

## **STUDY**

# **Innovation absorption capacity and transnational cooperation needs in South East Europe, with particular focus on Western Balkan Countries**

**FINAL DRAFT**

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**Consultant to SEE-ERA.NET**



**DECEMBER 2007**

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## 1. Introduction

This study aims to identify and analyze existing research, technological development and innovation (RTDI) cooperation needs in the South East Europe region, focusing in particular on possible innovation support infrastructures and services in the Western Balkan Countries (WBC), their absorption capacity for RTD and innovation, as well as transnational cooperation and regional cooperation opportunities for innovation. Particular emphasis is put on the extent of involvement of SMEs and their representatives in the innovation process, including current status and needs, in order to design appropriate SME innovation support actions and tools to be implemented as future funding schemes for transnational cooperation activities for innovation.

The study is based on the following main information sources:

- The results of a study report, produced by the Information Office of the Steering Platform on Research for Western Balkan Countries, on overview of the general innovation environment and list of existing innovation infrastructures in each Western Balkan Country
- The results of the report on Enterprise Policy Development in the Western Balkans, produced by EC DG Enterprise and Industry and OECD Investment Compact
- Web and desk research on relevant information
- Existing documents on SME development and innovation related policies and programmes of the Western Balkan Countries
- Communication with identified stakeholders and/or their representatives from Western Balkan Countries and completion of questionnaires on the following subjects:
  - Their role, activities and needs on RTDI support focusing on SMEs (i.e. innovation policies and programmes, financial support, innovation support structure, industrial research, technology transfer, incubation and start-up support, training or mentoring, consulting etc)
  - Collaboration, networking and mobility activities and needs for supporting innovation (i.e. regional, transnational, science-industry, intra-industry and trans-industry)
  - "Good-practice" examples of corresponding activities

The study has been updated and finalised by incorporating the outcomes of the South East European International Conference on Innovation that took place in Thessaloniki, Greece, on 29-30 November 2007.

## 2. Policies and programmes supporting innovation

### *EU Innovation Policies and Programmes*

European Countries, notably the EU27 and candidate countries, share a common set of policy objectives in terms of innovation based on the "Lisbon Strategy".

#### **Lisbon Strategy Objective** for the coming decade

European Union is set to become the most **competitive** and **dynamic knowledge-based economy** in the world, capable of **sustained economic growth** with **more and better jobs** and **greater social cohesion**.

Boosting innovation is at the core of the Lisbon Strategy since it is a key determinant of the ability of an enterprise, sector, region or country to remain competitive.

Innovation is about change and the ability to manage change over time. Innovation can be classified into four broad categories, the "4Ps" of innovation:

- **Product innovation:** successful exploitation of new ideas in the form of a new or improved product or service
- **Process innovation:** successful exploitation of new ideas in the way in which a product or service is delivered
- **Position innovation:** creatively positioning or marketing an existing product
- **Paradigm innovation:** changing the business model (i.e. low-cost airlines)

Based on the European Innovation Scoreboard (EIS) results and the annual country policy trends and appraisal reports, a sub-set of **three to four key challenges** for national innovation systems in Europe have been selected. In general, the group of indicators related to **innovation drivers** (mainly concerning **human resource potential**) concentrates the largest number of challenges, followed by **knowledge creation**. Three EIS indicators clearly dominate in terms of number of countries concerned by poor absolute performance or declining trends in performance:

- Business expenditures in R&D (BERD)
- Share of science and engineering graduates
- Participation in life-long learning activities

Five other indicators also stand out but less significantly in terms of number of countries for which their performance poses a challenge:

- Population with tertiary education
- Broadband penetration rates
- Business financed university R&D
- SMEs innovating in-house
- Early stage venture capital

European innovation policies are therefore focused on implementing measures to respond to the above challenges, such as:

- Developing life-long learning strategies and/or re-organizing the life-long learning system
- Reinstating a system of tax incentives for RTD activities
- Establishment of seed and venture capital funds
- Fostering high-tech start-ups and increasing knowledge content in SMEs

The main Innovation-related Programmes and instruments at European Level are listed and described briefly in Annex 1.

### *Innovation Policies and Programmes in WBC*

Small enterprises are the backbone of the Western Balkan economies. They make a major contribution to job creation and economic development. Small enterprises are behind the expansion of the services, construction and transport sectors that are driving economic growth in the regions. **Clusters** of small enterprises operating in **high value added operations** are emerging, **spreading innovation** throughout many parts of the Western Balkans.

Until a few years ago, small enterprise policy received relatively little attention in the region. The focus of governments was on consolidating macro-economic stabilisation, and on managing the restructuring and privatisation of large companies. Only limited support was available for small enterprises.

The adoption in 2003 of the European Charter for Small Enterprises – a pan-European instrument developed under the framework of the Lisbon Agenda – by all Western Balkan Countries (WBC) and UNMIK/Kosovo contributed to a change in policy perspective. Since then, the Charter's policy guidelines have become a key reference for enterprise policy development in the region. The results regarding the progress assessment of WBC in enterprise policy development and implementation of the main Charter's dimensions related to innovation, as identified by the corresponding assessment report produced by EC DG Enterprise and Industry and OECD Investment Compact, are summarised below. The results are presented starting with innovation-related dimensions where progress has been slowest in almost all the countries of the region, moving to innovation-related dimensions where progress has been uneven between the countries of the region and ending to innovation-related dimensions where progress has been most noticeable.

### *Availability of skills*

In WBC the gap between the skills supply and the skills required by the market is growing. While provision of training is increasing in the region, primarily through public service institutions which design and deliver this training according to enterprise requirements, enterprises continue to voice concerns about the relevance of training to the market. The Western Balkan Countries and UNMIK/ Kosovo have not yet established systematic tracking of training requirements relative to market demand. Furthermore, the issue of quality assurance for the training provided has not been effectively addressed. Also, the great part of the region's small enterprise sector is unable to participate on or benefit from ongoing training developments, for reasons of accessibility and costs. With increasing evidence of the links between quality manpower and SME performance, there is a need to give further impetus on training initiatives.

### *Education and training for entrepreneurship*

Entrepreneurship education and training to help increase available skills is just starting to be developed in the region. The Western Balkan Countries and UNMIK/Kosovo are becoming increasingly aware that their learning systems can make an important contribution to the promotion of entrepreneurship. While the Western Balkan economies have engaged in cross-stakeholder dialogue concerning the development of life-long entrepreneurship learning, policies and financial accountability remain to be defined. The assessment highlights that entrepreneurship is still generally confined to traditional business areas. It recommends treating entrepreneurship as a key competence in early education. There has been good progress at the secondary education level, but efforts have generally been project-based and donor-driven. The assessment also recommends that pilot projects have entrepreneurship policy learning objectives, as a basis for eventual integration into the broader school

curriculum. Introducing performance indicators has encouraged a focus on critical areas for the strategic development of entrepreneurship learning. Relatively significant efforts have been made to pilot entrepreneurship learning, including promotion of non-formal entrepreneurship learning. For the most part, pilot projects remain outside the formal curriculum.

#### *Improving on-line access*

Encouraging enterprises to adopt ICT (information and communication technology) solutions is perceived as a critical aspect for building an internationally competitive knowledge-based economy. As small enterprises adopt ICT solutions, they will be able to establish electronic links with other businesses, begin to engage in e-business activities, and access new and richer information sources in order to enhance innovation and competitiveness. While many companies have an internet presence, very few provide services such as on-line sales or other kinds of business-to-consumer e-commerce models, and limited internet penetration further restricts demand. The ability to make on-line submissions is also linked to progress on the acceptance of electronic signatures. This has been an inhibiting factor, restricting movement beyond the decision in principle to accept on-line submissions. A range of e-government services for SMEs are emerging. Basic SME portals do not systematically exist in all countries. They include provision of relevant on-line business information and the introduction of on-line services for filing tax returns or applications for licenses and permits. There are some pilot projects for interactive services. Croatia is clearly ahead of the other governments in the region in developing a comprehensive e-government strategy, of which on-line services for SMEs are a part. Its experience can provide helpful insights for other governments in the region.

#### *Strengthening SME's technological capacity*

In WBC SME's technological capacity, essential for competitiveness and innovation, is slowly being strengthened. Areas such as dissemination of new technology, creation of links between SMEs and research centres to foster co-operation, establishment of research and technology centres, and initiatives to encourage the formation of clusters in key economic sectors are still in the early stages. The countries in the lead regarding the development of inter-firm clusters and networks are Croatia and the former Yugoslav Republic of Macedonia. Both have active programmes supporting cluster development in key sectors. In other countries cluster development is still mainly of donor initiated and financed projects, with little indication of sustainability or of major governmental support. It is encouraging for foreign investors that all countries in the region have introduced appropriate legislation to protect intellectual property rights. Legislation on intellectual property rights (IPRs) is in place in all the Western Balkan countries and is being prepared in UNMIK/ Kosovo. However, enforcement of IPR legislation is far from being fully operational, although in this regard Croatia is approaching international norms.

#### *Successful e-business models and top-class business support*

Like technological capacity, e-business solutions can further improve the efficiency and competitiveness of SMEs. They provide more effective approaches to purchasing and sales, facilitating access to European markets. Donor funding has been important for the development of support facilities and services and provision of information services. There are a variety of business support initiatives in the Western Balkan Countries and UNMIK/Kosovo, including business incubators, general business services, and information provision. Inevitably, some business support services exist everywhere, provided either by the private sector or by governments and donors. The key to their effectiveness is whether they are part of a national framework, and whether SMEs can expect a common level of service. There is a pattern of isolated and fragmentary initiatives to provide business support services, many of which are funded by donors. To a great extent, there are no national strategies within which individual efforts can be co-ordinated. This leads to gaps and

overlapping of services. While business support services have been seen by most governments as important at both national and local levels, a lack of long-term strategies means that issues such as quality assurance and ensuring that an appropriate range of services are available have not been addressed. There is a strong need for greater clarity, for quality standards in regard to service provision, and for better co-ordination of business support strategies. The exception is Croatia, where support services are being developed within a clear national strategy.

Only in Croatia it is possible to find a developed competitive business service market in which both national and international consulting companies operate, offering a full range of professional services. In the rest of the Western Balkans, the situation can be characterised as one where a number of programmes have been created to establish business support services using a range of donor programmes, with mixed success. In addition to the subsidised programmes in the region, there are a growing number of commercial consultancies. While slow to get off the ground, the market now appears to be expanding rapidly for these service providers, assisted in many cases by pilot voucher counselling type programmes that help introduce SMEs to the benefits of using consultants.

Across the Western Balkans, programmes have been established to establish minimum standards for consultants as a guide to their use by SMEs and government programmes. In most cases there can still be seen as pilot exercises, designed to test systems that link training of consultants with reference from clients. These systems could form the basis for more established systems at a later date. In some cases, the accreditation programmes is specifically linked to a particular small-scale voucher programme rather than one with broader national reach.

Provision of business information is at an early stage of development except in Montenegro and Croatia. Information services and products exist, but in general they are not co-ordinated as part of a wider strategy. Information provision shows very similar characteristics to that of on-line information provision.

While basic legislation is in place on the introduction of e-signatures, only Croatia has introduced a full range of secondary regulations and moved towards their increasing acceptance in on-line transactions.

#### *Development of stronger, more effective representation of small enterprise interests*

This dimension is of crucial importance for small enterprises, as it is a precondition for success in all the other dimensions. If the voice of the small enterprises is not heard in government policy making, it is less likely that government measures will give adequate attention to SMEs' special needs and circumstances. Setting up such channels of consultation also plays an important role in cultivating social capital in a country, i.e. levels of trust between the public and the private sector. Development of the SME network is to some degree an organic process, corresponding to how well the sector itself is developing. The role of the Chambers of Commerce is different in different countries, with membership half compulsory and half voluntary. The key issue is whether they genuinely serve their members. In Western Balkan countries and UNMIK/ Kosovo this means reforming the old Chamber system, which did not serve the SME sector well if at all. While the extent and quality of SME networks and representation, and of public/private consultation channels, have improved since 2003, it will take a few more years for effective representation of SME interests to reach EU standards. More remains to be done in areas where governments could act decisively, i.e. the reform of Chambers of Commerce and the establishment of real consultative channels. Croatia, Montenegro and the Former Yugoslav Republic of Macedonia are generally ahead of the other Western Balkan economies in regard to effective representation of SME interests. There was also a strong push in Serbia in the last two years. All governments should ensure that SMEs have specific forums where their interests are represented, with real mandates to

influence policy making. The capacities of Chambers of Commerce and business associations should improve over time.

In Western Balkan Countries most of the innovation and entrepreneurship related policies and programmes have been designed and implemented in collaboration with European and international donors. Croatia is in the lead of having incorporated innovation and entrepreneurship programmes in its National Strategy, so the need for donor support is not significant anymore. Serbia and Montenegro have started implementing corresponding national strategies but the need for international donor support is still significant. Former Yugoslav Republic of Macedonia, Bosnia and Herzegovina and Albania rely heavily on international donor support for the implementation of innovation and entrepreneurship programmes. The international presence and assistance in the field is a key parameter in the development and pilot implementation of corresponding strategies, in particular for setting the basis, developing skills and transferring know-how. On the other hand, if the outcomes of the pilot programmes supported by international donors are not incorporated into the national strategies, there is a danger of creating non-sustainable support structures that may not be able to operate if the necessary funds for their operation are not available.

Annex 2 outlines the main strategic documents available in relation to entrepreneurship and innovation in each of the Western Balkan Countries. Furthermore, Annex 3 outlines the main innovation and entrepreneurship related policies and programmes in each Western Balkan Country, either national or supported by international donors, as analyzed in the thematic reports on Innovation Infrastructures in the Western Balkan Countries, produced by the Information Office of the Steering Platform on Research for Western Balkan Countries.

### **3. Main stakeholders involved in the development of innovation management systems and innovation related policy-making in WBC**

Systems of Innovation are frameworks for understanding innovation which have become popular particularly among policy makers and innovation researchers first in Europe, but now anywhere in the world as in the 90's the World Bank and other UN affiliated institutions accepted. Freeman (1987) defines a National Innovation System as the network of institutions in the public and private sectors whose activities and interactions initiate, import, modify and diffuse new technologies. According to innovation system theory, innovation and technology development are results of a complex set of relationships among actors in the system, which includes enterprises, universities and research institutes. The innovative performance of a country depends to a large extent on how these actors relate to each other as elements of a collective system of knowledge creation and use as well as the technologies they use. Understanding the linkages among the actors involved in innovation is a key issue in improving technology performance. The linkages can take the form of joint research, personnel exchanges, cross-patenting, purchase of equipment and a variety of other channels.

Based on the innovation system approach, the main actors involved in a National Innovation System include:

- National and/ or regional structures supporting enterprise and innovation policies and programmes and/or collaborating at European level and international level for innovation support (i.e. Ministries or Ministry Departments, regional authorities)
- Innovation and business support institutes (public and private)
- Research, technological development and innovation (RTDI) centres (public and private)
- Technology and business incubators (public and private)

- Chambers of Commerce and Industry and/or professional associations of the most important economic sectors of the country
- SME networks or clusters (official structures or representative organizations) dealing with research, development and innovation (high-tech or traditional sectors)
- Other Innovation Funding Sources (venture capital, business angels, banks)

### **3.1. National and/or regional structures supporting enterprise and innovation policies and programmes**

Enterprise and innovation policies are developed and implemented as specific programmes by National or regional authorities and/or specific structures such as Ministerial Departments or independent Agencies that are established for the purpose of developing and implementing corresponding strategies.

The following table presents the main national and/or regional structures that support innovation policies and programmes in each Western Balkan Country.

