

EVALUATION ON SUPPORT TO SME COMPETITIVENESS IN ENLARGEMENT AND NEIGHBOURHOOD COUNTRIES

(Ref. Contract No. 2015/369690 and 2015/369691)

FOLLOW-UP ACTION PLAN

Recommendations, Final report	Responses, DG NEAR: (i) accepted or not	Actions to be undertaken
A. The future programming of EU assistance for PSD/Competitiveness recommended for upcoming assistance, and “weaknesses” as “negative” programming examples		
<p>R01 PSD/Competitiveness encompasses many sub-sectors (e.g. SME development, public administration reform, trade regulations, etc.) which are managed by different parts of the government administration. Whether it lends itself to a fully-fledged sector-wide approach is a question that cannot be easily answered. Yet, compartmentalisation of policies is inherent to the public administration in IPA and ENI countries; communication and cooperation among ministries and public agencies on policy making are not yet at an adequate level.</p> <p>The establishment of a Regional Cooperation Council in the Western Balkans, and Platforms and Panels under the regional programme may be a good way to achieve common policies at the regional level, but does little to further the integrity of PSD/Competitiveness related policies at the country level.</p> <p>Therefore, whether this is called a sector-wide approach or not, it would be advisable to establish, jointly with the national authorities, PSD/Competitiveness councils consisting of high-level representatives of all ministries possibly related to the sector. They would design policy to be implemented both with national funds and donor funds. In this context, it is emphasised that the evaluators do not know everything regarding the current institutional organisation surrounding PSD/Competitiveness programming. In those countries where comparable councils or committees have already been established, this recommendation would be void.</p>	<p>Partially accepted</p> <p>The recommendation to establish PSD/Competitiveness councils is addressed to the European Commission and candidate countries, potential candidates and partner countries.</p> <p>DG NEAR partially accepts the recommendations.</p> <p>There are administrative structures in place in most NEAR countries that are addressing the policies pertaining to the issue of competitiveness (for instance the Serbia’s national investment council, Ukraine has a similar structure, while in Tunisia it is called “Conseil supérieur de l’investissement (CSI)).</p> <p>In addition, the subcommittees established by the agreements between the EU and third countries offer a suitable platform for policy dialogue between Commission services and partner countries.</p> <p>At regional level, this could be done through the South East Europe Investment Council (SEEIC), the Union for the Mediterranean (UfM) or the Eastern Partnership platform 2 on “Economic Development and Market Opportunities and the Panel on Structural reforms, Financial Sector Architecture, agriculture and SMEs and relevant structures are in place.</p>	<p>Structures exist and efforts are being put on ensuring that the topic of EU support to SMEs is on the agenda of meetings of existing structures and within bilateral policy dialogue.</p>
<p>R02 The quality of future programming would benefit from a more transparent and explicit link with actual needs expressed in country strategies, as one of the important justifications for engaging in certain interventions.</p> <p>Although in most countries, the programming documents for</p>	<p>The recommendation is addressed to the European Commission with the involvement of candidate countries, potential candidates and partner countries.</p> <p>Partially accepted in the Enlargement region</p> <p>In the Enlargement region, the sector approach, which underpins</p>	<p>In the Enlargement region, DG NEAR will work to further increase the use of Sector Planning Documents (and the SWOT analysis within them) within programming</p>

