

## **ANNEX 1: ACTION FICHE FOR ENPI REGIONAL EAST ACTION PROGRAMME 2009**

### **1. IDENTIFICATION**

Title/Number	EAST-INVEST CRIS No. 19-654			
Total cost	EC contribution € 7 million			
Aid method / Method of implementation	Project Approach - Centralised Management			
DAC-code	25010	Sector	Business Support Services and Institutions	

### **2. RATIONALE**

#### **2.1. Sector context**

Differences exist between the Eastern Neighbourhood partners<sup>1</sup> with regard to the level of contribution of SMEs to the economy, the degree of support given to the SME sector by the government, and the degree to which private sector SME support organisations are mobilised. Common constraints, faced to a greater or lesser extent by all six countries, are:

- Lack of developed inter-regional and international SME networking mechanisms;
- Lack of specific instruments to attract funding to SMEs;
- Weak investment climates;
- Obstructive business regulatory environments;
- Underdeveloped public-private sector dialogue;
- Lack of independent and competent arbitration judiciaries for the resolution of conflicts.

East-Invest, a regional trade facilitation project, will be launched in 2009 for a three-year period. It will contribute to the economic development of the Eastern ENPI region and to the improvement of its business environment within the context of developing networking: on one hand between the EU and the Eastern ENPI partners and on the other hand between the Eastern partners, in productive-sectors identified as priorities. EAST-Invest will also facilitate the internationalisation process for participating SMEs within the Eastern Partners and the EU.

East-Invest is designed in the context of the ENP which supports the Eastern Neighbours coming closer to the EU. It also comes within the framework of Article 25 of the Paris Declaration which stipulates that "*Partner countries commit to intensify efforts to mobilise domestic resources, strengthen fiscal sustainability, and create an enabling environment for public and private investments*".

In line with the Commission communication of December 2008, the European Council of March 2009 welcomed the establishment of an ambitious Eastern Partnership as a specific Eastern dimension of the European Neighbourhood Policy, to promote stability and prosperity among the EU's Eastern partners and to accelerate reforms, legislative approximation and economic integration. It endorsed the launch of Flagship Initiatives in order to give momentum and concrete substance to the Partnership. This project to be financed in the present Action Programme will support the operation of the Eastern Partnership multilateral framework and advance the development of the Flagship Initiative on a SME facility.

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<sup>1</sup> The ENP Eastern partners are Armenia, Azerbaijan, Belarus, Georgia, the Republic of Moldova and Ukraine.

## **2.2. Lessons learnt**

The achievements of, challenges facing, and lessons to be learnt from existing EC multilateral SME Networking/Trade Facilitation instruments in other regions where the EC supports similar programmes, are of particular relevance to the establishment of East-Invest, namely AL-Invest, Asia-Invest, PRO-Invest and Invest-in-MED. The lessons learned from these programmes and which should be integrated into East-Invest, are as follows:

- to be a truly demand-driven programme, East-Invest should harness private sector representative organisations in the target countries in self-sustaining networks ;
- to further ensure the demand-driven nature of the programme, its activities should be proposed by Eastern and EU private sector organisations;
- the East-Invest participants will have to take firm commitments, especially by contributing to the financial support of the organised activities;
- considerable effort and an appropriate pump-priming mechanism has to be deployed to ensure minimum time in establishing East-Invest networks ;
- East-Invest activities will have to engender multi-lateral activities ;
- an appropriate monitoring system is incorporated as a key management function.

## **2.3. Complementary actions**

East-Invest activities will have to complement, and be complemented where relevant by bilateral, sub-regional and regional programmes supported by the EC and other donors in the region, especially those providing capacity building support to the private sector in Eastern Neighbourhood countries. Regional actions complementary to East-Invest, through the EC and other donors, are numerous.

East-Invest also plays a part in the framework of the new Eastern Partnership initiative which promotes an increased cooperation in the area of trade facilitation and supports the identification of key areas for enterprises development.

The EC, for example, has been facilitating SME development in the six Eastern Neighbourhood Countries, such as ‘SME Support Services in Priority Regions’ and ‘Building the Business Capacity of Ukrainian SMEs-International Dimension’ in Ukraine ; ‘SME Support in the Rural Sector’ in the Republic of Moldova; ‘Support to the Implementation of the State Programme on the Socio-Economic Development of the Regions’ and ‘Vocational Training with the Private National Confederation of Entrepreneurs (Employers) Organisations’, in Azerbaijan

## **2.4. Donor coordination**

At a macro level, East-Invest activities will have to be carefully coordinated and avoid any duplication with the existing and planned actions in the Eastern Neighbourhood Region by other donor organisations. These notably include:

- The proposed establishment of the European Neighbourhood Small Business Growth Facility in ENP East, a regional fund for Micro and SMEs to be set up and financed by the Neighbourhood Investment Facility (€ 16 million);
- OECD’s ‘South-East European Regional Framework for Investment’, ‘Investment Compact for South-East Europe’ and ‘Private Sector Development Programme for Black Sea and Central Asian countries’ ;
- WB’s activities, including the ‘Second Foreign Investment & Export Facilitation Project’, the ‘Foreign Investment Advisory Service’ in Armenia, the ‘Business Development Project’ and ‘InfoDev’ (Business Incubator) activities in Georgia ;

- The International Finance Corporation (IFC–WB Group) initiatives aiming at supporting SMEs, notably by improving business environment, access to finance, access to markets, business skills and information and by creating new opportunities through innovation.
- UNDP interventions, including the ‘Black Sea Trade and Investment Promotion Programme’, its initiative to establish a ‘Special economic zone in Azerbaijan’ and the ‘[Integrated Employment Generation and SME Development Programme](#)’ in Georgia ;
- EBRD actions such as its recently extended SME Financing Facilities in Belarus and the Republic of Moldova and the TAM/BAS program in Armenia and Azerbaijan.

In order to avoid any overlap and to create synergies between these initiatives, the Consortium will have to design a mechanism to ensure effective collaboration between the programmes' stakeholders, the EC headquarters and Delegations and the organisations in charge of the implementation of the above-mentioned initiatives.

### **3. DESCRIPTION**

#### **3.1. Objectives**

The overall purpose of the East-Invest programme is to develop mechanisms encouraging new flows of FDI and to strengthen the ongoing investment promotion process between the EU and the Eastern ENPI countries as well as between the Eastern countries, which will contribute to the enhancement of trade in the region.

To reach its main purpose, East-Invest will focus on specific objectives aiming at:

- Strengthening public-private dialogue, notably by integrating SMEs, business facilitators and selected public-sector SME facilitators into the networking mechanisms;
- Facilitating exchange of best-practices and interconnections between EU and Eastern Neighbourhood companies in order to favour business co-operation agreements, mutual trade, transfer of technology, customs procedures, product standards and investment;
- Developing the capacity of Eastern Neighbourhood SME support organisations to facilitate improved SME networking and trade development.

#### **3.2. Expected results and main activities**

At the heart of the programme will be two articulating business networks, one in the EU (EURONET) and one in the Eastern Neighbourhood Region (EAST-NET).

The programme will be managed by a Consortium including key East-Invest stakeholders and which will appoint a National Focal Point to manage day-to-day programme operations in each of the six Eastern ENPI Countries.

The expected results of East-Invest are:

- SME support networks are consolidated and/or established, both in the Eastern Neighbourhood Region (EAST-NET), and in the EU (EURONET);
- Matchmaking meetings between EU and Eastern SMEs are organised to initiate partnerships, including participation in regional fairs.
- Technical Assistance (TA) is provided to SMEs within EAST-NET, to enhance their networking and trading competences and opportunities;
- TA is provided to business facilitators within EAST-NET, to enhance their abilities and opportunities in supporting network SMEs;
- TA is provided to selected public sector bodies within EAST-NET to enhance their capacity to create a more conducive business environment for SMEs within the entire East-Invest region.

Five specific instruments may be implemented to achieve these results:

### ***SME Technical Assistance Facility ‘SME-TECH’ (ST)***

The objective of ST is to provide TA, including capacity building and individual consultancy, notably financial consultancy, to participating SMEs in the Eastern Neighbourhood Countries, in areas which contribute to strengthening business links between SMEs in the Eastern Neighbourhood Countries as well as between the Eastern Partners and EU SMEs (such as customs regulations, market conditions).

### ***Trade Fair Technical Assistance Facility ‘TRADE-TECH’ (TT)***

Its objective is to stimulate initial contact between SMEs from the EU and the Eastern ENPI Countries, identifying business opportunities and market potential, and encouraging the SME participation in international/regional trade fairs. TT should be considered as a prospecting instrument by SMEs in the internationalisation process.

### ***SME Business-to-Business Facility ‘EAST-MATCH’ (EM)***

Its objective is to provide EU and Eastern Neighbourhood Country SMEs with the appropriate environment for business meetings, accelerating their internationalisation in commerce, technology, etc.

### ***Business Facilitator (Operator) Technical Assistance Facility ‘BUS-TECH’ (BT)***

Its objective is to train associations representing the private sector in the Eastern Neighbourhood Countries (EAST-NET) with the experience and good practice available in umbrella (partner) organisations, preferably from EU. Knowledge will be shared between institutions for the mutual benefit of both the EU and Eastern Neighbourhood Country business communities.

### ***Institutional Exchange Facility ‘ORG-EXCHANGE’ (OE)***

The objective of this staff exchange instrument is to improve the reciprocal knowledge of participating operators, from any participating countries within East-Invest, with a view to sharing work methods and contributing to a lasting and effective collaboration.