**Table 1. National and/or regional structures supporting enterprise and innovation policies and programmes in WBC**

<b>Country</b>	<b>National and/or regional structures supporting innovation</b>
Albania	The <b>Ministry of Economy, Trade and Energy (METE)</b> , formerly titled the Ministry of Economy (MoE), is the main government institution responsible for SME development in Albania. It is a fully operational organization responsible for SME policy elaboration, drafting and co-ordination, with a system of regular consultation with the implementing SME agencies. The METE co-operates with other ministries on business and SME related issues, especially with the Ministry of Finance (taxes and budget), Ministry of Transport (trade and transport facilitation), Ministry of Local Government (local economic development and local taxes), Ministry of Agriculture (licensing), Ministry of Health (regulations), Ministry of Environment (environmental standards), Ministry of Education and Science (vocational education and training), Ministry of Labour and Social Work (business incubators), as well as various government and governmental agencies such as the Patents and Trademark Office, <b>Agency of Business and Investment (AlbInvest)</b> .
Bosnia and Herzegovina	The <b>Department for Economic Development and Entrepreneurship (SME and RED Department) of the Ministry of Foreign Trade and Economic Relations of BiH (MoFTER)</b> has as main areas of responsibility the determination of development policies in economic fields, macroeconomic analysis and forecasts, analysis and information for BiH institutions, proposing economic measures in cooperation with entities, following the effects of the economic policies and their socio-economic impacts. In the area of SMEs: cooperation with state and entity level institutions to improve the business environment for SMEs, cooperation with international and domestic (State, Entity and District Brčko levels) institutions that are related to SME development, in order to improve their operation, get financial support for SMEs, promotion of SMEs, development of a database of SMEs. The <b>Federal Ministry for the Development of Entrepreneurship and Craftsmanship</b> is responsible for developing the SME sector. This is in recognition of the importance of the SME sector and the necessity for effective co-ordination in the Federation of BiH (FBiH). The FBiH lacks an SME strategy at present. The <b>Ministry of Economy, Energy and Development of the Republic of Srpska</b> has established a Department of Private

Country	National and/or regional structures supporting innovation
	<p>Entrepreneurship, which has prepared and adopted an SME strategy (Programme of Development of SMEs 2002 - 2005) in 2001. Furthermore, the <b>Agency for Development of Small and Medium-sized Enterprises in Republic of Srpska</b> was established in 2004 to implement the SME strategy.</p> <p>The <b>Department of Economy of the Government of Brčko District (DB)</b> deals with SME development. Since 2001, the key focus has been on establishing the <b>Regional Development Agency (RDA) of Brčko District</b> as the implementing agent, targeted by the framework provided by the approved Regional Development Strategy (2002 - 2006). The RDA has developed a "one-stop-shop" for business registration; delivers business support services; deals with trade and investment promotion, etc.</p>
Croatia	<p>The <b>Ministry of Science, Education and Sports (MSES)</b> is responsible administrative body for planning, funding and monitoring of the overall science and education system. It works closely with the National Science Council (NSC) and the National Council for Higher Education (NCHE) that are principal advisory bodies tasked with the development and quality of science and higher education in Croatia. MSES is also responsible for research-based technology development and communication and information (IT) activities. Its main mission regarding scientific research is to create and implement national scientific research policy as a framework for overall development science in Croatia. It takes decisions on the amount of investments into research and research organizations, creates and monitors legal ordinance for science, technology and human resources and develop international scientific and technology cooperation.</p> <p>The <b>Ministry of Economy, Labour and Entrepreneurship (MELE)</b> is responsible for an active employment policy and administrative and other work concerning industry. The Ministry administers programmes that are complimentary to the aims and objectives of the Ministry of Science, Education and Sports relating to technology and innovation, especially stimulating <b>development and growth of technology-based SMEs</b>. Those programmes are aimed at encouraging individuals to establish their own companies, as well as development of <b>innovation clusters</b> (Cluster Development Programme) to boost competitiveness. The development of <b>Entrepreneurship Centres</b> and <b>Regional Development Agencies</b> is also encouraged by the Ministry via providing them with financial assistance.</p>
Former Yugoslav Republic of Macedonia	<p>The <b>Ministry of Economy (MoE)</b> is responsible for the preparation of the national policy for the development of entrepreneurship and small and medium-sized enterprises. The Ministry of Economy has prepared the Programme for Stimulating Investments in the Republic of Macedonia 2007 - 2010, which was adopted by the Government on June 3, 2007. The Programme contents recommendations and directions for reducing the remainder barriers, which limit investments and recommendations for harmonization of regulations with international accepted standards. The <b>Ministry of Education and Science (MoES)</b> is responsible for policy development and monitoring of implementation of activities relating to science and R&amp;D, however, corresponding independent assessment declares that it has failed to assist the Government of Former Yugoslav Republic of Macedonia to recognize that science and R&amp;D as being among the key strategy priorities essential for to long-term economic development of the country. The <b>National Entrepreneurship and Competitiveness Council (NECC)</b> is a tripartite public-private-civil body comprising leaders from the private, government and civil society</p>

Country	National and/or regional structures supporting innovation
	sectors advocating and leading the implementation of policy changes crucial to the development of more competitive businesses. The primary task of the NECC members is to work together on the development of national strategies aimed at improving the conditions for doing business that would help companies, clusters and other active business associations of the country to develop, promote and export their high value products and services and thus create higher and growing incomes for the average citizen of Macedonia.
Serbia and UNMIK/ Kosovo	The <b>Ministry of Economy and Regional Development</b> has a leading role in SMEs and entrepreneurship. The SME Department within the Ministry of Economy has a clear co-ordination structure and an inter-ministerial SME-Council was recently established. Nevertheless, there is relatively limited co-ordination between the Ministry of Economy and the Government's SME implementing entity, the <b>Republic Agency for the Development Small and Medium-Sized Enterprises and Entrepreneurship (RASME)</b> . In UNMIK/Kosovo, the <b>Ministry of Education, Science and Technology</b> in Prishtina is supposed to develop both scientific research and the higher education system, as well as promoting a market for innovation and technological development, although no research fund exists. The Ministry is also responsible for the formulation of an overall strategy for the development of education, science and technology in Kosovo and the promotion of a single, unified, non-discriminatory and inclusive education system. The Department of Private Sector Development (DPSD) within the <b>Ministry of Trade and Industry of UNMIK/Kosovo</b> is the only mechanism which institutionally supports SME development. Domestic-local partners of the Ministry are: SME's supporters network in UNMIK/Kosovo, different sectors within the Kosovo Government structure, especially Department of Labour in the Ministry of Labour and Social Welfare (MPMS) and Education Department of the Adults in Ministry of Education, Science and Technology (MEST), Enterprises Regional Agencies (ARN), Economic Chamber of Kosovo (OEK), Union of Independent Kosovo Syndicates (BSPK), Euro-Info Kosovo Center (EICC), Kosovo Women Network in Business, Group of New Economists (GER), RINVEST, as well as different business associations.
Montenegro	The Government of the Republic of Montenegro (GoM), on the session held on December 1, 2000 brought a Regulation about the annex of the Regulation on Organization and Way of Working of the State Administration, which predicts the establishment of an Agency for Development of Small and Medium-sized Enterprises. Based on this Bylaw, the Agency for development of small and medium-sized enterprises was renamed into <b>Directorate for Development of Small and Medium-sized Enterprises (SMEDA)</b> , responsible for SME policy elaboration, as presented in more detail in Table 2. The <b>Ministry of Education and Science (MoES)</b> is the main research funding body in Montenegro. MoES creates the strategy for scientific and technological development, establishing a base for further development of knowledge and creativity. Furthermore, it takes account of the results and problems of science and technology application, the effects of public investments into scientific and technological development, and the quality and use of research infrastructure.

### 3.2. Business and Innovation Support Institutes

Business and Innovation Support Institutes are structures that provide corresponding professional services to enterprises, assisting their development and growth. Typical services may include business information, business consulting, enterprise development, business planning, business training, access to credit and investment, marketing. In some cases, independent agencies that are responsible for developing and implementing enterprise and innovation strategies also act as business and innovation support institutes, providing the corresponding services.

The following table presents the main Innovation and Business Support Institute in each Western Balkan Country and their role in the innovation process.

**Table 2. Main Business and Innovation Support Institutes in WBC**

Country	Business and Innovation Support Institutes, their role and progress
Albania	<p>The <b>Agency of Business and Investment (AlbInvest)</b>, was established by the Government of Albania in 2006 as a new agency responsible for implementing governmental policies in the field of SME promotion. The Agency has its own staff and budget. The Albanian Government has assigned AlbInvest three strategic goals:</p> <ul style="list-style-type: none"> <li>• Assisting and accelerating the inflow of foreign investment into the Albanian economy;</li> <li>• Improving the competitiveness of Albanian exporters; and</li> <li>• Providing professional services to assist the growth of Albanian SMEs</li> </ul> <p>Moreover, the <b>Albanian Economic Development Agency</b> and various ministry departments mostly offer business support through donor projects on training activities, participation in conferences, fairs and other promotional activities, such as publication, brochures, etc. There are more than <b>60 business support centres</b>. Most information and consulting services are offered through the <b>non-governmental network of Regional Development Agencies (RDA)</b>.</p>
Bosnia and Herzegovina	<p>A key mechanism for providing business advisory support is through the <b>25 business centres and agencies</b> that have been formed in recent years, focusing primarily on support to the SME sector. The majority of them are based on international donor support. The business support centres and agencies typically offer the following services: business consulting; enterprises development; business planning; access to credit and investment; market surveys and marketing.</p>
Croatia	<p>Croatia has a well-branched business related infrastructure involving development agencies, entrepreneurship centres, entrepreneurship incubators, technological parks/technological centres, business zones. Such a framework for SMEs development provides a good-quality basis for further SMEs development which is expected to make a large contribution to value added generation and improved competitiveness of the Croatian economy.</p> <p>The institutional infrastructure of the Croatian innovation system initiated by the Ministry of Economy Labour and Entrepreneurship and local authorities covers the following Business and Innovation Support Centres:</p> <ul style="list-style-type: none"> <li>• 9 business incubators;</li> <li>• 20 entrepreneurial centres;</li> <li>• 10 development agencies;</li> <li>• 14 free zones;</li> <li>• 2 technology parks;</li> </ul>

Country	Business and Innovation Support Institutes, their role and progress
	<ul style="list-style-type: none"> <li>○ Technology park Zagreb; and</li> <li>○ Technology park Varaždin.</li> </ul>
Former Yugoslav Republic of Macedonia	<p>The <b>Agency for Promotion of Entrepreneurship (APERM)</b> was established in accordance with the Law in December 2003, and represents a central state institution for support of the entrepreneurship and development of small business in the FYR of Macedonia. The Agency acts as a legal entity and is independent in its activities. Its mission is:</p> <ul style="list-style-type: none"> <li>• Creating favourable economic environment and legislation;</li> <li>• Creating and developing institutional infrastructure for support and development of entrepreneurship and competitiveness in small business;</li> <li>• Implementation and coordination of state and international support for micro, small and middle businesses;</li> <li>• Promoting entrepreneurship through financial and non-financial forms of support; and</li> <li>• Implementing the Programme on measurements and activities for support of entrepreneurship and creating competitiveness in the small business of the Former Yugoslavian Republic of Macedonia.</li> </ul> <p>There are five <b>Regional Enterprise Support Centres (RESCs)</b> in the country, three <b>Enterprise Support Agencies (ESAs)</b>, and the <b>Prilep Region Enterprise Development Agency (PREDA)</b>. The RESCs were founded in 1999 by the EU PHARE Programme. They received financial support until the end of 2002. After 2002, these centres continued functioning and were financed by revenue received in providing services to enterprises, as in the past, but on a fee basis. In 2004, APERM (Agency for Promotion of Entrepreneurship) provided budget support to these centres, in the form of support for specific project work. Presently, these centres are part of the APERM network. The goal of the ESAs is to support and promote entrepreneurship. These agencies were founded by DFID (UK Government) in 1999. Like the RESCs, they became self-sustainable in 2002, earning income from the services they provide to enterprises. The ESAs offer a larger number of services to clients, and recently they have started organising seminars and training on the adoption international standards. They receive financial support from the APERM, based upon the implementation of APERM projects. The Prilep Region Enterprise Development Agency (PREDA) is an entrepreneurship support agency for the region of Prilep and was founded by the Swiss government. Unlike the other centres, PREDA is still financially supported by the Swiss International Development Agency (Ministry of Economy 2005).</p>
Serbia and UNMIK/ Kosovo	<p>The <b>Republic Agency for the Development Small and Medium-Sized Enterprises and Entrepreneurship (RASME)</b> was founded by the Law on Agency for a Development of Small and Medium-Sized Companies (Službeni glasnik RS, n. 65, from 23.11.2001). The Agency is divided into three key sectors: International Co-operation; Support to SMEs; and Common Affairs. RASME has predominantly been active in providing legal and financial consulting, as well as training in co-operation with the National Employment Service. The Agency helps SMEs in adapting new technologies in the form of advisory support to their innovative activity. The <b>Business Incubator Support Centre</b>, which was established within the RASME (Republic Agency for the Development of SMEs and Entrepreneurship) in September 2006, provides strong institutional framework and support to the already established business incubators or to ones yet to be established in Serbia. The Centre is based in Belgrade and its capacities are strengthen via the ENTRANSE Project.</p>

Country	Business and Innovation Support Institutes, their role and progress
	<p>The <b>SME Support Agency of UNMIK/Kosovo</b> was established as an Executive Agency under administration of Ministry of Trade and Industry, regulated by the Law on SME Support No. 02/L-5, article 8 in December, 2006. The Agency aspires to become an intelligence-gathering and co-ordinating hub in the multi-stakeholder environment of SME policy, to be a leading and dynamic National Agency that supports and further develops a vibrant, competitive and growing Small and Medium Enterprise sector in Kosovo. Its mission is to contribute to the further realization of a market economy in Kosovo by helping to build an enterprise society in which SMEs thrive and achieve their potential, with an increase in the number of people considering going into business, an improvement in the overall productivity and competitiveness of SMEs, more enterprises in disadvantaged communities and under-represented groups and by becoming a key mechanism for ensuring stronger and more effective SME representation.</p>
Montenegro	<p>The <b>Directorate for Development of Small and Medium-sized Enterprises (SMEDA)</b> is responsible for SME policy elaboration. The Agency prepared the Strategy for development of small and medium enterprises in the course of 2006, which is in Governmental procedure. The tasks of the Directorate for Development of Small and Medium-sized Enterprises are the following:</p> <ul style="list-style-type: none"> <li>• Defining the strategy for SMEs development;</li> <li>• Preparing the implementation of SMEs support programs and projects;</li> <li>• Coordinating the programs, measures and activities related to SMEs development;</li> <li>• Observing realization of financial support programs for SMEs development including financial support from abroad;</li> <li>• Providing and expert assistance and participating in definition of rules related to SMEs development, especially in purpose of realization of the aims prescribed by European Union for SMEs development;</li> <li>• Examining the impact of legal and other acts on small and medium sized enterprises development;</li> <li>• Preparing educational programs for entrepreneurs;</li> <li>• Making projects and care about organization of regional and local centres for SMEs development; and</li> <li>• Proposing and providing realization of special programs for stimulation of SMEs development (franchising, leasing, venture capital, technological parks, incubators, etc.).</li> </ul> <p>The Directorate for Development of Small and Medium-sized Enterprises (SMEDA) is implementing the following Institutional support projects:</p> <ul style="list-style-type: none"> <li>• Establishing local/regional business centres</li> <li>• Forming business incubators</li> <li>• Forming clusters</li> </ul>

### 3.3. Research, technological development and innovation (RTDI) centres

RTDI centres are innovation oriented research organisations including research institutes, technology transfer centres and technology parks, focused on the production and flow of knowledge, enabling technological progress and diffusion of innovations.

The following table presents the main Research, Technological Development and Innovation Centres (RTDI) in each Western Balkan Country, their development progress and their role in the innovation process.

