train and certify trainers who do not have sufficient experience as mentors, because it needed to comply with the due rules of the selection system of trainers and thus mentors can have sufficient time to get more experience. The establishment of the frame of mentoring system within such a short period is a sufficient achievement for RARS. As a next step, RARS is expected to improve the quality of both service and administration.

### **(4) System Design in FBiH**

Mentoring system consists of a lot of activities such as the cooperation with service providers in the country, management of domestic mentors, communication with the beneficiaries or cooperation with partners in other regions based on the Inter-Regional Cooperation Scheme. Especially, the beginning stage of the establishment of mentor system is flooded with tasks and requires dedicated efforts by the relevant persons. Therefore, it should be emphasized that even if the C/P in FBiH was a ministry (MODEC), it completed the mission. Comparing to the C/Ps in other countries, where experienced SME support agencies implemented the project, it was difficult for MODEC, as a ministry, to administrate the project with the limited resources and legal restrictions. MODEC successfully implemented the project from 2017 until 2020, but only by the commitment of the persons who were in charge of the project. If the system is administrated based on such personal dedication for a long period, it can never become a sustainable system. Therefore, it is necessary to establish a scheme through which MODEC can assign the administration of the mentoring system to an SME support organization, such as a regional agency. For example, it can be a solution that MODEC will entrust the administration of mentor system to an organization through public call.

### **(5) System Design in MKD**

MKD had a period in which the government focused on the development of large companies and as the result of that, the management resources of RAs have reduced for many years. Although this project tried to establish a network which can cover the entire country, cooperating with 7 RAs which

can utilize their mentors in their local region, the network is not sustainable enough. Most of RAs have few employees and contain temporary employees. Therefore, it is not sufficient for MKD to only consider the mentoring system, but it has to promote the development of local RAs which are expected to function as main service providers. It means that it is important for APERNM to have close communication with following 2 targets and to propose a development strategy. The 1<sup>st</sup> target is MOE, with which APERNM had cooperated for many years and it is necessary to introduce the development strategy of RAs and mentor system into the SME development strategy of MOE. The 2<sup>nd</sup> target is the team of national economy in the government, and it is necessary to propose the importance of the development strategy of RAs and mentor system into the development policy of the national economy of the government. In this case, APERNM is expected to regard the communication with MOE and the government as a main activity and to approach them from APERNM's side.

### **4-3 Suggestion on training mentors**

#### **4-3-1 Refinement of the mentor training program through understanding the mentor's role and the standardized mentoring process**

Mentoring schemes are one of the policy instruments for developing the SME sector. There are several public frameworks to support SMEs and in the Western Balkans, albeit developing, there is a private business consulting market.

Among these, mentoring was originally developed as a framework to work as a home doctor for SMEs that were stumbling in the area of pre-expertise know-how, helping them to steer their growth, while connecting them to private sector consultants to cover the specialized know-how.

C/Ps also have personnel turnover and some of the relatively newer stakeholders may wish for "more specialized know-how," "more advanced know-how," or "more noticeable know-how," but discussing such specialization alone, while neglecting the standardized mentoring process that has been cultivated to date, may not only obscure the true purpose of the mentoring system, but may also harm the private consulting market. For example, in Serbia, the Kaizen Institute, a private consulting firm, holds an annual conference in which more than 100 companies in Serbia are invited to participate and is actively engaged in other activities. As a part of the discussion on possible cooperation between DAS and Kaizen Institute, two-day Kaizen training for mentors was scheduled to take place in March 2020, with the JICA consultant in charge of the first day and the Kaizen Institute in charge of the second day, but this event was cancelled due to the spread of COVID-19.

The key is to understand these big picture issues in promotion of the refinement of the mentoring service system and the mentors. Rather than trying to cover all the needs of SMEs in the Western Balkans by mentoring, it is necessary to determine the direction of development based on the demarcation of which parts of the needs will be covered by the private sector, which parts should be handled by the public support and which parts should be handled especially by mentoring.

In this sense, it is the standardized mentoring process that should not be neglected. Even if field-specific expertise may be strengthened in the future, it should not be forgotten that the basement is the standardized

mentoring process and the focus of the refinement should be put on it.

#### **4-3-2 Training of CRT trainers and OJT trainers and strengthening of quality control**

As the scale of this system expands, the importance of CRT and OJT trainers who are responsible for the training of the mentors will increase.

Fortunately, the trainers at this time are excellent and when some of the challenges have been detected when consultants have attended the training, the issues were solved and suggestions were provided on spot.

In the long term, however, challenges remain in making the system which functions autonomously to ensure high quality. The solution is to further develop the overall system of trainer selection, training, certification and evaluation, and to put the system in place to ensure that training is provided at a high level of quality, even after the "first generation" trainers, who have been involved in this mentoring service system since its inception, are replaced by subsequent generations of trainers.

#### **4-3-3 Continuous revision of the mentoring guidelines**

The Mentoring Guidelines are the foundational documents for the implementation of the standardized mentoring process. All mentors should keep the guidelines at hand during the provision of mentoring. Therefore, revising it leads to the reinforcement of the mentoring and strengthen the quality of the mentoring service.

The first version of the Mentoring Guidelines was developed in 2015 in a previous project and a second version was developed in 2020 during this project. This revision was made based on the actual situation ascertained through the company visits during the field survey. On the other hand, given that there is already a growing number of well-experienced mentors, especially in Serbia, it would be useful to continuously update the mentoring guidelines every few years, while creating a system in which the selected skilled mentors take the lead in future revisions of the guidelines.

#### **4-3-4 The right mix of online and offline learning**

In this project, due to the impact of COVID-19, some of the training had to be shifted to online. This was consequently significant in terms of eliminating geographical hurdles and providing equitable access to training regardless of where they live, but C/Ps also commented that offline training is still more effective.

In future development, it will be effective to combine off-line learning on a basic basis with online learning in a way that is both efficient and effective, and it is necessary to find an appropriate balance while taking into account the cultures of the Western Balkan countries.

The key here is not so much professional competence in online learning, but rather the ability to understand the culture and mentoring process in the Western Balkans and to mix channels appropriately.

### **4-4 Suggestion on promoting inter-regional cooperation**

#### **4-4-1 Necessity of continuous inter-regional cooperation**

In Western Balkans, it is expected to establish common mentoring system based on the cooperation

among 4 countries. Although it was possible that JICA Consultant became a coordinator and supported the cooperation among 4 countries during this project, this support is not continuous. So that the 4 countries should adjust and develop their mentoring system, in order to maintain the system at an optimum quality. In this part, it is suggested that the inter-regional cooperation scheme is based on the holding joint meetings among the C/Ps in the 4 countries.

#### **4-4-2 4 key items**

In order to establish mentoring system in Western Balkans, JICA Consultant proposed that 4 countries cooperate together regarding the following 4 key items.

##### **(1) Improvement of each system**

The achievement ratio at the current stage: 80%

The next challenge: Improvement of not only domestic system, but also in the entire Western Balkans

Evaluation system, training system and certification system are needed to be improved along with the growth of entire mentoring system. However, if each country proceeds with the improvement according only to their economic environment, the unity of mentoring system in Western Balkans will be lost. Especially, if there is a big difference of the contents or certificating conditions among countries, it will no longer be a common system for 4 countries. Therefore, it is necessary for 4 countries to improve each system together.

##### **(2) Improvement of training**

The achievement ratio at the current stage: 80%

The next challenge: Cultivating excellent trainers and cross-border experience sharing among trainers

In this mentoring system, service quality by mentors is most important. Therefore, it is necessary to provide high quality training to mentors. However, it is difficult to establish and keep such a training system. The necessary things are to develop the contents of training for mentors, cultivate good trainers who can teach the contents, share the know-how in order to conduct common training among 4 countries and promote exchange of information and know-how among the trainers. However, it is difficult for trainers to meet together in one place and it is realistic for them to communicate to each other via e-mail or online meeting. In order to promote this activity, it is necessary to discuss the way of operating at the regular meeting of C/P.

##### **(3) Branding**

The achievement ratio at the current stage: 60%



The next challenge: Branding not only on national level, but also in the entire Western Balkans

“Mentoring” is a general word and it is used with different meaning in other cases. So that, for the mentoring system to be used with trust by government, SMEs and other donors, it is mandatory for this project to establish a favorable branding image which is differentiated from others. The first step is to establish the identity, such as a joint promotion (Ex. Mentoring by Japanese management know-how, Common mentoring in Western Balkans, Practical mentoring by practical support and so on), whereas the second step is to check the quality of the operation. By doing so, the mentoring system of Western Balkans will be established ideally.

#### **(4) Quality management**

The achievement ratio at the current stage: 70%

The next challenge: Grasping the real opinion of the beneficiary and utilizing it in order to increase the quality of mentoring

The success of the mentoring system is related to the quality of mentoring. Regardless of any system or promotion, if beneficiaries are not satisfied with mentoring service and do not evaluate it positively, the mentoring system cannot continue. Therefore, it is mandatory to monitor various activities in the mentoring system, evaluate appropriately and improve the system. It is significant for 4 countries to aim for establishing a common mentoring system of Western Balkans and manage the quality.

Although each C/P sent the questionnaires to the beneficiaries after the completion of mentoring, as well as conducting the survey, the feedback tended to be superficial. During the survey, the assistant of JICA Consultant directly grasped the opinion of SME beneficiaries by visiting or online interview and the outcome was that the findings were much more realistic than the initial feedback provided at the completion of mentoring. Therefore, it is necessary to continue collecting feedback directly from the SME beneficiaries.

In order to establish a common mentoring system in the Western Balkans, the above 4 key points are expected to be effective for further development.

##### **4-4-3 Regular inter-regional cooperation meeting**

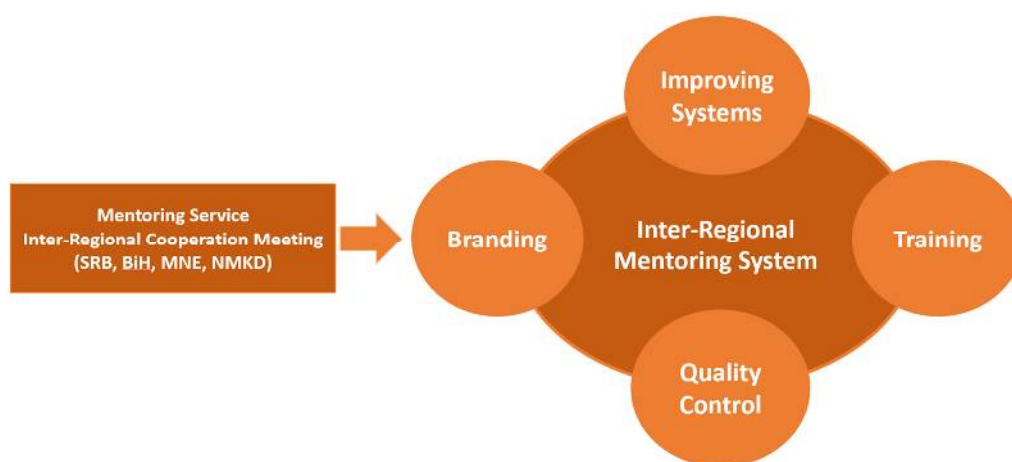
4 countries agreed to cooperation with each other in order to establish a common mentoring system in the Western Balkans. In order to promote the cooperation, it is better to set the place for discussion and the ideal situation is that regular meeting for discussion are put in place as part of a system.

JCCs were held in 4 countries in June 2020 and OCM was held in July 2020. The 4 countries agreed with holding the inter-regional cooperation meeting at the previous JCC and OCM. The agreement is as below.

## Outline of inter-regional cooperation meeting

<b>Participant</b>	The persons in charge of system design in 4 countries
<b>Date</b>	March and September: Twice a year (If necessary, additional meeting is possible)
<b>Agenda</b>	1. Sharing the annual plan and status of the system 2. Updating mentoring system of Western Balkans 3. Considering the concrete policy for inter-regional cooperation meeting in 4 key points

The feasibility of this meeting is very high, as during the implementation of the project, cooperation meetings were held many times: Overall Coordination Meeting, Cooperation Scheme Design Workshop, and System Design Meeting. The C/Ps got used to this format of discussion and showed their intention of cooperation.



**Fig-8 : Inter-regional cooperation in Western Balkans based on the meeting**

### 4-4-4 Concerns about the lack of budget for inter-regional cooperation

The 4 countries understand the importance of inter-regional cooperation and they are very opened toward the realization. On the other hand, there is a problem to secure the budget for the inter-regional cooperation, and they need support, considering that for example BiH and NMKD started establishing mentoring system only 3 years ago. At present, each C/P is appealing the necessity of mentoring system toward the government and securing the necessary budget gradually. At the current stage, the allocated budget by the government is limited, as it is being allocated for the domestic mentoring system and there is no room to be used for inter-regional cooperation. However, this is not an issue caused by the ability or effort of C/P, it is only a stage of the establishment of mentoring system. As the system will grow, it is expected for the budgetary issue to gradually be solved.

It is possible for 4 countries to discuss via e-mail or phone. However, as sensitive contents are included in the discussion among 4 countries, in practice, face-to-face discussion is required. In addition, face-to-face discussion is mandatory in order to enhance the cooperation and increase motivation. Accordingly, until 4 countries can secure the budget for inter-regional cooperation, it is an essential factor to receive external

support for cost shouldering in order to realize the inter-regional cooperation in the Western Balkans. All C/Ps strongly expressed their hope during JCCs and OCM of 2020.

In addition, JICA Consultant advised all C/Ps to hold online meeting, if there is no sufficient budget for organizing events and research in their domestic law so that their government can provide the budget for inter-regional cooperation. If all C/Ps will be making efforts to help for the realization of the cooperation, provided the temporary support for the cost, the inter-regional cooperation in Western Balkans will be realized easily.

In order to consider technical support and support of cost, the total amount of estimation in annual cost for inter-regional cooperation is as below.

**The total amount of the estimation in annual cost : 141,940 EUR**

Items		Price	Number	Total
(1) The cost for improvement of each system				
Inter-regional cooperation meeting (Twice a year)	Venue (with catering)	480	2	960
	Transportation	300	32	9,600
	Daily allowance	30	96	2,880
	Accommodation (Arriving at the previous day, Returning at the next day)	80	64	5,120
	Subtotal			<b>18,560</b>
(2) The cost for improvement of training				
Dispatching trainers (CRT) - 7 subjects - 12 days - 4 countries	Honorarium	120	48	5,760
	Transportation	300	28	8,400
	Daily allowance	30	78	2,340
	Accommodation (Arriving at the previous day, Returning at the next day)	80	57	4,560
	Subtotal			<b>21,060</b>
Dispatching trainers (CRT) - 7 subjects - 12 days 4 countries	Honorarium	120	48	5,760
	Transportation	300	28	8,400
	Daily allowance	30	78	2,340
	Accommodation (Arriving at the previous day, Returning at the next day)	80	57	4,560
	Subtotal			<b>18,760</b>
Dispatching trainers (OJT) - 1 week/dispatching - 8 persons/country - 4 countries	Honorarium	120	96	5,760
	Transportation	300	32	8,400
	Daily allowance	30	160	2,340
	Accommodation (Arriving at the previous day, Returning at the next day)	80	128	4,560
	Subtotal			<b>36,160</b>
(3) Branding				
Joint promotion	Joint leaflet	3,200	1	3,200
	Joint brochure	6,400	1	6,400
	Joint Website operation	600	1	600
	Joint poster	3,200	1	3,200
	Joint roll up	4,000	1	4,000
	Subtotal			<b>17,400</b>

(4) Quality management				
The evaluation by third party	Report of the evaluation by third party	6,000	5	30,000
Visiting beneficiary				
- Survey by a third party	Subtotal			<b>30,000</b>

## **ATTACHMENTS**

## **Frequently Asked Questions for foreign direct investors to Republic of Serbia**

## **Disclaimer**

This document is an abstraction of answers of Republic of Serbia's institutions to the questionnaire of the European commission for the preparation of the opinion on the application for membership of the European Union.

The Questionnaire contains 2486 questions and sub-questions, divided into six annexes and 33 chapters of which 168 relate to political criteria, 59 to economic criteria and 2259 to the acquis, grouped into 33 chapters as follows;

1 Free movement of goods, 2 Freedom of movement for workers, 3 Right of establishment and Freedom to provide services, 4 Free movement of capital, 5 Public procurement, 6 Company law, 7 Intellectual property law, 8 Competition policy, 9 Financial services, 10 Information society and Media, 11 Agriculture and Rural development, 12 Food safety, Veterinary and Phytosanitary police, 13 Fisheries, 14 Transport policy, 15 Energy, Legislation 15 Energy, 16 Taxation, 17 Economic and Monetary policy, 18 Statistics, 19 Social policies and Employment, 20 Enterprise and Industrial policy, 21 Trans-European Networks, 22 Regional policy and coordination of structural instruments, 23 Judiciary and fundamental rights, 24 Justice, Freedom and Security, 25 Science and Research, 26 Education and Culture, 27 Environment and climate changes, 28 Consumer and health protection, 29 Customs union, 30 External relations, 31 Foreign, security and defence policy, 32 Financial control, 33 Financial and budgetary provisions.

JICA expert team abstracted questions and answers directly related to foreign direct investors from "Chapter 20 Enterprise and Industrial policy" which are publicly available and updated the answers based on the information available as of July 2019. Although we paid our attention to the correctness of the information, JICA or its related experts does not take any responsibilities to any damages caused by this report. For further and more detailed information, please refer to the following institutions:

### The List of Organizations

<b>Name of Institution</b>	<b>Address</b>	<b>Phone number</b>	<b>E-mail</b>	<b>URL</b>	<b>Remark</b>
Development Agency of Serbia (RAS) – Governmental agency	Kneza Milosa 12, 11000 Belgrade, Serbia	381 11 3398 900	<a href="mailto:office@ras.gov.rs">office@ras.gov.rs</a>	<a href="https://ras.gov.rs/">https://ras.gov.rs/</a>	
Chamber of Commerce and Industry of Serbia	Resavska 13-15, 11000 Belgrade, Serbia	381 11 3300 900	<a href="mailto:info@pks.rs">info@pks.rs</a>	<a href="http://www.pks.rs/onama.aspx">http://www.pks.rs/onama.aspx</a>	
Foreign Investors Council Serbia	Gospodar Jevremova, 47, IV Floor, 11000 Belgrade, Serbia	381 11 3281 958	office@fic.org.rs	<a href="http://www.fic.org.rs/">http://www.fic.org.rs/</a>	Non-profit business association of foreign investors



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**Question:**

**What are the specific measures implemented to promote investment, and in particular to attract foreign direct investment? Do you have studies showing the opportunities (niches) for your manufacturing sectors on the EU and global market?**

**Answer:**

The Law on Investment ("Official Gazette of Republic of Serbia", No. 89/2015 and 95/2018) defines Serbia's investment incentives program, that are available to both domestic and foreign investors. The

The Government of the Republic of Serbia in January 2019 has adopted the Regulation on determining the criteria for granting the incentives ("Official Gazette of Republic of Serbia" no. 1/19) with a view to attracting direct investments.<sup>1</sup>

The Regulation further regulates criteria, conditions and manner of attracting the direct investments, as well as keeping the register on granted incentives and other matters of importance regarding the attracting direct investments.

Compared with the previous regulation, the procedure of evaluating requests for granting the incentives is simplified, and due to the fact that the public call as a ground application for granting financial means is excluded, all interested companies can apply directly on the basis of Regulation, by submitting the letter of intent.

The Government has concurrently adopted the Regulation on the conditions and method of attracting the direct investments in the area of food production ("Official Gazette of Republic of Serbia" no. 1/19) and in March 2019, Regulation on determining the criteria for granting the incentives for attracting direct investments in the hotel accommodation services sector ("Official Gazette of Republic of Serbia" no. 33/19).

In accordance with the Regulation on determining the criteria for granting the incentives for attracting direct investments ("Official Gazette of Republic of Serbia" no. 1/19), the incentive funds can be granted for realization of investment projects in production sector and for the projects related to the services provided by service centers and support to business operations, which represents the services provided by means of information and communications technologies primarily to the users outside of the territory of the Republic of Serbia. The minimum amount of investments in production sector, depending on the level of development of the local self-government unit in which the investment is made:

The development level of the local self-government unit	Minimum number of new employees	Minimum amount of the investment
I	50	500.000 €
II	40	400.000 €
II	30	300.000 €
IV	20	200.000 €
V (devastated area)	10	100.000 €

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<sup>1</sup> For more details visit: <https://ras.gov.rs/podrska-investitorima/zasto-srbija/podsticaji-za-investiranje>

Minimum amount of the investment in sector of the service centers services (regardless the development level of self-government units):

Minimum number of new employees	Minimum amount of the investment
15	150.000 €

The possible amount of the incentives for the investment projects in production sector and sector of the service centres services:

The development level of the local self-government unit	Percentage of eligible costs of two years gross salaries*	Maximum amount of the investment **
I	20%	3.000 €
II	25%	4.000 €
III	30%	5.000 €
IV	35%	6.000 €
V (devastated area)	40%	7.000 €

*\* Agreed salary represents the basic salary of the newly employed persons which is at least 20% higher than the minimum wage in compliance with the regulations governing employment;*

*\*\*It is exclusively criteria which are implemented in case that the amount of incentives of the two years gross salaries exceeds the maximum amount for the new job;*

Increase of the grant amount of the funds based on the above table, in the amount of 10% of the eligible costs for investments in material and non-material assets is approved to the beneficiary of the incentive funds, whose investment project is not an investment of special importance, and if the investment is an investment of special importance, the possible increase depends on development of self-government unit and could be maximum 30% of eligible costs.

For labour-intensive investment project the possible increase of the grant amount of the funds determined based on belonging amount for two years gross salaries, is by 10% of the gross salary eligible costs, for each increase in the number of the employees in excess of the 200 new jobs related to the investment project, which amount is increased by 15% of the eligible costs amount for gross salaries for each increase in the number of new jobs related to the investment project in excess of the 500 new jobs related to the investment project, which amount is increased by 20% of the eligible costs amount for gross salaries for each increase in the number of new jobs related to the investment project in excess of the 1000 new jobs related to the investment project.

In accordance with the Regulation on determining the criteria for granting the incentives for attracting direct investments in the field of food production ("Official Gazette of Republic of Serbia" no. 1/19), the incentive funds can be granted for realization of investment projects in the field of food production which for the purpose of the regulation governing the classification of business activities, includes the processing of products of agriculture, forestry and fishery for the purpose of obtaining food for humans or animals including the production of various intermediate products. Exceptionally, for activities considered to be the retail sale of products of producers who own their retail stores (for example, those performed in bakeries, pastry shops or butchers selling their own products), incentive funds, in terms of this Regulation, may not be granted.

The minimum amount of investments in the field of food production (regardless the development level of self-government units):

Minimum number of new employees	Minimum amount of the investment
30	2.000.000 €

The possible amount of the incentives for the investment projects in the field of food production:

The development level of the local self-government unit	Percentage of eligible costs of two years gross salaries*	Maximum amount of the investment **
I	20%	3.000 €
II	25%	4.000 €
III	30%	5.000 €
IV	35%	6.000 €
V (devastated area)	40%	7.000 €

\* Agreed salary represents the basic salary of the newly employed persons which is at least 20% higher than the minimum wage in compliance with the regulations governing employment;

\*\*It is exclusively criteria which are implemented in case that the amount of incentives of the two years gross salaries exceeds the maximum amount for the new job;

The beneficiary of the incentive funds is granted an increase of the grant amount of the funds based on the above table in the amount of 20% of the eligible costs for investment in fixed assets that are up to EUR 20,000,000, which amount is increased of 10% of the eligible costs for investment in fixed assets in the amount of 20,000,000 to 40,000,000 euros, and which amount is increased of 5% of the eligible costs for investments in fixed assets in the amount of more than 40,000,000 euros.

In accordance with the Regulation on determining the criteria for granting the incentives for attracting direct investments in the hotel accommodation services sector ("Official Gazette of Republic of Serbia" no. 33/19), the incentive funds can be granted for realization of investment projects in the hotel accommodation services sector in the spa and climatic area (hereinafter: hotel accommodation services sector). Spa and climatic area is an area of spa where one or more natural healing factors (which includes thermal and mineral waters, air, gas and medicinal mud – peloid- hereinafter: healing factors) exists and which are being used, and whose medical properties are scientifically tested and proven in accordance with the law governing spas and which meets the requirements regarding the design and equipment for their use in accordance with the law governing spas, as well as the climatic area which thanks to favourable climatic conditions and existence of healing factors has especially beneficial influence on human health.

The minimum amount of investments in the hotel accommodation services sector (regardless the development level of self-government units):

Minimum number of new employees	Minimum amount of the investment
70	2.000.000 €

The possible amount of the incentives for the investment projects in the hotel accommodation services sector:

The development level of the local self-government unit	Percentage of eligible costs of two years gross salaries*	Maximum amount of the investment **
I	20%	3.000 €
II	25%	4.000 €
III	30%	5.000 €
IV	35%	6.000 €
V (devastated area)	40%	7.000 €

\* Agreed salary represents the basic salary of the newly employed persons which is at least 20% higher than the minimum wage in compliance with the regulations governing employment;

\*\*It is exclusively criteria which are implemented in case that the amount of incentives of the two years gross salaries exceeds the maximum amount for the new job;

The beneficiary of the incentive funds is granted an increase of the grant amount of the funds, based on the above table, in the amount of 20% of the eligible costs for investment in fixed assets that are up to EUR 10,000,000, which amount is increased of 10% of the eligible costs for investment in fixed assets in the amount of 10,000,000 to 20,000,000 euros, and which amount is increased of 5% of the eligible costs for investments in fixed assets in the amount of more than 20,000,000 euros. The total amount of funds that may be awarded in accordance with this Regulation may not exceed 20% of the eligible costs of investment in fixed assets.

At the provincial level, the government of the Vojvodina region offers approximately 174,000 euro per business entity as maximum reimbursement. In addition, the Vojvodina Provincial Secretary for Work and Employment awards incentives for new employment. The Development Agency of Vojvodina was established in February 2017 as a legal successor to Vojvodina Investment Promotion (VIP).

Local municipalities sell land at below-market rates for promoting local economic development by investments. Other major incentives at the local level include exemptions or deductions on land-related fees and other local fees.

Tax laws offer several incentives to new investors as well. The corporate profit tax rate is a flat 15 %, one of the lowest in the region. Non-resident investors are taxed only on income earned in Serbia. A ten-year tax holiday on corporate profits is available for investors who hire more than 100 workers and invest more than RSD 1 billion (euro 8.4 million). The tax holiday begins once the company starts making a profit.

In February 2018, the government approved a decree on film incentives that allows both domestic and foreign filmmakers to receive a refund of 25 percent on qualified costs.

Employment incentives allow payroll tax deductions for persons registered with the National Employment Service for more than six months. The incentives currently in place are valid from the moment of employment until December 31, 2019:

1-9 new jobs: 65 percent deduction

10-99 new jobs: 70 percent deduction

100+ new jobs: 75 percent deduction

The Serbian government has declared 2016 and 2017 “Years of Entrepreneurship,” and has announced plans to declare the entire 2016-2026 period a “decade of entrepreneurship.”

Through this program in 2017, enterprises had more than 30 programs available and more than EUR 9 million from the budget.

The State-owned Fund for Development and various ministries allocate part of these funds as subsidized loans, and part will be issued through the RAS.<sup>[2]</sup> These loans are available to companies registered in Serbia, especially for the Serbian registered companies that are free from any recorded losses in the previous two years.

### **Fairs and Conferences**

Development Agency of Serbia organizes National stands of Serbia at various international fairs in the world where Serbian companies present their products and services, while the Republic of Serbia itself is promoted as an investment location. These fairs are oriented on key industrial sectors where Serbia has achieved high results regarding foreign investments (food industry, automobile industry, construction industry,) but also on the sectors of strategic importance for the Republic of Serbia which have shown big potential in attracting foreign investments for the past several years (electronic industry, ICT, footwear and textile industry, and furniture industry).<sup>2</sup>

In 2019, the Development Agency of Serbia (RAS) conducts two programs of support to companies for participation at international fairs: The Support Program for Internationalization of SMEs and the SIPPO Program – for the beneficiaries of the SIPPO Program (the Swiss Export Promotion Support Program).

The Support Program for Internationalization of SMEs co-finances up to 40% of the eligible costs of participation at the international fairs. The eligible costs are: the lease of exhibition space, the construction of exhibition space, administrative costs and costs of technical services and the production of promotional material (design and printing).

The SIPPO Program co-finances up to 50% of eligible costs for participation at the international fairs. The eligible costs are lease of exhibition space, renting or construction of exhibition space, administrative costs and technical service costs. Except exhibitions to the international fairs, this program supports both study tours for exploring of the target fairs as well as promotion of the fair performance.

### **Cooperation with foreign institutions:**

Long-term and permanent contacts with various foreign institutions (international organisations, chambers of commerce, industrial associations, clusters) have created a solid database of acquaintance which is today being profusely used by the RAS for organizing presentations worldwide regarding the investment climate and potentials in Serbia.