## **3.3. Risks and assumptions**

The assumptions underlying East-Invest are as follows:

- Eastern Neighbourhood private and public sectors overcome reluctance to collaborate on trade and investment promotion;
- Eastern ENPI Partners governments demonstrate willingness to put the development of the private sector at the heart of their reform programmes;
- EU companies accept the principle of extending competitiveness by collaboration with Eastern Neighbourhood companies;

The risks associated with these assumptions are as follows:

- SME organisations are too ineffectually organised in the partner countries to serve the investor and perform their networking role.
- EU business will not acknowledge Eastern Partners as opportunities for international competitiveness due to regional stability concerns or inherent prejudices against the region;
- EU organisations are not fully involved in the project.

## **3.4. Crosscutting Issues**

The activities of East-Invest, across all six Eastern Neighbourhood Countries, and within the EU, will be implemented according to the following principles. All activities will be:

- **Ethical:** The programme will not become engaged in unethical activities or products, including narcotics and illegal armaments;
- **Non-gender-biased:** The programme will not discriminate against any eligible entity on the basis of gender and will ensure a real involvement of women associations/entrepreneurs;
- **Environmentally acceptable:** Any commercial activities resulting from the programme will be required to adhere to the environmental legislation in force in the country of operation.

### 3.5. Stakeholders

The Eastern Neighbourhood stakeholders will be:

- Small and Medium Enterprises and their support organisations, notably the Associations for Entrepreneurs and Businessmen;
- Ministries that relate to economic development (i.e. Expatriates, Trade, Finance, Industry, Investment) as well as government enterprise development institutions (such as Investment promotion agencies, National development Agencies, Export Councils, etc);
- State Investment Companies and Foundations;
- Private sector and Civil society, including national and regional business organisations, Chambers of Commerce and Industry, etc;
- Eastern Neighbourhood women investors, women's business associations and where relevant expatriates who could generate investments through remittances to their home countries.

The European stakeholders will be:

- Business associations that establish sustainable links with counterparts in the Eastern Neighbourhood Countries and private sector companies – including SMEs - that enhance their international competitiveness by establishing business relations with companies in the region;
- Ministries that relate to economic development (i.e. Expatriates, Trade, Finance, Industry, Investment) as well as government enterprise development institutions (such as Investment promotion agencies, Export Councils);

International organisations working on trade facilitation and investment promotion in the beneficiary region.

## 4. IMPLEMENTATION ISSUES

### 4.1. Method of implementation

The implementation method will be direct centralised management. In order to ensure effective management of the project, coordination between Delegations, Headquarters, and Partner countries (NFP), will be established.

### 4.2. Procurement and grant award procedures

The Commission will launch a call resulting in the award of one contract. The contract implementing the action must be awarded and implemented in accordance with the procedures and standard documents laid down and published by the Commission for the implementation of external operations, in force at the time of the launch of the procedure in question.

Participation in the award of contracts for the present action shall be open to all natural and legal persons covered by ENPI Regulation N° 1638/2006.

#### **4.3. Budget and calendar**

The maximum EC amount to implement the project will be 7.000.000 €. The project duration is 36 months as from the date of signature of the contract.

The Call will be launched in mid 2009.

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

Objectively verifiable indicators, both qualitative and quantitative, will have to be part of the methodologies included in the technical proposals.

Given the demand-driven character of the programme, the final OVIs must be designed properly, including more concrete baselines and deadlines, only as of the second year of project implementation. OVIs should be further revised at the start of the third year to make sure that they are ambitious enough without being overambitious.

An ad-hoc mechanism should be set up in order to enable the Contractor to revise the OVIs in due course with the approval of the EC Services. An evaluation mechanism for each of the five instruments should be put in place by the Consortium for the participants to evaluate the benefits of East-Invest for their business activity.

A Steering Committee will be established to endorse strategic orientations, oversee project execution, and facilitate implementation of the activities.

The project will be monitored according to standard procedures. Project management monitoring and evaluation will be based on periodic assessment of progress reports and deliverables. The internal monitoring process/strategy of the project and its activities shall be developed at the start of the project by the Contractor and shall include a consistent monitoring reporting system to be used as one input into the evaluation process.

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

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

A mid-term and a final project evaluation will be carried out to assess project performance, achievements and impact.

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

The project's Internet website shall be the main tool that ensures communication, visibility and dissemination of the project's achievements and of its current and forthcoming events. The Consortium will have to ensure that the EC visibility guidelines are strictly respected. In addition to the website, it is also envisaged to circulate an electronic newsletter intended not only for the key stakeholders, but also for prospection purposes.

The project will, in addition, work out its own communication strategy and develop specific awareness-raising, information and dissemination activities in order to inform partner countries and potential stakeholders of the opportunities that it provides.