**Table 3. Main Research, Technological Development and Innovation Centres (RTDI) in WBC**

Country	Research, Technological Development and Innovation (RTDI) Centres, their role and progress
Albania	The overall share of RTDI infrastructure is not satisfactory. There are no research centres at the local or regional level, nor new technologies or innovation parks. The communication and information infrastructure, the network access for higher education and research institutes, and the library information systems are highly inadequate.
Bosnia and Herzegovina	<p>Co-operation between universities and large companies is generally at a very low level in terms of technology innovations and transfer. Efforts have been made at entity level to try to change this situation. The most advanced entity is the Republika Srpska, where there is organised support for innovation, co-ordinated by the Republic Ministry of Science and Technology. With Ministry support the recently formed <b>Centre for Technology Transfer</b> and <b>Centre for Quality</b> are now operational.</p> <p>No Technological and Science Parks have been implemented but there is a plan to establish a <b>technology Park in Zenica</b> based on the infrastructure and the skilled and educated workers of "Kernal Kapetanović" (metallurgy institute). This institute was a distinguished scientific research institute, linked to the steel factory in Zenica (the biggest in the former Yugoslav Republic) and the Faculties of Metallurgy and Machinery. There also appears to be scope for establishing <b>technology parks in university towns</b> such as Sarajevo, Banja Luka, Mostar and Tuzla. However, much more research and analysis is required before this becomes a reality</p> <p>Technology transfer mechanisms are limited to initial work on clusters. However, in the district of Brčko, an ambitious innovation and technology triangle Brčko-Bijeljina-Tuzla is part of the district's 2002 - 2006 economic development strategy. It would link the educational infrastructure of the three towns to their industrial sectors. The project however has not been yet implemented.</p>
Croatia	<p>The institutional infrastructure of the Croatian innovation system, which was initiated by the Ministry of Science, Education and Sports, covers the following RTDI Centres:</p> <ul style="list-style-type: none"> <li>• Business and Innovation Centre of Croatia (BICRO);</li> <li>• Croatian Institute for Technology (HIT);</li> <li>• Five technology and innovation centres: <ul style="list-style-type: none"> <li>○ Centre for Technology Transfer (CTT), Zagreb;</li> <li>○ Technology Centre Split (TCS);</li> <li>○ Centre for Innovative Technology Rijeka (TIC);</li> <li>○ Technology and Innovation Centre, Osijek;</li> <li>○ Centre for Manufacturing processes, Zagreb; and</li> </ul> </li> <li>• Research and Development Centre for Mariculture, Dubrovnik (RICM).</li> </ul>

Country	<b>Research, Technological Development and Innovation (RTDI) Centres, their role and progress</b>
	There is a need for a performance review of the country's established technology centres to focus attention on their role in facilitating collaboration between research and business in their respective territories.
Former Yugoslav Republic of Macedonia	<p>The <b>Academy of Sciences and Arts</b> (MANU) is the primary national institution to promote the development of science, research, innovation and new technologies, both in the country and internationally. However, MANU is facing serious problems such as lack of funding, low level of human capital, outdated equipment, etc. with the consequence that it is not in a position to fulfil its role satisfactorily.</p> <p>In the year 2002, the Ministry of Education and Science allocated funds for the establishment of <b>technological nuclei</b> at the following institutions:</p> <ul style="list-style-type: none"> <li>• The Faculty of Natural Sciences and Mathematics - Skopje;</li> <li>• The Faculty of Mechanical Engineering - Skopje;</li> <li>• The Faculty of Electrical Engineering - Skopje; and</li> <li>• The Faculty of Medicine - Skopje.</li> </ul> <p>With the financial support of the TEMPUS Programme, as well as of the German Programme for Technical Cooperation (GTZ), besides four above-mentioned technological nuclei, <b>five other technology transfer centres</b> were established:</p> <ul style="list-style-type: none"> <li>• Centre for Research, Development and Continuing Education at the Faculty of Mechanical Engineering - Skopje;</li> <li>• Technology Transfer Centre at the Faculty of Electrical Engineering and Information Technologies (FEEIT) - Skopje;</li> <li>• Centre for Applied Research and Continuing Education in the Field of Agriculture at the Faculty of Agriculture - Skopje;</li> <li>• Euro-Regional Technological Centre at the Faculty of Technical Studies – Bitola (ETC Bitola); and</li> <li>• Technology Transfer Centre for Chemical and Textile Engineering at the Faculty of Technology and Metallurgy - Skopje.</li> </ul> <p>Both, the Faculty of Biotechnical Sciences in Bitola and the Faculty of Agriculture and Food in Skopje, participate in the work of the <b>Regional Centre for Technology Transfer in the Field of Biotechnology and Applied Sciences for the Countries of Central and Eastern Europe</b>, established at the University of Zagreb, Croatia. The objectives of the TEMPUS projects were aimed at upgrading knowledge and skills, as well as at procuring modern laboratories for education and training and for research and development projects.</p>
Serbia and UNMIK/ Kosovo	<p>In Serbia, there are several <b>Techno-Parks</b> as well as <b>innovation centres</b>, which are only in a <b>setting-up procedure</b> (feasibility studies, expression of interests etc.) and only some of them have started to operate recently. Most of them are still <b>not in the operation</b>. Recognized, planned, sites are:</p> <ul style="list-style-type: none"> <li>• Belgrade – Mihajlo Pupin Institute;</li> <li>• Belgrade – Institute Vinča;</li> <li>• Belgrade – University of Belgrade -Technical faculties;</li> <li>• Belgrade – Institute for Chemistry, Technology and Metallurgy;</li> <li>• Novi Sad – Technical University;</li> <li>• Niš – University of Niš;</li> <li>• Kraljevo; and</li> <li>• Technological Park in the Region Podrinje-Kolubara.</li> </ul>
Montenegro	Concerning innovation and technology (I&T) centres and co-operation, Montenegro is still in the policy elaboration phase, but has started to implement pilot projects. In Montenegro, an initiative to establish the

Country	Research, Technological Development and Innovation (RTDI) Centres, their role and progress
	<p><b>University Centre for Design and Development</b>, based at the University of Montenegro, is being put in place. Once established, the Centre will focus on the need to service SMEs in the field of design and development, linking them with relevant members of the design and technology faculties. No technology parks, science or business parks exist in Montenegro at present. Deutsche Gesellschaft für Technische Zusammenarbeit (GTZ) is working on a survey in order to identify the levels of knowledge among the SME stakeholders of technology parks and similar. A proper strategy covering this type of infrastructure is still lacking.</p>

### 3.4. Technology and business incubators

Business incubators are designed to provide a range of focused support services for new businesses, which operate as tenants on their premises. Typically, initial rents are very low and rise in stages over the first two years until they reach commercial levels or above, encouraging businesses to move on once they are established. Additional support services, from common facilities (photocopying, reception and telephone services) to more technical services (book-keeping, IT support), skill development (training, coaching) and strategic assistance (advice and consulting) are offered at reduced (subsidised) rates. Often, focused on specific key sectors in an area or a national economy, in the EU business incubators have proved a successful method of reducing the failure rate of new small businesses.

**Southeast European Network of Business Start-up Centers and Incubators (SENSI - [www.sensi.biz/](http://www.sensi.biz/))**

SENSI is a regional network of business start-up centres and incubators with more than 20 members through the whole region of Southeast Europe. By bringing together the different local backgrounds, shared experiences, forces and know-how of business start-up centres and incubators in 8 countries (Slovenia, Croatia, Macedonia, Serbia, Kosovo, Montenegro, Bosnia & Herzegovina and the Netherlands), SENSI members aim to improve their support and business services to young entrepreneurs and start-ups. In cooperation with Universities from South East Europe, local governmental institutions and local business communities, SENSI enhances the capacity of entrepreneurship in South East Europe.

The following table presents the main Business Incubators in each Western Balkan Country and their development progress.

**Table 4. Main Business Incubators in WBC**

Country	Business Incubators, their role and progress
Albania	<p>In Albania there are two business incubators in Tirana and Shkodra that were set-up with World Bank Assistance (Training Enterprise and Employment Fund) and are the responsibility of the Ministry of Labour and Social Affairs, rather than the institution responsible for enterprise development, namely the Ministry of Economy, Trade and Energy. However, there has been no progress in the development of business incubators since 2003 and there is no strategy in place for sustainable business incubator system. No progress has been made in disseminating information and promoting the role of business incubators to ministries, local authorities, as well as leaders of business associations, such as Chambers of Commerce and others.</p>
Bosnia and Herzegovina	<p>In Bosnia and Herzegovina incubators are mostly supported by donor countries, with co-operation by local government. More than six pilot incubators operate throughout the country, but their main purpose is job</p>

Country	<b>Business Incubators, their role and progress</b>
	creation. While public initiatives and strategies take time to be elaborated and implemented and are still under discussion, a significant number of SMEs have indicated a preference for private service providers.
Croatia	<p>There is a <b>national network of business incubators</b>, as well as a national programme to support their operation and to establish new ones. In most cases, however, <b>the focus is not on innovation and high-quality services</b> are not always available. The scope of some incubators is limited to providing subsidised workspace in regions where finding suitable industrial premises is still a problem. Tenant exit strategies differ from case to case, but few business incubators show a dynamic rate of turnover.</p> <p>According to the Policy Performance Assessment, 15 fully operational Business Incubators out of 20 registered could be identified (status – April 2004). However, there are also several incubators operating under the operation of some of the Centres for Entrepreneurship or Technology Centres. Most of the Business Incubators are located in less developed regions but they also exist in the more economically developed regions. All incubators are established as limited liability companies and are mainly in public ownership. Initial funding for incubators in most of the cases was coming from local or international project financing. In most of the business incubators, the premises and services are partially and sometimes to a large extent subsidised by the municipalities. The duration of tenancy tends to be five years.</p>
Former Yugoslav Republic of Macedonia	<p>In Former Yugoslav Republic of Macedonia, several successful business incubators were established six to ten years ago under a World Bank financed programme which targeted recently privatized businesses with surplus premises as partners. There are seven business incubators active at the moment: the Incubator Delčevo, the Incubator "Turtel" Štip, the Incubator "Biljana" Prilep, the Incubator Saša, the Deni Incubator Veleš, the Giča Incubator Ohrid, and the Inkubator Strumica. Those incubators were established by the World Bank in 1997 with a purpose to support the start-up of businesses. Another incubator, Business Start-up Center Bitola was formed with financial and experts assistance from SPARK (formerly ATA - the Academic Training Association - Amsterdam, Netherlands) and another business incubator is in a phase of being created - the Youth Entrepreneurial Service (YES) – Business Incubator which is being attained with SOROS Foundation - Open Society Macedonia donation. The creation of technology and entrepreneurship support infrastructures in Former Yugoslav Republic of Macedonia is in the core of the research and technology development strategy of the country. However, there is no national strategy for business incubators and no funds have been allocated for them. The new development programme of 2007 – 2010 for entrepreneurship and SMEs does not foresee either further support for existing incubators or the establishment of new ones (OECD and EC 2007).</p>
Serbia and UNMIK/ Kosovo	<p>Serbian business incubators have proven themselves as an effective and efficient mechanism to SME development and a tool of local and regional economic diversification. The national business incubation programme has started in Serbia in 2005. The legal framework for establishing and running the incubator and incubator companies (tenants) and technology and science parks has been developed during the establishment and development of the Pilot Business Incubator in Niš. As stated in the 'National Programme for Business Incubators and Clusters Development in the Republic of Serbia 2007-2010', which was adopted in December 2006</p>

Country	Business Incubators, their role and progress
	by the Council for SMEs and Entrepreneurship, in 2010 there should be 15 incubators established and operating. The establishment of the Serbian Association of Business Incubators (December 2006) is of crucial importance for mutual development and indicates extreme commitment of the Serbian Government to further development of innovation infrastructure in the country. Business incubation is based on international experience, best practice examples, as well as the experience acquired during establishment and development of business incubators in Niš, Knjaževac, Bor and Zrenjanin within the period 2004-2006.
Montenegro	The Directorate for the Development of SMEs (SMEDA) has, in cooperation with Deutsche Gesellschaft für Technische Zusammenarbeit (GTZ), prepared the planned (but delayed) strategy for the opening of business incubators, technology parks and innovation centres, with which Montenegro is not well endowed. The strategy was adopted (December 2005) and the short-term objectives included the development of at least one business incubator and at least one technology park. However, a lack of funds disabled the implementation of the strategy and the short-term objectives. During 2006, the Development Fund of the Republic of Montenegro has provided an active support for incubators development in Montenegro. Implementation of the first business incubator was in its final phase and the first incubator was introduced as a new type of support for economic development on Montenegrin market in 2007. It is expected, that the Fund will further support activities in the process of forming the entrepreneurial incubators and clusters on the territory of Montenegro in cooperation with other relevant domestic and foreign institutions.

### ***3.5. Chambers of Commerce and Industry and/or professional associations***

The Chambers of Commerce and Industry throughout Europe represent institutions whose origins date back in the first trade guilds. Owing to their specific historical and institutional development, the Chambers of Commerce and Industry today constitute a unique organisation among all the other bodies, promoting both businesses and economic development as a whole.

The Chambers of Commerce and Industry:

- Represent the general interest of the European business community
- Promote business development at local and regional levels
- Perform an advisory mission vis-à-vis the State and other public authorities
- Offer a wide range of services to the business community such as vocational training, economic information, support for foreign trade and co-operation, enterprise creation, infrastructure promotion and management, assistance in settling commercial disputes, fostering of innovation, new technologies and quality measures, attraction of foreign investment, codification of commercial practices
- Provide a privileged and neutral meeting-place and consultation forum for business entities of all sizes and from all economic sectors
- Enjoy broad organisational, financial and functional autonomy
- Are governed by elected entrepreneurs from all sectors of the economy
- Constitute a network deeply rooted at local and regional levels with extents throughout Europe and the rest of the world

**Central European Chambers of Commerce Initiative (CECCI - [www.unioncamere.net/cej](http://www.unioncamere.net/cej), [www.ceinet.org](http://www.ceinet.org))**

In the framework of the Central European Initiative (CEI) activities the national Chambers of Commerce of all CEI countries (Albania, Austria, Belarus, Bosnia and Herzegovina, Bulgaria, Croatia, Czech Republic, Serbia and Montenegro, Hungary, Italy, Former Yugoslav Republic of Macedonia, Moldova, Poland, Romania, Slovak Republic, Slovenia and Ukraine) set up a multilateral co-operation. The aim is to create a network to improve business investments and common projects and transfer experiences and best practices in fields such as training, activities for business development etc. The strategic goals of the CECCI are:

- further develop their role as an interface between the public authorities and businesses in order to promote effective transnational co-operation in accordance with the principles of subsidiary and proximity,
- reinforce the mutual co-operation in order to strengthen the structures vis-à-vis the governments, the public administrations and the private sectors (in particular SMEs),
- support the role of the network in the implementation of the strategies decided at CEI government level also in the view of their administrative role vis-à-vis the SMEs in particular forward the compulsory membership of all enterprises to the Chambers in all CEI countries where appropriate,
- put special emphasis into helping Chambers in South-East Europe developing their activities and infrastructures needed for satisfying the needs of their members – especially SMEs – in the process of internationalisation;
- strengthen communication and information flows as well as to set up the appropriate projects adapted to the needs of the area.

The following table presents the role of the Chamber of Commerce and Industry and/or any other professional associations in each Western Balkan Country regarding innovation support.