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<sup>[2]</sup> Detailed information available: <https://ras.gov.rs/>, [www.fondzarazvoj.gov.rs/andwww.godinapreduzetnistva.rs/Finansijskapodrska.aspx?id=46&idjezik=1](http://www.fondzarazvoj.gov.rs/andwww.godinapreduzetnistva.rs/Finansijskapodrska.aspx?id=46&idjezik=1).

<sup>2</sup> The Development Agency of Serbia (RAS): a government agency of the Republic of Serbia established in January 2016, pursuant to the Law on Investments, by which the Agency for Foreign Investments and Promotion of Export (SIEPA) and National Agency for Regional Development (NARR) were formally closed. The main activity of RAS is to support micro, small and medium enterprises and entrepreneurs in order to strengthen the Serbian economy, support direct investment and export promotion, raising the reputation of Serbia and Regional Development.

**Question:**

**Has the government supported the creation of free zones and industrial parks or similar initiatives? If so, how can their operation be assessed so far? Are the relevant contractual agreements consistent with EU regulations?**

**Answer:**

Free zones in the Republic of Serbia

The Government of the Republic of Serbia has supported a creation of free zones as part of the state territory with special benefits for business, in terms of economic policy instruments for creation of the areas of accelerated development.

The statutory system regulating free zones in Serbia exists through the Law on Free Zones ( "Official Gazette RS" No. 62/06) and Customs Law ("Official Gazette RS", No. 73/2003, 61/2005, 85/2005-other law and 63/2006- corrected other law), as well as through subordinate legal acts delegated to these laws.

The Free Zone Development Strategy in the Republic of Serbia for the period 2018-2022 is a new strategic development document in the field of development of free zones, which in a consistent and comprehensive manner defines the basic development directions of the free zones and the ways of their realization.

The Strategy is in line with other strategic documents of the Republic of Serbia:

1. Strategy and policy of the development of industry of the Republic of Serbia for the period from 2011 to 2020;
2. Spatial plan of the Republic of Serbia for the period from 2014 to 2020;
3. Fiscal strategy for 2017 with projections for 2018 and 2019;
4. Strategy for supporting the development of small and medium enterprises, entrepreneurship and competitiveness for the period from 2015 to 2020;
5. Strategy for the development of the information technology industry for the period 2017-2020;
6. Strategy for improvement of the quality infrastructure system in the Republic of Serbia for the period 2015-2020;
7. Communication strategy on the accession of the Republic of Serbia to the European Union;
8. National Employment Strategy for the period 2011-2020.

The key areas of the Free Zone Development Strategy are:

1. Attracting direct investments
2. Transfer of modern technologies

The Free Zones Administration is established as administrative in 2008 as administrative entity within the Ministry of Finance in order to carry out state administration activities in the field of free zones.

It operates on behalf of the state interest basing its activities on following:

#### Zone development

- Implements national policy for the development of free zones in order to increase the inflow of direct investments and employment;
- Consider the applications for approval of the designation of the area of the zone and submit its opinion to the ministry in charge of finance;
- Provides professional assistance to investors during the decision-making process concerning investments;
- Arranges immediate contacts between interested investors and companies for free zone management;
- Cooperates with foreign institutions and zone experts;
- Participates in the preparation of regulations in the field of zone operations.
- Zone promotion
- Control and supervision of zones
- Zone development

#### Zone promotion

- Cooperates with the Development Agency of Serbia, Serbian Chamber of Commerce, and other organizations with regard to the promotion of investments and operations in the zone;
- Provides necessary information to investors through database on zone and business;
- Creates free zones business database.

#### Control and supervision of the zones

- Reviews reports on zone operations and proposes their adoption to the Ministry of Finance and Economy;
- Proposes to the minister in charge of financial affairs form and content of the application concerning granting approval for establishing zone area.

Development Agency Serbia promotes investment in the zones through presentation of benefits and opportunities; informs investors about the additional advantages of in the zone.

Currently, there are fourteen free zones in the Republic of Serbia, namely in: Pirot, Subotica, Zrenjanin, FAS Kragujevac, Sabac, Novi Sad, Uzice, Smederevo, Svilajnac, Krusevac, Apatin, Vranje, Priboj and Belgrade. There are also licensed free customs zones. Import into and export from these zones is free of VAT, customs and clearance. If goods are produced within zone using a minimum of 50% of domestic components, they are considered to be of Serbian origin and are therefore eligible to be imported into Serbian territory or exported without customs, pursuant to free trade agreements.<sup>3</sup>

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<sup>3</sup> For more information visit the Free Zones website: <http://www.usz.gov.rs/eng/pogodnosti.php>



#### Free Zones Benefits:

- Fiscal benefits:
  - ✓ VAT exemption on entry of goods into the free zone, as well as on transport and other services which are directly associated with that entry of goods
  - ✓ Exemption from payment of VAT on trade of goods and services in the free zone
  - ✓ Exemption from payment of VAT on trade of goods between the users of two free zones
  - ✓ Users of free zones who perform production activities in the zone are exempted from paying VAT on energy consumption
  - ✓ Exemption from some taxes for foreign direct investments
- Exemption from payment of customs duties and other import duties for goods intended for carrying out activities and construction of facilities in the free zone (raw materials, equipment, construction materials)
- Financial benefits (free movement of capital, profits and dividends)
- Efficient administration (one stop shop)
- Simple and fast customs procedures (each zone has a Customs Administration Office)
- Local Government Incentives - exemption from certain local fees and taxes
- A set of services is available to users under preferential terms (transport, loading, reloading, freight forwarding services, insurance and reinsurance, banking services, etc.)

#### Industrial Parks in the Republic of Serbia

Strategy for Encouraging and Developing Foreign Investment ("Official Gazette of RS "No. 22/06) of the Republic of Serbia, in the section 4.4.2. Industrial and Technology Parks, clearly defines that establishing industrial parks represents one of the most important ways of attracting foreign direct investments. In these terms, it is stated that it is necessary to pass the Law on Industrial Parks, which should determine industrial parks as areas of public interest, define the criteria by which the individual investment may be declared strategic or investment of public interest and authorize the Government to utilize the expropriation of such land Strategy for Encouraging and Developing Foreign Investment with paying market compensation to the owners in both cases.

In addition to that, the Ministry of Economy, assisted by the EU CARDS programme, the SIPP (Serbia Investment Promotion Programme), and in cooperation with the World Bank, made the drafts of the following documents: Strategic Framework on Industrial Parks with Action Plan, Manual for Foundation and Development of Industrial Parks, as well as Draft Law on Industrial Parks. Within the mentioned SIPP programme, a World Bank study of the needs of investors for equipped and serviced industrial zones in the whole Serbia was conducted (a so-called Demand side analysis).

The mentioned activities have not resulted in any adopted (strategic, legal or by-law) document in this area so far. Therefore, we cannot speak about existence of industrial parks in Serbia in actual sense of these words at the moment.

However, on the other hand, there are numerous practical activities of establishing and equipping industrial zones. Many municipalities recognize and designate industrial zones as part of industrial land in their urban and spatial plan, and in accordance with their local development strategies. In the end of 2006, a contract with the representatives of 24 local self-government units was signed in the premises of the Ministry of Economy and this marked the official beginning of implementation of the Project of Development of Industrial Zones in Serbia.

**Question:**

**Are you carrying out or commissioning studies on the competitive position of your economy and/or main industrial sectors and are results of recent studies available?**

**Answer:**

Serbia has been included into the Global Competitiveness Report of the World Economic Forum, the Doing Business Report of the World Bank, and the Transition Report of the European Bank for Reconstruction and Development. The data from these reports are analysed and used for preparation of the policies and programmes of the Ministry of Economy.

Every year, the Foreign Investors Council (FIC) publishes the White Book of proposals for improvement of business climate.<sup>4</sup>

Every year the National Alliance for Local Economic Development publishes the Grey Book of recommendations for elimination of administrative obstacles for doing business in Serbia.<sup>5</sup>

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<sup>4</sup> For more details visit: <http://www.fic.org.rs/projects/white-book/white-book.html>

<sup>5</sup> NALED Serbia, or National Alliance for Local Economic Development is the largest private-public business association in Serbia, with more than 280-member companies, local governments, and non-government organisations, whose goal is to create better conditions of living and doing business in Serbia. For more details visit: <http://naled.rs/>

**Question:**

**Please inform about what is foreseen for the future and what is in the pipeline (plans, blue prints, time-tables).**

**Answer:**

The Industrial Development Strategy and Policy of the Republic of Serbia from 2011 to 2020 defines the basic goals and strategic directions of Serbia's industrial development on the way to building a new competitive industrial structure, based on the analysis and realistic assessment of the available development advantages of Serbia in the context of global developments in the European and world market and long-term changes in world demand, bearing in mind the EU directive. The strategy is in line with the EU's industrial policy and the objectives of the New Europe 2020 Strategy.

The Action plan for implementation of the Industrial Development Strategy and Policy of the Republic of Serbia from 2011 to 2020 determines measures and activities for the implementation of the Strategy.

The Action Plan is in line with the new approach to industrial policy, which is based on strengthening the competitiveness of national industry and fostering its growth and development.

The Action Plan includes the following:

1. Measures and activities for the establishment of the institutional framework and business environment that should encourage further development of industry and entrepreneurship, reduction or removal of administrative and other barriers, and thus easier operation in the Serbian market;
2. Incentive measures and activities for the development of competitive sectors and products;
3. Measures and activities for strengthening competitiveness and the productivity of Serbian industry, primarily those that encourage the development of a knowledge-based society and lifelong learning, application of innovations, research and development, development and use of ICTs that raise competitiveness and ensure better functioning of the market;
4. The development of entrepreneurship or the MSMEs sector, which aims to increase the share of this sector in GDP, facilitates the creation and maintenance of new jobs and encourages citizens to open up new enterprises.
5. Measures and activities for strengthening the international dimension of industrial policy, which would facilitate access to the markets of other countries, while at the same time creating favorable conditions for the growth of direct investments in the Serbian industry and its strong links with European and regional chains and processing networks industry and encouraged the integration of Serbian business entities and their associations into European initiatives, associations and networks;
6. Measures to ensure and encourage sustainable regional development by creating conditions that ensure the popularization and strengthening of entrepreneurship throughout the territory of the Republic of Serbia, taking into account the principles and requirements of sustainable development;
7. The necessity for better coordination between policy makers at the national, regional and local levels and the involvement of representatives of industry and their associations in the process of drafting and proposing industrial policy measures;
8. Implementation of the process of restructuring and privatization, especially export-oriented enterprises, as well as undertaking other activities aimed at developing the food industry,

information communication technologies (ICT), production of means of transportation and part of the metal complex;

9. Measures and activities for strengthening and improving the competitiveness of certain sectors through the appropriate application of horizontal measures of industrial policy and the necessary correction of the measures depicted by each sector, but which will not hinder the development of competitiveness of other sectors.

**Question:**

**Please provide a copy of your annual privatisation plan. What policy/plan and schedule has been identified for privatisation or restructuring? How is the privatisation of industrial enterprises proceeding according to this schedule? Where obstacles impede full respect of the schedule, what are the obstacles and the solutions proposed by the government to overcome these difficulties?**

From 2001-2015, the Serbian government privatized 3,047 State-owned Enterprises (SOEs). The government cancelled 646 of these privatizations, alleging that investors did not meet contractual obligations related to employment and investment. According to the Privatization Law, the deadline for the privatization of the 646 companies in the Privatization Agency's portfolio was December 31, 2015. However, 86 companies were still unresolved at the end as of July 2019. For 5 companies the public invitation is on-going. The 81 companies are in the process of analysis and preparation of Public Invitation.

Most significantly, the Ministry of Economy must resolve 8 large, strategically important SOEs. These include agriculture firm PKB, several petrochemical companies, and others. In many cases, closing these companies would mean leaving whole regions of Serbia destitute, since these companies are drivers of local economies. The Serbian government continues to engage foreign investors in the privatization process, inviting them to submit bids, participate in auctions, and purchase company shares. <sup>[4]</sup>

The state telecommunications company Telekom Srbija has garnered investor interest, but the Serbian government has twice cancelled its privatization, most recently in December 2015. In February 2017, the government invited bids for a concession to manage Belgrade's Nikola Tesla airport. Serbia has awarded Vinci a 25-year concession to run Belgrade's Nikola Tesla airport, giving the French infrastructure group a foothold in southeast Europe for its growing airport division. The government is also preparing to privatize the second largest bank in the country, Komercijalna Banka.

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<sup>[4]</sup> Invitations for privatization and bidding are published on the Ministry of Economy website at <http://www.priv.rs/Welcome>.

## **Supporting SME's to access foreign markets:**

### **Question:**

**Please describe which measures, if any, are in place or to be introduced, to enhance the access and opportunities of SMEs on foreign markets, particularly the EU Internal Market.**

### **Answer:**

The Serbia Investment and Export Promotion Agency, which is closed in January 2016, had enforced the following measures which facilitate the access of SMEs to foreign markets:

#### **1. Promotion of Serbian Industry at Foreign Markets-Fairs**

A presence at the selected fairs in foreign countries is among the traditional and reliable manners for monitoring the demand and competition from abroad, as well as to establish new business engagements. So far more than 100 fair events were organized in foreign countries where a large number of domestic enterprises had an opportunity to present themselves within the national stand of Serbia. In 2010, the Serbia Investment and Export Promotion Agency organized a participation of domestic companies at 12 international fairs (10 production fairs and 2 investment fairs) worldwide, at which 138 companies presented themselves, and EUR 385,8 million worth export was achieved in the initial stage as a result of presentations.

Below is a list of fairs for 2011. It includes 18 fairs abroad, among which are 10 fairs in the EU member states.

Automobile industry: Equip Auto (Paris, France).

Suppliers: Midest (Paris, France)

Construction Industry: MosBuild (Moscow, Russia), Budpragres (Minsk, Belarus)

Electronics: Embedded World (Nürnberg, Germany)

Furniture and Wood Processing: High Point (North Carolina, USA), Zona Tortona/Romana (Milan, Italy),

MOW (Barntrup, Germany)

Real estates: Real Vienna (Vienna, Austria), EIRE (Milan, Italy), Expo Real Munich, Germany)

Various industries – international: FIA (Algeria, Algeria)

Food industry: Foodex (Tokio, Japan), Wine Fair (London, Great Britain), PLMA – private label (Amsterdam, Holland), Fancy Food (Washington, USA), World Food Moscow (Moscow, Russia), Belprodukt (Minsk, Belarus).

#### **2. Programme of Granting of Non-returnable Resources to Small and Medium-sized Companies**

With a view to internationalization of the companies, the Serbia Investment and Export Promotion Agency of the Republic of Serbia for five years in the row grants non-returnable financial resources to small and medium-sized companies for financing of activities contributing to increase of export from the Republic of Serbia:

#### **3. Programme of Training of Exporters and Potential Exporters**

Holding of thematic trainings on the following topics: export marketing, export financing, transport clauses, exhibiting at the foreign fairs.

#### 4. Programme of Development of Local Supply Chain

The basic objective of the Programme of Development of Local Supply Chain is to enable the local companies to become qualified suppliers to the multinational companies.<sup>6</sup>

#### 5. Formation of Exporters/Local Suppliers Database

There are more than 2,600 companies in the exporter database so far. The database is posted on the RAS Internet page, from which the companies can download the form if they want to be in the exporter database. Development Agency of Serbia utilizes the Serbia Suppliers Database as a key tool for providing its foreign clients with the updated and systematic information on Serbian suppliers, located in one spot. When it comes to exploring opportunities and industrial capacities in Serbia, This database is the most effective and efficient accessory especially for exploring opportunities and industrial capacities in Serbia. Whether it is products, semi-finished goods, materials, tools, design, subcontractors or services, Serbia Suppliers Database offers a complete and accurate overview of the various Serbian industries.<sup>7</sup>

#### 6. Publications

Making of new printed materials for target group: sector brochures (food industry, wood industry, textile industry, automobile industry, ICT),<sup>8</sup>

#### 7. Consulting Services for Exporters

The employees in the export promotion sector offer free advices to the exporters related to legal regulations, information on markets, sources of financing, and other matters relevant for export. There are certain organizational units within the **Serbian Chamber of Commerce** focused on international business cooperation, whose activities are directed to various forms of support for presentation at foreign markets, namely:

1. Board of International Economic Relations, whose basic activity is internationalization of Serbian economy. In accordance with this, the Board activities are:

- Foreign market surveys and access models;
- Finding partners and economic connecting of domestic and foreign partners (business matchmaking);
- Enhancing of organized presentation of the Serbian economy to foreign market;
- Exhibiting at fairs and participation at conferences abroad;
- Offering consulting services to exporters;
- Offering professional assistance of consulting and logistics through the network of representative offices in foreign countries;
- Transfer of best business experiences from abroad;
- Publishing of publications, business guides, and business bulletins.

2. The SCC representative offices in foreign countries were formed with a view to more efficient presenting of the Serbian economy at foreign markets and for promotion of export activities and

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<sup>6</sup> Through this Program, Development Agency of Serbia aims to promote entrepreneurship, business environment and increase the competitiveness of the SMEES sector and develop business infrastructure. Program consists of 3 components: (1) Capacity building SMEES of Business and Management, (2) Support to networking of business entities, and (3) Support to creating supply chains.

<sup>7</sup> For more details visit: <http://serbia-locations.rs/suppliers-eng/index.php>

<sup>8</sup> For more details visit: <http://ras.gov.rs/en/publications>

attracting foreign direct investments.<sup>9</sup>

3. Bureau for Regional Cooperation develops business, trade, and economic cooperation of Serbia with the ex-Yu countries and the CEFTA region. Besides that, it participates in organizing the meetings of state-economic delegations of Serbia and the countries of the Region, participates in organizing presentations of our enterprises at the fairs and exhibitions in the countries in then Region and sim.

4. Bureau for Cooperation with the EU countries performs the activities with effect of promotion of access of domestic SMEs to the single market. In these terms, the most important activities are:

- Giving information to domestic enterprises of the conditions for presentation at the European Union market;
- Organizing trainings for domestic enterprises on standards and requirements for presentation at the EU market;
- Offering support to enterprises applying for the European Union programmes and funds;
- Connecting domestic enterprises and the EU enterprises in the area of business and technical cooperation.<sup>10</sup>

Beside the measures and activities at the national level, with a view to promotion of the SMEs access to foreign markets, above all the European one, the Programme "Business Export Promotion Fund BPF" was implemented in the period 2006-2009 at the level of the AP Vojvodina, which have subsidized the presentations of small and medium-sized enterprises at the European fairs. The basic goal of this Programme is to support exporters, including the sector of tourism, by subsidizing their participation at the fairs across Europe, by which the BPF has intensively supported the option of export expansion of the AP of Vojvodina.

Pursuant to the Rules of the Fund, the subsidies are approved up to maximum 50% of total fair presentation costs, which include the costs of stand lease and travel and material costs, as well as the costs of preparation and printing of presentation materials.

Based on eight open application procedures for subsidizing individual presentations of enterprises at the European fairs, 133 subsidies in total amount of RSD 28, 5 million (EUR 270.146,8) have been realized since 2006, when the Programme implementation started. Beside these activities, the Fund has also organized and subsidized joint participations of more than 150 enterprises from Vojvodina at the European fairs, through joint presentation of the economy of the entire region.<sup>11</sup>

Agency for foreign investments and promotion of export (SIEPA) is closed in January 2016.

Currently DAS functions as the Serbian Government's investment promotion authority which offers a wide range of services, including support of direct investments, export promotion, and coordinating the implementation of investment projects. DAS serves as a one-stop-shop for both domestic and international companies.

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<sup>9</sup> The Serbian Chamber of Commerce representative offices in foreign countries: Russian Federation – Moscow, Belgium – Brussels, Italy – Trieste, Germany – Frankfurt, Austria – Vienna.

<sup>10</sup> For more information visit:

<http://www.pks.rs/SADRZAJ/Files/Biro%20za%20saradnju%20sa%20EU/brosura%20biroa%20za%20saradnju%20sa%20EU.pdf>

<sup>11</sup> The Development Agency of Vojvodina (<http://rav.org.rs/>) was established in February 2017 as a legal successor to Vojvodina Investment Promotion (VIP).



The DAS enforces the following measures which facilitate the access of SMEs to foreign markets:

1. The Program of support to exporters

The objective of the Program is internationalization of micro, small and medium enterprises and entrepreneurs aimed at the presence and generating of revenue in foreign markets. The Program shall be implemented by the Development Agency of Serbia.

The program consists of two components; (1) Preparation for export, and (2) Capacity enhancement of exporters.

2. Export Promotion Program

The DAS provides institutional support to micro, small and medium enterprises through this program. Entrepreneurs, which are export-oriented and desire to increase the volume of its foreign trade, are also subjects of this program. It includes activities related to the appearance of the business entities on new markets, to increase export competitiveness and increase the value of exports and the number of exporters by organising trade fairs abroad and company missions on a sectoral basis. The program consists of two components; (1) Individual participation at trade fairs, and (2) Organisation of the company missions abroad.

In 2019, the Development Agency of Serbia conducts two programs of support to companies for participation at international fairs: The Support Program for Internationalization of SMEs and the SIPPO Program – for the beneficiaries of the SIPPO Program (the Swiss Export Promotion Support Program).

In March 2015, The Strategy for the support to development of small and medium-sized enterprises, entrepreneurship and the competition for the period from 2015 to 2020 was approved, with an Action Plan, which determines the framework, goals, priorities and measures for improving the development of micro, small and medium enterprises and entrepreneurship in the next medium-term period. The 5th strategic goal is improvement in the approach to new market (5.1. Ensuring continuous support to SMEs for approach on new markets)

Priority measures encompassed by this goal are; M1 Improvement availability and quality of available information about foreign (priority) markets; M2 Upgrading knowledge of exporters and rendering professional support and; M3 Establishing contacts with contingent business partners.

Priority measures encompassed by this goal are; M1 Synchronizing with technical regulations and standards of the EU; M2 Improvement system of infrastructure of quality; M3 Raising awareness of SMEs about the importance of synchronizing products with requirements of technical regulations and standard and; M4 Ensuring support for achieving conformity with requirements of technical regulations and standards.

The strategy is in line with the Small Business Act (SBA) principles.

The part of European Commission's Annual Report on Serbia – covering the period between March 2018 and March 2019 related to Chapter 20: Enterprise and industrial policy.

**Strasbourg, 29.5.2019**  
**COMMISSION STAFF WORKING DOCUMENT**  
**Serbia 2019 Report**

6.20. Chapter 20: Enterprise and industrial policy

*EU enterprise and industrial policy strengthens competitiveness, facilitates structural change and encourages a business-friendly environment that stimulates small and medium size enterprises (SMEs).*

Serbia is moderately prepared on enterprise and industrial policy. Some progress was made on extending support measures to SMEs. However, last year's recommendations were not implemented and remain valid. In the coming year, Serbia should in particular: → develop a comprehensive industrial policy based on EU principles and on using the findings of the smart specialisation exercise; → make efforts to improve the predictability of the business environment, with the emphasis on involving business more directly in the process of regulation.

The main tool of industrial policy remains the strategy and policy for industrial development 2011-2020 adopted in June 2011. This horizontal and cross-sectorial strategy has been only partially implemented, focusing on restructuring and regional development rather than on competitiveness. The work on the new industrial policy is at initial stage.

Concerning enterprise policy, the strategy to support the development of SMEs, entrepreneurship and competitiveness 2015-2020 is being implemented and remains a relevant policy document in this area. A mid-term evaluation of the strategy took place this year, but the findings are not yet public and discussed. The findings of this evaluation should be used in the preparation of a new strategy.

Serbia needs to increase predictability in the business and administrative environment, notably for SMEs. To this end, the country should develop performance measurements for policy-making activities and put more emphasis on implementing the 'think small first' principle. Adoption of the Law on fees for the use of public goods in December 2018 has to a large extent addressed the long-time issue of parafiscal charges by cataloguing all charges under one law and abolishing some minor charges. However, the law also introduced some new charges, the application of which remains unclear. The regulatory impact assessment and the SME test need to be systematically performed when formulating laws and secondary legislation. In general, businesses need to be better informed about regulatory changes and be actively invited to provide input in the process leading up to this regulation.

On enterprise and industrial instruments, Serbia continues to use budgetary subsidies for newly created jobs as an incentive for foreign direct investments. The lack of specialised business-related services limits the modernisation potential in domestic enterprises. Favourable loans and guarantees for SMEs are provided by the Ministry of Economy and Development Fund through joint programmes with commercial banks, including through COSME and IPA. New financial instruments need to be developed to better respond to the needs of companies, particularly the most innovative ones. Payment discipline continues to be weak. In response, Serbia should speed up alignment of its rules on payments, indemnity interest rates, expedited recovery procedures and compensation with the EU Directive in this area.

In sectoral policies, the current support for investment prioritises manufacturing. The new industrial strategy should take into account the findings of the smart specialisation pilot project and decide whether some sectors merit more support than others.

## References

Name of Database	Published by	URL
Official Website	The Ministry of Economy of the Republic of Serbia	<a href="https://privreda.gov.rs/english/">https://privreda.gov.rs/english/</a>
Privatization Opportunities	The Ministry of Economy of the Republic of Serbia	<a href="http://www.priv.rs/Ministry-of-Economy/211/Privatization.shtml">http://www.priv.rs/Ministry-of-Economy/211/Privatization.shtml</a>
Official Website Publications	Development Agency of Serbia (RAS)	<a href="http://ras.gov.rs/en/publications">http://ras.gov.rs/en/publications</a>
Locations database	RAS	<a href="http://crm.siepa.gov.rs/locations-eng/">http://crm.siepa.gov.rs/locations-eng/</a>
Municipality database	RAS	<a href="http://crm.siepa.gov.rs/municipalities-eng/">http://crm.siepa.gov.rs/municipalities-eng/</a>
Projects database	RAS	<a href="http://crm.siepa.gov.rs/joint-ventures-eng/">http://crm.siepa.gov.rs/joint-ventures-eng/</a>
Suppliers database	RAS	<a href="http://crm.siepa.gov.rs/suppliers-eng/">http://crm.siepa.gov.rs/suppliers-eng/</a>
Certified enterprises database (Serbian language)	The Serbian Chamber of Commerce and Industry of Serbia (PKS)	<a href="http://www.pks.rs/Aplikacije.aspx?aplikacija=sertifikati">http://www.pks.rs/Aplikacije.aspx?aplikacija=sertifikati</a>
Consulting company's database (Serbian language)	PKS	<a href="http://pks.rs/Aplikacije.aspx?aplikacija=konsultantskeKuce">http://pks.rs/Aplikacije.aspx?aplikacija=konsultantskeKuce</a>
Certified bodies database (Serbian language)	PKS	<a href="http://pks.rs/Aplikacije.aspx?aplikacija=sertifikacionaTela">http://pks.rs/Aplikacije.aspx?aplikacija=sertifikacionaTela</a>
Database of innovations and technologies	PKS	<a href="http://www.pks.rs/Aplikacije/InovacijePregledEn.aspx">http://www.pks.rs/Aplikacije/InovacijePregledEn.aspx</a>
Free zones	Free zones administration	<a href="http://www.usz.gov.rs/eng/pogodnosti.php">http://www.usz.gov.rs/eng/pogodnosti.php</a>
Official Website	Vojvodina Development Agency	<a href="http://rav.org.rs/">http://rav.org.rs/</a>
Official Website	Foreign Investors Council	<a href="http://www.fic.org.rs/projects/white-book/white-book.html">http://www.fic.org.rs/projects/white-book/white-book.html</a>

# **Frequently Asked Questions for Foreign Direct Investors to Bosnia and Herzegovina**

## **Disclaimer**

This document is an abstraction of answers of Bosnia and Herzegovina's institutions to the questionnaire of the European commission for the preparation of the opinion on the application for membership of the European Union.

The Questionnaire contains 3242 questions, of which 516 relate to political criteria, 74 to economic criteria and 2652 to the *acquis*, grouped into 33 chapters as follows;

1 Free movement of goods, 2 Freedom of movement for workers, 3 Right of establishment and Freedom to provide services, 4 Free movement of capital, 5 Public procurement, 6 Company law, 7 Intellectual property law, 8 Competition policy, 9 Financial services, 10 Information society and Media, 11 Agriculture and Rural development, 12 Food safety, Veterinary and Phytosanitary police, 13 Fisheries, 14 Transport policy, 15 Energy, Legislation 15 Energy, 16 Taxation, 17 Economic and Monetary policy, 18 Statistics, 19 Social policies and Employment, 20 Enterprise and Industrial policy, 21 Trans-European Networks, 22 Regional policy and coordination of structural instruments, 23 Judiciary and fundamental rights, 24 Justice, Freedom and Security, 25 Science and Research, 26 Education and Culture, 27 Environment and climate changes, 28 Consumer and health protection, 29 Customs union, 30 External relations, 31 Foreign, security and defence policy, 32 Financial control, 33 Financial and budgetary provisions.