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<p>PSD/Competitiveness do refer to needs formulated in national strategies, they often limit themselves to generalised statements instead of – for instance – reproducing the weaknesses in SWOT analyses and justifying why certain needs are, and others will not be covered. Such practice is expected to enhance ownership and to increase beneficiary involvement in interventions.</p>	<p>IPA II implementation, was launched notably to increase partners' ownership of EU financial assistance. Sector Planning Documents also include a section to conduct a SWOT analysis already.</p> <p>Accepted in the Neighbourhood region</p> <p>The ENP review highlights the importance of 'jointly determi(ning) attractive and realistic alternatives to promote integration and strengthen trade and investment relations that reflect mutual interests'. This implies that the programming of assistance considers partners' needs and EU policies. In general, the involvement of private sector and sectorial associations is encouraged in the drafting of national sectoral strategies and also in needs assessments to be used within the programming of EU assistance.</p> <p>As regards regional programmes, DG NEAR reiterates the value added of regional cooperation, e.g. to launch pilot programmes, to accompany/implement regional priorities of the Union for the Mediterranean, to fill gaps in bilateral cooperation, to share successful experiences and establish a shared agenda across a given region.</p>	<p>assistance in a given sector.</p> <p>In the Neighbourhood Region, at programming level, EU Delegations and services at Headquarters will work to increase the use of structured needs assessments and consultations, involving private sector organisations also.</p>
<p>B. The cooperation with other actors in the field of enterprise development and innovation facility</p>		
<p>R03 In line with [the evaluation's conclusions] C19, C24 and C35, the evaluators recommend a more stringent enforcement of the conditionality of beneficiary involvement during and after an EU-funded intervention.</p> <p>This would require, in the first place, more prominently including it [the beneficiary] in financing agreements and following that, in individual project or action fiches, along the lines as followed for budget support programmes. The ultimate sanction in those programmes is that tranches of EU financial support are withheld and this should also become practice in non-budget support.</p> <p>Project fiches/action fiches/action documents should contain a section on “inescapable” obligations of the recipient country, with clear description of sanctions, such as discontinuation of projects, temporisation of programming for future periods and even financial</p>	<p>The recommendation is addressed to the European Commission.</p> <p>The recommendations is partially accepted</p> <p>In the Enlargement region especially, the Commission already identifies, where relevant, certain pre-conditions for the contracting of projects (e.g. in the Action Documents and Annual Action Programmes). The use of performance indicators to monitor progress is also increasing. The use of budget support type of conditionalities within technical assistance projects would, however, be difficult or even counterproductive in some cases.</p> <p>Only in cases of serious political instability in the country or lack of political will or agreement on key reforms has the Commission cut the overall amount of funds allocated to a country.</p>	<p>DG NEAR will continue its efforts to improve the monitoring of its assistance.</p> <p>Policy dialogue - in SAA structures for example - are to be exploited fully in order to improve the sustainability of reform efforts supported by EU financial assistance.</p>

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sanctions. The existing ROM system can be used for this without much change; ROM experts should be given the possibility to include proposed sanctions in their reports.		
R04 The recently contracted “Evaluation of regional organisations in the Western Balkans” is a very promising initiative. The rationale behind it is that “it is no longer sufficient that the Western Balkan countries organise meetings and discussions. They also need to ensure that each of the initiatives help them address specific problems which they could not have managed on their own”. As such, the evaluation is expected to feed into the process of programming and implementation of regional programmes and perhaps – eventually – lead to (a) changes in roles of regional organisations/initiatives and (b) stronger focus of regional programmes on issues that cannot be tackled at the country level. For this reason, it is recommended to also launch such an investigation in the ENI East and ENI South regions.	The recommendation is addressed to the European Commission. The recommendation applicable to the Neighbourhood region is not accepted DG NEAR does not accept this recommendation for the ENI South nor East regions as it does not see which regional organisation of relevance to SME competitiveness could be subject to such an evaluation.	No further actions required, as the recommendation was considered as not relevant.
C. The key policy priorities within the PSD/Competitiveness sector		
R05 It is recommended that ENI programming become more focused on all those interventions that have direct tangible effects on individual businesses. Legal, regulatory and fiscal modernisation is perhaps just as important but it could be maintained that in the ENI regions (without accession factors) this is mainly a task of the national authorities. Rapid effects can be “scored” by concentrating on the business sector and their immediate environment (BSOs, private consultants).	The recommendation is addressed to the European Commission. The recommendation applicable to the Neighbourhood region is not accepted DG NEAR considers legal, regulatory and fiscal modernisation to be a core area of intervention. Supporting such reforms implies supporting the business environment (business creation and operations). For example, business surveys can help assess the extent to which actions taken by the government contributed to improvements (for instance in access to finance, labour market, raw materials, inputs, technological know-how, regional/global markets). In addition, other donors can be better placed to engage directly with the business sector. With the objective of supporting sustainable development to	The recommendation was not accepted. The EC will continue to provide a balanced mix of assistance to the private sector and to authorities in order to improve the competitiveness of our partner countries' economies.