**Table 5. The role of Chambers of Commerce and Industry and/or professional associations in WBC in supporting innovation**

Country	The role and progress of Chamber of Commerce and Industry and/or professional associations in innovation
Albania	In Albania there are 36 local Chambers of Commerce and Industry (CCI), while the new law provides for 12 regional CCIs, representing the business sectors of Commerce, Industry and Services. There is a national Union of Chambers of Commerce and Industry, which is a public institution. Its tasks are: a) protect the interests of trade and industry at national level, b) give to the central administration ideas and proposals for the promotion of trade and industry and, c) coordinate the work of the local Chambers and their relations with similar organisations in other countries. Local membership is obligatory through local Chambers and it is also obligatory for the national Union of Chambers.
Bosnia and Herzegovina	The Chamber of Economy of Bosnia and Herzegovina is the National Chamber, representing the business sectors of Commerce, Industry and Services. There are two entity Chambers: Chamber of Economy of the BH Federation and the Chamber of Economy of Srpska. In the BH Federation there are 10 county Chambers and 5 in Republika Srpska. There is also the Chamber of Commerce of the Brčko District BH. The Chamber of Economy of Bosnia and Herzegovina was established in 1992 in Sarajevo according to the Law on unique Chamber of Economy for the Republic of Bosnia and Herzegovina. Before the war in 1992 there were about 12.000 members representing legal entities out of which about 8.000 were in private ownership. At present, the membership amounts to

Country	The role and progress of Chamber of Commerce and Industry and/or professional associations in innovation
	approximately 40.000 companies engaged in various business sectors. The BH Chamber implements a model similar to that of many Western European Countries with automatic membership to the Chamber at the time of company Court registration.
Croatia	The Croatian Chamber of Economy is the National Chamber. There are 20 local Chambers, representing the business sectors of Commerce, Industry and Services. Croatian Chamber of Economy was first established in 1852 in Zagreb and has been operating ever since. After the independence of the Republic of Croatia, the Chamber's activities were regulated by Croatia Chamber Economy Act which was enacted by the Croatian Parliament in 1991. The Chamber is structured as the only Chamber that represents all economy entities in the country. This model is based on compulsory membership in both local and National Chambers and the scope of work is determined by law to follow a public-legal (continental) Chamber model.
Former Yugoslav Republic of Macedonia	The Economic Chamber of Former Yugoslav Republic of Macedonia is the national Chamber with 15 regional Chambers, representing the business sectors of Commerce, Industry and Services. The status, organisation, tasks and issues connected with the activity of the Economic Chamber are determined by the Law of Economic Chamber of Former Yugoslav Republic of Macedonia and the Statute of the Chamber. Membership to both regional and National Chambers is compulsory for all the entities engaged in economic activities.
Serbia and UNMIK/ Kosovo and Montenegro	Based on the Law on Expiration of the Law of the Yugoslav Chamber of Commerce and Industry, proclaimed on 27 May 2003, and having entered into force on 4 June 2003, the two "proportional" legal successors of the 2 Republic Chambers of Commerce and Industry – CCI of Serbia and CCI of Montenegro – have been nominated: the Chamber of Commerce and Industry of Serbia (CCIS) and the Chamber of Commerce and Industry of Montenegro (CCIM) acting within their respective territories. Additionally there are 2 provincial Chambers of Commerce and Industry and 16 regional Chambers of Commerce and Industry, representing the business sectors of Commerce, Industry, Services, Crafts and Agriculture. Membership is compulsory in all Chambers. In the succession process, the CCIS and CCIM signed the Protocol Concerning International Representation on membership in international associations and organisations in which the Yugoslav Chamber of Commerce and Industry was a member. By regulations of Protocol, in order to respect international membership, in the case of only a single country representation possible, the agreement was reached that CCIS would be the agreed successor of the YCC and the representative of Serbia and Montenegro as a whole.

### 3.6. SME networks or clusters

“Good Practice” clustering activities at European level have the following common characteristics and key features:

- Clusters are geographic concentrations of interconnected companies, specialized suppliers, service providers, and associated institutions in a particular economic field or sector
- The basic organizational principle of a cluster is a technology network determining the type of partners, its coordination, the type of business support services provided by the network and the financing of the service provision
- Regarding cluster partners, it is important to achieve integration of all groups of producers, service industries and technology poles along the production chain to inspire the flow of communication and know-how between them
- A cluster can be managed by an independent association, by institutions linked to regional economic development agencies or with the help of an independent consultant
- The type of business support services provided by a cluster to its members usually include:
  - Information and communication
  - Training
  - Coordinating collaboration projects between members for transfer of technology
  - Assisting members to get access to foreign markets and cooperation partners from other regions
  - Marketing and Public Relations (PR) for strengthening regional identity and national and international image building
- A cluster usually operates a communication platform where a) information between the partners is exchanged and b) the available know-how is systematized and communicated to the partners

The following table presents the main SME networks or clusters in each Western Balkan Country, their development progress and their role in dealing with innovation.

**Table 6. Main SME networks or clusters in WBC dealing with innovation**

Country	SME networks or clusters in innovation, their role and progress
Albania	There has been an attempt through the USAID Enterprise Development and Export Market services (EDEM) project to establish clusters in the following traditional sectors: <ul style="list-style-type: none"> <li>- Leather goods/ shoe production</li> <li>- Meat processing</li> <li>- Medicinal and aromatic herbs</li> <li>- Adventure tourism</li> </ul> Five clusters have been established so far and it is planned that other clusters will be created in the future.
Bosnia and Herzegovina	There are two main cluster development programmes supported by international donors. However, despite this policy framework and support provided by donors, there is a lack of government financial support and of integration of participating companies in joint initiatives for the creation of value chains that could improve the quality of products and services.                     The main operating clusters, initiated from the above activities, are: <ul style="list-style-type: none"> <li>- Automotive Cluster</li> <li>- Wood Processing and Tourism Cluster</li> <li>- Forestry Cluster</li> </ul> Possibilities for establishing a metal processing cluster in Central BiH

Country	SME networks or clusters in innovation, their role and progress
	region were also taken into consideration. Additionally another cluster for knitwear is being planned in Srbac. As stated in the OECD publication from 2007, two of the industry's heavyweights, Mittal Steel and Aluminij Mostar, even plan to build cross-border clusters (OECD 2007).
Croatia	In year 2006, the development of 18 clusters in six sectors (wood and metal processing, food, textiles, printing and publishing and tourism), with the inclusion of 401 business subjects, was supported by the Ministry of Economy, Labour and Entrepreneurship. As indicated at the international conference 'Clusters – Connecting Possibilities in South East Europe, which was held in Opatija, Croatia on April 20 – 21, 2007, there are several clusters, which will be financially supported by the Government, namely: Croatian Furniture Cluster, Croatian Agriculture Equipment Cluster, Croatian Yachting Cluster and Croatian Machine Tools Cluster. A number of cluster initiatives (e.g. Croatian Shipbuilding Cluster, ICT Cluster, Automobile Cluster, Textile Cluster), has started to operate just recently. For years the Ministry of Economy, Labour and Entrepreneurship has been cooperating with the German Technical Cooperation Association (GTZ – Deutsche Gesellschaft für Technische Zusammenarbeit) on different projects concerning small and medium entrepreneurship. One of the most important projects they cooperate on is the education of cluster managers that has started in 2005. Major task of cluster development is training of the key factors for efficacious cluster management. Despite government support, evidence suggests that clusters are still struggling – with a lack of integration of participating companies, and inadequate relations with R&D centres and top service providers. Achieving excellence would require a better articulated range of cluster support measures to produce joint initiatives for creating value chains and thus improve the quality of products and services.
Former Yugoslav Republic of Macedonia	The major actor in clusters' establishment in the Former Yugoslav Republic of Macedonia is the USAID with the 'Competitiveness Activity' (MCA) Programme. USAID MCA works with enterprises of all sizes, helping them to develop and market complex products and services to command higher prices from demanding customers around the world. It is essential for the linkages between FDI and local businesses to be strengthened, thus reaping spill-over effects such as transfers of technology and know-how, and contributing to the development of SMEs and their competitiveness. Through the SME Programme (2007- 2010), the Government of the FYR of Macedonia intends to continue to develop SME linkages and cluster development programmes. The following clusters already exist: lamb and cheese, tourism, information technology, wine, apparel and wood industry. Further clusters are planned: fruit and vegetable processing, automotive industry and construction. If there is an interest for new business activities from companies, new clusters will be established.
Serbia and UNMIK/ Kosovo	Serbia has made the most progress in implementing pilot projects, relying mostly on donor support. The Serbian Government has approved funds under the National Investment Plan to support cluster development. However, the cluster policy is insufficiently developed, extending to only four clusters which could be considered as pilot programmes. In December 2006, the Government adopted the Programme for Business Incubators and Clusters in the Republic of Serbia 2007-2010 which, with the financial and technical assistance of the Foundation for Scientific and Industrial Research at the Norwegian Institute of Technology (SINTEF), envisages a fully fledged programme to support a national network of both clusters and business incubators. As indicated in 'National

Country	SME networks or clusters in innovation, their role and progress
	<p>Programme for Business Incubators and Clusters Development in the Republic of Serbia 2007- 2010', through its Department for Competitiveness and Cooperation with International Institutions, the Ministry of Economy and Regional Development supported establishment of the following clusters through the pilot project financed from the National Budget of the Republic of Serbia in 2005:</p> <ul style="list-style-type: none"> <li>• Automotive cluster;</li> <li>• Rubber and plastic cluster;</li> <li>• Wood processing; and</li> <li>• Small agricultural machinery cluster.</li> </ul> <p>All four clusters have their own permanent offices, established organization and Cluster Advisory Board. Cluster offices are based in Belgrade, except for the rubber and plastic cluster, which established an office in Subotica. Furthermore, there are initiatives for establishing textile clusters in Bor, Niš and the Zaječar district, a software cluster in Belgrade (companies from Belgrade, Novi Sad and Niš) and a construction cluster in Niš (Ministry of Economy, 2006).</p> <p>Also, a USAID initiative in UNMIK/Kosovo promotes three clusters: construction, milk production and meat processing.</p>
Montenegro	<p>In Montenegro so far, only a detailed analysis of the meat processing sector has been carried out as a basis for developing a cluster programme. A development plan for activities is in place to achieve all the necessary reconditions for establishing clusters, with the objective of influencing stakeholders' level of confidence and better co-operation, presenting common problems, and improving overall competitiveness. According to the Business Policy - 2007 of the Development Fund, there are activities planned in order to involve the Development Fund in the process of forming the entrepreneurial incubators and clusters on the territory of Montenegro in cooperation with other relevant domestic and foreign institutions. As stated by one of the key players in Montenegro, activities aiming to develop enterprise clusters and networks have been started. The intended clusters to be formatted will focus mainly on food processing industry (production of prosciutto) and wood industry.</p>

### 3.7. Other Innovation Funding Sources

The innovation capability of SMEs in particular strongly depends on the availability of innovation financing. But European investment markets do not perform like those in the US and Asian markets. The main barrier to achieving the Lisbon objectives will be the development of a much more effective innovation finance system within Europe. There are specific gaps in the system (such as early stage financing) which can only be addressed by public-private partnership models.

**Venture capital** is one of the most relevant sources of finance for innovative growth companies to fund their investments. Venture capital consists of funds raised on the capital market by specialised operators. Venture capitalists buy shares or convertible bonds in the company. They do not invest in order to receive an immediate dividend, but to allow the company to expand and ultimately increase the value of their investment. Hence, they are interested in innovative companies with very rapid growth rates.

**Business angels** can be alternative funding sources for an innovative business start-up. A business angel is an affluent individual who provides capital for a business start-up, usually in exchange for convertible debt or ownership equity. A small but increasing number of business angel investors are organizing themselves into business angel networks or business angel groups to share research and pool their investment capital.

Despite strong growth rates in bank lending to the private sector, financial intermediation through banks in the private non-financial sector remains very low in all Western Balkan Countries except Croatia. Collateral requirements for extending bank loans to enterprises are still high, ranging between 150 and 200% of the loan amount. In Croatia bank loans under EUR 25000 are not subject to the same provisioning rules as those of larger loans, so that more flexible collateral requirements are adopted for small loans.

A poor investment climate, exit prospects limited to direct sales, and difficulties in completing straight equity investments in companies have led to quasi-equity instruments such as debt-like financing with participation in company profits. The case of venture capital cannot yet be made for all countries, as it is a function of the need for such instruments in the market.

A detailed list of the main innovation-related stakeholders in each Western Balkan Country, including contact details, is provided in Annex 4. Annex 4 also includes corresponding innovation-related stakeholders from other South East Europe Countries as well as International Donors operating in the region.

#### 4. Strengths and weaknesses, opportunities and threats regarding the promotion of innovation to SMEs

The SME sector in all of the Western Balkan economies is made up largely of micro and small enterprises concentrated in **low value added operations** in the service, wholesale and retail, transport and construction sectors.

No official data are available on small enterprises operating in the high value added sector. However, a number of surveys indicate **a growing presence of clusters in ICT, shared services and high value added manufacturing** in **Croatia**, the **Former Yugoslav Republic of Macedonia** and **Serbia**.

There are high company birth rates in some Western Balkan economies, but the ratio of SMEs per 1000 inhabitants in the region remains well below that in Central and Eastern European Countries. However, SMEs tend to be net employment generators, compensating the steady loss of employment in larger companies.

Based on the information analysed in the previous sections, the following tables present the progress of each Western Balkan Country, regarding entrepreneurship and innovation, by dividing them into three different Groups of progress according to OECD and EC (2007) and summarising their main strengths and weaknesses, opportunities and threats regarding the promotion of innovation to SMEs.

The Western Balkan Countries are divided to the following three Groups, in terms of enterprise and innovation policy development (OECD and EC 2007):

<b>GROUP 1</b>	WBC in the process of completing the legal and institutional framework for SME Policy Development
<b>GROUP 2</b>	WBC that have completed the legal and institutional frameworks and have begun work on the implementation phase
<b>GROUP 3</b>	WBC clearly moved from policy elaboration to the policy implementation phase

The following entrepreneurship and innovation dimensions are examined:

- Entrepreneurship and innovation policies and regulatory environment
- Business and Innovation support structures and services
- Collaboration and networking for innovation

<b>GROUP 1</b>	WBC in the process of completing the legal and institutional framework for SME Policy Development			
<b>COUNTRY</b>	ALBANIA			
<b>DIMENSION</b>	<b>STRENGTHS</b>	<b>WEAKNESSES</b>	<b>OPPORTUNITIES</b>	<b>THREATS</b>
Entrepreneurship and innovation policies and regulatory environment	Institutions responsible for elaborating and delivering SME policy were built. Efforts were made to improve the existing legal and regulatory frameworks for SMEs.	Policy is still at an early stage of development. Progress is still too dependent on donor support.	International donors may offer both financial and consulting support in developing and implementing corresponding policies and programmes.	International donor programme results may not be sustainable due to lack of further funding provided by the State.
Business and Innovation support structures and services		Isolated and fragmentary initiatives. Lack of long-term corresponding strategies. Growing gap between skills supply and skills required by the market.		Gaps and overlapping of corresponding services. Non-sustainability of corresponding initiatives due to lack of governmental support.
Collaboration and networking for innovation	Public-private consultation and SME representation is effective.	The formation of clusters in key economic sectors are still in the early stages. There is no evidence of schemes to promote co-operation in innovation.		Non-sustainability of corresponding initiatives due to lack of governmental support.

<b>GROUP 1</b>	WBC in the process of completing the legal and institutional framework for SME Policy Development			
<b>COUNTRY</b>	BOSNIA AND HERZEGOVINA			
<b>DIMENSION</b>	<b>STRENGTHS</b>	<b>WEAKNESSES</b>	<b>OPPORTUNITIES</b>	<b>THREATS</b>
Entrepreneurship and innovation policies and regulatory environment	A major reform of the company registration system has been approved.	Lack of SME strategy, as well as policy design and implementation capability at state level. Business regulations are mostly issued at entity/ district level.	International donors may offer both financial and consulting support in developing and implementing corresponding policies and programmes	Disagreement and lack of coordination between different levels of government. Lack of sufficient state funds. International donor programme results may not be sustainable.
Business and Innovation support structures and services	Successful e-business models and top-class small business support	Isolated and fragmentary initiatives. Lack of long-term corresponding strategies. Growing gap between skills supply and skills required by the market.		Gaps and overlapping of corresponding services. Non-sustainability of corresponding initiatives due to lack of governmental support.
Collaboration and networking for innovation	Creating effective SME networks and structured public/ private consultation	The formation of clusters in key economic sectors are still in the early stages.		Non-sustainability of corresponding initiatives due to lack of governmental support.

<b>GROUP 1</b>	WBC in the process of completing the legal and institutional framework for SME Policy Development			
<b>COUNTRY</b>	UNMIK/ KOSOVO			
<b>DIMENSION</b>	<b>STRENGTHS</b>	<b>WEAKNESSES</b>	<b>OPPORTUNITIES</b>	<b>THREATS</b>
Entrepreneurship and innovation policies and regulatory environment	Has started implementing corresponding national strategies. Established a solid policy framework and implemented reforms in the company registration and tax policy areas.	Need for international donor support is still significant.	International donors may offer both financial and consulting support in developing and implementing corresponding policies and programmes	International donor programme results may not be sustainable due to lack of further funding provided by the State.
Business and Innovation support structures and services		Isolated and fragmentary initiatives. Lack of long-term corresponding strategies. Growing gap between skills supply and skills required by the market.		Gaps and overlapping of corresponding services. Non-sustainability of corresponding initiatives due to lack of governmental support.
Collaboration and networking for innovation	Public-private consultation and SME representation is effective	The formation of clusters in key economic sectors is still in the early stages.		Non-sustainability of corresponding initiatives due to lack of governmental support.