JICA expert team abstracted questions and answers directly related to foreign direct investors from "Chapter 20 Enterprise and Industrial policy" which are publicly available and updated the answers based on the information available as of July 31, 2019. Although we paid our attention to the correctness of the information, JICA or its related experts does not take any responsibilities to any damages caused by this report. For your decision making, please refer to the government agencies indicated in the list of investment promotion agencies as a part of this report.

## The List of Organizations in Charge of Investments and Exports

Name of the Agency	Address	Phone Number	E-mail	URL	Remarks
The Foreign Investment Promotion Agency of BiH (FIPA)	Dubrovacka 6, 71000 Sarajevo, Bosnia and Herzegovina	387 33 278 080	fipa@fipa.gov.ba	<a href="http://www.fipa.gov.ba/Language.aspx">http://www.fipa.gov.ba/Language.aspx</a>	
Foreign Trade Chamber of Bosnia and Herzegovina	Branislava Djurdjeva 10, 71000 Sarajevo, Bosnia and Herzegovina	387 33 566 222		<a href="http://komorabih.ba/en/">http://komorabih.ba/en/</a>	
Bosnia and Herzegovina Export Promotion Agency-BHEPA a national agency operating within the Foreign Trade Chamber of Bosnia and Herzegovina	Branislava Djurdjeva 11, 71000 Sarajevo, Bosnia and Herzegovina	387 33 566 230	<a href="mailto:enes.aliskovic@komorabih.ba">enes.aliskovic@komorabih.ba</a>	<a href="http://www.bhepa.ba">www.bhepa.ba</a>	
Republic of Srpska Government Ministry of Economy and Entrepreneurship	Trg Republike Srpske 1, 78000 Banja Luka, Republic of Srpska, Bosnia and Herzegovina	387 51 338 642	mpp@mpp.vladars.net	<a href="http://www.vladars.net/sr-SP-Cyrl/Vlada/Ministarstva/mpp/Pages/default.aspx">http://www.vladars.net/sr-SP-Cyrl/Vlada/Ministarstva/mpp/Pages/default.aspx</a>	
Republic Agency for the Development of Small and Medium Enterprises (RARS)	Save Mrkalja 16/4, 78000 Banja Luka, Republic of Srpska, Bosnia and Herzegovina	387 51 222 120	info@rars-msp.org	<a href="http://www.rars-msp.org/">http://www.rars-msp.org/</a> <a href="http://www.preduzetnickiportalsrpske.net/">http://www.preduzetnickiportalsrpske.net/</a>	
The Chamber of Commerce and industry of Republic of Srpska	Djure Danicica 1/II, 78000 Banja Luka, Republic of Srpska, Bosnia and Herzegovina	387 51 215 744, 215 833	info@komorars.ba	<a href="http://www.business-rs.ba">www.business-rs.ba</a> <a href="http://www.komorars.ba">www.komorars.ba</a>	
Chamber of Economy of the Federation of Bosnia and Herzegovina	Branislava Djurdjeva 10, 71000 Sarajevo, Bosnia and Herzegovina	387 33 217 782, 566 300	<a href="mailto:m.velic@kfbih.com">m.velic@kfbih.com</a>	<a href="http://www.kfbih.com/eng">http://www.kfbih.com/eng</a>	
Foreign Investors Council Bosnia and Herzegovina	Fra Andjela Zvizdovica 1, B Tower, floor 11, UNITIC Business Center 71 000 Sarajevo, Bosnia and Herzegovina	387 33 295 880	<a href="mailto:info@fic.ba">info@fic.ba</a>	<a href="http://www.fic.ba/">http://www.fic.ba/</a>	Non-profit business association of foreign investors

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Have the authorities supported the creation of free zones and industrial parks or similar initiatives? If so, how can their operation be assessed so far? Are the relevant contractual agreements consistent with EU regulations?	<b>15</b>
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Please provide a copy of the annual privatisation plan. What policy/plan and schedule has been identified for privatisation or restructuring? Is it aligned with FDI policy? How is the privatisation of industrial enterprises proceeding according to this schedule? Where obstacles impede full respect of the schedule, what are the obstacles and the solutions proposed to overcome these difficulties? Which structural reforms are complementing this process? Which ones are deemed most effective?	<b>30</b>
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## Questions:

**What are the specific measures implemented to promote investment, and in particular to attract foreign direct investment (FDI)? Are there any studies showing the opportunities (niches) for the manufacturing sectors on the EU and global market? What is the strategy/approach designed and implemented for attracting the FDI? Is there an institution responsible to implement both strategy and the measures in place?**

## Answers:

Measures for investment promotion and attracting foreign direct investment are defined on all levels in BiH<sup>1</sup> pursuant to respective competences. The preparations are ongoing for the drafting of the Framework Strategy for Attraction and Promotion of Foreign Investment in BiH. Also, the Foreign Investment Promotion Agency (FIPA) was established to attract and increase foreign investment flows to BiH. In the RS<sup>2</sup>, the Ministry of Economy and Entrepreneurship is in charge of the coordination of the activities of the RS institution on attracting foreign investors. These activities are defined by the Foreign Investment Encouragement Strategy 2016-2020.

On the level of **BiH**, the Council of Ministers adopted the Strategy of Promotion-Attraction of Foreign Investment in 2006. The preparations are ongoing for the drafting of the new Framework Strategy for Attraction and Promotion of Foreign Investment of BiH. In 2017, the Council of Ministers of BiH adopted the Information on the activities for the drafting of the BiH Framework Strategy for Attraction and Promotion of Foreign Investments. The strategy is implemented through the project “Improving the Business Environment and Facilitating Access to Foreign Markets” conducted by IFC/WBG.

The Foreign Investment Promotion Agency of BiH (hereinafter: FIPA) is the agency established by the Council of Ministers of BiH whose core task is:

- Attraction and increase of foreign investment flows to BiH and encouragement of existing investors in the country to additional investment and expansion of their operations.
- Improved cooperation between the private and public sectors, proposing measures to enhance the investment environment and, thereby, economic development
- Representing BiH as a country attractive to foreign investors

FIPA is an independent administrative organisation, established by the Law on the Foreign Investment Promotion Agency in BiH - FIPA (hereinafter: the Law) that regulates its position, jurisdiction, management, organisation and other issues of relevance. FIPA also has the Steering Board, whose members are representatives of the public and private sectors, as well as foreign investors. The activities of the FIPA on foreign investment promotion are based on its legally defined competencies and the principles of the Strategy of Promotion-Attraction of Foreign Investment, on the strategic documents, adopted on the Entity level, as well as on the development strategies of the major sectors of the economy in BiH.

To promote BiH as a country attractive to foreign investors, the activities of FIPA are oriented on establishment and maintenance of as many contacts as possible with potential and existing foreign investors, intermediaries, representatives of relevant institutions in the country and abroad, with

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<sup>1</sup> BiH: Bosnia I Hercegovina

<sup>2</sup> RS: Republika Srpska



international organisations as well as with other governmental and non-governmental institutions and companies that, directly or indirectly, may influence the investment decision process.

This implies FIPA's participation at various specialised business fora, meetings and conferences organised in cooperation of other institutions of BiH, Entities and the BDBiH, where it promotes opportunities and attractive investment projects in BiH and highlights the competitive advantages of BiH. In FIPA's work, a special focus is on participation at the major specialised investment conferences and fairs in the world, in business missions, round tables, one-on-one presentations organised either independently by the FIPA or in cooperation with other institutions and international organisations.

In addition, the FIPA closely collaborates with the diplomatic and consular missions of BiH abroad, but also with the foreign embassies and economic representative offices in BiH. It also disseminates information on investment opportunities to as many potential investors as possible. An initiative has also been launched to identify qualified advisors from the economy and the economic associations who will, within the diplomatic and consular missions, work on developing economic cooperation and identification of potential investors, following the practices of the neighbouring countries.

FIPA disseminates information on investment terms, new investment projects, companies undergoing privatisation and bankruptcy, on potential investors from its internal database of contacts, which contains more than 5,000 different companies from around the world.

The FIPA activities are also focused on organisation of an outreach campaign, with the support of the International Financial Corporation (IFC), a member of the World Bank Group, which will lead to direct meetings with companies in target countries.

A particular emphasis is placed on cooperation with BiH diaspora, in view of their large numbers abroad, of the knowledge and skills they acquired, of their business results, as well as of the business contacts they established abroad through their activities and work.

To promote and provide quality information to potential investors and other target groups, the following general brochures were designed and have been updated: Investment opportunities in BiH, Frequently Asked Questions, Starting a Business, Steps for Obtaining Work Permits in BiH, BiH Tax system, as well as the sectoral brochures: energy sector, agriculture, and food processing, metal sector, wood processing, tourism, ICT and textiles sector. In cooperation with the Ministry of Foreign Trade and Economic Relations of BiH, under a shared logo, the brochures *Starting and Operating a Business*, and *Attractive Sectors* have been produced.<sup>3</sup>

Aware that positive narratives and experiences are the best contribution to the creation of a better image of an investment location, particular attention is paid to their promotion.

To promote the business environment of BiH abroad, FIPA continuously works on strengthening cooperation with foreign media, as well as on publication of promotional articles on BiH in leading international journals, and on dissemination of promotional materials. To that end, the Invest in BiH campaign was launched, while the first cooperation was officially established with the Turkish national public broadcaster - TRT.

Participation in international and regional projects is a part of the FIPA's regular activities on promotion of regional cooperation. Some of the counterparts include WAIPA (World Association of Investment Promotion Agencies), BIGMEV (Turkey-BiH Relations Development Centre), USAID, SIDA,

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<sup>3</sup> The FIPA promotional brochures can be downloaded from:  
[http://www.fipa.gov.ba/publikacije\\_materijali/brosure/default.aspx?id=243&langTag=en-US](http://www.fipa.gov.ba/publikacije_materijali/brosure/default.aspx?id=243&langTag=en-US)

UNCTAD Investment Facilitation Compact, investment promotion agencies of China and CEE countries, South East Europe Investment Committee and SEEIC-CEFTA Joint Working Group on Investments (Joint WGI) that are part of the RCC (Regional Cooperation Council), Turkish-Bosnian Business Council, China Chamber of Commerce for Machinery and Electronics, Invest in BEAR area in BiH on the platform.

FIPA activities, business, and economic news, available investment projects, bid invitations, bankruptcies and all information that might influence investment decisions are regularly published both on the FIPA website and on Facebook and YouTube channel, which proved to be suitable tools for information dissemination and communication with target groups.<sup>4</sup>

The official website of the FIPA sends an enthusiastic message, features modern design is rich in images and provides the information on how FIPA can assist interested investors; reliable and current data by investment sector, a database, the website use, and data downloading are simple, and the brochures can be viewed in several major languages. ([www.fipa.gov.ba](http://www.fipa.gov.ba))

FIPA also works on the implementation of the Aftercare Programme of support to existing foreign investors (hereinafter: Aftercare) to encourage existing foreign investors in BiH to reinvest. Aftercare has been in implementation since 2007, it consists of FIPA representatives visiting foreign investors operating in BiH and in direct contacts obtaining information on the problems they encounter in all stages of investment and business operations. In 2013, with the assistance of the International Financial Corporation (IFC), member of the World Bank Group, FIPA set the foundations for an enhanced Investor Aftercare Programme by establishing institutional cooperation in BiH that encompasses government bodies on the State, Entity, cantonal and municipal level through the Collaborative Network for cooperation and investor aftercare. This new aftercare programme is the first comprehensive programme that aims to encourage existing investors in BiH from strategically selected sectors to reinvest and strengthen their ties with the local economy, and it is in line with the best international practices.

Pursuant to its legal competences, the FIPA has the competence to propose legislation and legal measures aimed to improve the business environment in BiH. Every year, FIPA submits to the Council of Ministers the Report with Proposed Measures to Enhance the Business Environment in BiH. Inter alia, this document provides specific proposals regarding legislation and administrative barriers, and related measures to be taken (on all levels of government) to simplify and facilitate doing business in BiH.

In addition to FIPA, for which this is the sole competence, there are other government institutions that actively and continuously conduct activities on promoting investment opportunities of BiH in the areas of their respective competence.

FIPA does not have the competences to produce studies that showcase the potential of manufacturing sectors in the EU and global markets.

In the **FBiH**, pursuant to the Law on Amendments to the Law on Foreign Investment (Official Gazette of FBiH, 77/15), **the FBiH Ministry of Trade established the Council for Foreign Investors**, as an advisory body of the FBiH Government. This body's purpose is to facilitate and encourage foreign investment and enhance the overall business environment for foreign investors in the FBiH, more comprehensive coordination and cooperation of the FBiH, cantonal and local levels in the area of foreign investment.

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<sup>4</sup> The data about available investment projects is found at: <http://www.fipa.gov.ba/investinbih/index.htm>

The Council's tasks are:

- analysis of the business environment for foreign investment and proposing appropriate measures and actions to eliminate existing limiting factors for foreign investors,
- initiating amendments to laws and other regulations which promote and facilitate foreign investment
- exchange of information and initiation of more comprehensive cooperation between the institutions on the FBiH, cantonal and local levels to create a more favourable business environment for
- foreign investments, to make investing more attractive and secure for foreign investors
- consultations with domestic and foreign investors to identify solutions to stimulate investment
- establishment of cooperation between FBiH, cantonal and local self-government institutions and existing and potential foreign investors to overcome
- possible difficulties with implementation of investments, which would serve as an effective investor servicing and investment support mechanism.

In the **RS**, pursuant to the Law on RS Administration (Official Gazette of RS, no. 115/18) the focal point of the Republic of Srpska Government for coordination of activities related to the encouragement and development of foreign investments is **the Ministry of Economy and Entrepreneurship**.<sup>5</sup>

Ministry of Economy and Entrepreneurship, by means of its Economic Cooperation Sector, provides all necessary information to foreign investors concerning investment opportunities, legal regulations, institutions available to investors, as well as any other necessary information.

The policy of foreign investment treatment in the Republic of Srpska is defined by the Law on Foreign Investment, RS Government Economic Policy, Foreign Investment Encouragement Study 2016-2020, and a series of other legal acts and bylaws. Great importance in forming a foreign investment treatment policy lies also with sectoral strategies such as:

- Republic of Srpska Industrial Development Strategy and Policy 2016–2020,
- Republic of Srpska Agriculture and Rural Development Strategic Plan 2016–2020,
- Republic of Srpska Energy Development Strategy until 2030,
- Republic of Srpska Tourism Development Strategy 2011–2020,
- BiH Solar Energy Use and Development Opportunities Study, 2008,
- Report on competitiveness assessment of three agribusiness value chains of the Republic of Srpska, IFC, 2012,
- Republic of Srpska small- and medium-sized enterprises development strategy 2016–2020 (draft),
- Republic of Srpska education development strategy 2016–2021 (proposal).

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<sup>5</sup> In accordance with the proposal of *Law on changes and amendments of Law on Development of Small and Medium Sized Enterprises of Republic of Srpska*, July 2019, Republic Agency for Development of Small and Medium Sized Enterprises is proposed to be in charge of provision of support for attracting and realization of investment.

The Foreign Investment Encouragement Strategy 2016-2020 and related action plan define key measures and activities for attracting investment, as well as the core sectors for investment in the RS.

<sup>6</sup>These measures vary in character, but generally, they can be classified as:

- Incentive measures defined in the liberalised RS Law on Foreign Investments and other applicable laws (exemption of foreign investors from payment of customs duties on equipment that constitutes foreign entity's stake in investment, free repatriation of profits, exemption from the dividend tax, the non-taxable share of income of BAM 199, an option of attaining the qualified investor status and related various tax benefits), an equal treatment of domestic and foreign persons, liberalisation of investments in nearly all sectors.
- Service provision measures in the sense of one-stop-shop information, i.e. at the RS Ministry of Economic Relations and Regional Cooperation and with the network of representative offices abroad.
- **A portal for foreign investors with detailed information on various procedures, requirements, available institutions, and potential projects. This portal is also available in English. ([www.investsrpska.net](http://www.investsrpska.net))**<sup>7</sup>
- Organisation of promotional conferences and trade events (International Business forum B2B in organisation of RARS and RAS Serbia international, International Conference on Tourism and Investment, Invest in the Republic of Srpska, Diaspora Forum, Conference in the field of wood industry "People, Wood and Furniture, Conference of Women Entrepreneurship in the Republic of Srpska - Women in Business)
- Activities on enhancement of the business environment and competitiveness (business start-up process reform, introduction of e-services, the new Law on Bankruptcy Procedure, etc.).
- Local self-government units are an important factor in attracting foreign investments. Strengthening the competitiveness of local self-government units directly affects strengthening of the competitiveness of the Republic of Srpska. Increase of competitiveness of local self-government units is one of the preconditions to attract investments.

Liberalisation of investments in nearly all economic sectors, with the exception of the media sector, where the foreign stake into a company's equity cannot exceed 49%, which constitutes a restricted domain. With the amendments to the RS Law on Foreign Investments from 2011, restrictions were liberalised for the sector of arms, ammunition, military-use explosives and military equipment, so that the foreign stake now may exceed 49% of the company's equity, if the RS Government deems this to be justified.

Besides attracting new investments, the Ministry of Economy and Entrepreneurship also implement the Aftercare Programme "Post-Investment Support Program" to motivate existing investors in strategically selected sectors to reinvest and strengthen their ties to the local community. This programme's major objectives relate to simpler and more efficient start of new investors' operations, retaining existing investors and support to their investments, as well as assisting companies in identification of opportunities for expansion and new investment. Twenty-seven local self-government units participate in this programme.

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<sup>6</sup>For further information, refer:

[http://www.investsrpska.net/files/Republic\\_of\\_Srpska\\_Foreign\\_Investment\\_Encouragement\\_Strategy\\_2016-2020\\_with\\_Action\\_Plan.pdf](http://www.investsrpska.net/files/Republic_of_Srpska_Foreign_Investment_Encouragement_Strategy_2016-2020_with_Action_Plan.pdf)

<sup>7</sup> The general data is provided in English language.

In the **RS Republic Agency for Development of Small- and Medium-Sized Enterprises** is a generator of the overall system of support to the development of SMEs. Through numerous projects and programmes of support to local economic development, development of SMEs and entrepreneurship, its purpose is to increase participation of small- and medium-sized enterprises in the overall economy of the Republic of Srpska, increase technological development, competitiveness and open new markets for SMEs, increase the number of business entities and newly employed workers in these companies, establish regional cooperation with neighbouring countries in order to exchange experiences etc. It also offers professional services in order to encourage investments in SMEs, support the establishment of entrepreneurial infrastructure, innovator activity, creation of new products and introducing new technologies.

Through numerous projects and programs of support to local economic development, SME development and entrepreneurship, the goal is to increase the participation of SMEs in the overall economy of the Republic of Srpska, increase technological development, competitiveness and open new markets for SMEs, increase the number of business entities and newly employed workers in this company, regional cooperation with neighbouring countries to make an experience exchange. The RARS participates in the development of strategic documents for the development of SMEs and entrepreneurship of the Republic of Srpska, operatively implements incentive policies, encourages employment, vocational education, retraining, and re-qualification of workers promote entrepreneurship and supports innovative activities, participating in international projects, etc.

**The RS Council for Foreign Investors** functions as an advisory body of the RS Government that works to create conditions for attraction of foreign investments and enhancement of the overall business environment.

Strengthening of institutional capacities and cooperation of the RS and local levels of government are the activities of particular importance. Development of an effective institutional investor support mechanism is of great importance, as it permits direct support to investors from the point of contact to investment and assistance with dealing with administrative barriers.

To that end, activities are ongoing on strengthening capacities of RS institutions and local self-government units appropriate promotion, for welcoming and retention of investors, strengthening the role of RS representative offices abroad in promotion of investing opportunities in RS, reinforcing the organisation, technical knowledge and efficiency of the staff in institutions etc.

In the process of strengthening the public investment system, in July 2016, the RS Government adopted the RS Decree on selection, evaluation and prioritisation of public investment projects (Official Gazette of RS, 66/16), which established a project management system encompassing: proposing of projects, formal evaluation, independent audit, selection of projects for budgeting, project implementation and project adaptation, utilisation of investment and project evaluation. This decree defines an integral process, from proposing public investment projects and submission of projects to the Ministry of Finance through PIMIS (Public Investment Management Information System)<sup>8</sup> by filling in and electronic (project information) form through producing the RS Public Investment Programme. The RS Government adopts this Programme on two occasions during the year for the coming three-year period, once as a draft in June and as a proposal in December of the current year. Enforcement of this decree is mandatory for all RS administrative bodies and organisations, and

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<sup>8</sup> PIMIS is a comprehensive information system for public investment management. Established with donor-support in 2013, it is currently installed in three MoFs (the Institutions of BiH, the Federation and Republika Srpska). Project-level data for the cantons, cities and municipalities are entered on the cantonal level with the aim of including them in the cantonal Public Investment Programs (PIPs).

it will become mandatory for local self-government units after the PIMIS system is established in all units of local self-government in RS (to date, PIMIS has been introduced into 20 local self-government units).

In the **BDBiH**, to promote investment and attract foreign investors, round tables and seminars are organised, representation at fairs in the country and abroad, as well as printing of investor guides. In addition, the District is actively involved in the activities organised by the FIPA BiH.<sup>9</sup>

The BDBiH lacks a completed foreign investment promotion study, and consequently no institution has been established for strategy implementation. Most activities on attracting foreign investments are conducted within the Department for Economic Development, Sports and Culture.

The **Una-Sana Canton** lacks a completed foreign investment promotion study, and consequently there is no institution for these purposes. Most foreign investment attraction activities are conducted within the Public Institution Una-Sana Cantonal Development Agency.<sup>10</sup>

The **Posavina Canton** does not implement specific measures for investment promotion. It does not have a study showing the opportunities for the manufacturing sectors on the EU and global market.

No strategy/approach for attracting foreign investment has been developed, nor is in implementation, and no institution has been established to implement such strategy and measures.<sup>11</sup>

In the **Tuzla Canton**, in 2014 the Government produced the Tuzla Canton Guide for Investors<sup>12</sup>, which in a simple and practical fashion consolidated essential information for potential and existing investors, persons working with investors, but also all other interested entities need if they want to invest, or merely visit the Tuzla Canton. This Guide contains information on how and why to invest in the Tuzla Canton, which resources and advantages are on offer, as well as what support investors may receive if they decide to invest in the Tuzla Canton. This guide has been produced in both Bosnian and English languages and published on the website of the Government of the Tuzla Canton and is distributed at all appropriate events where Tuzla Canton's investment opportunities are promoted. At present, an update of the information in the Guide is underway and its new edition is in preparation.

Also, in 2016, the first Info Desk for Entrepreneurs and Investors was established at the [mrp.tk.gov.ba](http://mrp.tk.gov.ba) domain and it contains all pertinent information on starting or developing a business, i.e. on investment opportunities in the Tuzla Canton, or more precisely, in all 13 local communities of the Tuzla Canton, Posavina Canton, Odžak Municipality and Modriča Municipality. This info desk was developed within the Independent Development Bureau's Partnership for more effective implementation of local economic development in South Eastern BiH funded by the EU, while the

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<sup>9</sup> The existing investor guide is available in local language, year edition 2012.

<sup>10</sup> Download of leaflet is available from <http://www.rausk.ba/publikacije/811389pb3.pdf>

<sup>11</sup> As a part of the process of improving the economic development through an integrated regional approach, that has been implemented through the project of the Delegation of the European Commission to Bosnia and Herzegovina for regional development (EU RED), Regional Development Agency for North-East B&H (NERDA) has been created, the Agency which is one of the five regional development agencies for each of five economic regions in Bosnia and Herzegovina. The municipalities of the Posavina Canton are covered by NERDA. One of the objectives of NERDA is: Promotion of investment opportunities in BiH and participation in improvement of business relations between BiH and other European countries.

<sup>12</sup> More information is available at [http://www.vladatkim.ba/Vlada/Dokumenti/2014/Guide\\_for\\_investors\\_in\\_Tuzla\\_Canton.pdf](http://www.vladatkim.ba/Vlada/Dokumenti/2014/Guide_for_investors_in_Tuzla_Canton.pdf)

cantonal Ministry of Development and Entrepreneurship acts as the Info Desk's coordinator and administrator.<sup>13</sup>

The Ministry of Development and Entrepreneurship of the Tuzla Canton actively participates in the Collaborative Network for aftercare support to foreign investors in BiH, which was envisaged in the cooperation agreement between the Council of Ministers of BiH and the International Financial Corporation (IFC) on the business environment enhancement project in BiH, and which consists of the Foreign Investment Promotion Agency (FIPA) in BiH as activity coordinator, and responsible FBiH, cantonal and municipal institutions. The goal of this Network is a joint action of responsible institutions to support existing investors in their intention to expand operations, so that new and existing investor may aid local communities' economic development to a greater extent. The members of the Aftercare Network take part in the meetings with representatives of companies in which foreign investors hold stakes to study the problems that are encountered in business operations and support resolving identified problems and barriers to motivate existing foreign investors for additional investments in BiH.

The Government of the Tuzla Canton implemented the Business Environment Enhancement Project in cooperation with the International Financial Corporation (IFC) to attract new investments. Within this context, the Cantonal Ministry of Development and Entrepreneurship was tasked with collecting information on incentives awarded by the ministries, independent administrations and administrative bodies of the Tuzla Canton. This information will be used in preparation of a report and to update the list of investment incentives awarded in the Tuzla Canton. These lists are published on the website of the Tuzla Canton in both English and Bosnian to inform potential and existing investors about investment incentives that exist on the level of the cantonal administrative bodies.

It is notable that the waiting periods and documentary requirement for completion of administrative procedures on the level of the administrative bodies of the Tuzla Canton were reduced within this Project, which allows citizens, investors and business of the Tuzla Canton to obtain permits, licences, approvals etc. faster and more easily. An electronic register of administrative procedures has been put up on the website of the Government of the Tuzla Canton. It contains all necessary information about administrative procedures applied by the ministries and administrative bodies of the Tuzla Canton. The project's implementation considerably reduced prerequisites for development and unobstructed operation of existing businesses, but it also enhanced, in the long term, the prerequisites for domestic and foreign investors to start new businesses.

Also, the Ministry of Development and Entrepreneurship of the Tuzla Canton on the annual basis monitors the data on direct foreign investment in the Tuzla Canton.

It is worth noting that, in 2017, the Government of the Tuzla Canton prepared and presented two projects at the leading investment conference in the South East Europe region - the Sarajevo Business Forum (SBF). More precisely, the Ministry of Development and Entrepreneurship of the Tuzla Canton, in cooperation with its partners, presented to potential investors two project proposals, the Year-round greenhouse production using steam to heat greenhouses in cooperation with the Association Nezavisni biro za razvoj (NBR) from Gradačac and the Nexus Development Programme project in cooperation with the Magic Factory Association from Tuzla.

In cooperation with the International Financial Corporation (IFC), The Government of the Tuzla Canton implemented the Business Environment Enhancement Project with the aim to attract new

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<sup>13</sup> The portal is only in B/H/S language <http://mrp.tk.gov.ba/news?oid=16>

investments. Within this project, a limited and focused study of three agriculture sub-sectors/value chains in the Tuzla Canton (fruit and vegetables, milk and dairy products, meat and meat products) to assess their competitiveness.

There is no strategy/approach to attraction of foreign direct investments, but activities such as these contribute to promotion and attraction of foreign direct investments.

No institution for implementation of such a strategy, or even measures, has been formally established, but the Ministry of Development and Entrepreneurship implements most activities of the Government of the Tuzla Canton that are aimed at attracting foreign direct investments.

In the **Zenica-Doboj Canton**, the Technical Unit for Development and International Projects, organised as a unit of the Cantonal Government, deals with, inter alia, promotion of foreign investments. The Ministry of Economy participated in the promotion of foreign investments when FIPA implemented such activities in the Canton.

The **Bosnian Podrinje** Canton has no dedicated measures implemented to promote foreign investment, nor does it have a completed study of manufacturing sectors on the EU market. Also, it has no established institution to implement such a strategy.

In the **Herzegovina-Neretva Canton**, no study about attracting foreign investment has been completed, nor is there an institution to carry out such activities.

**The Canton 10** has no study about attracting foreign investment, nor is there an institution to carry out such activities.

The **Herzegovina-Neretva Canton** and **The Canton 10** are covered by the REDAH one of the five regional development agencies.

Within the activities Promotion of Regional Investments and Export REDAH cooperates with various institutions inside and outside of B&H, provides technical assistance in the form of seeking and matchmaking business partners and markets, as well as develops databases and promotes the region and regional potentials. In terms of that, REDAH cooperates closely with the Foreign Investments Promotion Agency (FIPA), as well as other institutions and organizations and participates in various programmes and projects that promote foreign investments in B&H and export from B&H.