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	<p>stabilise the Neighbourhood region (ENP review), the EU is increasingly taking the approach, in Neighbourhood South, of improving 'ecosystems' to strengthen sectors at macro (policy), meso (support organisations, intermediaries) and micro levels (pilot projects feeding into the macro and meso level). In the same vein, an evaluation of the regional EuroMed Invest project (DAI, April-August 2016, CTR 374-423) recommended strengthening support organisations and intermediaries rather than individual companies (e.g. through events).</p> <p>In other contexts, the EU's level of outreach to individual local SMEs would not allow it to support 'more actions with direct tangible effects on individual businesses'.</p>	
<p>R06 It is recommended to investigate how the existing financial instruments can be "opened up" to micro enterprises with a need for micro loans.</p> <p>EFSE (European Fund for South-East Europe) does something in this field, although 24-29% of micro loans go to private households for housing needs.</p> <p>ENI South has no comparable arrangement.</p>	<p>The recommendation is addressed to the European Commission.</p> <p>The recommendation is not accepted with regards the Neighbourhood region</p> <p>The statement "ENI South has no comparable arrangement" is not correct. Support to micro and very small enterprises is one of the key priorities as regards access to finance in the Neighbourhood South and will continue to be so for the coming years, specifically in the framework of the "EU Initiative for Financial Inclusion", where SANAD , "SEMED Financial Inclusion" and the "Risk Capital Facility".</p>	<p>Through the development of local currency loans (in EFSE and through existing blending operations with the EBRD and the EIB), EU-financed PSD operations are aiming at reducing the size of companies which can access finance. This is also a key feature of the 'financial inclusion' programme that is implemented in the Southern Neighbourhood.</p>
D. Relevant practices on cross-cutting issues, such as environment & climate change and equal opportunities.		
<p>Based on the findings in this evaluation, the recommendation on cross-cutting issues is self-evident. Environment, climate change and gender equality are issues high on the EU's agenda but do not always find their way to implementation.</p> <p>Two alternatives are recommended, that do not mutually exclude each other.</p> <p>R07 The first one is to design, for each programming year and for each individual country, at least one project dealing with PSD/Competitiveness environmental issues, one with PSD/Competitiveness Climate Change issues and one project</p>	<p>The recommendation is addressed to the European Commission.</p> <p>The recommendations are not accepted</p> <p>Guidance on how to mainstream cross-cutting issues (gender, CSOs, environment etc.) in the planning, programming, monitoring and evaluation of assistance exists. The Quality Support process also aims to check that cross-cutting issues are integrated in the EU's external assistance.</p> <p>Recognising room for improvement, the European Commission is investing in ensuring that guidance is applied.</p>	

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<p>dedicated to women entrepreneurship or another aspect of gender equality.</p> <p>There are reasons to think that the best solution could be to have such projects at the regional level.</p> <p>R08 The second alternative is to enforce the mainstreaming of cross-cutting issues in EU interventions, by introducing the institution of “environment, climate change and equal opportunities audits”, to be performed by an internal unit or external independent institution on all programming and procurement documents. This audit should also produce cross-cutting indicators to be used throughout implementation.</p>		
E. Areas that do not require the involvement of EU assistance because they are well covered by other donors or require partial assistance to be coordinated with other donors present in the field.		
<p>R09 The answer to the related EQ was that in fact, there are, in the PSD/Competitiveness sector, no areas that can be deleted from EU support without damage.</p> <p>The “fundamentals first” approach in the 2014-2020 enlargement strategy has nevertheless succeeded in setting priority intervention areas that reduce the overall width of the programme.</p> <p>We recommend not changing this principle for the IPA region.</p>	<p>The recommendation is addressed to the European Commission.</p> <p>Recommendation accepted.</p>	<p>No action needed</p>
F. Improvement of the monitoring and evaluation frameworks, namely with regards to appropriate indicators.		
<p>R10 Assuming that – as reported by DG NEAR – indicator systems for PSD/Competitiveness have substantially improved, it is recommended to thoroughly embed them in the roles of national authorities.</p> <p>The NIPAC system in IPA countries already provides for this, or so it is assumed.</p> <p>Such clear responsibilities are not yet attributed to national</p>	<p>The recommendation is addressed to the European Commission and candidate countries, potential candidates and partner countries.</p> <p>The recommendation is partly accepted (please also refer to the response to R03)</p> <p>National coordination institutions are weaker in ENI. Support will be provided on a continuous basis, especially through regional programmes.</p>	