<b>GROUP 2</b>	WBC that have completed the legal and institutional frameworks and have begun work on the implementation phase			
<b>COUNTRY</b>	FORMER YUGOSLAV REPUBLIC OF MACEDONIA			
<b>DIMENSION</b>	<b>STRENGTHS</b>	<b>WEAKNESSES</b>	<b>OPPORTUNITIES</b>	<b>THREATS</b>
Entrepreneurship and innovation policies and regulatory environment	Made notable progress in establishing institutions responsible for policy elaboration and implementation. Cheaper and faster start-up and easier company registration	Human resource development (entrepreneurship education and availability of skills) and regulatory reform are the two main weak areas. Extensive reliance on donor support for programme implementation.	International donors may offer both financial and consulting support in developing and implementing corresponding policies and programmes	
Business and Innovation support structures and services	Variety of business support initiatives, including business incubators, general business services and information provision	Lagging behind in Human resource development.		Danger of creating non-sustainable support structures that may not be able to operate if the necessary funds for their operation are not available.
Collaboration and networking for innovation	Ahead regarding effective representation of SME interests In lead regarding development of inter-firm clusters and networks.			

<b>GROUP 2</b>	WBC that have completed the legal and institutional frameworks and have begun work on the implementation phase			
<b>COUNTRY</b>	SERBIA			
<b>DIMENSION</b>	<b>STRENGTHS</b>	<b>WEAKNESSES</b>	<b>OPPORTUNITIES</b>	<b>THREATS</b>
Entrepreneurship and innovation policies and regulatory environment	Has started implementing corresponding national strategies. Established a solid policy framework and implemented reforms in the company registration and tax policy areas.	Need for international donor support is still significant.	International donors may offer both financial and consulting support in developing and implementing corresponding policies and programmes	
Business and Innovation support structures and services		Isolated and fragmentary initiatives. Lack of long-term corresponding strategies. Growing gap between skills supply and skills required by the market.		Danger of creating non-sustainable support structures that may not be able to operate if the necessary funds for their operation are not available.
Collaboration and networking for innovation		The formation of clusters in key economic sectors is still in the early stages. Relatively weak representation of SMEs in public/ private consultations.		

<b>GROUP 2</b>	WBC that have completed the legal and institutional frameworks and have begun work on the implementation phase			
<b>COUNTRY</b>	MONTENEGRO			
<b>DIMENSION</b>	<b>STRENGTHS</b>	<b>WEAKNESSES</b>	<b>OPPORTUNITIES</b>	<b>THREATS</b>
Entrepreneurship and innovation policies and regulatory environment	Has started implementing corresponding national strategies. Made appreciable progress on company registration, exports and tax policy. Established a well-structured and well defined SME agency.	Lags behind on improving the regulatory environment, mainly in relation to local administrations and human resource development. Need for international donor support is still significant.	International donors may offer both financial and consulting support in developing and implementing corresponding policies and programmes	
Business and Innovation support structures and services		Entrepreneurship education and availability of skills are in their infancy.		Danger of creating non-sustainable support structures that may not be able to operate if the necessary funds for their operation are not available.
Collaboration and networking for innovation	Ahead regarding effective representation of SME interests. Significant improvements with fostering technological cooperation.			

<b>GROUP 3</b>		WBC clearly moved from policy elaboration to the policy implementation phase		
<b>COUNTRY</b>		CROATIA		
<b>DIMENSION</b>	<b>STRENGTHS</b>	<b>WEAKNESSES</b>	<b>OPPORTUNITIES</b>	<b>THREATS</b>
Entrepreneurship and innovation policies and regulatory environment	<p>Taken a general lead in the overall environment of SMEs and is ahead in the dimensions related with technological development, the promotion of competitiveness, information society and on-line access and information portals.</p> <p>The only WB economy that clearly moved from policy elaboration to policy implementation. Most advanced and formalised business simplification strategies. Incorporated Innovation and Entrepreneurship Programmes in its National Strategy. Proactive policy towards promoting SMEs development at local and regional level. Developed a comprehensive e-government strategy.</p>		Advanced status in the EU integration process.	Being isolated from the rest of WBC due to significant progress.
Business and Innovation support structures and services	<p>Leading performer among WBC in RTDI centres and cooperation. A developed</p>	<p>Training provider community not sufficiently developed. Unable to</p>	An example of Best Practice for the rest of WBC.	Not being cooperative with the rest of WBC as an effective example of

<b>GROUP 3</b>	WBC clearly moved from policy elaboration to the policy implementation phase			
<b>COUNTRY</b>	CROATIA			
<b>DIMENSION</b>	<b>STRENGTHS</b>	<b>WEAKNESSES</b>	<b>OPPORTUNITIES</b>	<b>THREATS</b>
	competitive business service market. Growing number of commercial consultancies.	respond to training market requirements. Focus is not always on innovation. High-quality services are not always available.		Best Practice.
Collaboration and networking for innovation	Ahead regarding effective representation of SME interests. In lead regarding development of inter-firm clusters and networks.			

## 5. Description of the present state, innovation needs and absorptive capacity of innovation stakeholders for future transnational RTDI collaboration

A survey has been contacted targeted to the innovation stakeholders of the South East European Region, with emphasis on Western Balkan Countries, aiming at identifying their present state and needs regarding innovation absorptive capacity and future transnational collaboration for research, technological development and innovation.

A corresponding questionnaire was circulated to the main innovation stakeholders of the South East European (SEE) Countries, and Western Balkan Countries (WBC) in particular, that were identified and listed in Annex 4. The following information sources were used for the identification of the SEE innovation stakeholders:

- SEE-ERA.NET National Contact Points (direct communication)
- Thematic reports on Innovation Infrastructure in WBC, Information Office of the Steering Platform on Research for Western Balkan Countries (<http://see-science.eu>)
- CECCI - Central European Chambers of Commerce Initiative (<http://www.unioncamere.net/cei/>)
- West Balkan Research Network (<http://www.westbalkanresearch.net>)
- FP7 NCP Network ([http://cordis.europa.eu/fp7/ncp\\_en.html](http://cordis.europa.eu/fp7/ncp_en.html))
- EUREKA Network (<http://www.eureka.be>)
- IRC Network (<http://irc.cordis.lu/>)
- Innovating Regions in Europe (IRE) network (<http://www.innovating-regions.org/>)
- European Business Innovation Centres Network – EBN (<http://www.ebn.be>)
- PRO INNO Europe database (<http://www.proinno-europe.eu>)
- ERA-NET project database (<http://cordis.europa.eu/coordination/projects.htm>)
- OECD publication on SME policy in the WBC

Out of over 300 questionnaires sent, about 10% were completed and received, which is the usual response to questionnaire surveys. Since the purpose of the survey was not to define population data based on sampling techniques but mainly to identify trends, statistical significance was not important. Therefore the number of 36 questionnaires received was enough to get corresponding trend results and conclusions.

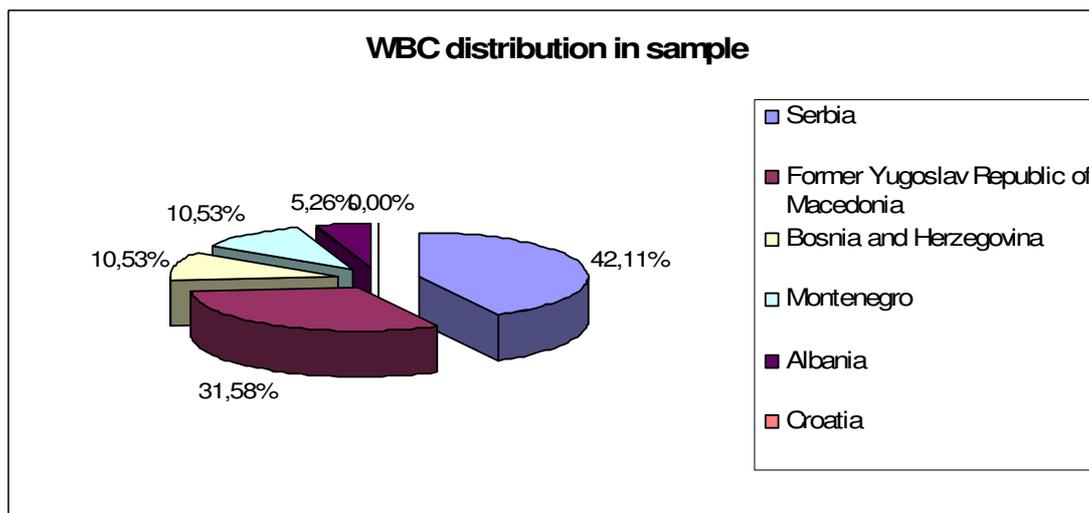
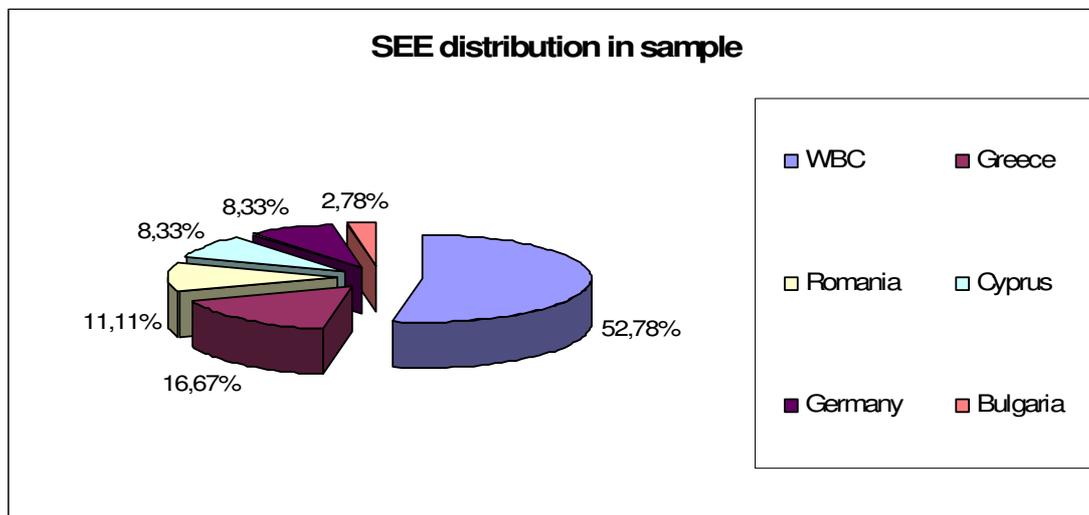
The innovation issues that have been examined include:

- Innovation role
- Innovation activities
- Innovation needs (infrastructure, services, collaboration & networking, financial support)
- Involvement and interest in collaboration, networking or mobility activities

The survey results are presented in the following graphs, which also compare the results from the responses received from all South East European countries to those received from only the Western Balkan Countries.

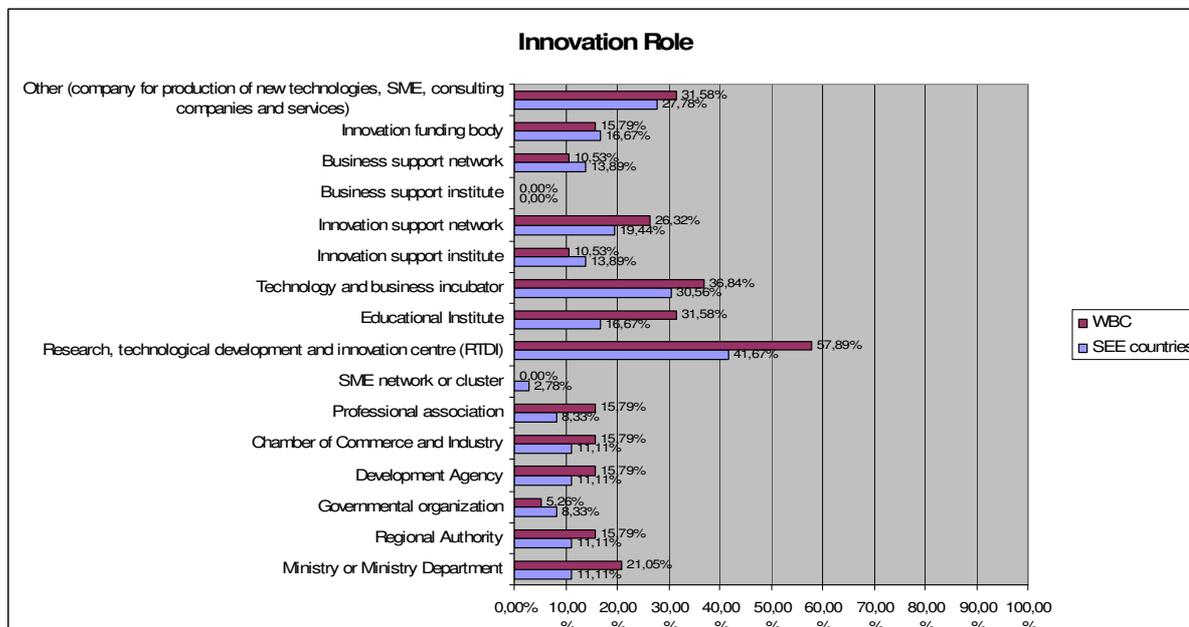
*SEE and WBC distribution in sample*

The figures below show the various South East European countries distribution in the sample of questionnaires received, with emphasis on the Western Balkan Countries. It is shown that over 50% of the responses were from Western Balkan Countries, of which the largest part was from Serbia and Former Yugoslav Republic of Macedonia.



### Innovation Role

The following figure shows the role of the SEE stakeholders in the innovation process. In most cases they have more than one role. It can be seen that most of stakeholders who responded to the survey are RTDI centres, technology and business incubators or high-tech and consulting companies. In WBC, the presence of RTDI centres in those responded is particularly high.

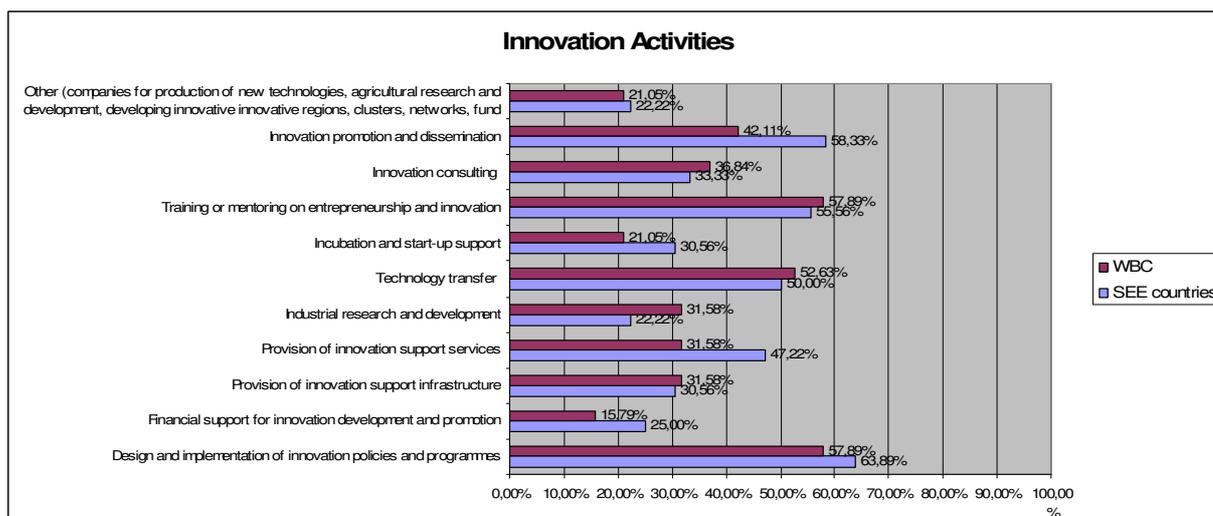


### Innovation Activities

Most of the SEE stakeholders who responded are involved in the following innovation activities:

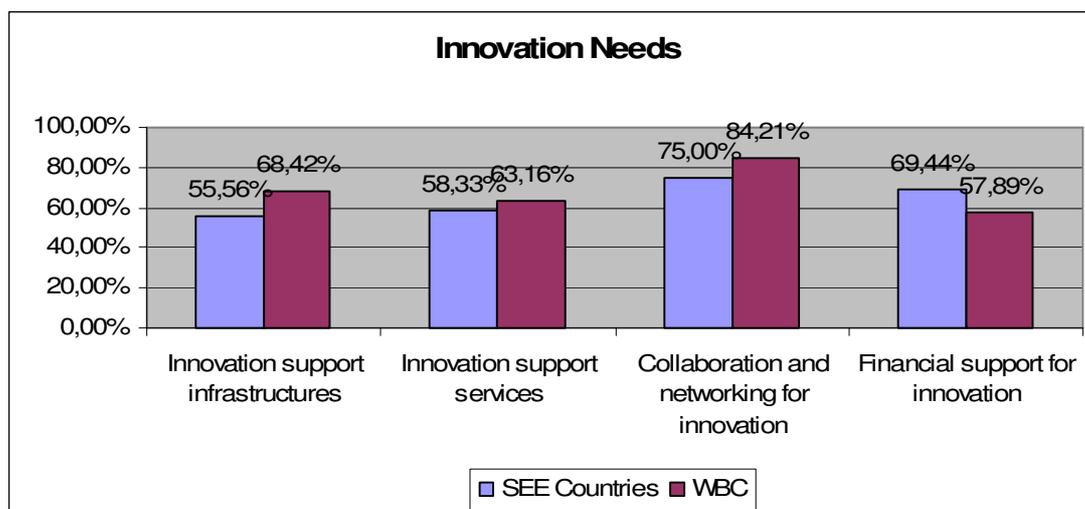
- Design and implementation of policies and programmes
- Training or mentoring on entrepreneurship and innovation
- Innovation promotion and dissemination
- Technology transfer
- Provision of innovation support services

However, WBC innovation stakeholders are not so much involved in innovation promotion and dissemination and provision of innovation support services.