In the **Sarajevo Canton**, the World Bank Group, in cooperation with the U.K. Embassy, as part of the Local Investment-Friendly Environment (LIFE) Project, provides technical assistance to the Collaborative Network and the Aftercare Programme. Within the Collaborative Network, as a part of the Aftercare Programme within the LIFE Project, the Ministry of Economy of the Sarajevo Canton and the World Bank Group maintain regular contacts with SMEs concerning the topics of enhancing business environment and regulatory reform, as well as strengthening competitiveness of the Sarajevo Canton. The Collaborative Network has been established to create a mechanism to identify and promptly address investors' open issues to facilitate companies' growth and development and, thereby, contribute to sustainable development of the local community. The Ministry of Economy of the Sarajevo Canton actively participates in the Collaborative Network and assists in its activities to support growth and development of the businesses in the Canton and, in cooperation with municipal,



Entity and BiH-level institutions, systemically addresses elimination of barriers which investors face in their operations, so that they can reinvest and strengthen their links with the local economy.<sup>14</sup>

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<sup>14</sup> The investment profile which was developed as part of the Local Investment-friendly Environment (LIFE) of Business Climate and Access to Market Project (ICAM) is downloaded from [https://mp.ks.gov.ba/sites/mp.ks.gov.ba/files/invest\\_sarajevo\\_canton\\_eng\\_2017.pdf](https://mp.ks.gov.ba/sites/mp.ks.gov.ba/files/invest_sarajevo_canton_eng_2017.pdf)

**Question:**

**Have the authorities supported the creation of free zones and industrial parks or similar initiatives? If so, how can their operation be assessed so far? Are the relevant contractual agreements consistent with EU regulations?**

**Answer:**

Establishment of free zones is regulated by BiH- and Entity-level legislation. Also, the Entity and BDBiH levels support establishment of business, industrial, entrepreneurial and other types of zones. Establishment of zones is also supported in the Una-Sana, Tuzla, Bosnian Podrinje, Herzegovina-Neretva and Sarajevo Cantons. In other cantons, support for zones is provided on the level of local self-government units or through the competent FBiH ministry.

**BiH** supports establishment of free zones. The Law on Free Zones in BiH (Official Gazette of BiH, 99/09) regulates the conditions for establishment of free zones, procedure for determination of free zones, cessation of operation of free zones and other issues relevant for operation of free zones that are not regulated by the Law on Customs Policy of BiH (Official Gazette of BiH, 57/04, 51/06, 93/08, 54/10 and 76/11) (hereinafter: the Law). Treatment or use of goods in free zones is regulated by provisions of Articles 159-172 of the Law and by the provisions of Articles 402-415. of the Decision on implementing regulations of the Law on Customs Policy of BiH (Official Gazette of BiH, 63a/04, 60/06 and 57/08).

A free zone is established when the CoM BiH passes a decision to designate parts of the customs territory of BiH as a free zone, upon which the Ministry of Foreign Trade and Economic Relations of BiH (hereinafter: the Ministry), at the proposal of the Commission for Establishing the Conditions for Starting Operations of Free Zones, adopts a decision in which it determines that the conditions for the start of operations of the free zone are met, and that the free zone may commence its operations.

The Ministry of Foreign Trade and Economic Relations of BiH initiates the procedure for adoption of the Decision of the CoM BiH as a free zone establishing a free zone stipulated by this Law and the Law on Customs Policy of BiH.

In the course of this procedure, the Ministry shall obtain the approval and consent of the Steering Board of the Indirect Taxation Authority of BiH, established pursuant to the Law on Indirect Taxation System in BiH (Official Gazette of BiH, 44/03, 52/04, 32/07, 34/07, 4/08 and 49/09) and of other bodies if it is required by BiH legislation.

The free zone establishment shall be economically justified if, on the basis of the enclosed feasibility study on justification of the establishment of the free zone and other accompanying evidence it may be assessed that the value of goods exported from the free zone will exceed at least 50% of the total value of manufactured goods leaving the free zone over the course of 12 months.

In BiH there are four free zones:

- 1 Free Zone Vogošća, Vogošća;
- 2 Free Zone Visoko, Visoko;
- 3 Free Zone Holc, Puračić;
- 4 Free Zone Herzegovina, Mostar.

Pursuant to Article 14 of the Law on Free Zones in BiH, the Ministry submits to the Council of Ministers of BiH, for adoption and consideration, the report on the results of operations of all free zones in BiH before the end of April of the current year for the previous year.

According to the most recent Report on the results of operations of all free zones BiH between 1 January 2015-31 December 2015, adopted at the 82nd session of the Council of Ministers of BiH, held on 23 November 2016, these zones meet the conditions for their operations.

In May 2012, the Ministry conducted the Regulatory Impact Assessment of the free-zone regime in BiH, which found that the legislation regulating free zones was aligned with the Council Regulation (EEC) no. 2913/12 of 12 October 1992 which established the Community Customs Code (CCC), Commission Regulation (EEC) no. 2454/93 laying down provisions for implementation of the Council Regulation (EEC) no. 2913/92 on establishment of the Community Customs Code, and with the Council Directive 2006/112/EC on the EU's common system of value added tax.

Also, this study showed that the legislation was closely aligned with the WTO Agreement on Subsidies and Countervailing Measures.

More detailed information on operation of free zones are found in the response to the question no. 20 in Chapter 29 - Customs Union, and in the response to the question no. 6, of Chapter 16 - Taxation. The legislation governing the area of free zones are enclosed with those questions.

In the **FBiH**, business zones are established on the local level, i.e. by decisions of city/municipal councils, and in conformity with relevant spatial plans. The legislation for this area has not yet been developed on the level of the FBiH, but it is in the work plan of the FBiH Ministry of Development, Entrepreneurship and Crafts (the Ministry) for this and the following year.

In the Action Plan for Implementation of the Project Small and Medium Entrepreneurship Development in the FBiH for 2016-2018, Strengthening business infrastructure is Strategic Objective 6. This Strategic Objective's first priority is to improve business zone competitiveness, and the corresponding measure is entitled Development of Business Zone Infrastructure and Services and Business Zone Promotion.

Through this Ministry, the FBiH Government supports establishment and development of business zones, technology parks, business incubators and other forms of entrepreneurial infrastructure. This type of support is provided every year through appropriate projects selected in public competitions to receive grant funding earmarked for this purpose.

The objectives of the project are to build new and improve existing utility infrastructure in the business zones of the FBiH and to improve business zone development services in the FBiH.

Criteria for selection of grant recipients are: the number of active users in the zone; sources-mode of financing; the trend of attracting investors in the past three years; degree of active utilisation of the zone; a more balanced regional development; previous incentives provided by the Ministry. Grant recipients are municipalities and cities in the FBiH.

From 2004 until the end of 2016, the Ministry allocated BAM 17 313 138 for business zone development projects. In this manner, more than 50 local self-government units were supported in establishment and development of business zones. So, BAM 1 000 000 has been planned in the budget for the Project: Development of Business Zones in the FBiH in 2017 as well.

Based on previous experiences, business zone improvement projects have proved to be successful. In addition to their own budget funds and this Ministry's grants, in the previous period most local self-

government units managed to attract some investors to their zones and so to increase local employment considerably. A few local self-government units also managed to address the issue of the management of business zones, while for most of them this is one of the major upcoming tasks. Since 2014, this project has conformed with the EU methodology and the contracts between the Ministry and fund recipients are designed in line with these rules.

The second priority under this Strategic Objective is to establish entrepreneurship support institutions, and the implementation measure for this priority is the establishment and development of other types of entrepreneurial infrastructure. The objectives of these projects is to organise and equip premises for welcoming small and medium entrepreneurs, i.e. start-up entrepreneurs; to develop entrepreneurship support institutions (entrepreneurship centres, business incubators and technology parks); to enhance efficiency of production and production processes on the market of SMEs networked in clusters; to attract investments and create conditions for new job creation.

Grant recipients include entrepreneurship support institutions from the FBiH (business incubators, technology parks, clusters and entrepreneurship centres). The criteria for selection of grant recipients are the purpose of the project; sources-mode of financing; number of members in the cluster, or number of SMEs in the incubator and technology park; a more balanced regional development; previous incentives provided by the Ministry.

Since 2004 until the end of 2016, the Ministry allocated BAM 1 016 400 for establishment and development of entrepreneurship support institutions (business incubators, technology parks, entrepreneurship centres and development agencies). The Ministry's Work Plan for 2017 includes the project: Strengthening institutional entrepreneurship infrastructure, with a budget of BAM 150 000.

The projects to strengthen institutional entrepreneurship infrastructure have been successful, but this type of business infrastructure is underdeveloped in the FBiH.

The contracts between the Ministry and grant recipients for these projects may be considered to be in alignment with the EU legislation.

The FBiH Ministry of Energy, Mining and Industry supports and actively participates in establishment of free zones and industrial parks in the FBiH, in accordance with the Law on Companies (Official Gazette of FBiH, 81/15). According to their purpose, industrial zones are designed to house business system intended for industrial development in a local community or a region/canton. The conditions for establishment of these zones, which are situated on the periphery and in the outskirts of urban centres, are determined by the given local or regional community to meet the needs for infrastructure and serve the interests of industry sectors and of the overall development of the community.

In the **RS**, the Law on Free Zones (Official Gazette of the RS, 65/03) regulated the conditions for establishment and operations of a free zone or a zone that forms its integral part, activities that may be performed in the zone, conditions for performance of such activities and conditions for closing the zone. A zone may be established by domestic or foreign legal or natural persons. Establishment of the zone implies the procedure of adoption of the documents on the zone establishment, setting up the zone management company and securing approval of the RS Government that a zone may be established in a particular part of its territory. In the RS there are no operational free zones.

The RS Foreign Investment Encouragement Strategy 2016-2020 recognised the significance of the development of free zones. In accordance with the Strategy, the RS should consider establishment of a free economic zone in line with positive examples of numerous countries. The impact of a free zone on increasing employment and competitiveness of the country, attraction of foreign investments and

overall economic development need to be considered and those experiences should be the basis for formulation of the future approach to establishment of more free economic zones. The selection of the location and type of the free economic zone should be based on a carefully conducted evaluation of its economic justification.

In addition to free zones, the RS Law on Development of Small and Medium Enterprises (Official Gazette of RS, 50/13) also defined business zones as a form of entrepreneurship infrastructure which provides premises that are finished and connected to utilities, intended for coordinated and planned use by multiple operating businesses. During the previous period, the mapping of zone locations was carried out, officers in the local self-government units were trained to establish the zones, the manual Steps to Establish a Business Zone was produced and the funds were allocated in the RS Budget to 12 local self-government units to co-finance preparation of project documents in business zones. In 2014, the Rulebook on the Conditions and Manner of Establishment of Business Zones (Official Gazette of RS, 23/14) was adopted and it stipulated the types, conditions, manners, responsible bodies and necessary activities for establishment of zones, making it easier for local self-government units to establish zones and adopt the necessary documents. Also, this Rulebook envisages a categorisation of zones into strategic, regional and local zones. A number of local self-government units in the RS, including: Kozarska Dubica, Laktaši, Prijedor, Bijeljina, Mrkonjić Grad, Novi Grad, Gradiška, Teslić, Zvornik, Banja Luka, Trebinje, Derventa, Petrovo, Srbac, Istočna Ilidža, etc. have started activities to establish business zones, which are at various stages of completion.

The significance of business zones has been reflected in the following strategic documents: RS SME Development Strategy 2016-2020, RS Industrial Development Strategy and Policy 2016-2020, RS Foreign Investment Encouragement Strategy 2016-2020 and RS Spatial Plan until 2025.

Ministry of Economy and Entrepreneurship and RARS in January 2019. have launched an initiative to create a web-based database that will, in one place, contain data on both, existing and planned business zones in the Republic of Srpska. RARS is the main responsible the institution on activities on the preparation of the "Project of the information system with web portal of business zones in the Republic of Srpska" whose development is in progress, and it is expected that the system will be in operation in next year. In this way, potential investors and all interested potential customers will be able to find in one place all the relevant information necessary for planning their businesses, while on the other hand, it will provide for the relevant institutions to have an insight into the current state of the business zones, and more effectively implement future projects.

For the time being RARS has prepared and update regularly the locations of business zones which they offer currently available plots for investing in manufacturing sectors.<sup>15</sup>

In the **BDBiH**, establishment of industrial zones is considered to be one of the instruments to support sustainable economic growth. An overall goal of the development and management of industrial zones and other infrastructure projects in the BDBiH is to attract domestic and foreign investors in manufacturing and ancillary industries and new job creation. These investments are expected to contribute to the growth of the local economy in the BDBiH and to assist in the implementation of the long-term development vision Brčko 2020, which has been defined as follows: "Development of the BDBiH as a multifunctional city integrated into BiH and global economy offering attractive living and business environment." Accordingly, the Department of Spatial Planning and Property Affairs proposed to develop the Strategy for Development and Management of Industrial Zones and Other

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<sup>15</sup> <http://www.rars-msp.org/en/business-zones/c70>

Infrastructure Projects in the BDBiH, no. 05-000151/15 of 13 February 2015. During the First Continuation of the 80th Regular Session, held on 04 March 2015, the BDBiH Government passed the Conclusion to adopt this initiative. At the First Continuation of the 85th Regular Session of the BDBiH Government, held on 20 March 2015, at the proposal of the Department for Economic Development, Sports and Culture no. 02-000145/15 of 4 May 2015, the Guidelines for Drafting the Law on Business Zones in the BDBiH were adopted. The Working Group for development of the draft Law on Development and Management of Industrial Zones in the BDBiH, appointed by the Decision no. 05-000180/15 of 13 February 2015, completed this draft Law and, after revisions on 14 September and 8 October 2015, it was submitted into further adoption procedure on 20 January 2016. Adoption of the legislation for this area will create technical prerequisites for optimal functioning of industrial zones in the BDBiH. Besides, the spatial planning documents defined the surface area of industrial zones, creating the preconditions to establish them. Industrial zones defined in the spatial planning documents are in different stages in terms of infrastructure development. For instance, a feasibility study has been completed for the Camp McGovern Industrial Zone, while in some others infrastructure has been partially installed. Since infrastructure development in industrial zones is a demanding task, both in terms of material resources and in terms of financing, its development has proceeded in stages, in line with available budget funds. None of the industrial zones had been fully completed nor equipped with infrastructure.

There is no information whether relevant contractual agreements are aligned with the EU.

In the **Una-Sana Canton**, the Cantonal Government supports establishment of industrial zones within the limits of its technical and financial support capacities. In some municipalities/cities of this Canton, industrial zones are fully in service of companies' economic capacities, while in other the work is still ongoing to create conditions for their establishment. There is no information whether investments into, and development of free industrial zones were regulated by contracts concluded by municipalities/the city. If such contracts exist, we are not competent to declare whether they are aligned with the EU legislation.

In the **Posavina Canton**, the Ministry of Economy and Spatial Planning is not competent to establish free zones and industrial parks. In terms of funding, only in 2017 the amount of BAM 50 000 was allocated to construct new and modernise existing utility infrastructure in the business zones in the Posavina Canton.

The Centar za poduzetništvo d.o.o. (Entrepreneurship Center) in the Orašje Municipality was established to assist and support small and medium entrepreneurs (SMEs), craftsmen and farmers in the Municipality, to develop, prepare and implement projects from various domestic and international sources, and particularly from European Union's Pre-Accession Funds, of interest to the Municipality.

Similar initiatives exist in the form of entrepreneurship zones, as follows:

- Entrepreneurship Zone North in Odžak was established on 2 June 2008 by the Decision of the Odžak Municipal Council.
- Dusine Entrepreneurship Zone, Orašje, was established by the Decision of the Orašje Municipal Council (Official Gazette of the Orašje Municipality, 2/10) on 18 March 2010.
- Šamac-Domaljovac Municipality adopted the spatial plan that the economic zones on the 'Veliko blato' site and the business-service zone on the 'Malo blato' site.

The functioning of the Centar za poduzetništvo (Entrepreneurship Center) of the Orašje Municipality and the Dusine Entrepreneurship Zone is assessed as very good.

There is no information whether relevant contractual agreements are aligned with the EU legislation

In the **Tuzla Canton**, the Government supports establishment of business zones in the Canton. In most local self-government units of the Tuzla Canton, business zones have either been established or their establishment has been initiated. There are 29 business zones in the Tuzla Canton. All local self-government units, except for the Banovići, Kladanj, Teočak and Srebrenik Municipalities have adopted spatial plans that regulate establishment of business zones. At present, a business incubator has been established in Tuzla, with 9 500 m<sup>2</sup> of surface area and serving 34 business that currently conduct their business from within the incubator, as well as in Srebrenik and in Kalesija, each with 200 m<sup>2</sup> of surface area and established as entrepreneurship support centres with incubator capacities. In Tuzla, there is a technology park (the Business Innovation and Technologies Tuzla - BIT Centre Tuzla), which currently serves 25 business entities in the field of information and communication technologies and 5 laboratories.

The **Zenica-Doboj Canton** has no competences to establish free zones. Establishment of industrial zones managed by local communities is supported financially (through incentives).

In the **Bosnian Podrinje Canton Goražde**, the authorities initiate and establish industrial and business zones. Accordingly, the Law on Industrial Zones of the Bosnian Podrinje Canton Goražde was adopted and published in the Official Gazette of BPC Goražde, no 5/15. At present, in the Bosnian Podrinje Canton Goražde there are 4 industrial zones, which constitute the backbone of economic development and account for over 50% of all jobs in the Canton and export nearly 100% of their output.

In the **Central Bosnia Canton**, development of zones is supported through the incentives programme, implemented annually. Existing industrial zones function with difficulty due to the absence of governance structures in the zones. It is not known whether the contractual agreements are aligned with the EU legislation.

In the **Herzegovina-Neretva Canton**, in the document Strategy for Development of Small and Medium Enterprises in HNC 2012-2020 (Official Gazette of HNC, no.6/12), the Government recognised the significance of industrial parks under Strategic objective 4. Strengthening SME competitiveness - Priority objective 2. Support inclusion of SMEs into international value chains.

The Herzegovina-Mostar Free Zone in the Herzegovina-Neretva Canton is part of the BiH customs territory, specially fenced-off and designated, managed by the zone's founder and where business is conducted under special conditions pursuant to the Law on Customs Policy of BiH and the Law on Free Zones in BiH, and in FBiH with the FBiH Law on Free Zones.

The Herzegovina-Mostar Free Zone exports more than 50% of the total goods produced in this free zone, which meets the conditions of the economic justification of its operations.

In the Herzegovina-Neretva Canton, there are 17 business zones in nine local self-government units. Some of these zones achieved enviable results in their operations, while some face either spatial limitations (they are in full capacities), or their level of readiness is poor.

The Foundation for Innovation and Technology Development, or, for short, INTERA Mostar Technology Park has been established in Mostar as a result of the need for technology and innovation development projects and skilled and educated workforce competitive in the domestic and foreign markets. The INTERA works on promotion of entrepreneurship, supporting and incubation of start-ups, training, networking of companies and universities, and has had enviable results. (link to Response to Question 44).

There is no information whether relevant contractual agreements are aligned with the EU legislation.

The authorities in the **Western Herzegovina Canton** do not have competences to establish free zones. There are five free zones on the local level.

The FBiH Ministry of Development, Entrepreneurship and Crafts and the municipalities support entrepreneurship or industrial zones and service industry zones. Investors in the zones purchase construction sites under favourable (subsidised) terms with all infrastructure included (roads, water, electricity, phone).

Relevant contractual agreements are aligned with the EU legislation.

In the **Sarajevo Canton**, the Government supports these activities and uses budget funds to provide incentives for infrastructure development and resolution of property issues in the industrial zones in the Canton, in the municipalities of Ilijaš, Vogošća, Hadžići, Ilidža and Novi Grad.

Based on the requests of the local self-government units - municipalities where industrial zones have been established and, on the projects, submitted for co-financing works on the development of the transportation, water supply and sewerage networks and energy infrastructure, the Sarajevo Canton, pursuant to the applicable legislation, co-finance their implementation on the contractual basis, together with the local self-government units.

These contracts between the Sarajevo Canton - Ministry of Economy and grant recipients are aligned with the EU legislation.

In the **Canton 10**, to date the Government has not provided financial incentives for development of free zones or industrial parks, and on the cantonal level there is no legislation governing this issue. Nevertheless, some municipalities have taken initiative to establish and equip business zones. At present, there are eight business zones in the Canton 10, located in four municipalities (Livno, Tomislavgrad, Kupres and Bosansko Grahovo). Local authorities, i.e. municipalities initiate establishment of business zones and support their development through provision of various benefits, in the form of exemption from utility and other charges. There is no information whether relevant contractual agreements are aligned with the EU legislation.



**Question:**

**Are the authorities carrying out or commissioning studies on the competitive position of the economy and/or main industrial sectors and are results of recent studies available? If yes, please supply relevant studies and summarise their findings.**

**Answer:**

**Tuzla Canton** has a separate study on competitiveness. Other levels of authority do not have separate studies, but competitiveness is included in their strategic goals, priorities, and measures defined in the project Development of industrial policy in FBiH, 2016-2020 Strategy and policy of development of industry of the RS, and 2016-2020 Strategies for fostering foreign investments in RS. BDBiH has not done its study. Herzegovina Neretva Canton prepared an Analysis of the state of economy, while other cantons do not have studies of competitiveness.

In the **FBiH**, sectoral strategic goals, priorities, and measures are defined in the project Development of industrial policy in the FBiH and they are:

1. Increased contribution of industry to the improvement of the standard of living and well-being of citizens in the FBiH: Promotion of environment for production, briefing working-age population about production related activities, promotion of scientific and expert potential of the FBiH and the diaspora in regard to building a society based on knowledge. The goal is to increase contribution to effective employment, higher number of employees, higher number of industrial entities.
2. Accelerated reindustrialisation, revitalisation of technological potentials: Prerequisites for the reindustrialisation of the FBiH are: support to a society built on knowledge, introduction of new information technologies, reinvestments in research network in industry, building of institutional infrastructure to support the entire economy. The goal of reindustrialisation, revitalisation of technological potentials is growth in contribution of industry and GDP-BiH.
3. Upgrading the level of competitiveness of industrial entities: Enterprises need to rely on the resources of knowledge and intellectual capital as fundamental source of business power, market competitiveness, profitability, and intensive growth. The roads to successful upgrade of the level of competitiveness are secured inflow of money - capital, corporative management in conjunction with public and private sector, and incentivisation of introduction of new technologies. Enterprises have to base their development strategies on reengineering, advancement of production and increased productivity. The competitiveness of the industry of the FBiH would remain sustainable with an increase in productivity of 3-4% annually, which is the goal.
4. Increase of the level of export-oriented industry: Production must become the key prerequisite for the well-being of a community, or rather of its survival in the globalised market. To achieve this, production must be highly innovative, highly adaptable - flexible, able to quickly respond to changes, flowing in clusters and networks, based on knowledge and achievements of scientific and research activities. The production which contains these elements may be export oriented with a tendency to secure the growth of exports of 10% which is the goal. Intensive and dynamic development of the industry of the FBiH needs to be based on several important segments: IT and communication technology; scientific and research activities; establishing of a society of knowledge; modern education at all levels; affirmation of intellectual property; concordance and synchronisation with areas which go in line with industry; protection and improvement of the quality of life.

Recommendations given in the document 2013-2023 Development strategy of industry of textile, clothing, leather and footwear in the FBiH have the features of a basic Action plan and fundamental

platform, as the base document for its implementation. In order for the industry of textile, clothing, leather and footwear to survive and further develop, the basic presumption for all activities is that the authorities of the FBiH define their stance about this branch of industry. otherwise, all recommendations herein would be pointless. In expectation of the authorities of the FBiH giving the industry of textile, clothing, leather and footwear the place it deserves, the following is recommended:

1. Creation of conditions for restarting basic production; drafting of guidelines for the development of basic production and production of related materials,
2. Creation of a favourable business environment; legislate existing conditions of doing business, creation of conditions for more foreign investments and higher quality promotion of domestic industry; give preference to placement of domestic products in chain stores; make the Development bank assist the economy; make efforts to eliminate all forms of grey economy; stimulate exporters; establishment of clusters;
3. Unburdening of economy; Legislate fiscal and non-tax charges in domestic economy;
4. Increase of the level of competitiveness of domestic producers; production modernisation; training of existing staff; harmonising the education system and the needs of the economy;
5. Creation of domestic brands; cooperation between economy and scientific educational institutions;
6. Sending initiatives to the Council of Ministers of BiH; Customs tariffs; Excise taxes; Bank guarantees for loan jobs; regulation of public procurement system; incorporation of European directives in domestic legislation;
7. Systems of quality and standardisation; production in line with European standards; introduction of the system of quality;

2012-2022 Development strategy of the defence industry in the FBiH estimated that it was necessary to introduce the NATO codification system in the defence industry and to align legislation with the EU acquis. The strategy was produced to the end of helping the creation of a sustainable development of the defence industry based on the production for the foreign market with regular supply of BiH armed forces in accordance with its needs. The strategy is based on maximum utilisation of existing personnel and material resources with increased utilisation of domestic raw materials and application of modern technologies, as well as upholding obligations in preserving and protecting the environment.

Within its competencies, the FBiH Ministry of Development, Entrepreneurship and Crafts does not conduct nor order studies on economy competitiveness and/or primary industrial sectors.

An analysis of competitiveness and key factors of industrial development was done in the **RS** as part of the Strategy and policies of development of industry in the RS 2016-2020. (more details in answer No 3).

The second strategic goal concerns monitoring of industry development and implementation of measures relevant for improving competitiveness. The Action plan of the Strategy plans for specific measures and activities for its implementation.

As part of the 2016-2020 Strategy for fostering foreign investments in the RS, there was an analysis of possibilities and potential investments in several sectors in the RS (metal industry, wood industry, industry of textile, leather, and footwear, food industry, processing industry, industry of metalloid mineral raw materials, IT and communication technology, renewable energy, agriculture, and tourism), as well as the competitiveness of the RS. Since all international institutions (World Economic Forum -

Global Competitiveness Index, World Bank - Ease of Doing Business Index, OECD - Investment Reform Index...) only analyse the competitiveness of BiH (by way of data on Sarajevo as the capital), and not of the RS, these reports give no information about the competitive position of the RS, even though it achieved significant progress in certain areas (such as registration of businesses e.g.). International donors such as WB/IFC, GIZ, UNDP, SIDA, and others have done sectoral studies of industry or of its sectors as part of their projects.

In 2011, World Bank/International Financial Corporation, produced the Study on the competitiveness of agrobusiness as part of its assistance to the Ministry of Agriculture, Forestry and Water Management of the RS. Current competitiveness of the value chains in the sectors of producing milk, meat, fruit and vegetables, wine, and fish were evaluated in the study. The results revealed that the sectors of producing milk, and fruit and vegetables were the most competitive in the RS. The milk production sector was ranked best due to its export results, while smaller, but fast-growing sectors such as fish and wine were ranked lowest. By the data for the RS from 2011, the RS is particularly strong in four sectors: Production of food and beverages 15.24%; Processing and products of wood and cork 13.61%; Leather products, leather accessories and footwear 13.08%, and production of metal products, excluding machines 10.87%. The share of agrobusiness and its relevant processing is also the biggest in the structure of the gross national product of the processing industry in 2011. Key contribution came from the following sectors:

- Production of food and beverages 23.33%
- Production of metal products, excluding machines 11.70%
- Processing and products of wood and cork 11.58%
- Leather products, leather accessories and footwear 7.53%

**BDBiH** has not produced any study on this topic.

**Una-Sana Canton** has not ordered the studies on the competitiveness of our economy and/or main industrial sectors. Instead it analyses the situation following the parameters used by statistics offices in the FBiH.

Ministry of Economy and Spatial Planning of **Posavina Canton** does not order the studies on the competitiveness of our economy and/or main industrial sectors. Instead, it analyses the situation following the parameters and statistical data used by statistics offices in the FBiH.

IFC, international financial organisation, member of World Bank, did a Study on the competitiveness of three value chains in the agriculture of **Tuzla Canton** in 2014.

Ministry of Economy of **Zenica-Doboj Canton** has never ordered nor produced such a study.

**Bosnian Podrinje Canton Goražde** has not produced nor ordered a study on the competitiveness of its economy.

Ministry of Economy of **Central Bosnia Canton** has never ordered nor produced such a study.

**Herzegovina Neretva Canton** has not ordered a study on competitiveness, but it is included in the Canton's strategic goals, priorities and measures defined in its Development strategy. By way of Conclusion of the Collegium of Herzegovina Neretva Canton Assembly No 02-02-156/15 dated 20 November 2015, the Government of HNC was, inter alia, tasked with preparing an analysis of the state of its economy with a proposal of measures. Ministry of Economy of HNC accordingly produced an Analysis of the state of economy, within its competencies, with the proposal of measures No 07-02-

51-452/15 dated 12 November 2015, adopted on 30 November 2015 by way of a Decision of the Government of HNC No 01-1-02-1717/15.