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<p>coordinating institutions in ENI countries.</p> <p>In line with recommendation R03, such monitoring (its quality, its frequency, its substance) should be made an obligatory condition in all financing agreements, with sanctions attached to it.</p>		
G. Strengthened thematic support on economic governance/competitiveness through DG NEAR centres of expertise.		
<p>R11 As regards access to finance, it is recommended that the Commission undertake regular studies that inform these interventions, in terms of the needs for money, broken down for countries, types and sizes of funding instruments, priority sectors, types and sizes of individual companies most in need of external funding, repartition over (in-country) regions.</p> <p>This will have many positive effects, one of them being that regional funds (NIF, WB EDIF) are properly allocated to individual countries according to real needs.</p>	<p>The recommendation is addressed to the European Commission.</p> <p>This recommendation is already partly implemented</p> <p>The Commission and its IFIs partners regularly undertake studies on access to finance in Neighbourhood and Enlargement regions. The EBRD and EIB have notably published important studies on the matter. The exchange of such studies is also foreseen within coordination efforts with the IFIs.</p> <p>Studies have been undertaken in the context of the regional programme "Enhancement of the Business Environment in the Southern Mediterranean" (EBESM) and will continue to be done in a follow-up programme which will focus on the dimensions 'access to finance' and 'financial inclusion' in the Neighbourhood South.</p> <p>Additionally, Access to Finance is one of the key dimensions covered under the Small Business Act (SBA) principles, and DG NEAR is conducting a regular SBA assessment programme with the OECD for the three regions. There are for instance, two ongoing SBA assessments, one for the Western Balkans and Turkey and the second for Neighbourhood East. The assessment for Neighbourhood South was completed in June 2018.</p> <p>In the Neighbourhood East, up-to-date information on EU support to access to finance is available on the "EU4Business" website.</p>	<p>The EC is exploring new areas that could be covered in order to improve access to finance (with World Bank looking at how to deepen and diversify financial markets, or new type of companies such as social entrepreneurs).</p>
<p>R12 Also, on access to finance, it was concluded (section 5.3 of the evaluation report) that interventions have evolved over time into an</p>	<p>The recommendation is addressed to the European Commission.</p>	<p>DG NEAR could reflect on developing a portal, similar to the</p>

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<p>unnecessarily complex system. There are (too) many separate schemes such as EFSE, WB EDIF, NIC, ENIF, ENEF, WeBSEFF I, WeBSEFF II, WeBSEDF, GGF, GGF TAF, GF, FEMIP, Flagships, European Western Balkans Joint Fund, REEPWB, and still several others.</p> <p>It remains the choice of the Commission whether or not to keep all these separate programmes, and whether or not to have agreements with each IFI separately. But the recommendation is to ensure that in each country, networks of their client banks are integrated, so that each micro, small and medium-sized entrepreneur (who typically does business with one bank in her/his village) has access to all instruments, not only to those that happen to be agreed with her/his bank.</p>	<p>The recommendation is partly accepted</p> <p>DG NEAR recognises that the portfolio of 'access to finance' instruments could be somewhat streamlined in certain regions, whilst upholding their availability to banks and SMEs. DG NEAR also agrees that there is a need to better inform partner countries and potential beneficiaries of existing 'access to finance' instruments, through appropriate communications tools.</p> <p>In some regions, the problem is not necessarily the number of instruments available (in the Southern Neighbourhood for example, only the EIB's FEMIP is available) but the lack of their visibility for SMEs.</p> <p>The Commission's choice of partners is based on the best available offer, per its policy priorities. DG NEAR has also launched the EU Initiative for Financial Inclusion to ensure coordination of and cooperation among tools/instruments.</p>	<p>"Access to EU finance" Portal, centralised all relevant information.¹</p>
<p>H. Other aspects of the PSD/Competitiveness sector</p> <p>Visibility is an always recurring issue in evaluations. Apart from the techniques of fostering visibility, the handicap is that a good definition of its objective is lacking.</p> <p>Should visibility actions lead to awareness of the general public of the positive contributions of the EU and if so, to what extent? Or should these actions contribute to better knowledge of policy makers in the field of intervention, or of the general principles the EU stands for?</p> <p>The current system asks contractors to “advertise” their project to the outside world, however, they are experts in their particular fields, not</p>	<p>The recommendation is addressed to the European Commission.</p> <p>The recommendation is partly accepted.</p> <p>Work towards a more strategic and coordinated approach to communication is taking place, with orientations to conduct thematic / sector-based communication, to pool funds for communication purposes, and improve EU branding, services provided by the OPEN Neighbours programme etc.</p> <p>Since the entry into force of the New Communication and Visibility Requirements for all EU External Actions in Third countries, the</p>	<p>Actions are in place to foster an effective use of available communication allocations and support communication work conducted at HQ and Delegation level.</p> <p>The Commission will assess whether the “EU4Business” branding approach can be relevant in other regions.</p>

¹[http://europa.eu/youreurope/business/funding-grants/access-to-finance/search/en/financial-](http://europa.eu/youreurope/business/funding-grants/access-to-finance/search/en/financial-intermediaries?shs_term_node_tid_depth=1682&field_company_category_tid_i18n=72&field_amount_of_finance_range_value_i18n=1&field_type_of_finance_tid_i18n%5B%5D=2103&combine=)