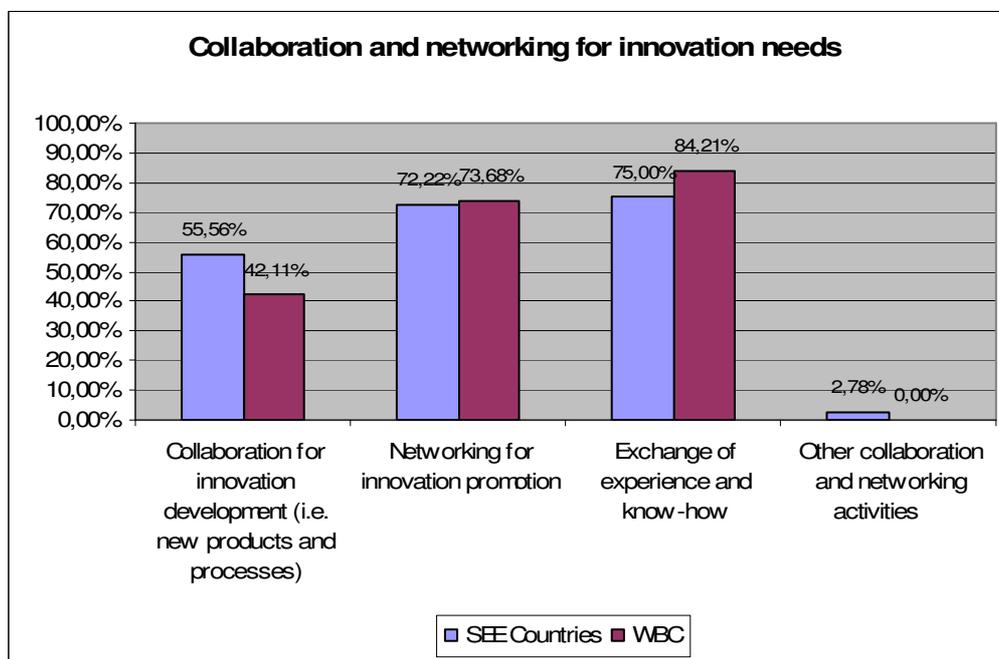
### Innovation needs

It can be seen in the following figure that the innovation needs of either WBC or SEE innovation stakeholders are very similar. Collaboration and networking for innovation is the strongest need. WBC show strongest need for innovation support infrastructures than SEE countries. Financial support for innovation was not declared so strong need by WBC as by SEE innovation stakeholders.



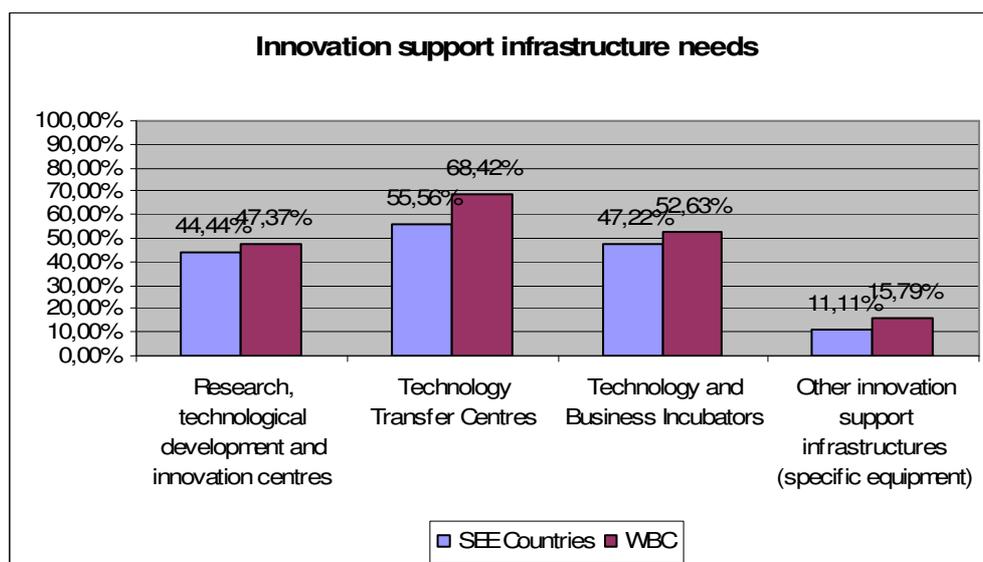
### Collaboration and networking for innovation needs

As shown in the following figure, exchange of experience and know-how is the main collaboration and networking need for SEE innovation stakeholders, followed by networking for innovation promotion.



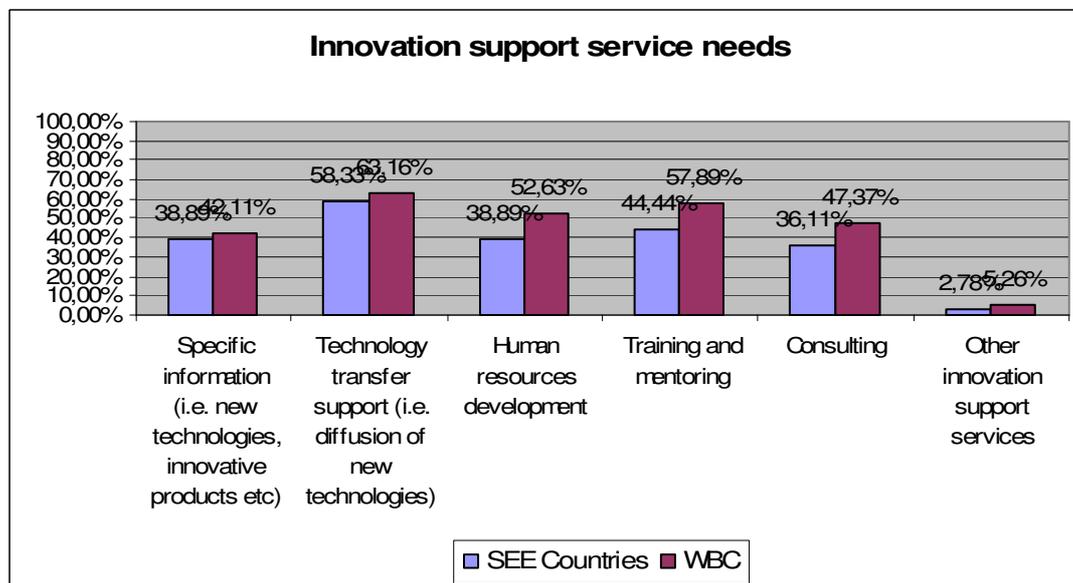
### Innovation supporting infrastructure needs

The establishment of Technology Transfer Centres is the main need of innovation supporting infrastructure for SEE innovation stakeholders, and WBC stakeholders in particular. The establishment of Technology and Business Incubators as well as RTDI centres is also significant need.



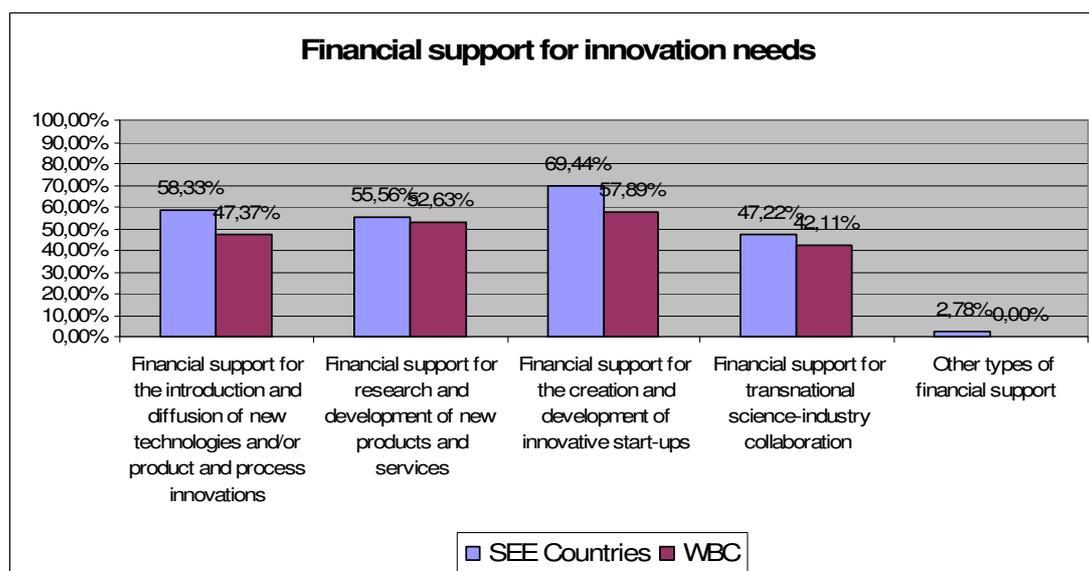
### *Innovation support service needs*

As shown in the following figure, support for Technology Transfer, training and mentoring and human resources development are the main needs of innovation support services for SEE innovation stakeholders, and WBC stakeholders in particular.



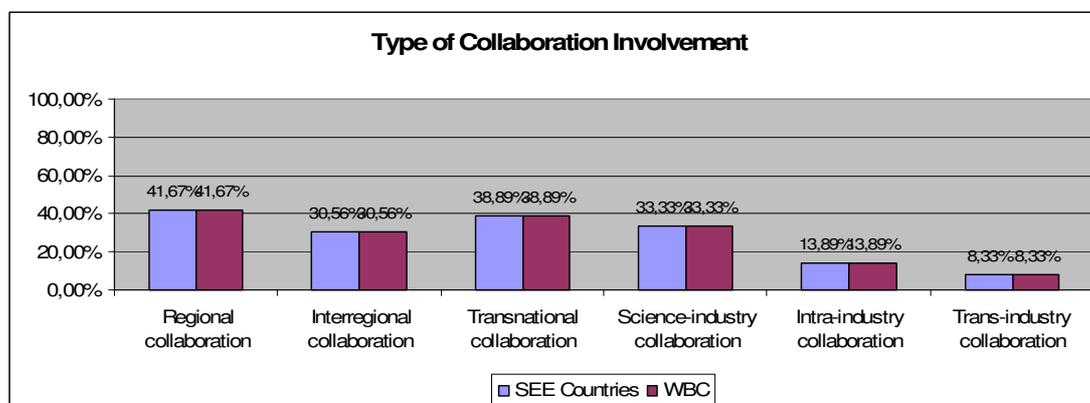
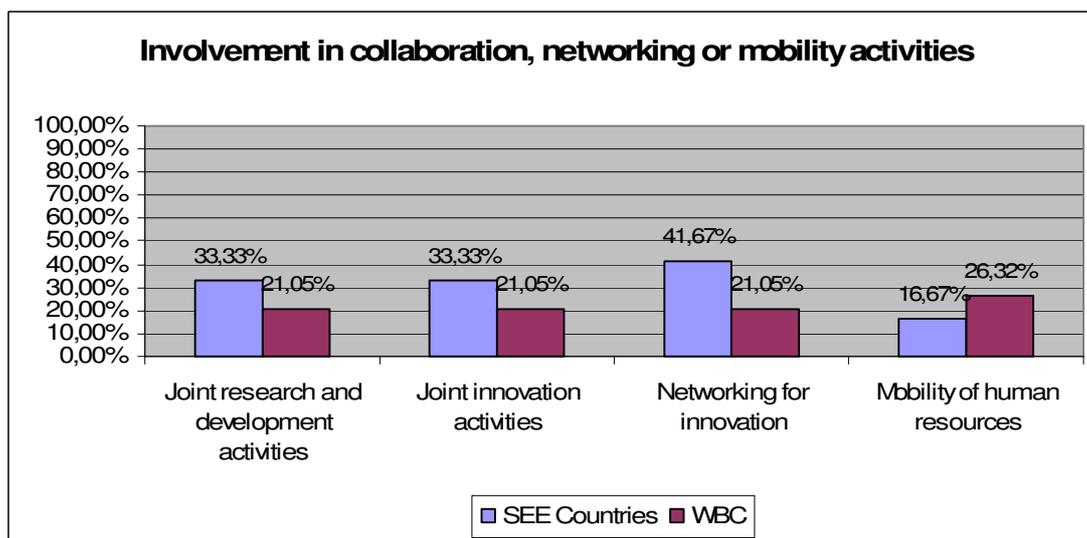
### *Financial support for innovation needs*

Financial support for the creation and development of innovative start-ups was declared as the main need of financial support for innovation. Other financial support needs are also significant, such as financial support for research and development of new products and services as well as for introduction and diffusion of new technologies and/ or product and process innovation.



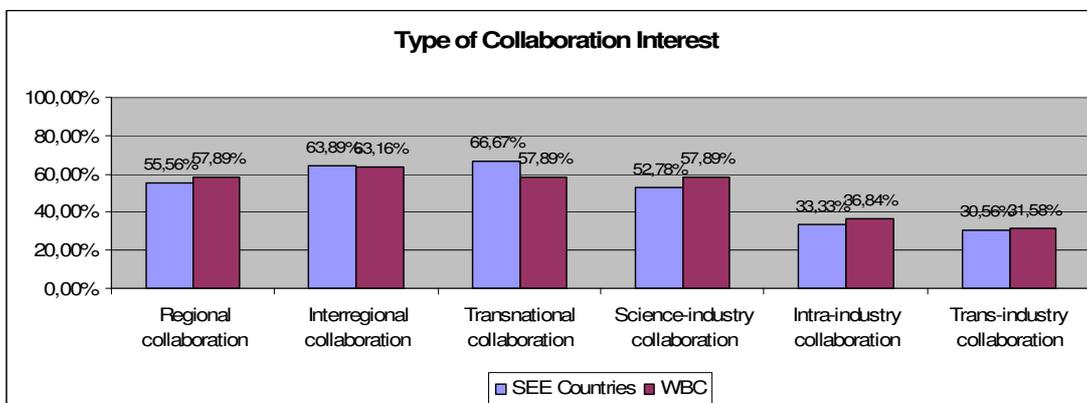
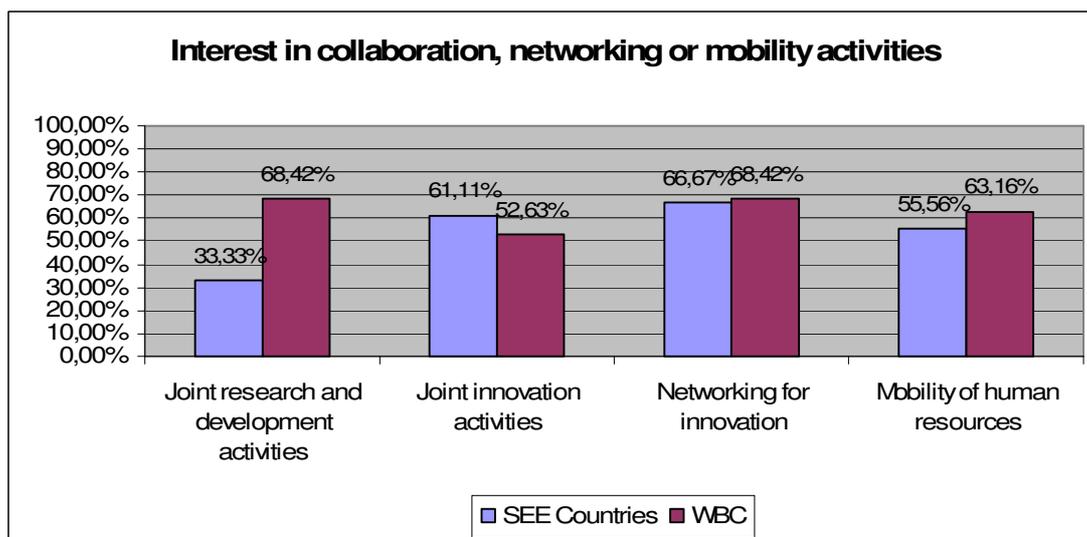
*Involvement in collaboration, networking or mobility activities*

The following figures show the involvement and the type of collaboration, networking or mobility activities of the SEE Innovation stakeholders. In general the collaboration involvement is very low, for WBC innovation stakeholders in particular. Networking of innovation is the most significant collaboration activity for SEE innovation stakeholders, but not for WBC stakeholders. Regional collaboration is the most significant type of collaboration followed by transnational collaboration to some extent.