Pursuant to the mentioned Analysis, on 29 March 2016 the Assembly of HNC issued its act - CONCLUSIONS on the Analysis on the state of economy and proposal of measures No 02-01-XV-103/16, and the conclusions were:

1. The Government of HNC is tasked with accelerating the drafting of the Development strategy of HNC and its spatial planning document;
2. The Government of HNC is tasked with accelerating drafting of projects it may nominate for IPA funds of the EU, as well as other projects that may be financed by international institutions, to the end of the development of the Canton's economy.
3. The Government of HNC is tasked with intensifying the measures and activities from the Action plan of HNC for implementing the 2015-2018 Reform Agenda for BiH;
4. The Government of HNC is tasked with analysing all valid regulations under its competency, to the end of taking measures and activities for improving the regulatory framework, reform of valid regulations and cutting red tape for starting a business in order to facilitate doing business for companies;
5. The Government of HNC is tasked with sending an initiative to the Government of FBiH to amend the legislation on registration of companies and crafts, in order to shorten the procedure, reduce the time, and cut the costs of registration;
6. The Government of HNC is tasked with vitalising the work of the Socio-Economic Council of HNC;
7. The Government of HNC is tasked with taking measures, in cooperation with competent authorities, to make the Chamber of Commerce of HNC more organised and work better;
8. The Government of HNC is tasked along with other relevant institutions (secondary schools and higher education institutions, employment offices, etc.) to draft a plan to harmonise the education system and the needs of the economy which will lay down a programme for skilled craftsman examination and organising the taking of the examination.
9. Competent institutions are tasked with making their priority the updating of land registers and cadastre of real property;
10. The Assembly suggest that the units of local self-governance in HNC speed up the fostering of construction of business zones and business incubators;
11. The Government of HNC is tasked along with its units of local self-governance to work on protecting domestic local products;
12. The Government of HNC is tasked with submitting annual reports to its Assembly on the implementation of these conclusions.

We have not ordered a study on competitiveness, but it is included in our strategic goals, priorities and measures defined in the Canton's Development strategy. By way of Conclusion of the Collegium of Herzegovina Neretva Canton Assembly No 02-02-156/15 dated 20 November 2015, the Government of HNC was, inter alia, tasked with preparing an analysis of the state of its economy with a proposal of measures. Ministry of Economy of HNC accordingly produced an Analysis of the state of economy, within its competencies, with the proposal of measures No 07-02-51-452/15 dated 12

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7. The Government of HNC is tasked with taking measures, in cooperation with competent authorities, to make the Chamber of Commerce of HNC more organised and work better;
8. The Government of HNC is tasked along with other relevant institutions (secondary schools and higher education institutions, employment offices, etc.) to draft a plan to harmonise the education system and the needs of the economy which will lay down a programme for skilled craftsman examination and organising the taking of the examination.
9. Competent institutions are tasked with making their priority the updating of land registers and cadastre of real property;
10. The Assembly suggest that the units of local self-governance in HNC speed up the fostering of construction of business zones and business incubators;
11. The Government of HNC is tasked along with its units of local self-governance to work on protecting domestic local products;
12. The Government of HNC is tasked with submitting annual reports to its Assembly on the implementation of these conclusions.

**West Herzegovina Canton** has never ordered nor produced such a study.

**Sarajevo Canton** has never ordered nor produced such a study.

**Canton 10** has not ordered such studies so far.

**Question:**

**Please inform about what is foreseen for the future and what is in the pipeline (plans, blue prints, and timetables)**

**Answer:**

The levels of authority competent for the industrial policy planned certain activities in the forthcoming period. Three strategic documents for different industrial sectors are planned to be drafted in the FBiH, as well as implementation and updating of existing and drafting of new action plans. The RS plans to implement their Action plan for implementing the Strategies and policies of development of industry in the RS 2016-2020. BDBiH has no planned activities. Una-Sana Canton, Bosnian Podrinje Canton, Central Bosnia Canton, Herzegovina Neretva Canton, West Herzegovina Canton, and Sarajevo Canton planned for certain activities in this area.

Implementation of the following activities is planned in the **FBiH** in 2017:

- Development strategy for the sectors of metal industry and electrical power.<sup>16</sup>
- Development strategy for the wood industry in FBiH<sup>17</sup>, and
- Development strategy for the industry of construction materials and metalloids of FBiH.<sup>18</sup>

From 2016 through 2019 activities contained in the Action plan for implementation of the project Development of Industrial Policy in the FBiH 2016-2019 are being implemented, as well as Amendments to the 2013-2018 Action plan for the implementation of the 2013-2023 Development strategy of industry of textile, clothing, leather and footwear in the FBiH, and the Action plan for the implementation of the Development strategy of the defence industry. Implementation of action plans is also planned for this period and they will be enacted after the adoption of the Development strategy for the sectors of metal industry and electrical power of the FBiH, Development strategy for the wood industry in the FBiH, and Development strategy for the industry of construction materials and metalloids in the FBiH.

In the **RS** the Action plan for implementing the Strategy and policies of development of industry in the RS 2016-2020 is an integral part of this strategic document. The Action plan contains an overview of strategic and operative goals with specifically defined activities for their implementation, implemented by the competent institutions and other participants, within given deadlines for execution. The Action plan contains 159 different activities (<http://www.vladars.net/sr-SP-Cyrl/Vlada/Ministarstva/mper/std/Pages/Strategija-i-politika-razvoja-RS-za-period-2016---2020.aspx>).

The document 2017-2019 Framework Budget of the RS. (The document 2017-2019 Framework budget of the RS was adopted at 80th session of the Government of the RS held on 30 June 2016) includes anticipated economic and fiscal goals of the Government of the RS, and updated projections of macroeconomic indicators for the RS during the period. Stable economic growth was planned for 2017-2019 at rates of 2,9%, 3,1%, and 3,3% respectively, mostly as a result of increased exports (with

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<sup>16</sup> Development strategy for the sectors of metal industry and electrical power 2016 – 2025 is adopted in June 2018.

<sup>17</sup> Development strategy for the wood industry in FBiH 2016-2025 is adopted in June 2018.

<sup>18</sup> Development Strategy for the industry of Construction Materials in FBiH 2016-2025 is adopted in June 2018.

sustainable level of export demand), mild growth of domestic demand as a result of increased employment and positive effect of investments.

The basic framework for the preparation of the Proposal of Program of Economic Reform (PER) RS 2019-2021 on joint policies and measures, signed in December 2017 with the social partners of the Government of Republic of Srpska, defines the main policy objectives through seven priorities:

1. Increasing the competitiveness and productivity of the economy of the Republic of Srpska with the aim of increasing salaries;
2. A sustainable health system;
3. An efficient overall public sector;
4. The Educational system and labor market adjusted to the needs of the economy;
5. Improving the demographic position of the Republic of Srpska;
6. Research, development, innovation and digital economy;
7. European integration, regional and international cooperation.

In the period 2019-2021 are expected to continue the stable growth of economic growth at rates of 3.7%, 4%, and 4% respectively, as a result of further growth of domestic demand, sustainable level of export demand and positive effect of investments. The expected growth of economic activity in the countries of the region (especially in the countries of the most important foreign trade partners) through sustainable export demand will enable further positive developments in foreign trade and will positively affect the growth and development of industrial production, especially the export-oriented manufacturing industry. In addition, a further trend of growth in the energy sector is expected. The development of the industry enables higher investments, as well as an increase in the number of employees, which, with the growth of personal earnings, will allow domestic consumption to grow. Planned investments should also contribute to overall economic growth.

There are no plans in the **BDBiH**<sup>19</sup> to order a study on economy competitiveness, but it is planned to draft a 2017-2020 Strategy of Development of the BDBiH.

The government of BDBiH adopted the Project for the preparation of BD development strategy from 2018 to 2025 in February 2018. This project is expected to be in line with that of national level and at the level of the European Union. It is also planned to open a strategic planning sector within the city mayor's office.

In the projection of the Framework Budget Document (DOB) of the Una-Sana Canton (three-year budget projection of the USC) there are plans to support the development the economy and industrial zones, as well as in the 2014-2020 Integrated Development Strategy of USC.

**Posavina Canton** has no specific plans and will act in accordance with the plans of the Government of the Posavina Canton and higher levels of authority.

**Tuzla Canton** has no plans for future activities within the industrial policy of economy competitiveness. The Ministry of Agriculture, Forestry and Water Management will continue with its activities to further improve the food and wood industries in accordance with its competencies.

Following the adoption by the bodies of higher levels of authority and should we be competent for their implementation, **Zenica-Doboj Canton** will take appropriate steps.

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<sup>19</sup> BDBiH: Brcko District BiH

**Bosnian Podrinje Canton** plans to take action to find favourable space for new business zones, as well as activities to expand new production facilities of existing industrial zones.

**Central Bosnia Canton** plans to implement its 2016-2020 Development Strategy and to initiate the drafting of its 2020-2030 Development Strategy during 2019.

The Assembly of **Herzegovina Neretva Canton** adopted its 2017-2020 Development Strategy (Official Gazette of HNC, 6/17). The 2017-2020 Integrated development strategy of Herzegovina Neretva Canton is its key strategic planning document which will foster and direct the future growth and development of HNC. The Development strategy of HNC was drafted to serve as a framework for defining joint goals, fostering strengths, resolving burning issues, and as an answer to the challenges of the future development of HNC and life in it.

The development vision for HNC up to 2020 was defined on the basis of conducted socio-economic analysis in HNC, and it represents the basis for work and activities of all citizens living in this geographical area, which is: recognisable, entrepreneurial, attractive synergy of variety. Aiming to create the mechanism to achieve the development vision, three strategic courses of action of HNC until 2020 were defined in order to ensure the link between specific future actions and the development vision:

- Increase of production and employment with valorisation of natural and cultural heritage.
- Improvement of the quality of life of citizens in accordance with EU standards.
- Sustainable management of the environment, space, income and infrastructural resources.

In its 2014-2020 Development strategy **West Herzegovina Canton** outlined the measures for nominating projects for EU funds.

The 2020 Development Strategy of **Sarajevo Canton** determines the goals and priorities of the canton's development, manner of achieving them, the financial and institutional framework for implementation, monitoring, evaluation and reporting. See replies to questions 3 and 4.

**Canton 10** has no planned activities of this kind.



## **B. Privatisation and Restructuring**

### **Question:**

**Please provide a copy of the annual privatisation plan. What policy/plan and schedule has been identified for privatisation or restructuring? Is it aligned with FDI policy? How is the privatisation of industrial enterprises proceeding according to this schedule? Where obstacles impede full respect of the schedule, what are the obstacles and the solutions proposed to overcome these difficulties? Which structural reforms are complementing this process? Which ones are deemed most effective?**

### **Answer:**

The plan and dynamics of privatisation were determined in the submitted privatisation plans. Likewise, obstacles and their solutions were determined as well. The Reform Agenda determined the structural reforms.

At its 11th session held on 18 June 2015 the **FBiH** Government issued its Conclusion V No 704/2015 by which it adopted the Information on implementing the Decree on exercising authority in enterprises whose share of state capital is owned by the FBiH by which it divided enterprises into three categories: strategic enterprises, enterprises with difficulties in doing business, and enterprises whose share of state owned capital was set for privatisation. In this Conclusion the FBiH Privatisation Agency was tasked to prepare a Privatisation plan suggesting models and manners of privatisation for eight enterprises in category three, enterprises whose share of state-owned capital was set for privatisation.

In the process of drafting its Work programme and the 2017 Privatisation plan, FBiH Privatisation Agency was guided by the 2015-2018 Reform Agenda for BiH, 2015-2018 Action plan of BiH to implement the Reform Agenda for BiH, and the Conclusion of the Government of the FBiH V No 704/2015 dated 18 June 2015.

The 2017 Privatisation plan and the Work Programme of the FBiH Privatisation Agency, in accordance with the Conclusion of the Government of the FBiH V No 704/2015 dated 18 June 2015, planned for sale of state-owned capital in these enterprises: "Energopetrol" d.d. Sarajevo, "Energoinvest" d.d. Sarajevo, "Aluminij" d.d. Mostar i "Sarajevo Osiguranje" d.d. Sarajevo.

At its 90th session held on 10 February 2017 the Government of the FBiH enacted its Decision on approving the work programme and the 2017 Privatisation plan of the FBiH Privatisation Agency V No 183/2017 dated 10 February 2017.

In accordance with the Reform agenda and the 2017 Privatisation plan the sale of state-owned capital in telecommunication operators was planned for, i.e. preparation of BH Telecom d.d. Sarajevo and HT d.d. Mostar to be privatised, as well as Feroelektro d.d. Sarajevo.

The significance of privatisation calls for an assessment of the results achieved so far and the conditions in which the process has been taking place, i.e. the measures that need to be taken to improve the environment for investments and privatisation.

Privatisation results, excluding the remaining privatisation portfolio in the FBiH, also call for a definition of main reasons behind lack of interest of domestic, and particularly foreign investors to invest in the FBiH.

FBiH Privatisation Agency established a register of 1 450 enterprises with amount and structure of capital valid on 31 December 1999. The register, corrected and supplemented to some extent later on, reveals the following situation:

- The total capital of 1 450 enterprises with state ownership on 31 December 1999 amounted to BAM 18.72 billion;
- The state-owned capital amounted to BAM 17.3 billion;
- Private capital (previous ownership transformation - so called Marković's privatisation) amounted to apx BAM 1.4 billion;
- By way of valid regulations and special decisions of the FBiH Government, apx BAM 3.8 billion were excluded from the privatisation;
- BAM 13.5 billion were allocated to be privatised, of which BAM 6.3 billion through public offering of shares (POS).

Privatisation results were presented using the number of enterprises on 31 December 2016:

- Number of enterprises in the register of the Agency 1 450;
- A total of 278 enterprises were privatised by the method of small-scale privatisation;
- A total of 356 enterprises were privatised by the method of tender in large-scale privatisation;
- The remaining state-owned capital in 3 (three) enterprises were privatised through stock exchange;
- A total of 747 enterprises were privatised completely or partially by the method of POS;
- Privatisation is complete in 1 088 enterprises (74.8%);
- A total of 2 594 items were sold under the terms of small-scale privatisation;

Privatisation results were presented using the value on 31 December; 2016:

- The amount of state-owned capital allocated for privatisation was BAM 13.5 billion;
- A total of BAM 5.803 billion of state-owned capital and property were privatised;
- A total of BAM 8.485 billion was the revenue from certificates;
- A total of BAM 0.671 billion was the revenue in cash;
- A total of BAM 7.697 billion of capital has not been privatised;

These are the overall results of the FBiH Privatisation Agency including all cantonal agencies.

The reasons behind the obviously slow privatisation process and its influence on the amount of investments in BiH are political and legal instability, high level of corruption, unforeseeable tax trends, inefficient administration, too much time to get a permit, declining purchasing power, and negative demographic trend.

All these calls for a need for urgent and radical measures which would speed up the process and end the privatisation in a realistic time schedule.

Policy/plan and dynamics of the privatisation are not harmonised with FDI. The structural reforms following the privatisation should ensure economic recovery of the country and attract foreign investments.

In the **RS**, the 2017 Privatisation plan for state owned capital in enterprises plans for privatisation of a total of 21 enterprises: A total of three strategic enterprises with majority state owned capital, six enterprises established by the RS Government using the property it bought in bankruptcy proceedings, one limited liability company, and eleven enterprises with minority share of state owned capital (2017 Privatisation plan is attached to Chapter 20: Enterprise and industrial policy). Implementation of these activities is ongoing. Different factors affect the dynamics of the privatisation: lack of interest of investors, unattractive enterprises offered, ownership structure in enterprises with minority share of state-owned capital dominated by one control owner, which means lack of competitions.

In order to make the enterprises to be privatised more attractive, the law offers a possibility of debt to equity conversion.

**BDBiH** cannot submit its annual privatisation plan since we do not have such a document. Our privatisation process is complete and there was no need to produce such a document. A total of 26 state owned enterprises were privatised in BDBiH, and bankruptcy was invoked in the twenty-seventh enterprise which leaves the list of enterprises to be privatised empty.

## Supporting SMEs to access foreign markets

### Question:

**Please describe which measures, if any, and institutions or bodies are in place or to be introduced, to enhance the access and opportunities of SMEs on foreign markets, particularly the EU Internal Market.**

### Answer:

The measures to enhance the access of SMEs in BiH to foreign markets will be introduced through implementation of the EU programme Competitiveness of Enterprises and Small and Medium-sized Enterprises (COSME) (2014-2020). The measures to enhance access of SMEs to foreign markets are in place in the RS.

At the level of **BiH**, with a view to enhancing access of SMEs to foreign markets and opportunities, particularly the EU Internal Market, the Ministry of Foreign Trade and Economic Relations signed an agreement with the European Union on participation of BiH in the EU Programme Competitiveness of Enterprises and Small and Medium-sized Enterprises (COSME) (2014-2020). The agreement was signed on 2 June 2016 in Brussels, ratified on the 32nd regular session of the Presidency of BiH held on 20 December 2016, and entered into force on 24 February 2017 when BiH informed the European Commission through diplomatic channels that internal legal conditions necessary for its entering into force had been met.

In **the RS**, there is a network of representation offices abroad the primary role of which is to support business entities with a view to investing in the RS and enhancing the foreign trade exchange (Austria, Serbia, Russia, USA, Israel, Greece, Belgium and Germany).

Besides providing direct support to business entities, the representation offices often organise trainings for domestic businessmen on the possibility of export to the markets of the above countries (recently, there was a series of trainings on the mode and possibilities of investment to the Austrian market organized by the representation office and the Austrian Federal Economic Chamber Economy as well as a seminar on the conditions for entering the Russian market, organized by the representation offices and the organisation of the City of St. Petersburg). The RS Government portal for exporters is currently being tested [www.izvozinfor.net](http://www.izvozinfor.net).<sup>20</sup>

The RS Chamber of Commerce and Industry<sup>21</sup> organises promotional activities for the purpose of presenting the RS economy at home and abroad, as well as the possibilities for investing into the RS. The chamber conducts these activities in collaboration with the RS Government, the RS representation offices abroad and other institutions through participation in the investment and business conferences, business missions, economic forums, round tables, and other such events. Joint visits and appearances of businesses at fairs are organised if members express an interest in such activities. Also, the Chamber has for the past twelve year organized the event known as Selection of the Most Successful [Company] in the RS Economy with the aim of promoting the successful companies and products from the RS. With a view to acquainting the business entities with the requirements of the EU and the third countries markets, the Chamber organizes training programmes to introduce business subjects to the terms and conditions of launching their products in the EU Internal Market,

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<sup>20</sup> Please refer <http://www.izvozinfor.net/Pages/default.aspx>

<sup>21</sup> The Chamber of Commerce and industry of Republic of Srpska, with its Regional Chambers in Banja Luka, Bijeljina, Doboj, East Sarajevo and Trebinje, makes a unique Chamber System of Republic of Srpska. The Commercial Register of companies in RS is available at <http://www.business-rs.ba/> in Serbian language.

such as: products safety requirements and conformity assessment, requirements in terms of food safety, labelling, nutritional labelling and packaging of products, industrial design protection, the environmental protection requirements, etc. Also, a special training program for the export companies is implemented dealing with the following topics: International Commercial Terms INCOTERMS, insurance and guarantees costs, products adjustment costs, marketing costs, the selection of distribution chains, the transport costs and export price calculation. For the purpose of enhancing the economy's competitiveness, the Chamber implements various support programmes, individually or in collaboration with the international programmes. In collaboration with the USAID FIRMA project, support programme activities were implemented to introduce quality standards and the international market entry of the wood and metal industry sectors and the Fund to support introduction of quality standards in the wood industry was established in cooperation with the Ministry of Industry, Energy and Mining, the City Development Agency Banja Luka -CIDEA and the City of Prijedor. Total value of this project that supported 53 companies was BAM 133 000. In collaboration with the USAID GOLD project, the Chamber provided support to manufacturing companies in the form of co-financing the process of quality standards introduction, certification and re-certification, market access activities (creating promotional material, webpage, preparations for exhibiting at fairs, branding) and work force training. Total value of allocated funds was BAM 161 000, and 34 companies exercised the right to use those funds.

In the **RS**, a very important support mechanism for SMEs is the Enterprise Europe Network (EEN) which coordinated by RARS. The main purpose of EEN increasing the competitiveness of the economy, internationalisation of small and medium enterprises and enhancing cooperation between the economy, universities and research institutions. This project is implemented within the framework of the EU programme for competitiveness and innovation COSME. Enterprise Europe Network supports companies in the field of professional training, access to foreign market, participation in EU programmes and in particular the use of database Merlin for the purpose of finding business partners. The Enterprise Europe Network Consortium in the RS comprises the RS Agency for Development of Small and Medium-Sized Enterprises, the Consortium coordinator and the members: the RS Chamber of Commerce, the University of East Sarajevo, the University of Banja Luka and the Innovation Centre Banja Luka. The activities of the Enterprise Europe Network are related to organising seminars, business matchmaking events and trade missions, informing companies on the EU support programmes, conditions for accessing international market and other important topics. The budget of the Enterprise Europe Network of the RS amounts to BAM 358 353 on an annual level.

The Chamber continuously cooperates with EBRD BAS programme that has been supporting the development of small and medium-sized enterprises since 2001. The BAS (now SBS) programme co-finances the business advisory services for small and medium-sized enterprises. The project supports the promotion of programmes, incentives for its members, organisation of seminars and participation in the programme of providing services in the field of quality and informs on other possibilities and advantages offered by this programme.

Foreign Trade Chamber of B&H (state level) and Chamber of Economy of the Federation of Bosnia and Herzegovina (including the network of chambers) are organises promotional activities for the purpose of presenting the BiH/FBiH economy at home and abroad, as well as the possibilities for investing into the BiH/FBiH.<sup>22</sup>

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<sup>22</sup> The both chambers maintain a company register but only in B/H/S language: <http://komorabih.ba/registar-kompanija/>, and <http://www.kfbih.com/registar-privrednih-subjekata>.

In the **BDBiH** there are no measures in place to enhance access of SMEs to foreign markets and business opportunities.

In the **Una-Sana Canton**, there are no measures in place to enhance access of SMEs to foreign markets and business opportunities and no indications when they are to be introduced to enhance the access of SMEs to foreign markets and business opportunities, particularly to the EU Internal Market.

**The Tuzla Canton.** Within the framework of activities aimed at strengthening the competitiveness of SMEs and crafts in the area of the Tuzla Canton, in 2016 the Ministry of Development and Entrepreneurship of the Tuzla Canton in collaboration with the Foreign Trade Chamber of BiH and the European Bank for Reconstruction and Development (EBRD) organised a presentation of funding opportunities for SMEs growth and expansion, including the presentation of Enterprise Europe Network of BiH that provides opportunities for small and medium-sized enterprises to establish business cooperation with international partners whereby gaining access to foreign market and opportunities.

Also, with a view to strengthening internal management capacities of SMEs and crafts, as well as the capacities for easy access to foreign markets, in 2012 the Ministry of Development and Entrepreneurship of the Tuzla Canton conducted trainings in the field of certification according to international standards. Between 2012 and 2017, a total of 37 one-day free seminars attended by 400 participants, i.e. representatives of SMEs and crafts, were organized in collaboration with renowned consulting companies.

In the time to come, the Ministry will continue working to define and implement measures aimed at strengthening the capacities of SMEs for easy access to foreign markets and business opportunities.

**In the Zenica-Doboj Canton**, since 1999, the Government has been providing incentives to business entities for the introduction of international standards on quality management, such as: ISO 9000. HACAP, HALAL, FSC, CE and others. Thus far, around BAM 3.5 million has been spent and around 350 certifications were co-financed.

In the **Canton 10**, there are no measures in place to enhance access of SMEs to foreign markets and business opportunities.

The **Sarajevo Canton** laid down the incentive measures and activities for achieving the goals of small business development that are determined in the Development Program in the Article 12 of the Law on Incentive for Small Business Development in the Sarajevo Canton. Based on the development programme and the proposal of the programme leader from Article 16 of the Law, the annual plans for carrying out the Programme are adopted and incentive measures for SMEs are determined. The incentive measures that are implemented in the Sarajevo Canton in 2017 are set out in detail in the answer to question 51. The Sarajevo Canton in collaboration with the Chamber of Economy of the **Sarajevo Canton and the Sarajevo Regional Development Agency** organises trainings for domestic businessmen on the mode and opportunities for export in the EU countries, and various promotional activities aimed at presenting business opportunities of the Sarajevo Canton at various business conferences, round tables as well as by organising joint appearance of businessmen at international fairs and exhibitions. The Chamber of Economy organises training programmes for businessmen on the standards, terms and rules based on which the products are placed on the EU market.

In the **Herzegovina-Neretva Canton**, there are no measures in place to enhance access of SMEs to foreign markets and business opportunities.

In the **Bosnian Podrinje Canton Goražde**, there are no measures in place to enhance access of small and medium-sized enterprises to foreign markets and business opportunities. Until now, there have been individual activities which were reflected in incentives for the introduction or maintenance of quality management standards (ISO standards, CE mark, HACCP) and these measures were foreseen in the program of expenditure of funds earmarked for the incentives to business entities. There are possibilities that these activities will be re-introduced sometime in the future.

The promotional videos in English language for main sectors of B&H Economy are available at:

<http://komorabih.ba/en/bh-metal-sector/>

<http://komorabih.ba/en/bh-wood-sector/>

<http://komorabih.ba/en/bh-food-sector/>

<http://komorabih.ba/en/bh-tourism-sector/>

<http://komorabih.ba/en/inspiring-ideas-2/>

The promotive publications are available at:

<http://komorabih.ba/en/home/publications/>

## References

Name of Database	Published by	URL
Database of Investment Projects, B&H	Foreign Investment Promotion Agency (FIPA)	<a href="http://www.fipa.gov.ba/investinbih/">http://www.fipa.gov.ba/investinbih/</a>
Database of Business Locations, B&H	FIPA	<a href="http://www.fipa.gov.ba/investiranje/lokacije/poslovni_objekti/Archive.aspx?pageIndex=1&amp;langTag=en-US">http://www.fipa.gov.ba/investiranje/lokacije/poslovni_objekti/Archive.aspx?pageIndex=1&amp;langTag=en-US</a>
Privatization Opportunities Federation of B&H	Federal Agency for privatization	<a href="http://www.apf.com.ba/aktuelna-prod/Archive.aspx?template_id=4&amp;langTag=en-US&amp;pageIndex=1">http://www.apf.com.ba/aktuelna-prod/Archive.aspx?template_id=4&amp;langTag=en-US&amp;pageIndex=1</a>
Database of Enterprises (only b/c/s language) B&H	Foreign Trade Chamber of B&H	<a href="http://komorabih.ba/registar-kompanija/">http://komorabih.ba/registar-kompanija/</a>
Database of Investment Projects by Sector, RS	Invest Srpska	<a href="http://www.investsrpska.net/index.aspx?PagelD=520&amp;menuID=444">http://www.investsrpska.net/index.aspx?PagelD=520&amp;menuID=444</a>
Database of Municipal Investment Presentations, RS	Invest Srpska	<a href="http://www.investsrpska.net/index.aspx?PagelD=443&amp;menuID=405">http://www.investsrpska.net/index.aspx?PagelD=443&amp;menuID=405</a>
Database of Investment Projects by Municipality, RS	Invest Srpska	<a href="http://www.investsrpska.net/index.aspx?PagelD=445&amp;menuID=408">http://www.investsrpska.net/index.aspx?PagelD=445&amp;menuID=408</a>
Database of Business Zones, RS	Invest Srpska	<a href="http://www.investsrpska.net/index.aspx?PagelD=328&amp;menuID=438">http://www.investsrpska.net/index.aspx?PagelD=328&amp;menuID=438</a>
Database of Business Zones in RS with available investment plots	RARS	<a href="http://www.rars-msp.org/en/business-zones/c70">http://www.rars-msp.org/en/business-zones/c70</a>
Privatization Opportunities Republic of Srpska	The Republic of Srpska Investment-Development Bank (IRBRS)	<a href="http://www.irbrs.org/azuro3/a3/index.php?lang=engleski&amp;id=47&amp;tr=">http://www.irbrs.org/azuro3/a3/index.php?lang=engleski&amp;id=47&amp;tr=</a>
Investment Location Database in the Republic of Srpska	IRBRS	<a href="http://www.irbrs.net/OpstineDB/OpstineDB.aspx?lang=eng">http://www.irbrs.net/OpstineDB/OpstineDB.aspx?lang=eng</a>
Sarajevo Business Forum 2018, List of Projects	Sarajevo Business Forum	<a href="http://sbf.talkb2b.net/members/show_all">http://sbf.talkb2b.net/members/show_all</a>
FIPA Brochures	FIPA	<a href="http://www.fipa.gov.ba/publikacije_materijali/brosure/default.aspx?id=243&amp;langTag=en-US">http://www.fipa.gov.ba/publikacije_materijali/brosure/default.aspx?id=243&amp;langTag=en-US</a>
FIPA Database of Investment Projects	INVEST IN Bosnia Herzegovina	<a href="http://www.fipa.gov.ba/investinbih/index.htm">http://www.fipa.gov.ba/investinbih/index.htm</a>
Republic of Srpska Foreign Investment Encouragement Strategy 2016-2020	Republic of Srpska Government	<a href="http://www.investsrpska.net/files/Republic_of_Srpska_Foreign_Investment_Encouragement_Strategy_2016-2020_with_Action_Plan.pdf">http://www.investsrpska.net/files/Republic_of_Srpska_Foreign_Investment_Encouragement_Strategy_2016-2020_with_Action_Plan.pdf</a>
Investment Summary of the Una-Sana Canton	Development Agency of the Una-Sana Canton	<a href="http://www.rausk.ba/publikacije/811389pb3.pdf">http://www.rausk.ba/publikacije/811389pb3.pdf</a>
Guide for Investors in Tuzla Canton 2014	Government of Tuzla Canton	<a href="http://www.vladatk.kim.ba/Vlada/Dokumenti/2014/Guide_for_investors_in_Tuzla_Canton.pdf">http://www.vladatk.kim.ba/Vlada/Dokumenti/2014/Guide_for_investors_in_Tuzla_Canton.pdf</a>
Invest in Sarajevo Canton!	Ministry of Economy of Sarajevo Canton	<a href="https://mp.ks.gov.ba/sites/mp.ks.gov.ba/files/invest_sarajevo_canton_eng_2017.pdf">https://mp.ks.gov.ba/sites/mp.ks.gov.ba/files/invest_sarajevo_canton_eng_2017.pdf</a>





# **Frequently Asked Questions for Foreign Direct Investors to Montenegro**

### **Disclaimer**

This document is a compilation of available data of Montenegro's institutions regarding the EU acquis (Chapter 20 Enterprise and Industrial Policy). The acquis under the enterprise and industrial policy chapter consists of policy principles and instruments. EU industrial policy seeks to promote industrial strategies enhancing competitiveness by speeding up adjustment to structural change, encouraging an environment favorable to business creation and growth throughout the EU as well as domestic and foreign investments.