[intermediaries?shs_term_node_tid_depth=1682&field_company_category_tid_i18n=72&field_amount_of_finance_range_value_i18n=1&field_type_of_finance_tid_i18n%5B%5D=2103&combine=](http://europa.eu/youreurope/business/funding-grants/access-to-finance/search/en/financial-intermediaries?shs_term_node_tid_depth=1682&field_company_category_tid_i18n=72&field_amount_of_finance_range_value_i18n=1&field_type_of_finance_tid_i18n%5B%5D=2103&combine=)

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<p>in marketing and PR. Only few of them hire separate short-term experts for these tasks.</p> <p>The recommendation, that may be at odds with ENI and IPA implementing regulations as well as with the financial regulation, is as follows.</p> <p>R13 Take 80% of the visibility budget from individual projects (20% is needed for a few direct project-related visibility actions) and organise visibility per country, where it counts most. This applies not only for PSD/Competitiveness, but for all sectors.</p> <p>The recommendation is to hire a professional organisation in the country that makes standard website designs for all projects, maintains them and – very importantly – ensures links between them.</p> <p>Currently, all websites look unlike each other and worse, they are not dismantled when projects are completed.</p> <p>The professional organisation will produce standard designs and formats of brochures, leaflets, training materials, press releases, to be used by all projects. It will establish and keep up-to-date address lists for distribution of visibility materials. It will organise press conferences, TV and radio interviews for the individual projects, based on its contacts with the media.</p> <p>One other task is to ensure that all technical reports (insofar as not confidential) are uploaded to one database, preferably regional. The experience of the evaluators is that many technical reports are distributed over limited number of persons/institutions, and are not easily available to other contractors. This leads to repetition of the same studies, the same TNAs, the same training programmes and the same presentations. Important savings can be made.</p>	<p>European Commission has taken action to develop a systematic and compulsory approach to ensure communication and visibility activities in all EU-funded projects and programmes, in close collaboration with the EEAS and the other Commission's External relations DGs (DEVCO, FPI and ECHO). The Requirements provide clear guidance to Delegations on how to implement the compulsory legal provisions and monitor the appropriate visibility actions, in direct and indirect management projects and programmes. In addition, an online operational guide called "COMNET" has been recently developed to provide Delegations with best practices and examples on the full spectrum of communication and visibility actions (ToRs for Communication contracts, opinion survey, communication plans, press release, social media, video production, organisation of events, publications, EU visual identity, copyright and disclaimers). Regular training sessions are also on offer to Delegations' staff.</p> <p>In the east, the branding "EU4Business" provides an umbrella for all communication on PSD operations in the region, which proved successful (www. Eu4business.eu).</p>	
<p>R14 Coordination and fine-tuning between regional and national programmes needs improvement, as concluded in this report (C03 and C07) but also acknowledged by the Commission Services</p>	<p>The recommendation is addressed to the European Commission.</p> <p>The recommendation is partly accepted.</p>	

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<p>themselves (see ToR section 2.4.1). This is most effective in the identification stage of the programme cycle, when all options are still open.</p> <p>It is recommended to divide the process into a few sequential steps, and to delineate the roles of the EU staff. <i>The evaluators realise that they tread on thin ice with this recommendation. Too little is known of the actual internal processes to judge whether this proposal does not conflict with long-established internal procedures. Yet, elements of the recommendations may be introduced to ensure that regional and national programming becomes a joint process.</i></p> <p>Step one would be a three-day session of EUD task manager for PSD/Competitiveness and the manager of the regional PSD/Competitiveness programme at HQ, including thematic experts from other units. This would end up in a (non-exhaustive) definition of sub-areas the EU would and could spend money on in the upcoming programming period, for regional as well as national programmes.</p> <p>The second step is consultation, by the EUD task manager, of national authorities and a wide group of other national stakeholders. This would become a series of potential interventions in priority sub-areas according to evidenced needs in national strategies.</p> <p>Step three is the division of potential interventions over national and regional programme, according to the subsidiarity principle.</p> <p>It may be desirable to rubber-stamp the outcome during a programming session with national authorities and stakeholders.</p> <p>After this, the usual process of preparation of financing proposals, project/action fiches, annual programmes etc. ensues, with one important difference: the contacts and further consultations on both national and regional programmes are conducted by the EUD.</p>	<p>The following steps are already taken within the process of the programming of financial assistance:</p> <ul style="list-style-type: none">• Close coordination of bilateral and regional priorities• Joint (bilateral, regional) programming missions per country. <p>Whilst the need to improve coordination between regional and bilateral programmes, as well as a strategic communication exists, DG NEAR's Centres of Thematic Expertise and geographical units and Delegations work on ensuring coherence between regional and bilateral operations and on any gaps in the work conducted by Headquarters and Delegations. Finally, annual Eco Net meetings are an important moment for colleagues working on PSD.</p>	
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