*Interest in collaboration, networking or mobility activities*

The following figures show that even though not currently involved in collaboration activities, most of the SEE innovation stakeholders are very interested to collaborate, mainly for innovation networking, joint innovation activities and mobility of human resources. In particular the WBC innovation stakeholders are also very interested in joint research and development activities. The types of collaboration of most interest are transnational collaboration, interregional collaboration, regional collaboration and science-industry collaboration.



## 6. South East European Conference on Innovation

The South East European Conference on Innovation was organized by the Southeast European Era-Net, under the auspices of the Hellenic Ministry of Development, General Secretariat for Research & Technology. It took place in Thessaloniki - Greece, on November 29-30, 2007, and it was hosted by the Centre for Research and Technology Hellas CERTH in collaboration with EUROCONSULTANTS S.A.

The objective of the conference was to prepare the field for the participation of SMEs and other innovation related structures into the future planned SEE-ERA.NET innovation activities, aiming at:

- Raising awareness on the potential of joint innovation activities
- Defining the scope of joint innovation activities, building on common interests of the innovation stakeholders by addressing their specific needs
- Developing specific innovation related actions and tools
- Attracting the interest of possible international, national and regional funding bodies to participate in the joint innovation activities

Existing innovation stakeholders from the SEE-ERA.NET countries, representatives of RTD and innovation related structures from countries outside SEE-ERA.NET and other European networks as well as other innovation related European and International funding bodies have been invited to participate and discuss their innovation related policies and activities, their problems and needs, their expectations and proposals for future innovation related collaboration actions within SEE-ERA.NET.

The conference topics were focused on:

- Innovation policies and programmes
- Activities and needs on RTDI support focusing on SMEs
- Collaboration and networking activities and needs for supporting innovation
- Corresponding "good practice" examples

The conference included the following sessions:

- **Introductory session** (29/11/2007 – morning)
- **Two Working Group sessions** on the following specific topics, which were implemented in parallel (29/11/2007 – afternoon):
  - Support structures, services and financial support for innovation
  - Collaboration, networking and mobility for innovation
- **Reporting/ discussion session**, summarising the outcomes of each working group session, comparing and discussing the results and conclusions (30/11/2007 - morning)

The Programme and Presentations of the South East European Conference on Innovation are included in Annex 5.

### 6.1. Overview of introductory presentations

The innovation issues addressed during the conference introductory presentations include:

- Multi-lateral RTDI collaboration in South East Europe (SEE)
- Western Balkan Countries (WBC) and South East Europe (SEE): Innovation environment and infrastructure, absorption capacity and transnational cooperation needs

The following multi-lateral RTDI collaboration issues were presented:

- **SEE-ERA.NET**

- Integration of WBC into ERA
- Interesting pre-accession instrument for WBC
- Pilot Joint Call for RTDI actions, multi-lateral funding scheme, multinational RTDI teams, central administration system, evaluator's database, external monitoring and evaluation:
  - High demand for regional multilateral joint calls
  - Facilitated coordination and collaboration of researchers
  - Willingness to support multilateral programmes and overcome barriers
  - Increased national funding from national partners
- SEE-ERA.NET White Paper: political decision:
  - Strengthening strategic reform processes in WBC, institution and capacity building
  - Introducing new, coherent and complementary or joint cooperation instruments
- SEE-ERA.NET: Joint Action Plan
- **Regional Programme for cooperation within SEE**
  - Built on SEE-ERA.NET experience
  - Expressed willingness of partner countries for sustainable multilateral collaboration activities
  - Widening SEE-ERA.NET activities
  - Inviting additional stakeholders:
    - Network of funding bodies
    - National Research Policy Makers
    - National Research programme owners
  - **Innovation pillar:** multilateral activities in the field of integration of SMEs:
    - Participation of innovative SMEs
    - Based on priorities and needs of SEE and WBC in particular
    - Preparatory phase:
      - Absorption capacity for RTDI
      - Potential innovation related policies and activities
      - Most appropriate SME innovation support actions and tools
      - International, national and regional funding bodies and other interested stakeholders outside SEE-ERA.NET
    - Next steps:
      - Drafting Innovation Pillar
      - Building a new consortium
      - Drafting a proposal and submit in the frame of FP7 INCO Call (12 February 2008)
      - Launching SEE Innovation Programme (2009)

The following issues were addressed, regarding innovation environment and infrastructure, absorption capacity and transnational cooperation needs in South East Europe, focusing on Western Balkan Countries:

- **WBC Innovation Environment and Infrastructure** focused on:
  - General Environment for Setting Up Innovation Infrastructures
  - Strategic documents
  - Specific programmes and instruments
  - Key government players
  - Clusters; Technology and Innovation Centres; Technological and Science Parks; Business-Start-Up Centres/Technology Incubators; further related organizations.
  - Main need: **Good policy framework, concrete action plans** and **adequate financial resources**
- **RDTI absorption capacity** identified among the following main SEE innovation stakeholders:

- Research, technological development and innovation centres
- Technology and business incubators
- Innovation support networks
- High-tech SMEs, consulting companies and services
- Main **innovation activities** of SEE innovation stakeholders include:
  - Design and implementation of innovation policies and programmes
  - Technology transfer
  - Training or mentoring on entrepreneurship and innovation
  - Innovation promotion and dissemination
- Main SEE **innovation support** and **collaboration needs**:
  - Technology transfer, training and human resources development are the main innovation support needs, particularly in WBC
  - Financial support needs are mainly towards the creation and development of innovative start-ups
  - Collaboration and networking for innovation is the main need among SEE innovation stakeholders, for exchanging experience and know-how and innovation promotion
  - Increased interest among SEE innovation stakeholders for transnational, interregional and science-industry collaboration
  - Increased interest among SEE innovation stakeholders for innovation networks, joint innovation activities and mobility

## **6.2. Overview of working group presentations**

Speakers from SEE innovation stakeholders were invited to present their experience and recommendations regarding innovation policies and programmes, activities and needs on RTDI support focusing on SMEs, collaboration and networking activities and needs for supporting innovation, and corresponding “good practice” cases.

The innovation issues addressed in Working Group 1 on “Support structures, services and financial support for innovation” include:

- **Regional Innovation Strategies and Foresight:**
  - Foresight exercises in different policy issues in order to develop and implement RIS, ensuring long-term sustainability
  - Focus group discussions (SMEs)
  - Structured interviews (intermediary support structures)
  - Foresight scenarios for the region under investigation
- **RTD investment strategies, integrating both aspects of stimulating knowledge transfer and facilitating knowledge absorption:**
  - Identifying new areas in between traditional sectors where innovation can flourish
  - Improving RTD infrastructure
  - Creating RTD investment committee including regional innovation stakeholders
  - Promoting innovation and entrepreneurship in the community of young scientists and future RTD human capital
  - Interlinking RTD capacities with business initiatives towards new products and services
  - Promoting synergies in transfer of know-how with private organizations
  - Marketing support mechanisms and consulting services to RTD performers
  - Enhancing life-long learning activities
  - Enhancing clustering support policies
  - Research-business mobility activities

- **ICT: Specific sector with potential for major innovation contribution, recommendations on Institutional Support and Research Policies and priorities:**
  - Identify the national competitive advantages and place specific focus in those areas of IST RTD
  - Adopt specific procedures of IST TRD Policy review and Technological Foresight
  - Take specific measures (+funding) to boost competitiveness, entrepreneurship and innovation capacity of the IST RTD community (global scene, joint ventures of academia and business)
  - Foster international and regional cooperation and coordination of IST RTD
  - Prevent brain-drain and attempt brain-gain – exploit the considerable diasporas with cooperation links and incentives for repatriation
- **Measures and instruments supporting entrepreneurship and innovation:**
  - Improving entrepreneurship and innovation skills of students and researchers
  - Business incubators: “Vehicles” for the support and growth of new SMEs possessing clear competitive advantage based on innovation
- **Measures stimulating inventors and small entrepreneurs:**
  - Individual inventors and researchers should be protected and supported by the state to bring inventions and research results to the market – the state should share the risk of failure in the innovation process

The innovation issues addressed in Working Group 2 on “Collaboration, networking and mobility for innovation” include:

- **Transnational clusters and innovation networks:**
  - Collaboration opportunities in the area of Balkan countries
  - Clusters beyond the borders
  - Success factors:
  - Specific infrastructure defining the cluster
  - Business support services
  - Maintenance of database
  - Promotion and marketing
- **ERA-NETs:** networking for policy makers, exchange of experience, common projects, mutual learning:
  - **EraSME:** ERA-NET on National and Regional Programmes to Promote Innovation Networking and Co-operation between SMEs and Research Organisations
  - **CORNET:** ERA-NET in the field of SME Collective Research
- **IRC network:** biggest innovation network, innovation support services: IPR, technology transfer, innovative business creation, financial support, technology profiles, marketing contact
  - Competitive advantages: collection of deep knowledge of local companies, wide diffusion information, wealth of communication methods (personal contact, meetings, strong links with other European networks)
- **Sectoral innovation networks:**
  - Define a range of services for network members: events, seminars, funding opportunities, European programmes, collaboration with companies of other European countries
  - Regional innovation pole: collaboration of regional research and companies, spin-offs related to exploitation of research results
- **Private-public partnerships in innovation support:**
  - Universities, investors and innovation support mechanisms

- RTD project and spin-off creation, major problem regarding this process, various steps in between that should be funded
- Best business model? Varying according to regional stakeholders needs
- **Two case presentations of innovative SMEs** – support of exploitation of RTD results:
  - **Galenika Fitofarmacija**, Research and Development Centre, Belgrade, Serbia: privately owned, leader in crop protection products industry in Serbia, developing new formulations and products through profitable implementation of ideas
  - Centre for Plasma Technologies – **PLASMA**, Skopje, Former Yugoslav Republic of Macedonia: innovative high-tech enterprise, employing contemporary and fully ecological vacuum-plasma equipment and technologies, engaged in research and development activities to facilitate the transfer of solar absorber technology to existing and prospective projects

### **6.3. Additional technology and innovation issues**

Additional technology and innovation issues were addressed by the organization hosting the conference – Centre for Research and Technology Hellas - focusing on the role of research and technology in the management of change and restructuring processes:

- **Strategies for promoting new research opportunities:** innovation and multi-disciplinarity
- **Generating new ideas:**
  - Innovation comes from basic research
  - Creating the conditions for creativity in research
  - Young researchers working together
- **From ideas to products or services:** innovation and technology transfer, the example of technological platforms:
  - Research (laboratories, other public agencies, universities)
  - SMEs and industry
  - Higher education campus
- **Different RTD models:**
  - Best model: technological clusters:
    - Better coordination : basic research – applied research – industry
    - Direct access to large resources of young investigators
    - Rapid and efficient technology transfer schemes
    - Multi-disciplinary approaches
    - Investment capacities
- **Factors of success:**
  - Mobilise resources
  - Constant links with industry
  - Multidisciplinarity
  - Training and education
  - Regional implantation – international visibility
- **RTD and Innovation Paradigms:**
  - Life sciences (nanotechnology, sensing applications)
  - Biotransformation for production of advanced materials
  - Energy and environment
  - Information and communication

#### **6.4. Discussion and conclusions**

The final discussion and conclusions of the conference were focused on the proposal for the Innovation Pillar of a new transnational collaboration programme in SEE, addressing the following issues:

- Identification of needs, exchange of information, proposed joined activities
- Eligible participants and key success factors:
  - Research or innovation programme managing authorities that fund corresponding national activities
  - Focus on specific topics
  - Make it slim and simple
- Preparatory activities: studies and tools
- Preparatory activities: awareness creation and dissemination of information
- Pilot programmes and accompanying measures

The activities proposed during the Innovation Conference regarding the Innovation Pillar of a new transnational collaboration programme in SEE are summarised in the main study conclusions.

## 7. Main conclusions

According to EU Policy and the Lisbon Agenda, boosting innovation is the key determinant of the ability of an enterprise, sector, region or country to remain competitive. Improving human resources education, skills and capacity to innovate, as well as increasing business expenditure in RTD and early stage venture capital for innovative SMEs are the main challenges of European Policy for innovation.

In Western Balkan Countries (WBC), small enterprises make a major contribution to job creation and economic development. They are behind the expansion of the services, construction and transport services that are driving economic growth in those regions. Clusters of small enterprises operating in high value added operations are emerging, spreading innovation throughout many parts of the Western Balkan Countries.

Even though most of Western Balkan Countries are either in the process or have completed most of the legal and institutional framework for SME Policy development, progress is slow in certain innovation related dimensions, such as:

- Availability of skills:
  - There is a growing gap between skills supply and demand
  - Systematic tracking of training requirements relative to market demand has not yet been established
  - Quality assurance of training provided has not been effectively addressed
  - SMEs are unable to participate in ongoing training development for reasons of accessibility and costs
  - There is a need to give further boost to training activities
- Education and training for entrepreneurship:
  - Entrepreneurship is still generally confined to traditional business areas
  - Entrepreneurship education and training to help increase available skills is just starting to be developed
  - There is recommendation to treat entrepreneurship as a key competence in early education
- Improving on-line access:
  - A range of e-government services for SMEs are emerging
  - Croatia is ahead in developing a comprehensive e-government strategy

Progress in implementing SME policy in Western Balkan Countries is more noticeable in the following innovation related dimensions:

- Strengthening SMEs technological capacity:
  - The creation of links between SMEs and research centres is still in the early stages
  - Croatia and Former Yugoslav Republic of Macedonia are in the lead in developing inter-firm clusters and networks
  - Appropriate legislation to protect IPR has been introduced, but it is not fully operational
- Business support:
  - There is a variety of business support initiatives, including business incubators, general business services and information provision
  - In many cases however, there are isolated and fragmentary initiatives, and no national strategies within which individual efforts can be coordinated
  - Croatia is the exception, having developed a clear national strategy for SMEs
- Effective representation of SME interests:

- The extent and quality of SME networks and representation, including public/private consultation channels has been improved
- The capacities of Chambers of Commerce and business associations should improve over time

Most of enterprise and innovation policies and programmes in Western Balkan Countries are initiated and supported by international donors, such as World Bank, EU, EBRD, USAID, GTZ. Out of all Western Balkan Countries, Croatia is in lead, having clearly moved from policy elaboration to policy implementation phase. As already mentioned Croatia is the only Western Balkan Country that has developed a complete National Strategy and corresponding Programmes to support entrepreneurship and innovation. It has also developed a competitive business service market, even though many business support initiatives do not focus on innovation. Its advanced status in the EU integration process gave Croatia the opportunity to move forward and stay in lead.