JICA expert team collected available data directly related to foreign direct investors. For your decision making, please refer to the government agencies indicated in the list of investment promotion agencies as a part of this report.

### The List of Organizations in Charge of Investments and Exports

Name of the Agency	Address	Phone Number	E-mail	URL	Remarks
Ministry of Economy Directorate for Investment, SME Development, and EU Funds Management	Rimski Trg 46 81 000 Podgorica, Montenegro	382 20 406 316	jelena.obradovic@mek. gov.me	<a href="http://www.mek.gov.me/organizacija/investicije">http://www.mek.gov.me/organizacija/investicije</a>	
The Montenegrin Investment Promotion Agency (MIPA)	Jovana Tomasevica 2A, Podgorica, Montenegro	382 20 203 141, 203 140	<a href="mailto:info@mipa.gov.me">info@mipa.gov.me</a>	<a href="http://www.mipa.co.me/">http://www.mipa.co.me/</a>	
Chamber of Economy of Montenegro	Novaka Miloseva 29/II 81000 Podgorica Montenegro	382 20 230 545	<a href="mailto:pkcg@pkcg.org">pkcg@pkcg.org</a>	<a href="http://www.privrednakomora.me/en/chamber-economy">http://www.privrednakomora.me/en/chamber-economy</a>	
The Montenegrin Foreign Investors' Council	Novaka Miloseva 29/II 81000 Podgorica Montenegro	382 20 408 606	ivan.radulovic@mfic.me	<a href="https://www.mfic.me/">https://www.mfic.me/</a>	Non-profit business association of foreign investors

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### Question:

**What are the specific measures implemented to promote investment, and in particular to attract foreign direct investment (FDI)? Are there any studies showing the opportunities (niches) for the manufacturing sectors on the EU and global market? What is the strategy/approach designed and implemented for attracting the FDI? Is there an institution responsible to implement both strategy and the measures in place?**

### Answers:

The key economic policy and strategic documents related to Foreign Direct Investments in Montenegro are:

- Economic Reform Programme for Montenegro 2019-2021
- Montenegro Development Directions 2018-2021
- National Strategy for Sustainable Development until 2030
- Montenegro Fiscal Strategy 2017-2020
- Industrial Policy of Montenegro until 2020 and Multi-Annual Action Plan for the Implementation of Industrial Policy of Montenegro until 2020
- Trade Facilitation Strategy 2018-2022

The four strategic objectives identified within Industrial Policy of Montenegro until 2020 as follows:

1. Competitiveness of industry: Better business environment and conditions for the competitiveness and sustainability of industry, including tourism and other sectors with high value added
2. Investment and finance for industrial modernisation: Improved investment framework for industrial modernization through better affordability, availability and access to finance
3. Innovation and entrepreneurship: Promotion of entrepreneurship and entrepreneurial culture for innovation and stable economic growth, increased productivity and employment
4. Market access: Simplification of procedures for trade and business access to domestic and international markets

Within Strategic objective 2. Investments and finance for modernization of industry SO 2.2 is: **Encouraging direct investments in industrial sectors**

The priorities of this sub-goal are as follows:

- Provide an appropriate framework and conditions for attracting new investments

Success in attracting foreign direct investments (FDI) should be based on activities primarily directed at completing a favourable regulatory framework and creating a competitive business climate. Institutional development capacity is needed to fully monitor FDI processes, from attraction of foreign investment through to full implementation. Additionally, developing human resources for commencement and implementation of the overall investment is one of the key elements of success. In order to maximize impact of foreign direct investments, focus should be on available capacities in sectors and areas which possess comparative advantages. In this respect, aside from tourism, interest of foreign investors should be in those sectors with available, yet under-utilised natural resources, as well as where production is currently primarily within lower value processing phases, these areas include food processing, wood industry, metal processing and pharmaceuticals.

The Regulation to encourage investment should be highlighted, which is aimed at attracting investment projects with a minimum investment value of 100.000/250.000€ and at least 4/8 new jobs created, through investments in land, buildings, manufacturing plants, machinery and equipment, but also through intangible investments (patents and licenses). The Regulation makes basis for financial incentives for attracting direct investments, especially in manufacturing industry aiming at creating

new job positions and introducing new technologies and knowledge. Encourages investment projects that permit a dominant share of domestic suppliers, and development of services and products sold in international markets. Especially valued are investment projects implemented in less developed territories of Montenegro. Providing relevant incentives to the investors will directly contribute to increase industrial share in GDP through gained effects in employment increase, production and export.

Key measures within SO 2.2.:

**2.2.1. Promotion and communication for attracting investments into target sectors, as well as the application of the Regulation on encouraging direct investment promotion** through presentation of available investment potentials, establishing contacts and negotiations with potential partners and investors on use of available investment stimulation.

Implementing all the key measures within this strategic sub-objective would contribute to the achievement of the following results.

- Increasing the level of direct investment in industrial sector,
- New jobs creation within industrial sector and less developed areas.

The institutions in charge for implementation of strategy and the measures are Ministry of Economy and Secretariat for development projects.

The key regulations and relating program for fostering direct investments in Montenegro are:

#### **1. Program line for direct investments incentives**

The funds to incentivize investments are allocated following a public announcement. Eligible investment projects include those of minimum worth of €250,000 which generate at least 8 new jobs over the course of three years, from the date of signing the agreement on the use of funds (in the Capital City and the southern region), or those worth at least €100,000 which generate at least 4 new jobs (in the northern and central region, excluding the Capital City). The incentives range from €3,000 to €10,000 per new job. In addition, any capital investment in excess of €10 million and generating at least 50 new jobs is eligible for incentives of up to 17% of its worth. The Program line also envisages the possibility to reimburse the costs of construction of the infrastructure required to implement the investment project.

According to the Program line, foreign investors become eligible to access the funds if they set up a company in Montenegro. The stages of the procedure for allocation of the funds to foster foreign investment: The amount is set at up to 50% of the eligible costs of implementation of the investment project in case of large companies, up to 60% for medium-sized companies and up to 70% for small companies. (Small company is any company with fewer than 50 employees and annual turnover or total annual balance lower than €8 mil; Medium-sized company is any company with 50 to 250 employees and annual turnover lower than €50 mil or total annual balance sheet lower than €40 mil; Large company is any company with more than 250 employees and total annual balance sheet above higher then €40mil.). Funds amounting to up to 17% of the total value of the investment project may be allocated for capital investments without prior scoring procedure, in line with the Program line.

#### **2. Degree on Business Zones**

According to the Degree on Business Zones there are two categories:

- a) Business Zone of Strategic Importance designated and managed by the Government of Montenegro,
- b) Business Zones of Local Importance designated and managed by the local governments.

Investors in both categories of Business Zones will be granted national and local-level incentives. National-level incentives - the employers who hire staff to work in a Business Zone are exempt from the contribution for compulsory insurance paid to salaries and from personal income tax. Local-level reliefs include: Lower utility and other fees; Favourable lease/purchase of premises within the business zone; Lower or zero surtax to PIT; Lower real estate tax rate; Opportunity to define a favourable public-private partnership model; Access to utilities, where required.

In addition to the reliefs described above, which are available only in the Business Zones, the investors operating on these sites have access to other national- and local-level reliefs, such as subsidies under the Decree on fostering direct investment, Investment and Development Fund (IDF) loans and similar support programmes, all in line with state aid rules.

Nine local governments have identified Business Zones of Local Importance to date, enabling the investors to invest under favourable terms in Berane, Bijelo Polje, Kolašin, Mojkovac, Cetinje, Nikšić, Podgorica, Ulcinj and Rožaje.

The website <http://www.mipa.co.me/> provides detailed information on investment opportunities for specific locations in all 25 municipalities of Montenegro. The website also contains updated publications and information on the overall investment environment and incentives and financial reliefs available to investors, including relevant contacts.<sup>1</sup>

The website [www.bizniszona.me](http://www.bizniszona.me) provides detailed information about the locations declared as Business Zones in Montenegro, including their real estate and infrastructure potential and incentives offered to prospective businesses.

### **3. Cluster development fostering program in Montenegro**

A comprehensive legislative, strategic and institutional approach to development of SMEs is a prerequisite for strengthening the competitiveness of Montenegrin enterprises and ensuring a more equitable regional development. Cluster formation is of particular importance for greater competitiveness of entrepreneurs, micro-, small and medium-sized enterprises (MSMEs). Enhanced entrepreneurship and competitiveness resulting from cluster formation contribute to greater employment, import substitution, increased domestic production and export, better business environment, more balanced regional development and more effective harnessing of natural resources and production capacities.

The Programme aims to provide financial support to the entrepreneurs and 100% privately owned MSMEs within clusters through investment in tangible or intangible assets or operational costs, in order to strengthen the capacities of clusters and their positioning in the local and international market. This financial support scheme is based on reimbursement of a certain share of costs.

The Ministry of Economy will cover up to 65% of the eligible costs of the purchase value of equipment, excluding VAT, for the clusters operating in the less developed local governments, or up to 50% of the eligible costs for the clusters from other regions; the maximum amount per applicant is €15,000. The remaining 35% or 50% of the costs of purchase of equipment are covered by the applicants themselves.

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<sup>1</sup> <http://www.mipa.co.me/en/publikacije/>



In line with the reimbursement scheme, the enterprise covers 100% of all the costs of purchase of equipment in question and get reimbursed upon submitting relevant documents.

The strategic priority activities eligible for co-financing include the following:

- Agricultural production and processing,
- Wood processing
- Other manufacturing activities (except those not included in the Programme)

The Investment and Development Fund of Montenegro implements the Programme through direct using the European Investment Bank funds for this purpose. Loans are available at the interest rate lower by 0.50 % than the rate presented below.

Loan terms:

- Maximum amount of up to €500,000 (exceptionally, the IDF Board of Directors may approve a larger amount, in line with the specific criteria);
- Minimum amount of €10,000;
- 00% annual interest calculated pro rata;
- Repayment term of 8 years (incl. grace period);
- Grace period of up to 2 years.
- Specific terms:
- The projects implemented in the northern region of the country are approved the 3.50% interest annual interest calculated pro rata.

4. The 2017-2020 regional and local competitiveness increasing program through alignment with the requirements of international standards of operations
5. Processing industry modernization support program
6. Innovation enhancing in SMEs program
7. Mentoring for small and medium-sized enterprises (SMEs)
8. Entrepreneurship development support program
9. Technical support for the development of strategic development plans of local government units (LGUs)
10. Program of the Promotion of domestic products – “Kupuj domaće” (Buy Locally-Made Products).

The main laws that regulate Direct Foreign investment in Montenegro are: the Foreign Investment Law; the Enterprise Law; the Insolvency Law; the Law on Fiduciary Transfer of Property Rights; the Accounting Law; the Law on Capital and Current Transactions; the Foreign Trade Law; the Customs Law; the Law on Free Zones; the Labour Law (which is currently undergoing amendment to make personnel decisions more efficient); the Securities Law; the Concession Law, and the set of laws regulating tax policy.

In order to attract FDI, the government established the Montenegrin Investment Promotion Agency (MIPA)<sup>2</sup>, the Privatization and Capital Investment Council<sup>3</sup> and the Secretariat for Development Projects<sup>4</sup>. These organizations aim to promote Montenegro’s investment climate and opportunities in

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<sup>2</sup> <http://www.mipa.co.me/>

<sup>3</sup> <http://www.savjetzaprivatizaciju.me/en/privatization>

<sup>4</sup> <http://www.srp.gov.me/en/home>

the local economy, with particular regard for the tourism, energy, infrastructure, and agriculture sectors.

The mission of MIPA is to partner with foreign and domestic investors; the public and private sector; international organizations and private individuals in order to boost business opportunity and overseas investments in Montenegro. Ultimately, through economic development, MIPA aims to improve the quality of life of all Montenegrin citizens. Therefore, MIPA promotes business ventures of particular interest to foreign investors and brings such projects to the attention of the international marketplace. Moreover, MIPA raises Montenegro profile as a global competitor by facilitating investment from abroad.

The other institutions in charge of FDI Promotion are Privatization and Capital Project Council and the Secretariat for Development Projects. They promote investment opportunities in the different sectors of the Montenegrin economy, primarily in the tourism, energy, technology, and agricultural sectors. These institutions maintain an ongoing dialogue with investors already present in Montenegro in order to support their activities. At the same time, they seek to promote future projects and attract new investors to do business in Montenegro.

The Government of Montenegro, at its session held on 19 February 2015, passed the Decision Establishing the National Investment Commission (Official Gazette of Montenegro 17/15).

Pursuant to Article 5 of the Decision Establishing the National Investment Commission, administrative and technical tasks for the purpose of the National Investment Commission are performed by the Secretariat for Development Projects as the technical secretariat of the National Investment Commission (NIC).

The National Investment Commission (NIC) reviews and adopts the Single Project Pipeline composed by the technical secretariat based on proposals from Sector Working Groups formed by line ministries.

Based on national Single Project Pipelines, the European Commission will decide, in line with the priorities defined at the national level, which projects will be supported with the funds from the Western Balkans Investment Framework<sup>5</sup>.

Financing from the EU funds will be available both for the preparation of project documents for national and regional projects, and for the realization of infrastructure projects of regional relevance.

On 25th April 2018, the Government of Montenegro adopted an Updated Single Project Pipeline – List of priority infrastructure projects<sup>6</sup>. The Updated Single List of Priority Infrastructure Projects also includes projects such as the International Institute for the Development of Sustainable Technologies in South East Europe with the “Science for Peace” mission. The list contains infrastructure projects from five sectors (consisting of individual segments/projects) in the areas of energy, transport, environmental protection, social services and other infrastructure (science, sports, culture, public administration and competitiveness). Estimated value of the projects, which are expected to be implemented in the period 2017-2025, is around €5 billion.

The aim is to provide funds for the implementation of projects through the Western Balkans Investment Framework (WBIF) with the support of international financial institutions and other

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<sup>5</sup> <https://www.wbif.eu/>

<sup>6</sup> For more information visit: <http://www.srp.gov.me/en/home/nik/184233/Single-Project-Pipeline-updated-2018.html>

donors for co-financing infrastructural investments of the identified priority projects through various models, including PPP.

**Question:**

**Have the authorities supported the creation of free zones and industrial parks or similar initiatives? If so, how can their operation be assessed so far? Are the relevant contractual agreements consistent with EU regulations?**

**Answer:**

In June 2004, Montenegro adopted the Law on Free Zones (amended 13 December 2007, 13 December 2008 and 30 June 2016) which offers businesses benefits and exemptions from custom duties, taxes and other duties in specified free trade zones<sup>7</sup>.

All regulations relating to free trade zones are in compliance with EU legal standards. Complete equality has been guaranteed to foreign investors in reference to ownership rights, organizing economic activities in the zone, complete free transfer of profit and deposit, and the security of investments.

The Law on Free Zones includes provisions of establishing, managing and terminating of work of Free Zones, as well as special conditions of operation (benefits) under which beneficiaries of zones perform a certain economic activity:

- The free zone and the warehouse represent parts of the customs territory of Montenegro where business activities are performed under special conditions governed by this Law.
- The zone or the warehouse may be founded by one or more domestic or foreign legal and natural persons.;
- A free zone and the warehouse is established with previous consent of the Government of Montenegro, at a proposal of competent ministry, and on the basis of submitted study on economic justification of establishing a zone;

A zone is managed by a subject specified by the Act on its Establishing (operator); The operator may be any domestic or foreign legal or natural person. In addition to managing the zone, the operator may at the same time act as its user, which shall be defined in the contract with the founder.

Customs Administration issues a decision on beginning of work of a free zone or the warehouse if conditions for conducting customs supervision at its area are fulfilled;

The zone or the warehouse user shall be a domestic or foreign legal or natural person performing business activities in the territory of the zone or warehouse.

Any goods entered into a free zone or warehouse that are used or consumed in line with the Law are exempt from customs duties, customs charges and VAT.

There are two active Free Zones in Montenegro:

1. Free Zone the Port of Bar<sup>8</sup>

The Port of Bar free zone includes the entire port area, namely it includes all terminals in the port area where cargo transshipment and storage is carried out, excluding Gat V (passenger terminal), and the Port of Bar has the authorities of the Free Zone Operator also for the Port

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<sup>7</sup> [http://www.mek.gov.me/en/WTO/LIBRARY/tg\\_actual\\_legislation/Free\\_zones?alphabet=lat](http://www.mek.gov.me/en/WTO/LIBRARY/tg_actual_legislation/Free_zones?alphabet=lat)

<sup>8</sup> [https://www.lukabar.me/v2/index.php?option=com\\_content&view=article&id=129&Itemid=169&lang=en](https://www.lukabar.me/v2/index.php?option=com_content&view=article&id=129&Itemid=169&lang=en)

of Adria areas. The total area of the territory of both companies, where it is possible to conduct business in the free zone regime, amounts to over 130 ha.

2. Free Zone “Novi Duvanski kombinat” Podgorica (established in May 2018), Tobacco production factory, with initial planned export of around €25 million a year, mainly to the countries of the Middle East, northern Africa and Brazil.

**Question:**

**Are the authorities carrying out or commissioning studies on the competitive position of the economy and/or main industrial sectors and are results of recent studies available? If yes, please supply relevant studies and summarize their findings.**

**Answer:**

**Within the implementation of the** Capacity Development Programme (CDP is a partnership between the Government of Montenegro, the Foundation Open Society Institute /FOSI-ROM/ and the UNDP) the Ministry of Finance of Montenegro<sup>9</sup> the Study Competitiveness of Montenegrin Economy within assistance to the Department for improving the business environment of the Ministry of Finance in establishing a system for regular monitoring of the country's international competitiveness was made in 2010.

After that the new Study Competitiveness of Montenegrin Economy is not conducted but the competitiveness of Montenegrin economy is the subject of the following documents: **The Economic Reform Programme for Montenegro 2019-2021, Montenegro Development Directions 2018-2021; The Industrial Policy of Montenegro until 2020 and Multi-Annual Action Plan for the Implementation of Industrial Policy of Montenegro until 2020; Montenegro Fiscal Strategy 2017-2020.**

**The Economic Reform Programme for Montenegro 2019-2021<sup>10</sup>**

The Economic Reform Programme (hereinafter: ERP) for Montenegro 2019-2021 is Montenegro's most important document in its economic dialogue with the European Union and is a key national strategic document for medium-term macroeconomic and fiscal programming, which also contains a related agenda of structural reforms important for reducing or eliminating barriers to economic growth and for strengthening the country's overall competitiveness.

**The Competitiveness Council** established by the government of Montenegro in 2017 in accordance with the recommendations of the European Commission is also monitored implementation of the reform measures from the ERP.

According to ERP, Chapter 4.1 Identifying the key constraints to competitiveness and inclusive growth

In the previous years, the Economic Reform Programme (ERP) outlined detailed diagnostics of the obstacles to competitiveness and further economic growth and the development of Montenegro and included reform measures for their elimination. Having in mind the structural nature of these obstacles, their elimination is of a long-term nature.

Although the reports produced by the majority of reference international institutions state that Montenegro's competitiveness has improved, obstacles have been identified and need to be eliminated in order to ensure its further improvement. Therefore, the report on Montenegro of April 2018, produced by the International Monetary Fund (IMF), specified challenges to competitiveness and the need to strengthen Montenegro's external position. To that end, it recognised the necessity of addressing structural issues in the labour market and the need to increase labour productivity. The

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<sup>9</sup> Two-years project funded by Government of Netherlands, the aim of which is to assist the Government of Montenegro, in particular the Ministry of Finance, in strengthening its capacity to efficiently plan, analyse and manage the public finances of the country and consequently to support the country's aspirations for sustainable development and EU integration.

<sup>10</sup> [http://www.gov.me/en/homepage/Montenegro\\_Economic\\_Reform\\_Programme/](http://www.gov.me/en/homepage/Montenegro_Economic_Reform_Programme/)

lack of a legislative framework for public–private partnerships was recognised by the IMF as one of the shortcomings in the further strengthening of the competitiveness of the economy.

The 2019 Doing Business Report produced by the World Bank identified the following obstacles to the improvement of doing business and enhancement of the overall competitiveness of the Montenegrin economy: “business start-ups”, “protection of minority investors”, “cross-border trade”, “contract enforcement”, “addressing insolvency issue” and “getting electricity”.

The EC report on Montenegro of spring 2018 sets out that the Montenegrin economy is assessed as moderately prepared “to face competitive pressures within the EU”. The EC recognises that development of key infrastructure, in a fiscally responsible manner and in full compliance with the rules of competition and public procurement, is important for the further strengthening of competitiveness. It also recognises the development of human capital, emphasising that further education reform is necessary so that the knowledge and capabilities of each individual in the education system match the needs of the labour market. The EC still sees a simpler approach to financing small and medium-sized enterprises as important for the elimination of the obstacles to competitiveness and an increase in exports. Moreover, the EC’s report on Montenegro underlines the need to further develop research and innovation so as to simplify synergy between academic institutions and enterprises.

The new methodology for measuring transitional progress towards a sustainable economy, which was designed by the EBRD, classifies the Montenegrin economy as being among countries with a moderate transitional gap and gives it a rating of 5.4 on a scale of 1 to 10. According to the EBRD’s assessment, Montenegro should particularly make further improvements to competitiveness, the green economy and good governance.

A large number of the obstacles to improving competitiveness mentioned above, which were identified by reference to international organisations and institutions, have also been recognised by Montenegro in its strategic development documents, including obstacles related to the low level of added value in production and the low level of export diversification; insufficient predictability of the tax policy; the relatively high share of the informal economy; non-flexibility and high costs of the labour market; an insufficiently efficient state administration, etc.

The Priority Reform Measures are following:

1. Improving the ownership, managerial and organisational structure in electrical power companies with state-dominant ownership
2. Improving the legislative/regulatory and institutional framework for integration into the regional electricity market,
3. Creating efficient and independent rail regulatory and safety authorities
4. Supporting investments in the development and modernisation of the industrial sector <sup>11</sup>
5. Supporting investments in the food production sector in order to reach EU standards;
6. Diversifying the tourist product;
7. Strengthening prudential oversight and the bank resolution framework
8. Implementation of new regulatory framework for the Public Procurement policy and amendment to the Law on Concessions
9. Adopting and implementing the Law on Administrative Charges

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<sup>11</sup> **Industry Modernisation Support Programme:** A program for the modernization of the industry being implemented in cooperation with Investment and Development Fund of Montenegro ( <http://www.irfcg.me/en/2014-03-10-14-50-58/industry-modernisation-support-programme>) and the Ministry of Economy of Montenegro.

10. Adopting the Law on Issuing Electronic Fiscal Invoices in the Trade in Products and Services and implementing the electronic fiscal invoices system
11. Improving financial support for the sector of small and medium-sized enterprises;
12. Improving the legislative and regulatory framework with the aim of reducing the costs of deploying high-speed electronic communications networks
13. Strengthening the national innovative ecosystem
14. Implementing the trade facilitation measures set out in the WTO Trade Facilitation Agreement and in CEFTA Additional Protocol No. 5
15. Development of qualifications and education curricula in accordance with the labour market needs
16. Implementation of apprenticeships with employers
17. Support for self-employment and strengthening of local employment initiatives
18. Development of day-care services for the elderly
19. Incentive for including children in sports activities

The content of all priority reform measures contains the following: Description of the measure, Timetable for implementation of the measure, **Expected impact of the measure on competitiveness**; Estimated cost of the measure/activity and the budgetary impact; Expected impact on employment and gender equality; Potential risks.

### **Montenegro Development Directions 2018-2021**

In accordance with the Government's Conclusions no. 08-1592 from July 9, 2015 and the Work Program of the Government of Montenegro for 2017, the Ministry of Finance prepared the Montenegro Development Directions 2018-2021, in cooperation with the relevant state institutions. The main development directions 2018-2021 are:

#### **1. Smart Growth**

Smart growth implies strengthening the competitiveness of the economy by improving the business environment, developing small and medium business sector, diversifying economic activity, increasing productivity, implementing the latest information and telecommunications technologies, attracting foreign direct investments (FDI). A special challenge is in the promotion and diversification of tourism products.

**In the focus of the policy of competitiveness are Foreign Direct Investment (FDI), meaning improvement of the general investment environment, primarily in order to attract Greenfield investment and implementation of public-private partnership and concession model projects.** In this regard, it is necessary to make additional efforts to change the structure of foreign direct investments in favour of investment in banks and companies instead of in real estate, while respecting the principles of sustainable development. With Montenegro becoming a NATO member, long-term stability and security have been ensured, which will impact the growth of foreign direct investment (FDI).

The improvement of the competitiveness of the Montenegrin economy is realized, inter alia, through financial and technical support programs for business development, including, inter alia, the implementation of the provisions of the Decree on Stimulation of Direct Investment, establishment of business zones, clustering and implementation of international business standards, customer-centred systemic solutions, industry modernization programs, and innovative activities stimulation, as well as mentoring programs for small and medium enterprises and entrepreneurship development support programs. The core mission of the business zones is to attract new investors, to increase the number of employees and to activate small and medium enterprises sector, especially in less developed areas



of the country, which further implies overcoming significant regional differences between the northern, central and southern regions and increasing the competitiveness of the economy. Continuous work will be done on enabling the locations of the declared business zones and, in accordance with the project tasks, on the equipping the locations with the infrastructure. Also, by implementing the provisions of the Decree on Business Zones, local self-governments are obliged to harmonize business and local regulations with the provisions of the secondary legislation and thus establish a legal framework for further functioning of the business zones as separate economic entities. Amendments to the 2014 Foreign Investment Act have been made to improve the investment environment of Montenegro, meaning greater inflow of foreign direct investment (FDI), as well as secure reliable FDI information, in order to monitor progress.

Associating economic entities into clusters is one of the mechanisms aimed at improving the competitiveness of Montenegro's economy. In this regard, there is an intensive work on policy implementation aimed at increasing companies' competitiveness through their clustering and integrating into industrial value chains. This is because SMEs are mainly characterized by small size, insufficient individual production capacity, poor marketing policies, and insufficient absorption capacity of financial resources. To achieve cluster development policy goals, as a new concept of SMEs functioning, it takes a longer period of time; their formation is supported both financially and technically. Although some progress has been made after four years of implementation of this policy, which is reflected in the recognition of the benefits of association, the way cluster functioning, formal registration (currently in Montenegro there are 32 officially-registered clusters), and the support is still necessary.

Taking into account strengthening of micro-level competitiveness depends to a largest extent on product quality, it is necessary to achieve international quality standards. This is because companies will have to operate under "competitive pressure" on the EU internal market after Montenegro enters the EU. Accordingly, financial support is provided to economic entities in order to strengthen competitiveness by introducing international business standards and obtaining accreditation for conformity assessment.

**Proposed measures:**

- in accordance with the defined clusters development policy, activities are ongoing on their development through technical and financial support programs;
- establishing at least one stop shop for FDI issues (within the Investment Promotion Agency (MIPA) as the central office), strengthening the institutional framework for enhancing bilateral economic relations through signing agreements on economic co-operation, increasing mutual trade and creating a favourable ambient for foreign investments and joint entering in third markets through the signing of new and revised existing free trade agreements, as well as further improvement of the investment environment through increased number of trade fairs, opening of Montenegrin trade missions abroad, etc;
- Implementation of annual privatization plans through the privatization of a large number of companies and the increase of project implementation through public-private partnership (PPP) and concessions; and
- Improvement of the standardization and personnel training systems, in line with the recommendations and standards of European and international standardization organizations.

**Structural reforms**

- Continuous implementation of the state aid program for cluster development;
- Continuous technical support for cluster development, in cooperation with UNDP;

- Implementation of the provisions of the Decree on Business Zones and the harmonization of legal regulations at the level of local self-government with the provisions of the relevant secondary legislation act;
- adoption and implementation of the FDI Promotion Strategy in Montenegro; and
- adoption and implementation of the Public Private Partnership and Concessions Law which will clearly regulate PPP and concessions issues in an institutional sense.

## 2. Sustainable growth

The implementation of the concept of sustainable development in Montenegro implies a transition to an economy that ensures efficient, sustainable use of resources, environmental protection, emission reduction and biodiversity conservation, the development of new technologies and production methods. In this regard, areas with the greatest potential for greening are transport, energy, agriculture and tourism.

## 3. Inclusive growth

Inclusive growth implies increasing employment, involving people of all ages in managing the changes, through investing in skills and training, modernizing labour market and social welfare system, while respecting EU standards

### **The Industrial Policy of Montenegro until 2020 and Multi-Annual Action Plan for the Implementation of Industrial Policy of Montenegro until 2020.**

The Industrial Policy for Montenegro until 2020 represents an important strategic document for development of competitiveness of the Montenegrin economy - a key basis for changes that will create new jobs, and raise incomes and standards of living, as well as creating development opportunities for future generations. As the real agents of change and development are recognized the enterprises, which with adequate support, in the future should maximise their potential for growth, development and competitiveness.

The Competitiveness of industry: Better business environment and conditions for the competitiveness and sustainability of industry, including tourism and other sectors with high value added is defined as Strategic Objective 1 (SO1) of the Industrial Policy for Montenegro until 2020.

The other Strategic Objectives are:

SO2: Investment and finance for industrial modernisation: Improved investment framework for industrial modernization through better affordability, availability and access to finance

SO3: Innovation and entrepreneurship: Promotion of entrepreneurship and entrepreneurial culture for innovation and stable economic growth, increased productivity and employment

SO4: Market access: Simplification of procedures for trade and business access to domestic and international markets

### **Montenegro Fiscal Strategy 2017-2020**

In accordance with the Law on Budget and Fiscal Responsibility (Official Gazette of Montenegro, No 20/14 of 25 April 2014 and 56/14 of 24 December 2014) and the Work Programme of the Government for 2017, the Ministry of Finance, in cooperation with relevant institutions, has prepared a Proposal of the Montenegro Fiscal Strategy for the period 2017-2020.

The Fiscal Strategy for the period 2017-2020 is adopted by the Parliament of Montenegro, upon a proposal of the Government.

In the period 2017 – 2020, the priority of the economic or the fiscal policy is the strengthening of fiscal stability, and within such framework, generating the budget surplus and setting a downward trend of the public debt from 2019, while strengthening the economic activity and competitiveness of the Montenegrin economy.

In order to reduce/eliminate diagnosed obstacles to the growth and competitiveness of the economy, a series of structural reforms will be also carried out in the period 2017-2020, which will be supportive of the fiscal consolidation. Tackling sector obstacles will represent a particular problem which are impeding for the full potential for growth for be utilised for faster economic growth. These are primarily obstacles resulting both from unfavourable structure of the economy from the existing features of human capital and physical infrastructure.

### **Business Environment and Investment Climate**

Improving the business environment includes implementation of reform measures and activities contributing to creation of an economic framework supportive of investment and development of entrepreneurship, precisely for opening new jobs while saving time and reducing operating costs. Its impact on the ranking of country is particularly important, in terms of its attractiveness for foreign investments, used primarily as foundation of the economic growth model.

In order to improve the ranking of Montenegro on rang lists of ease of doing business, identified obstacles are being removed for further improvement of the business environment. To that end:

- Simple and transparent procedures for getting an electricity connection will be set, development of the electricity grid will be aligned with urban-development plans;
- Procedures concerning start of construction of a building will be simplified. Instead of building permit and use permit, reporting works will be introduced, and necessary documents required as a condition to start construction will be stipulated;
- E-services will be introduced in the work of cadastral offices;
- Procedures for simplifying paying taxes will continue;
- Identified problems in the enforcement procedures will continue to be eliminated.

Investment climate in Montenegro, with significantly improved environment for doing business and incentive tax system, is additionally improved with introduced incentives and relives for investors: the Decree on Incentives for Direct Investments, Programme of Incentives for Developing Business, the Decree on Subsidies for Employment of Certain Categories of Unemployed Persons, Program of Incentives for Clusters in Montenegro for the period 2017-2020, Program of increasing regional and local competitiveness by alignment with requirements of international standards of operation for the period 2017-2020, Programme for improving innovations in small and medium-sized enterprises, Program of support to modernisation of industry.

**Question:**

**Please inform about what is foreseen for the future and what is in the pipeline (plans, blue prints, and timetables).**

**Answer:**

The Multi-Annual Action Plan for Implementation of Industrial Policy of Montenegro is available at:  
<http://www.minekon.gov.me/ResourceManager/FileDownload.aspx?rId=244854&rType=2>

### Question:

**Please provide a copy of the annual privatisation plan. What policy/plan and schedule has been identified for privatisation or restructuring? Is it aligned with FDI policy? How is the privatisation of industrial enterprises proceeding according to this schedule? Where obstacles impede full respect of the schedule, what are the obstacles and the solutions proposed to overcome these difficulties? Which structural reforms are complementing this process? Which ones are deemed most effective?**

### Answer:

The Montenegrin government is the main institution responsible for the privatization process. **The Privatization and Capital Project Council** was established by the Law on Privatization of the Economy ("Official Gazette of RCG", No.23 / 96, 6 / 99.59 / 00,42 / 04) for the purpose of managing, controlling and securing the privatization process as well as proposing and coordination of activities on realization of capital projects in Montenegro.

Since the beginning of the privatization process in 1999, nearly 90 percent of formerly state-owned enterprises (SOEs) have been privatized. The banking sector in Montenegro is fully privatized, with fifteen banks operating in the country, and all of them are privately owned. Two of the banks are locally owned while the others are subsidiaries of international banks.

The most prominent SOEs still in operation include the Port of Bar, Montenegro Railways, Montenegro Airlines, Airports of Montenegro, Plantaze Vineyards, and several companies in the tourism industry, including Ulcinjska and Budvanska Rivijera.

All of these companies are registered as joint-stock companies, with the government appointing one or more representatives to each board based on the ownership structure. All SOEs must provide an annual report to the government and are subject to independent audits. In addition, SOEs are listed and have publicly available auditing accounts on the Montenegrin Securities Commission's website [www.scmn.me](http://www.scmn.me).

Foreign investors can participate in local privatization processes and can own land in Montenegro generally on the same terms as locals. Expropriation of property can only occur for a "compelling public purpose" and compensation must be made at fair market value. There has been no known expropriation of foreign investments in Montenegro. International arbitration is allowed in commercial disputes involving foreign investors.

**The Privatisation Plan for 2018** is available at: <http://www.savjetzaprivatizaciju.me/en/privatization-plan/>.

The Privatisation Plan for 2018 is adopted in accordance with Law on Privatisation of Economy (Official Gazette of the Republic of Montenegro 23/96, 6/99, 59/00 and 42/04).

The Privatisation is conducted on the principles of the free market demands, and is planned to be implemented by:

Sale of shares and property by public tenders

- a. Institute "Dr. Simo Milošević" JSC, Igalo (sale of shares and/or capital increase),
- b. HG "Budva Riviera" JSC, Budva (sale of shares following restructuring).

1. Valorisation of tourism locations or companies through public private partnership

A) Implementation of the tenders launched for the following locations:

- 1. VTK "Mediterran", Žabljak Municipality and 2. Kolašin 1600, Bjelasica and Komovi, Kolašin Municipality.

B) The relevant Tender Committees shall continue with regular activities on the analysis of current situation and preparation of tender documents, in accordance with the procedure for selection of investors for long-term lease for valorisation of the following locations or companies:

1. Ada Bojana, Ulcinj Municipality - tourism valorisation of the location through development, construction, financing and management of exclusive tourism complex and long-term lease of the Ada Island;
2. Masline Valley - Odrač Bay, Bušat, Bar Municipality;
3. The location between Njivice and Sutorina mouth, Herceg Novi Municipality;
4. Location "Donja Arza", Herceg Novi Municipality;
5. Location "Kabala for", Herceg Novi Municipality;
6. The Project of tourism valorisation of the location "Mrkovi – Bijela Stijena", Luštica, Herceg Novi Municipality;
7. The Project of Tourist complex Ecolodge Lovćen – National Park Lovćen, Cetinje;
8. Ski Resort "Savin kuk", Žabljak Municipality;
9. Tourism valorisation of the locations included in the Special Purpose Spatial Plan "Bjelasica and Komovi" - Cmiljača and Žarski, municipalities of Mojkovac and Bijelo Polje.

#### Sale of shares at the Stock Exchange

On the basis of the proposal of the Government of Montenegro, the Pension and Disability Fund of Montenegro, the Employment Agency of Montenegro and the Investment and Development Fund of Montenegro, shares of the following companies will be offered for sale through the stock exchange:

- 1) Papir JSC Podgorica; 2) "Agrotransport" JSC – Podgorica; 3) HTE "Berane" JSC – Berane; 4) "Dekor" JSC – Rožaje; 5) "Metal produkt" JSC – Podgorica; 6) "Montenegroturist" JSC – Budva; 7) "Crnogoracoop" JSC – Danilovgrad.

3. Sale of shares and property by public auction Parts of property, shares, i.e. stakes in companies will be sold by public auction on the grounds of prior decisions of owners. For companies where the State or State Funds are the majority owners, the Privatisation and Capital Investment Council will approve the decision to sell the property whose values exceeds EUR 50.000

#### 4. Companies or property not included in the Plan

If a company or property is not included in this Plan, or if there is a need to change methods and manners of privatisation, the Council will decide on the method and principle of privatisation in accordance with the Law on Privatisation of Economy. The Privatisation Plan may be complemented on the basis of a proposal of the project for valorisation of a specific location by competent ministries, upon the initiative of a potential investor or upon the proposal of the owner of a part of the share capital in the companies listed in Annex 2 of the Privatisation Plan.

**Question:**

**Please describe which measures, if any, and institutions or bodies are in place or to be introduced, to enhance the access and opportunities of SMEs on foreign markets, particularly the EU Internal Market.**

**Answer:**

Within the Economic Reform Programme for Montenegro 2019-2021 following measure is proposed:  
**Priority Reform Measure No. 11: Improving support for the sector of micro, small and medium-sized enterprises**

Description of the measure: Support for the MSME sector, which includes improving access of MSMEs to sources of financing, is the measure set out in the 2018–2022 Strategy of Development of Micro, Small and Medium-Sized Enterprises, 2018–2021 Development Directions and the recommendations of the EU's Small Business Act (SBA).

Reform Measure No. 11: Improving support to the micro, small and medium-sized enterprises sector is formulated in the 2019–2021 ERP as a combination of Reform Measures No. 12: Improving financial support to the small and medium-sized enterprises and No. 13: Improving non-financial support to small and medium-sized enterprises from the 2018–2020 ERP.

Support for the MSME sector will focus on further improvement of the possibility to provide financial assistance, particularly for the purposes of strengthening innovation, grouping in clusters, introducing international standards, strengthening support for setting up enterprises and ensuring smooth development and a reduction in the number of failed businesses.

The reform measure includes implementation of several grant programme lines for MSMEs, as follows:

- a) the Programme Line for Improving Innovation, which will provide grants for MSMEs up to €3,500 for implementation of innovation activities with assistance from consultants and in cooperation with science and research institutions, science and technological park, centre of excellence, innovation and entrepreneurship centre, business incubators and consulting firms;
- b) the Programme Line for Introduction of International Business Standards, which will provide grant support up to €5,000 for MSMEs, for the purpose of achieving compliance with international standards for products and services, management systems, staff, testing, control and certification, as well as for obtaining accreditation for conformity assessment;
- c) the Programme Line for Cluster Development, which will provide grant support up to €15,000 to innovative clusters for the purposes of fostering innovative activity, exchanging knowledge and competence, networking, promotion, dissemination of information and cooperation between enterprises and other organisations within the cluster.

These activities represent a part of the Programme for Improving the Competitiveness of the Economy for 2019. Furthermore, preparatory activities for implementation of the pilot grant scheme for innovative MSMEs and clusters will be implemented from IPA 2014, while the continuation of implementation will be carried out under IPA 2016. In addition, the Investment and Development Fund of Montenegro will start with implementation of credit guarantees within the LGF COSME programme and promotion and strengthening of investment readiness of innovative start-ups in order to improve the use of ENIF fund within WB EDIF.

Implementation of the following non-financial-support activities has been envisaged as support for establishing new enterprises and for the solving issues in operations, as well as improving cooperation with partners:

a) the Programme Line for Support to Entrepreneurship which is a combination of non-financial and financial support, through organising a cycle of educational and training courses; and

b) the Programme Line for the provision of Mentoring Services, as a form of direct work with enterprises for the purposes of analysing the current situation, providing support for the preparation of development plans and for their implementation and establishing business cooperation.

These activities represent a part of the Programme for Improving the Competitiveness of the Economy for 2019. Special support for the internationalisation of MSMEs will be provided through the services of the EEN Montenegro (COSME programme), in the segment of provision of advisory services regarding international markets, technology transfer, organisation of training courses for strengthening export opportunities and involvement in value chains, connection between businesses, etc. Moreover, technical assistance will be provided to clusters in order for them to develop projects, with which they will apply for the Programme Line for Cluster Development. With the objective of improving access to financing sources for MSs and strengthening private sector development through advanced advisory services, a technical support is planned as part of IPA 2016.

#### **Timetable for implementation of the measure:**

**a. Activities planned in 2019:** Implementation of programme lines for financial support in the form of grants:

a) the Programme Line for Improving Innovation, for 2019;

b) Programme Line for introduction of International Business Standards;

c) The Programme Line for Cluster Development

d) the preparation of Pilot grant scheme for innovative MSMEs and clusters (IPA 2014) - institution competent for implementation of the activities is the Ministry of the Economy

e) Implementation of LGF COSME credit guarantees and promotional activities and training courses on how to use instruments for investing in equity capital of ENIF fund – the institution competent for the implementation of activities is the Investment and Development Fund of Montenegro.

Implementation of the non-financial support programme lines:

a) the Programme Line for Support to Entrepreneurship – the institution competent for implementation of activities is the Ministry of the Economy, in cooperation with the Investment and Development Fund of Montenegro;

b) the Programme Line for the provision of Mentoring Services;

c) the provision of advisory services of EEN Montenegro – the institution competent for the implementation of activities is the Ministry of the Economy.

**b. Activities planned in 2020:** Continuation of the implementation of programme lines for financial support in the form of grants and programme lines of non-financial support to MSMEs from 2019, implementation of pilot grant schemes for innovative MSMEs and clusters (IPA 2014), technical support for improvement of sources of financing for MSMEs and strengthening private sector development through advanced advisory services (IPA 2016) – the institution competent for the implementation of activities is the Ministry of the Economy in cooperation with the Investment and Development Fund of Montenegro.



**c. Activities planned in 2021:** Development and implementation of the programmes for financial and non-financial support to MSMEs from national and international sources.

**Expected impact of the measure on competitiveness:** Implementation of the measure will contribute to a higher share of MSMEs in exports and in GVA, which will have an impact on improving the competitiveness of the economy. A better rating in terms of the WEF indicator *Financing of SMEs and Innovation Capability* is also expected

**Expected impact of the measure on competitiveness:** This measure will contribute to the opening up of new business entities, an increased survival rate of newly established enterprises, the development and improvement of SME productivity, strengthening innovative activities, the improvement in the export performance of enterprises, which will be reflected in a growth in exports and participation in global value chains.

Estimated costs of the measure/activity and budgetary impact: In 2018, a total of €421,643.37 was spent (on 52 grant award projects – financial support of €231,379.82 and 5 training courses and other forms of non-financial support of €190,263.55). The additional costs for implementation of the measure in 2019 amount to a total of €335,919.58, whereby part for the financial support amounts to €108,620.18, while non-financial support amounted to €227,299.40.

The total amount planned for implementation of the reform measure in 2019 is €757,562.95 (financial support for grants is €340,000.00, non-financial support is €417,562.95). In addition to the at least same amount of Budget funds planned for 2020 and 2021, implementation of financial and non-financial activities is also planned: IPA 2014, amounting to €75,000 and as part of IPA 2016<sup>28</sup> with the indicative amount of €2,200,000, while for 2021 an indicative amount of €700,000 is planned under IPA 2016 funds.

**Expected impact on employment and gender equality:** The measure has an indirect impact on employment, since it contributes to the development of the business operations of MSMEs, and to the innovation, creation and expansion of export opportunities and, consequently, to the creation of opportunities for new jobs. It also contributes to improving the innovative and development capacities of the employees. This measure also contributes to the establishment of new enterprises, to their survival and development through making connections and participating in business networks and value chains. The focus is on the implementation of projects by women and young people, and on projects implemented in the northern region and in less developed municipalities.

**The Strategic objective 4 of The Industrial Policy for Montenegro until 2020 is Market access:** Simplification of procedures for trade and business access to domestic and international markets

In terms of strengthening the export performance of companies, **the Ministry of Economy** implements continuous activities aimed at improving the organizational concept of clusters and strengthening the connection between enterprises through financial support for the implementation of a program encouraging the development of clusters and grants for capacity building for cluster management and the promotion of the development of new clusters.

Additionally, to the business entities it is available grant financial support for improvement the implementation of international business requirement standards of doing business in the industrial sector, as well as incentives from the Agro budget implemented by the Ministry of Agriculture and Rural Development in the field of introduction and certification of quality management systems and food safety, as well as the inclusion of agricultural producers in registered quality schemes.

Also, in order to achieve full harmonization of technical regulations and standards, in coordination of the Ministry of Economy will enable further strengthening of the quality infrastructure system and acceptance of harmonized EU standards and also the Ministry of Defence in terms of implementation of NATO standards, codification and certification according to NATO standards. In the area of support for the internationalization of enterprises and their business in foreign markets, the Department for fostering entrepreneurship of Directorate for Investment, Development of Small and Medium Enterprises and Management of EU Funds through the activities of the Enterprise Europe Network with national financial support within COSME program will further contribute strengthening the export performance of enterprises and their greater inclusion within the region and the EU.

Implementation of key measures within the framework of this strategic objective will contribute towards the achievement of the following results:

Source: Government of Montenegro, Ministry of Economy,  
Industrial Policy of Montenegro until 2020<sup>12</sup>

Results	Result Indicators	Target Benchmark Impact Indicators by 2020
<b>R4.1:</b> Reduced trade imbalance through increasing of export, and reducing of imports in the priority sectors in which Montenegro has a comparative advantage	<ul style="list-style-type: none"> <li>- Increase in export volume, number of products exported, and diversified export markets</li> <li>- Increased international competitiveness through clustering and integration into global value chains</li> <li>- Reduced imports due to increased competitiveness of domestic producers</li> </ul>	<ul style="list-style-type: none"> <li>- Increase in exports as share of GDP to 45% Baseline: 40.3% (2014, Monstat)</li> <li>- 10% increase in number of different products and services exported Baseline: 5,457 HS 6-digit export products with export value greater than €100k (2014, Intracen) Target 2020: 6,000</li> <li>- 10% increase in intra-EU and CEFTA trade Baseline: Exports – world, 2014: €333,166 thousand; CEFTA 46%; EU-28 36% (Monstat)</li> <li>- 10% increase in exporting enterprises within manufacturing (World Bank Enterprise Surveys) Baseline: 11.4% of manufacturing enterprises engaged in direct export (2013)</li> </ul>
<b>R4.2:</b> Better environment for trade facilitation through trade logistics that simplify and reduce the costs of international business for	<ul style="list-style-type: none"> <li>- Better market access</li> <li>- More efficient trade clearance processes</li> <li>- Improved quality of trade and transport related infrastructure</li> <li>- Competitively priced</li> </ul>	<ul style="list-style-type: none"> <li>- 10% improvement in WEF Global Enabling Trade index world rank Baseline: 49<sup>th</sup> out of 138 countries (2014) Target 2020: 45<sup>th</sup></li> <li>- 10% improvement in World Bank Trade Logistics Index global rank</li> </ul>

exporters	shipments and logistics services <ul style="list-style-type: none"> <li>- Easy enterprise access to support and information on trade regulations through EU portals and the e-government portal</li> </ul>	Baseline: 67 <sup>th</sup> out of 160 countries (2014) Target 2020: 60 <sup>th</sup>
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<sup>12</sup> <http://www.mek.gov.me/en/news/163074/Industrial-Policy-of-Montenegro-until-2020-and-Multi-Annual-Action-Plan-for-the-Implementation-of-Industrial-Policy-of-Montenegr.html>

Key problems:

- Low level of competitiveness in priority sectors due to focus on primary processing
- Insufficient production capacities that can meet needs of domestic and foreign markets
- Inadequate organization of enterprises in preparation and joint participation within foreign markets

Rationale:

One of the key problems of Montenegrin economy is a high foreign trade deficit incurred as a result of low competitiveness of the Montenegrin economy and high dependence on import. The import ratio is around 21%. The structure of imports indicates weak diversification and dominance of primary processing products, raw materials, and intermediate goods. The import structure is dominated by consumer goods, primarily products from the food industry.

The current state of Montenegrin industry points at a need for transition towards more efficient use of all resource. This is especially true in the agro-food industry, which can significantly replace imports and satisfy the needs of the tourism sector, yet which is also endowed with significant development capacity geared towards export. The wood processing industry also has similar potential. In addition to these sectors, as already mentioned, there is significant potential in the energy sector and the metal industry.

An important component in re-orientation of Montenegrin industry is the development level of enterprises, alongside production potential, and a need to raise enterprise competitiveness. Given size and structure, a key challenge is the need for introduction of new technologies, increased capacities, and meeting standards and certification. This would result in long-term stabilisation of production quality and would provide for greater participation in domestic and foreign markets. This is especially true in relation to the process of clustering, so that individual stages of business operations could be made more efficient and less costly, especially in preparing for production and foreign market penetration, as well as integration into global value chains.<sup>11</sup>

Based on the identified problems the following sub-objective is defined (SO):

SO 4.1. Strengthening enterprise export performance in priority sectors

The sub-objective priorities are as follows:

- Increasing the competitiveness of individual enterprises
- Improving the structure of export

Key measures within SO 4.1.:

4.1.1. Improvement of the concept of the enterprises' organization into clusters and strengthening of enterprise networks through technical and financial support targeting enterprises with innovation and growth potential within priority sectors, improving production, developing new products, and entering into new markets

4.1.2. Realization of support programme for enterprises' for implementation and certification based on standards, through raising awareness of the importance of standardisation, harmonisation with international business standards in industry, and those related to agro-food processing, geographical indication of origin, control of forestry management

4.1.3. Complete harmonization of technical regulations and standards through further improvement of quality infrastructure aiming at enhancing competitiveness of companies and acceptance of harmonized EU standards

4.1.4 Standardization of codification procedure and quality assurance of products for needs of defence purposes with implementation of NATO standards and NATO certification

4.1.3. Support to internationalization of the enterprises and their business within foreign markets by: information provision and support aimed at developing business networks with foreign partners

Implementing the key measures within this strategic sub-objective would contribute to the achievement of the following results:

- Better informed and increase enterprises organization within clusters, particularly in priority sectors
- Increased number of enterprises with introduced required standards and certification
- Strengthened export performance of enterprises, and their larger inclusion into markets within the region and EU

According to Multi-Annual Action Plan for the Implementation of Industrial Policy of Montenegro until 2020 the Leading Institutions for implementation of key measures are: Ministry of Economy and Ministry of Agriculture and Rural Development; the key partner is Montenegrin Institute of Standardization.

## References

Name of Database	Published by	URL
Business Zones Database	Ministry of Economy	<a href="https://www.biznizszone.me/en/">https://www.biznizszone.me/en/</a>
Investment Locations Database	Ministry of Economy Secretariat for Development of Projects	<a href="http://www.investmentlocations.me">www.investmentlocations.me</a>
Privatization Opportunities	Privatization and Capital Investment Council	<a href="http://www.savjetzaprivatizaciju.me/en/">http://www.savjetzaprivatizaciju.me/en/</a>
Business Stimulating Programs	Montenegro Ministry of Economy	<a href="http://www.biznizszone.me/wp-content/uploads/2017/06/Business-Stimulating-Programs_brochure.pdf">http://www.biznizszone.me/wp-content/uploads/2017/06/Business-Stimulating-Programs_brochure.pdf</a>
Official Website	The Montenegrin Investment Promotion Agency (MIPA)	<a href="http://www.mipa.co.me/">http://www.mipa.co.me/</a>
Official Website	Western Balkan Investment Framework	<a href="https://www.wbif.eu/">https://www.wbif.eu/</a>
Homepage	LUKA BAR	<a href="https://www.lukabar.me/v2/index.php?option=com_content&amp;view=article&amp;id=129&amp;Itemid=169&amp;lang=en">https://www.lukabar.me/v2/index.php?option=com_content&amp;view=article&amp;id=129&amp;Itemid=169&amp;lang=en</a>
Industry Modernization Support Programme	INVESTICIONO-RAZVOJNI FOND CRNE GORE A.D.	<a href="http://www.irfcg.me/en/2014-03-10-14-50-58/industry-modernisation-support-programme">www.irfcg.me/en/2014-03-10-14-50-58/industry-modernisation-support-programme</a>

# **Frequently Asked Questions for Foreign Direct Investors to Republic of North Macedonia**

## **Disclaimer**

This document is a compilation of available data of Republic of North Macedonia's institutions regarding the EU acquis (Chapter 20 Enterprise and Industrial Policy). The acquis under the enterprise and industrial policy chapter consists of policy principles and instruments. EU industrial policy seeks to promote industrial strategies enhancing competitiveness by speeding up adjustment to structural change, encouraging an environment favourable to business creation and growth throughout the EU as well as domestic and foreign investments.

JICA expert team collected available data directly related to foreign direct investors. For your decision making, please refer to the government agencies indicated in the list of investment promotion agencies as a part of this report.

## List of Organizations in Charge of Investments and Exports

Name of the Agency	Address	Phone Number	E-mail	URL	Remarks
Invest North Macedonia - Agency for Foreign Investors and Export Promotion of the Republic of North Macedonia	Nikola Vapcarov 7, 1000 Skopje, Republic of North Macedonia	389 2 3169 100	<a href="mailto:fdi@investinmacedonia.com">fdi@investinmacedonia.com</a>	<a href="http://www.investinmacedonia.com/">http://www.investinmacedonia.com/</a>	
Economic Chamber of North Macedonia	Dimitrie Cupovski 13, 1000 Skopje, Republic of North Macedonia	389 2 308 1343	<a href="mailto:jelisaveta@mchamber.mk">jelisaveta@mchamber.mk</a>	<a href="http://www.mchamber.org.mk/Default.aspx?mId=1&amp;lng=2">http://www.mchamber.org.mk/Default.aspx?mId=1&amp;lng=2</a>	
The Foreign Investors Council of North Macedonia	13 Dimitrie Cupovski Street 1000 Skopje, Republic of North Macedonia	389 2 3244 004	<a href="mailto:fic@mchamber.mk">fic@mchamber.mk</a>	<a href="http://www.fic.mk/">http://www.fic.mk/</a>	Non-profit business association of foreign investors



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Have the authorities supported the creation of free zones and industrial parks or similar initiatives? If so, how can their operation be assessed so far? Are the relevant contractual agreements consistent with EU regulations?	<b>10</b>
Are the authorities carrying out or commissioning studies on the competitive position of the economy and/or main industrial sectors and are results of recent studies available? If yes, please supply relevant studies and summarise their findings.	<b>12</b>
Please inform about what is foreseen for the future and what is in the pipeline (plans, blue prints, and timetables).	<b>14</b>
Please provide a copy of the annual privatisation plan. What policy/plan and schedule has been identified for privatisation or restructuring? Is it aligned with FDI policy? How is the privatisation of industrial enterprises proceeding according to this schedule? Where obstacles impede full respect of the schedule, what are the obstacles and the solutions proposed to overcome these difficulties? Which structural reforms are complementing this process? Which ones are deemed most effective?	<b>15</b>
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**Question:**

**What are the specific measures implemented to promote investment, and in particular to attract foreign direct investment (FDI)? Are there any studies showing the opportunities (niches) for the manufacturing sectors on the EU and global market? What is the strategy/approach designed and implemented for attracting the FDI? Is there an institution responsible to implement both strategy and the measures in place?**

**Answer:**

In Republic of North Macedonia, no specific Foreign Direct Investment Strategy but the key economic policy and strategic documents related to Foreign Direct Investments

**North Macedonia's Plan for economic Growth**

The plan for economic growth is based on several criteria and principles, such as the provision of equal conditions for both domestic and foreign investors; the establishment of transparent conditions and criteria, and open procedures when it comes to economic cooperation; the encouragement and active promotion of cooperation between domestic and foreign companies; the pro-active and generous support for micro, small and medium enterprises by the government; the boosting and maintenance of the trend of increase of the minimum and average wages through regulation and financial support for companies; the creation of new and better paid jobs; the establishment of research and development centres with the goal to promote and advance technological development and innovation of North Macedonian companies; and the guiding objective of boosting the international competitiveness of North Macedonian companies as key to achieving economic growth.

**The Competitiveness Strategy and Action Plan (2016-2020)<sup>1</sup>**

The strategy has been approved by the Government and is directly connected with the Instrument for Pre-accession (IPA) II and the related Sectoral Planning Document on Competitiveness and Innovation. The Competitiveness Strategy identifies a series of priorities for development:

- Foreign Direct Investments;
- Industrial policy;
- Business environment;
- Small and Medium-sized enterprises;
- Access to markets/ internationalisation;
- Entrepreneurial skills;
- Access to finance.

The Competitiveness Strategy (2016-2020) highlights a number of FDI priorities:

- Mobilising Diaspora remittances for investment;
- Eliminating potential blockages to inward investment;
- Increasing the number of investments;
- Increasing the number of new jobs created from foreign investors;

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<sup>1</sup> [http://www.vicepremier-ekonomija.gov.mk/sites/default/files/pdf/07.Competitiveness\\_Strategy.pdf](http://www.vicepremier-ekonomija.gov.mk/sites/default/files/pdf/07.Competitiveness_Strategy.pdf)

- Improving the climate for investments;
- Establishing a one-stop-shop for domestic and foreign investors;
- Increasing backward linkages between foreign and domestic companies;
- Increasing the transfer of sophisticated technology from FDI companies;
- Increasing the introduction of innovations from FDI companies;
- Increasing the transfer of management skills from FDI companies.

The Competitiveness Strategy highlights four main measures for support using IPA II and other funds:

- **Strengthening linkages between FDI/TIDZs and domestic companies;**

Build on the experience of the WB's "pilot Supplier Development Program (SDP)" and mainstream the initiative (from 5 to 250 companies) in order to significantly strengthen the linkages between foreign investors (mainly in the TIDZs) in the key sectors (not only the light manufacturing industries), and domestic SMEs, through the provision of support in: i) supplier information dissemination; ii) capacity building and training; iii) upgrading of suppliers, standardisation, certification, technology extension; and iv) facilitating access to finance. Lead institutions: CDPMEA, MoF, World Bank; Others: AFIEP, DTIDZ, MoE, Foreign Investors, SMEs, financial institutions, BSOs, etc.

- **Stock-take of FDI obstacles and systematic reform, including Public-Private sectors dialogue;**

Move from the existing ad-hoc approach, to a strategic approach for reducing FDI barriers, by working closely with the Foreign Investors' Council and the NECC, to undertake a detailed assessment of the current blockages to investment (White Book, covering work permits, construction permits, waste permits, export permits, customs delays, legal system delays, etc.). Determine what needs to be reformed on the basis of international best practices, and initiate reforms, ensuring this process has been subject to an effective PPD, through the involvement of the PMO, NECC and foreign investor representatives, such as the FIC. Lead institutions: CDPMEA, NECC; Others: MoE, AFIEP, DTIDZ, Ministries, Agencies, FIC, NECC, enterprises.

- **Mobilising Diaspora remittances for entrepreneurship;**

Remittance inflows amount to approximately 18% of GDP, which greatly exceeds FDI (about \$2bn vs \$500mn in 2011). An estimated 28-30% of the inflow of remittances from the Diaspora (400-500,000 people, mainly living in Italy, Germany, Australia, Switzerland, Turkey, Austria, Slovenia, Croatia, France, Canada) is potentially available for investment, and this represents an extremely interesting issue for policy focus in the future. A detailed study will be performed, covering the whole country, in order to determine: i) international best practices in mobilising remittances for productive non-property related investment; and ii) the potential within the country for such Improve data collection, analysis and reporting of FDI, export and State Aid data The strategy does not specifically emphasise either a manufacturing or an SME focus in relation to FDI policy investments. Pilot initiatives will be established to determine how government can best intervene, in order to harness these remittances for competitiveness and innovation purposes. Lead institutions: MFA; Others: MoE, MoF, AFIEP, Diaspora institutions, MoE, NGOs

- **Improve data collection, analysis and reporting of FDI, export and State Aid data**

Simplify the data collection of FDI and Transnational Corporation (TNC) activities, by coordinating the Central Registry (identifies foreign-owned firms), the National Bank (collects data on FDI), and the State Statistical Office, resulting in an annual TNC survey, data collection and relevant statistics. Lead

institutions: AFIEP; Other: MoE, MoF, Central Registry, National Bank, State Statistical, Office, investors.

**The Industrial Policy of the Republic of North Macedonia 2009-2020 (The Policy is under revision, from May 2017)**

The Industrial Policy of the Republic of North Macedonia 2009-2020 is a national strategic document aiming to enhance the competitiveness of the North Macedonian Industry and North Macedonian economy more generally. The strategy focusses on knowledge, innovation and research as the means towards industrial development. It aims at creating a stimulating business and investment climate for business wishing to develop new technologies, improve their competitiveness and access market. The document focuses on the following five strategic objectives:

- 1. International cooperation and FDI stimulation**
2. Applied research, development and innovations
3. Eco-friendly products and services for sustainable development
4. The development of SMEs and entrepreneurship
5. Collaboration via clusters and networks.

International cooperation and fostering FDI through improvement and encouraging the international cooperation of the key players in the economic development, strengthening of the professional network for cooperation among business partners, exchange of knowledge and experiences, learning and development of management, marketing and other business abilities (implementation of methods for increasing productivity and efficiency), attracting skilled personnel to create and promote innovative businesses and attracting foreign investment. In this way the Republic of North Macedonia will increase the capacity of domestic companies to absorb new knowledge and experiences.

**Measures:**

International cooperation and encouraging and attracting FDI will contribute to the successful development of enterprises and their greater participation in the international market. The existing measures, implemented by the Agency for Foreign Investments and the Agency for Promotion of Entrepreneurship through the Program for Improving the Competitiveness of North Macedonian Products and Services and the Investment Promotion Program, will be supplemented with the following measures:

1. Strengthening the capacities of enterprises through training in creating competitive products based on the best international practices for methods for improving management and increasing the quality of product and productivity.
2. Support of enterprises in increasing exports through:
  - 2.1 Strengthening the professional network of international business partners
  - 2.2 Studies on strategic positioning of the North Macedonian industry at key international markets
  - 2.3 International exchange of knowledge
3. Improving the information of export-oriented enterprises through web portals
4. Improving the opportunities for financing exporters through the North Macedonian Bank for Development Promotion (NMBRP)
5. Creation of institutional support and integrated program for supporting the internationalization of companies
6. Further encouraging and attracting FDI

The institutions in charge for implementation of The Industrial Policy of the Republic of North Macedonia 2009-2020 and Action Plan for implementation are: Government of Republic of North Macedonia, Ministry of Economy, Ministry of Foreign Affairs, Inter-Ministerial Expert Group on Industrial Policy, Agency for promotion of entrepreneurship of the Republic of North Macedonia Human Resources Development Fund, Economic diplomacy, Chambers and other business associations.

The key institutions in charge of Foreign Direct Investment are:

- **Agency for Foreign Investments and Export Promotion of the Republic of North Macedonia AFIEP (Invest Macedonia)**<sup>2</sup>: Invest North Macedonia is the primary government institution in charge of facilitating foreign investments in the country, while also having responsibility for implementing the export promotion activities. Its other main areas of activity include aftercare service and some aspects of state aid. It has an annual budget of 8 million EUR and just under 50 staff members for FDI, export, aftercare, state aid, legal issues, HRD, etc.
- **Economic Promoters**: Invest North Macedonia is also directly responsible for a network of 33 Economic Promoters who are based in different target countries in various parts of the world (some countries have several of them), based in the respective Embassies. Their role is to promote the country as both an investment and an export location, and to interact with the rest of the FDI infrastructure;
- **Minister without portfolio in charge of foreign investments**
- **Cabinet of the Prime Minister**: there is an FDI unit in the PM's cabinet that focuses on trying to attract SME FDI.
- **Directorate for Technological Industrial Development Zones (DTIDZ)**<sup>3</sup>: the Directorate manages and administers all zones, including some elements of FDI and state aid. There is a clear connection between much of the greenfield FDI effort and the TIDZs. The DTIDZ is also involved in Aftercare services and state aid matters connected with investment in the zones;
- **The Ministry of Economy** is responsible for the preparation of the Programme for stimulating Investments.
- **Foreign Investor Council (FIC)**<sup>4</sup>: is established within Chamber of Commerce of North Macedonia as a Chamber Council. The members are foreign investors and companies from the free zones. The main goal of FIC is, through partnership with government, to make recommendations for improvement of the business environment through the White book, which is published annually;

Aftercare services are an important part of FDI policy and are supported at national level. At the government level there is an FDI Committee, which is chaired by Prime Minister with participation of the ministry without portfolio, Ministry of Economy and representatives of other ministries and institutions, as well as Invest North Macedonia and TIDZ and local municipalities. The sessions are held every two months and include foreign investors in order to discuss improvements to the investment / business environment.

There is no single law regulating foreign investments, nor a "one-stop-shop" website that provides all relevant laws, rules, procedures, and reporting requirements for investors. Rather, the legal

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<sup>2</sup> <http://www.investinmacedonia.com>

<sup>3</sup> <http://fez.gov.mk/>

<sup>4</sup> <http://www.fic.mk/home.nspix>

framework is comprised of several laws including: the Law on Financial Support to Investments, the Trade Companies Law; the Securities Law; the Law on profit tax; the Law on Customs; the Law on Value Added Tax (VAT); the Law on Trade; the Law on Acquiring Shareholding Companies; the Foreign Exchange Operations Law; the Payment Operations Law; the Law on Foreign Loan Relations; the Law on Privatization of State-owned Capital; the Law on Investment Funds; the Banking Law; the Labour Law; and the Law on Financial Discipline; Law on Technological Industrial Development Zones (free economic zones).

Both the Law on Customs and the Law on Profit Taxes offer incentives to foreign investors. Foreign investors are eligible for-profit tax exemptions for profits generated during the first three years of operation in proportion to the amount of foreign investment; all profits reinvested in the company; profits invested in environmental protection; and profits invested in "underdeveloped" regions of the country. Companies with at least 20 % foreign capital are exempt from customs duties for the first three years after their registration. The following additional benefits are also available to foreign investors: a 10 % flat tax for corporate profits and personal income; guaranteed relief from local taxes and fees; a tax exemption for duties on imported goods, raw materials, and equipment/machines; a symbolic land lease rate; and direct state aid in the amount of up to EUR 500,000.

**Question:**

**Have the authorities supported the creation of free zones and industrial parks or similar initiatives? If so, how can their operation be assessed so far? Are the relevant contractual agreements consistent with EU regulations?**

**Answer:**

With the Law on Technological Industrial Development Zones in 2008 (Official Gazette of the Republic of Macedonia 82/08) the Government of North Macedonia supported the creation of free zones.

According to the Law, companies functioning within the TIDZ enjoy various customs and fiscal exemptions and reliefs, as well as state subsidies for covering the costs for building plants, free construction licenses and free connection to water and gas pipe infrastructure. The government also provides subsidies for creation of new working posts within the TIDZ, for covering costs of employees' trainings, as well as exemptions from the employees' personal tax and from the payment of the

Directorate for Technological Industrial Development Zones (DTIDZ)/ is the North Macedonian Free Zones Authority, the governmental managing body responsible for developing FEZs throughout the country, currently supervises fourteen zones in various stages of development. The Government is committed to providing the most cost and operationally efficient environment for doing business in South-eastern Europe.

TIDZ were established close to each bigger city in North Macedonia and several of them were located close to the state's capital city. Six of the established zones are not operational at the moment, i.e. there is still no any kind of investment or an established company within them.

The Free Zones Authority currently manages three fully operational zones: Skopje 1 and 2 in the capital, and one in Stip, the largest town in eastern North Macedonia. The zone in Tetovo is currently operating as a public private partnership and is in the process of implementing its first investment projects. Simultaneously, eleven zones intended for equal economic advancement of all regions in North Macedonia are in various stages of development.

In the last five years TIDZ attracted about 1.13 billion Euros of FDI and all of them were in the form of green-field investments. This amount also includes the two foreign green-field investments out of the TIDZ that gained the same privileges as the firms established within the zones - Drexlermaer and Kromberg & Schubert. There is no official data on the actual number of employees within the TIDZ. Some estimation pointed out that at the moment the total number of employees in the zones is about 3,500. If the number of the workers employed in the company's Drexlermaer and Kromberg & Schubert that operate out of the zones but enjoy the same benefices as the companies within the zones is added to this figure, then the total number of new employments in the last five years is estimated up to 13,000.

According to available Professional paper, Ss. Cyril and Methodius University Faculty of Economics, Skopje, Republic of North Macedonia *"Success or failure of the implemented strategy on attracting foreign capital in the form of FDI in the Republic of North Macedonia"* Irena Kikerkova, Ph. D.

"It is evident that the latest strategy on attracting FDI with the creation of Technological Industrial Development Zones as exemptions from the regular customs and fiscal area of the economy did not have a significant impact upon increasing the inflow of FDI in the country.

Yet, it did bring some positive shifts, such as:

- Increment of the inflow of FDI in the form of green-field investment in the TIDZ and taking over the positions of acquisitions and mergers that were the dominant form of FDI a decade ago;
- Shift in the structure of effectuated FDI from services towards the manufacturing sector;
- Significant changes in the structure of exports of the country which previously was totally dependent on exports of the metal processing industry and production of crude oil and oil derivatives, as well as industries with low added value, such as textiles, non-metal products and agricultural products and food.
- The leading export products at present are catalysts for automobile engines and there is an increment in exports from the machine-engineering industry, due to the functioning of a bus – producing plant in one of the TIDZ;
- A possibility to further increase the number of new created jobs and positive changes in the structure of the working force engaged in the companies within the TIDZ.

The numerous exemptions from customs and tax duties, as well as from contributions for pension, education and health funds for workers in the TIDZ, are additional burden for the state budget. If the trend of creating working posts within the TIDZ continues, the state budget might face serious problems in providing finances for vital budget positions.

The most unfavourable effect of TIDZ is the open discrimination of domestic in favour of foreign companies. In the period 2012-2015 domestic companies faced serious liquidity problems. Nevertheless, statistical evidence confirms that they managed even under those circumstances to invest about 1 billion Euros per year. New investment of domestic companies was realized without any kind of support or facilitation from the State and under a very restrictive monetary policy in the country.

The huge expenditures from the State Budget for the promotion of the latest strategy on attracting FDI and the subsidies provided for foreign investors within the TIDZ are rather disputable. One may only speculate what would have happened if all these state moneys went to other ventures for stimulating economic growth instead of stimulating FDI.

It is clear that once the convenient conditions for foreign investors are terminated, capital would flee away from the country, leaving behind unresolved all of the old problems, such as high unemployment, backward economic structure, old technology, low productivity, difficult access to foreign developed markets, etc.

Changes in the conveniences may not be caused from economic or political issues aroused within the North Macedonian economy, but in a due time they are going to appear if a progress towards full accession to the European Union becomes possible.

**The customs union of the EU does not allow such exclusions from its regular customs and fiscal area as it is provided with the creation of TIDZ within the North Macedonian economy. It means that there will be no possibilities for functioning of the TIDZ once North Macedonia gains a full EU membership. Knowing the long-term orientation of the North Macedonian policy towards the EU, it is totally unacceptable to base all of the hopes for long-term prosperity and growth upon a policy of attracting FDI which is entirely opposite to the EU rules and regulations and at the same time openly discriminatory to domestic investors.”**



**Question:**

**Are the authorities carrying out or commissioning studies on the competitive position of the economy and/or main industrial sectors and are results of recent studies available? If yes, please supply relevant studies and summarise their findings.**

**Answer:**

Improving North Macedonia's competitiveness is a central plank of the Government's economic strategy of building a prosperous economy while also reducing the still high levels of unemployment.

The guiding principle of the Government's Competitiveness Strategy is to focus on North Macedonian own potential and strengths, rather than simply importing international models for development and applying them to North Macedonian context. According to strategy the North Macedonian characteristics are unique and call for a customised approach embedded within the process of accession to the EU.

The Competitiveness Strategy and Action Plan draws upon the existing strategies and detailed analysis and consultation, including the insights of the National Entrepreneurship and Competitiveness Council (NECC) and many other academic and business experts.

This Competitiveness Strategy is an integral step along the path of economic growth and prosperity, along with related economic development frameworks such as the Innovation Strategy. The strategy sets out the context and strategic ambitions / priorities until 2020. Strengthening North Macedonia's competitiveness is an essential pillar of the process of building a stronger economy and increasing the prosperity that North Macedonia aspire to.

The Competitiveness strategy of the Republic of North Macedonia for 2016-2020 is based on the following vision:

"Better regulatory, institutional, financial and business environment, leading to greater density, growth, productivity, profitability, employment and internationalisation of North Macedonian firms."

This is consistent with the overall objective of Sectoral Planning Document on Competitiveness and Innovation, which is to:

"Strengthen the legal, institutional and research environment for business operations, including the implementation of the internal market acquis; improve the competitiveness and innovation of the economy at national and local levels; increase Foreign Direct Investment (FDI); increase research and development activities; strengthen export and diversification; and, support a more sustainable economic growth and real convergence with the EU."

It also takes its cue from the results to be achieved, which include:

- Improved legal and institutional framework, and functioning of businesses;
- Improved governance and business-related infrastructure, including at local level;
- Strengthened evidence-based decision-making by policy makers;
- Better access to finance and advisory services for businesses
- Increased and diversified export potential for businesses, and access to new markets;
- Strengthened capacities and skills of management and staff in companies;

- Improved cooperation among universities, industry and government;
- Enhanced research and innovative capacities for a competitive business environment;
- Increased public-private partnerships in the area of research and innovation;
- Enhanced links between FDI and domestic companies

Within the EU Project Revision of The Industrial Policy of the Republic of North Macedonia 2009-2020, the Ministry of Economy developed web portal <https://konkurentnost.mk> (competitiveness), but there is no study on the competitive position of the economy and/or main industrial sectors carried by North Macedonian Institutions.

The Foreign Investors Council and the Economic Chamber of North Macedonia, together with the Faculty of Mechanical Engineering within Ss. Cyril and Methodius University in Skopje, won a Project entitled “Increasing the competitiveness of the domestic small and medium enterprises with the objective of improving their cooperation with the foreign investors“- Possibilities and challenges”.

The project is financed by EU funds, within the Instrument for pre-accession assistance (IPA) and is implemented in partnership with the Vienna University of Technology- Institute for management and science and is supported by the Government of the Republic of North Macedonia that is committedly encouraging this kind of cooperation.

The aim of the project within next 24 months is improving the production capacities of local companies with the objective of increasing their competitiveness and the innovative capacities for better cooperation with foreign investors in the country and to be able to be included in the supply chain

Within the project the Vienna Institute for International Economic Studies developed a scientific-research study "North Macedonian Export" which includes the theme of competitiveness.

**Question:**

**Please inform about what is foreseen for the future and what is in the pipeline (plans, blue prints, and timetables).**

**Answer:**

The main plans and timetables related to FDI and export are available within the Action Plan for 2016-2020 – Implementing the Competitiveness Strategy and Action plan for the implementation of Industrial Policy of the Republic of North Macedonia (2009-2020).

**Question:**

**Please provide a copy of the annual privatisation plan. What policy/plan and schedule has been identified for privatisation or restructuring? Is it aligned with FDI policy? How is the privatisation of industrial enterprises proceeding according to this schedule? Where obstacles impede full respect of the schedule, what are the obstacles and the solutions proposed to overcome these difficulties? Which structural reforms are complementing this process? Which ones are deemed most effective?**

**Answer:**

North Macedonia's privatization process is almost complete and private capital is dominant in the market. The government is trying to sell two remaining loss-making companies through international tenders. Foreign investors are allowed to participate in privatization through a public bidding process. There are about 15 state-owned companies, primarily public utilities. There are also public utility companies at the local level, which are governed by local governments. Neither the central government nor any local government has announced plans to sell shares in any of them.

The North Macedonian government doesn't plan to privatize power company North Macedonian Power Plants (ELEM). It, however, intends to implement unbundling in the company as well as the electricity transmission system operator MEPSO by following the example of other countries in the Western Balkans.

**Question:**

**Please describe which measures, if any, and institutions or bodies are in place or to be introduced, to enhance the access and opportunities of SMEs on foreign markets, particularly the EU Internal Market.**

**Answer:**

Competitiveness Strategy and Action Plan (2016-2020) identifies Access to markets/ internationalisation as one of the strategic themes of Strategy as following seven strategic objectives:

1. A simpler and more stable business environment;
2. A more entrepreneurial and productive SME sector;
3. A more vibrant export sector;
4. A more attractive environment for inward investors;
5. A more skilled and entrepreneurial labour force;
6. A reinvigorated industrial policy;
7. A higher volume of finance for the enterprise sector.

The two main institutions responsible for exporting are the Ministry of Economy and the Agency for Foreign Investments and Export Promotion (AFIEP), through its “Sector for Support and Promoting Export Activities” although the resources to fully implement their programmes are currently limited. These funds are supplemented with financial and logistical support from other donors (USAID, SIPPO, etc.). Additional support for exporting is delivered through the international network of Economic Promoters, whose activities focus on FDI, but also include:

- Organising B2B meetings and other promotional activities;
- Identifying market opportunities;
- Identifying potential partners;
- Creating specialised contact lists, and organising business visits.

The activities of the Agency’s Sector staff included organising business forums and events; visiting international fairs; and arranging the visits of foreign delegations. The Agency’s activities are implemented in line with the Export Promotion Strategy, which was originally prepared in 2010, revised, and finally adopted in November 2011. The Strategy defines four target sectors which are intended to contribute towards an increase in exports:

- ICT;
- Agribusiness and Food Processing;
- Textiles and clothing;
- Metal industry – precision mechanics and auto-parts.

The Agency provides export support to domestic companies by:

- Organising meetings between foreign investors and domestic companies;
- Providing market information to local companies via the Economic Promoters’ network.
- Information exchange and generating contacts for local enterprises;
- Registration on the company linkage portal;
- Facilitating the participation of local companies at international business events (fairs,

- trade meetings, etc.);
- Presentation of local companies on the Invest North Macedonia web-portal;
- Export information supplied through the electronic information bulletin prepared by the Sector for Export Promotion.

The main priorities of the Agency are:

- Raising awareness among domestic companies regarding the benefits of exporting;
- Increasing the number of domestic companies that are using the support provided by the Agency for participation at fairs, business2business meetings, etc.;
- Increasing the value of exports generated by North Macedonian companies.

Priorities for change:

- Strengthening the institutions responsible for exporting;
- Increasing the competitiveness and growth potential of the agricultural sector;
- Encouraging internationalisation among SMEs;
- Developing a more export-led growth model;
- Diversifying the export base, both in terms of products and markets;
- Increasing the technology intensity of the export basket;
- Increasing the availability of online export services.

Proposed measures:

### **1. Institutional strengthening of Export Support**

Develop a new export strategy and action plan (stimulating indirect exports via export agent), followed by direct exports to geographically and culturally close countries, followed by exports to EU, and finally global exports). The support will include: developing a revised export sector focus; a review and possible reform of the Export Department in AFIEP (staff, responsibilities, information and contact services, with an explicit link to the Economic Promoters, etc.); co-financing for SMEs to participate in targeted fairs, expos, B2B, and similar events; financing for promotional activities; support to Made in Macedonia; capacity building for staff (Export Department and Economic Promoters), and for SMEs in relation to aspects of export. Lead institutions: AFIEP; Others: Economic promoters, MoE, APPRM, SMEs

### **2. Export promotion drive with a focus on prioritised sectors**

WB analysis has highlighted 5 sectors offering export potential, namely: food processing, logistics, automotive, textile and (further development of) tourism. There is a need to recalibrate the analysis and selection of sector and sub-sectors to focus on, followed by the preparation of detailed Action Plans for the implementation of the prioritised export promotion drive sub/sectors. Furthermore, resources are required to build momentum in terms of the export promotion drive (estimated to be Euro 5 x 5 sectors), with a focus on support to SMEs. Lead institutions: CDPMEA, WB; Others: MoE, AFIEP, Ministries, investors, SMEs

### **3. SME Export Support Programme**

Select 250 targeted SMEs with export potential (targeted by experience; productivity levels; technological innovation; R&D activities; skills intensity and ICT capacities; and with a focus on manufacturing, software and business services, etc.). Provide support for these SMEs in terms of "Investment readiness" (including web tools) including, technical assistance and capacity building; and financing for export readiness issues (e.g. standards, health & safety, marketing, business planning, technology, branding, labelling, packaging, product testing, certification, contracting, customs, logistics, marketing, information and analysis) Lead institutions: Cabinet of the Deputy Prime Minister for Economic Affairs (CDPMEA) and AFIEP; Others: Prime Minister's Office, MoE, APPRM, local & international consultants, SMEs

#### **4. Establish an export information and support capacity, and point of contact**

Register with export data providers (e.g. Euromonitor), in order to provide data, analysis and dissemination support for SMEs. Establish a single point of contact about exporting at AFIEP; support/promote local enterprises in international markets; work in close collaboration with the Enterprise Europe Network (EEN); and expand coverage of these services to other parts of the country (e.g. through co-operation with 8 Regional Development Centres), through a targeted number of domestic enterprises to be supported, with information, analyses, signposting, etc. Lead institutions: AFIEP; Others: EEN, Regional Development Centres (RDCs), SMEs

#### **5. North Macedonian Export Promotion Portal**

Build on the existing portal (company directory) and establish as a priority, a comprehensive national e-portal, for SMEs and exporters, with a focus on the content, design and user-friendliness. Undertake reviews of best practice portals ([www.izvoznookno.si](http://www.izvoznookno.si)) and build from these by 'leap-frogging', leading to a "showcase" portal, aimed at 'helping North Macedonian exporters and aspiring exporters, to help themselves to obtain quality market intelligence, and to log into interactive training modules, covering a range of cross-cutting issues directly impacting on export performance. The Portal will be designed to be integrated in the national portal for e-Services, including any necessary institutional aspects to ensure ownership, updating, etc. Lead institutions: AFIEP; Others: MoE, Ministry of Information Society and Administration (MoISA).

#### **6. Review and strengthen FDI and export capacity of economic promoters' diplomatic staff in embassies/consulates**

Review and strengthen the economic capacity of the network of diplomatic representations and consulates abroad with a focus on MoFA's Economic Diplomacy vs Economic Operations. Streamline recruitment, contracts, training (FDI and export), liaison with AFEIP, and monitoring/evaluation. Increase the capacity of the Economic Promoters/economic attaches/ambassadors, to assist SMEs in penetrating foreign markets, by providing information on the local business environment; generating concrete business opportunities in foreign markets; assisting companies in making business contacts; participating in economic fairs; promoting the North Macedonian economy as a location for FDI; searching for business opportunities via North Macedonian living abroad (e.g. Diaspora); and liaison with Invest North Macedonia, etc. Implementation of measures such as North Macedonian product weeks, etc. Develop training toolkits, databases, etc. to ensure continuity and to avoid overlaps, etc. Lead institutions: MoFA; Others: AFIEP Economic Promoters; embassies; consulates

#### **7. Leveraging export and internationalisation through international standards**

Raise awareness of the critical importance of creating "high quality, high standard products" consistent with international standards that are recognisable, trusted and valued on both the domestic and international markets. This will include financial and technical assistance support for targeted SMEs, in relation to ISO, HACCP, HALAL, etc. Lead institutions: MoE; Others: Institute for Standardisation, Bureau of Metrology, AFIEP, APPRM, Chambers, NECC (National Entrepreneurship and Competitiveness Council), SMEs.



## References

Name of Database	Published by	URL
Database of Free Zones	The North Macedonian Free Zones Authority	<a href="http://fez.gov.mk/">http://fez.gov.mk/</a>
Database of Investment Projects	Agency for Foreign Investors and Export Promotion of the Republic of North Macedonia - Invest North Macedonia	<a href="http://www.investinmacedonia.com/investment-opportunities/investment-projects">http://www.investinmacedonia.com/investment-opportunities/investment-projects</a>
Database of Construction Companies	Invest North Macedonia	<a href="http://www.investinmacedonia.com/investing-in-macedonia/list-of-construction-companies">http://www.investinmacedonia.com/investing-in-macedonia/list-of-construction-companies</a>
North Macedonian Export Directory	Economic Chamber of North Macedonia	<a href="http://www.mchamber.org.mk/(S(mlqibka3lmmmi3bptptlmd55))/default.aspx?mId=85&amp;lId=2">http://www.mchamber.org.mk/(S(mlqibka3lmmmi3bptptlmd55))/default.aspx?mId=85&amp;lId=2</a>
Competitiveness Strategy and Action Plan of the Republic of North Macedonia 2016-2020	Government of Republic of North Macedonia	<a href="https://www.vicepremier-ekonomija.gov.mk/sites/default/files/pdf/07.Competitiveness_Strategy.pdf">https://www.vicepremier-ekonomija.gov.mk/sites/default/files/pdf/07.Competitiveness_Strategy.pdf</a>
Official Website	IINVEST North Macedonia	<a href="http://www.investinmacedonia.com/">http://www.investinmacedonia.com/</a>
Official Website	DTIDZ	<a href="http://fez.gov.mk/">http://fez.gov.mk/</a>