Former Yugoslav Republic of Macedonia, Serbia and Montenegro have completed the legal and institutional frameworks for SME Policy development and have begun work on the implementation phase. They have developed a variety of business support initiatives that were however initiated and supported by international donors and if they are not supported further by national policies and programmes there is a risk that they will become non-sustainable. Also, in most business support initiatives focus is not on innovation. Furthermore, these countries are lagging behind in human resources development.

Albania, Bosnia and Herzegovina and UNMIK/ Kosovo are in the process of completing the legal and institutional framework for SME Policy Development. They have established institutions responsible for elaborating and implementing SME policy. They have implemented SME development initiatives that are however isolated, without any long-term national strategies. There is a growing gap between skills supply and demand and extensive reliance of international donor support with the risk of creating non-sustainable business support structures.

The main innovation stakeholders in Western Balkan Countries are:

- National structures supporting enterprise and innovation policies and programmes, mainly:
  - Ministries of Economy and/or Labour
  - Ministries of Science and Education
- Business and innovation support institutes, mainly:
  - Agencies for business or SME development
  - Regional Development Agencies
  - Business Support Centres
- Research, technological development and innovation (RTDI) centres, mainly:
  - Technology transfer centres
  - Technology parks
- Technology and business incubators, with a good networking case example but without innovation focus:
  - Southeast European Network of Business Start-up Centres and Incubators ([www.sensi.biz](http://www.sensi.biz))
- Chamber of Commerce and Industry, with a good networking case example but without innovation focus:
  - Central European Chambers of Commerce Initiative ([www.unioncamere/cei](http://www.unioncamere/cei), [www.ceinet.org](http://www.ceinet.org))
- SME networks or clusters, mainly:
  - SME networks established in traditional sectors

- SME clusters with insufficient relation with RTDI and business service providers

Based on the responses from the corresponding survey addressed to the main stakeholders from SEE countries and Western Balkan Countries in particular, the absorption capacity for RTD and Innovation is identified among the following innovation stakeholders:

- Research, technological development and innovation centres
- Technology and business incubators
- Innovation support networks
- High-tech SMEs, consulting companies and services

The main innovation-related activities of SEE innovation stakeholders, and Western Balkan stakeholders in particular, include:

- Design and implementation of innovation policies and programmes
- Technology transfer
- Training or mentoring on entrepreneurship and innovation
- Innovation promotion and dissemination

Technology transfer, training and human resources development are the main innovation support needs, particularly in Western Balkan Countries. Financial support needs are mainly towards the creation and development of innovative start-ups.

Collaboration, networking and mobility activities between innovation stakeholders in SEE are not much developed. However, there is a great need and interest for such activities. Collaboration and networking for innovation is the main need among SEE innovation stakeholders, for exchanging experience and know-how and innovation promotion. There is particular interest for innovation networks, joint innovation activities and mobility. There is also increased interest for transnational, interregional and science-industry collaboration.

Based on the presentations and the discussion that followed during the South East European Conference on Innovation that was organised in Thessaloniki, on 29-30 November 2007 by SEE-ERA.NET, the proposal for an Innovation Pillar within a new transnational collaboration programme in SEE was introduced. The following Innovation Pillar activities were proposed during the discussion with the SEE Innovation stakeholders:

- Preparatory activities, including the following studies and tools were suggested:
  - A clear benchmark approach was suggested, including a benchmarking exercise, to enable the regional stakeholders to learn from the experiences of other regions
  - Understanding better and studying the innovation system in SEE was suggested as top priority. Currently, there is low performance of the key innovation indicators in the area, the entrepreneurial activities are locked in traditional sectors, funding support is missing, the national innovation systems are small, whereas the larger the innovation system the larger the possibility of finding appropriate cooperation for innovation.
  - Finding complementarities in innovation capabilities and combining skills
  - Defining sectors from national strategies, then implementing technology and innovation audits or surveys of those specific sectors to identify problems in their innovation processes
  - Defining specific gaps either in research or in business, technology and innovation areas for development or problems to be solved and developing a collaboration chain where specific processes are supported

- Preparatory activities, including awareness creation and dissemination of information were also suggested:
  - Information campaign – awareness creation
  - Development of information web-tools
- Pilot programmes and accompanying measures were also proposed, including the following activities as examples:
  - Training measures – summer schools or brief seminars to train entrepreneurial skills, starting from the beginning of the programmes, focusing on practical things, raw models or real cases
  - Teaching entrepreneurship in students and young researchers
  - Since innovation is the most difficult area for SMEs to enter, training also SMEs and entrepreneurs to accept innovation, to make them aware or understand how they can benefit from innovations
  - Development of networks for protecting, promoting and supporting researchers and inventors and their intellectual property
  - Brokerage events to build up collaborations
  - Enabling mechanisms such as pilot calls for proposals to support innovation as cooperation between research organizations, innovation intermediaries and SMEs, which can see the benefits of investing on innovation
  - Pilot projects in creating and developing interregional clusters in the technology areas or needs identified, focusing on knowledge and technology transfer and innovation promotion
  - Transfer of knowledge (tacit knowledge) through mobility of human resources within research and business: mechanisms of reversing brain drain to brain circulations, enhancing mobility of researchers to other regions or to business or attract researchers to the region

## 8. References and Information Sources

Information Office of the Steering Platform on Research for the Western Balkan Countries (see-science.eu), "Thematic Reports on Innovation Infrastructures in the Western Balkan Countries", Draft 1.1, September 2007

OECD and EC, "Enterprise Policy Development in the Western Balkans: a report on the implementation of the European Charter for Small Enterprises", 2007

Central European Initiative, "The Business Dimension for the Co-operation among CEI Countries in the Economic Field – Central European Chambers of Commerce Initiative", <http://www.unioncamere.net/cei> , <http://www.ceinet.org>

Southeast European Network of Business Start-up Centers and Incubators (SENSI), <http://www.sensi.biz/>

Competitiveness and Innovation framework Programme (CIP) 2007- 2013, <http://ec.europa.eu/cip/>

7th Framework Programme for Research and Technological Development (FP7) 2007-2013, <http://cordis.europa.eu/fp7/>

## ANNEX 1. Main Programmes and instruments supporting entrepreneurship and Innovation at EU level

EU DIRECTORATE GENERAL	PROGRAMME/ INSTRUMENT
DG Enterprise and Industry	<p><b>Competitiveness and Innovation framework Programme (CIP) 2007-2013 (<a href="http://ec.europa.eu/cip/">http://ec.europa.eu/cip/</a>)</b></p> <p>With small and medium-sized enterprises (<b>SMEs</b>) as its <b>main target</b>, the programme supports innovation activities (including eco-innovation), provides better access to finance and delivers business support services in the regions. It encourages a better take-up and use of information and communications technologies (ICT) and helps to develop the information society. It also promotes the increased use of renewable energies and energy efficiency</p> <p><b>1. Entrepreneurship and Innovation Programme</b></p> <ul style="list-style-type: none"> <li>• Better access to finance for SMEs through venture capital investment and loan guarantee instruments</li> <li>• Business and innovation support services delivered through a network of regional centres</li> <li>• Promotion of entrepreneurship and innovation</li> <li>• Support for eco-innovation</li> <li>• Support for policy-making that encourages entrepreneurship and innovation</li> </ul> <p><b>2. ICT Policy Support Programme</b></p> <ul style="list-style-type: none"> <li>• Developing a single European information space</li> <li>• Strengthening the European internal market for ICT and ICT-based products and services</li> <li>• Encouraging innovation through the wider adoption of and investment in ICT</li> <li>• Developing an inclusive information society and more efficient and effective services in areas of public interest</li> <li>• Improving of quality of life</li> </ul> <p><b>3. Intelligent Energy- Europe Programme</b></p> <ul style="list-style-type: none"> <li>• Fostering energy efficiency and the rational use of energy sources</li> <li>• Promoting new and renewable energy sources and energy diversification</li> <li>• * Promoting energy efficiency and new energy sources in transport</li> </ul>
DG Research	<p><b>7<sup>th</sup> Framework Programme for Research and Technological Development (FP7) 2007-2013 (<a href="http://cordis.europa.eu/fp7/">http://cordis.europa.eu/fp7/</a>)</b></p> <p>It is the EU's main instrument for funding research in Europe, designed to respond to Europe's <b>employment</b> needs, <b>competitiveness</b> and <b>quality of life</b>. It includes several specific programmes:</p> <ul style="list-style-type: none"> <li>• <b>Cooperation</b> – fostering collaboration between industry and academia to gain leadership in key technology areas</li> <li>• <b>Ideas</b> – supporting basic research at the scientific frontiers (implemented by the European Research Council)</li> <li>• <b>People</b> – supporting mobility and career development for researchers both within and outside Europe</li> </ul>

EU DIRECTORATE GENERAL	PROGRAMME/ INSTRUMENT
	<ul style="list-style-type: none"> <li>• <b>Capacities</b> – helping develop the capacities that Europe needs to be a thriving knowledge-based economy</li> <li>• Nuclear research (Euratom programme) – developing Europe’s nuclear fission and fusion capabilities</li> </ul>
DG Regional Policy	<p><b>JEREMIE, Joint European Resources for Micro to medium Enterprises (<a href="http://ec.europa.eu/regional_policy/funds/2007/ijj/jeremie_en.htm">http://ec.europa.eu/regional_policy/funds/2007/ijj/jeremie_en.htm</a>)</b></p> <p>It is an initiative of the Commission together with the European Investment Bank (EIB) and the European Investment Fund (EIF) in order to promote increased access to finance for the development of micro, small and medium-sized enterprises in the regions of the EU.</p> <p>Improving access to finance is a priority area of the renewed Lisbon agenda for growth and jobs in an effort to increase the availability of capital in Europe for new business formation and development. Past experience has shown that this is an area where the programme authorities would like to do more, but they lack both expertise and access to risk capital. JEREMIE, by creating a framework for cooperation with the specialised financial institutions, the EIF and EIB, as well as other international financial institutions, is designed to help to overcome these difficulties.</p>
DG Enterprise and Industry	<p><b>PRO INNO Europe (<a href="http://www.proinno-europe.eu/">http://www.proinno-europe.eu/</a>)</b></p> <p>An innovation policy initiative, providing the focal point for innovation policy analysis, learning and development. It follows an integrated approach with the ultimate objective of learning from the best and preparing for more and better trans-national innovation policy co-operation in Europe.</p> <p>The main building blocks of PRO INNO Europe are:</p> <ul style="list-style-type: none"> <li>• Policy Analysis <ul style="list-style-type: none"> <li>○ Inno-metrics (current European Innovation Scoreboard)</li> <li>○ INNO-Policy watch (current Innovation TrendChart)</li> <li>○ INNO-Appraisal (impact assessment of innovation programmes)</li> </ul> </li> <li>• Policy Learning <ul style="list-style-type: none"> <li>○ INNO-Views (current TrendChart workshops)</li> <li>○ INNO-Learning Platform (prepare for future INNO-Nets and INNO-Actions)</li> </ul> </li> <li>• Policy Development <ul style="list-style-type: none"> <li>○ INNO-Nets</li> <li>○ INNO-Actions</li> </ul> </li> </ul>
DG Enterprise and Industry	<p><b>EUROPE INNOVA (<a href="http://www.europe-innova.org/">http://www.europe-innova.org/</a>)</b></p> <p>It is the successor of the Gat2Growth Initiatives, bringing together about 20 sector-specific networks and cluster projects, funded by the Commission under the 6th Framework Programme for Research and Development. The aim of this initiative is to become the focal point for innovation networking in Europe. The new initiative is built upon the following five pillars:</p> <ul style="list-style-type: none"> <li>• Sectoral Innovation Watch (assessing innovation performance in a number of sectors)</li> <li>• Sectoral Innovation Panels (validating and steering the work of the Innovation Watch)</li> <li>• Innovation Financing and Cluster Networks (mobilising organisations</li> </ul>

<b>EU DIRECTORATE GENERAL</b>	<b>PROGRAMME/ INSTRUMENT</b>
	<p>such as incubators, venture capitalists, industry federations and business associations in each sector to discuss the specific needs of innovation financing and draw policy conclusions)</p> <ul style="list-style-type: none"><li>• EUROPE INNOVA Helpdesk (leveraging the impact of the other activities)</li><li>• EUROPE INNOVA Forum (virtual platform for the exchange of information amongst European Initiatives in support of entrepreneurial innovation)</li></ul>

## ANNEX 2. Entrepreneurship and innovation strategic documents of Western Balkan Countries

(source: Information Office of the Steering Platform on Research for the Western Balkan Countries (see-science.eu), "Thematic Reports on Innovation Infrastructures in the Western Balkan Countries", September 2007)

COUNTRY	STRATEGIC DOCUMENTS
Albania	<ul style="list-style-type: none"> <li data-bbox="544 562 1367 730"> <p>• <b>National Strategy for Development and Integration</b> A single national strategy to be implemented over a seven-year period (2007-2013) is built on a comprehensive set of sector strategies and is guided by a selective set of crosscutting strategies.</p> </li> <li data-bbox="544 757 1367 981"> <p>• <b>Strategic Programme for the SME Development for 2007-2009 and for 2010 – 2013</b> The aim is to accelerate improvement of the business and investment environment, increase the competitiveness of SMEs in both regional and global markets through the development of technology and information, reduce administrative barriers, and provide financial facilities for businesses.</p> </li> <li data-bbox="544 1008 1367 1108"> <p>• <b>Strategy for Albania (EBRD)</b> It aims to support private sector development and improve business environment.</p> </li> <li data-bbox="544 1135 1367 1272"> <p>• <b>Multi-annual indicative Planning Document (MIPD) 2007-2009</b> Key strategic planning document for assistance to Albania under the instrument for Pre-Accession Assistance (IPA)</p> </li> </ul>
Bosnia and Herzegovina	<ul style="list-style-type: none"> <li data-bbox="544 1335 1367 1529"> <p>• <b>National Bosnia and Herzegovina SME Strategy</b> There is a need to adopt an SME state-level strategy and start implementation of the prioritised actions. A sound and comprehensive industrial policy has to be developed immediately and integrated research policy has to be designed and implemented as soon as possible.</p> </li> <li data-bbox="544 1556 1367 1720"> <p>• <b>Development strategy of small and medium enterprises in the Republika Srpska for the period 2006 – 2010</b> The goal is to create a framework for establishing a dynamic, competitive and export-oriented sector of SMEs in the Republika Srpska for the next five year-period.</p> </li> </ul>
Croatia	<ul style="list-style-type: none"> <li data-bbox="544 1753 1367 1977"> <p>• <b>Science and Technology Policy of the Republic of Croatia 2006 – 2010</b> The main challenge of science policy is to stimulate scientific excellence and enable the transfer of knowledge and results of scientific discoveries to industry and business in order to meet these requirements.</p> </li> <li data-bbox="544 1993 1367 2022"> <p>• <b>Development strategy of the Republic of Croatia</b></p> </li> </ul>

COUNTRY	STRATEGIC DOCUMENTS
	<p><b>(Croatia in the 21st Century- Science)</b></p> <p>A range of 19 separately elaborated and interrelated strategies have been formulated, including the strategy for science</p> <ul style="list-style-type: none"> <li>• <b>Croatia’s Strategic Development Framework for 2006 – 2013</b></li> </ul> <p>It sets the targets for Croatia in the next few years. A new role is defined for the state as facilitator of the growth process, through constant dialogue with the private sector and the social parties. Although the strategy is long-term, it is coupled with precise yearly SME action plans that include concrete actions and the assignment of finds, as well as the organisations in charge</p>
Former Yugoslav Republic of Macedonia	<ul style="list-style-type: none"> <li>• <b>National Development Strategy for Small and Medium Enterprises’ (2002 - 2013)</b></li> </ul> <p>It provides for the general direction towards achieving the vision, objectives and priorities in the area of entrepreneurship and SMEs in the longer period of time</p> <ul style="list-style-type: none"> <li>• <b>Programme for the Development of Entrepreneurship, Competitiveness and Innovation of Small and Medium-sized Enterprises’ (2007-2010)</b></li> </ul> <p>Several significant achievements have been made regarding SME development. However, at the same time several changes occurred that impose the need for revising and updating the SME Strategy 2002-2012 and extending the planning horizon to 2013</p> <ul style="list-style-type: none"> <li>• <b>Programme for Stimulating Investment in the Republic of Macedonia (2007 – 2010)</b></li> </ul> <p>It includes recommendations and directions for reducing the remaining barriers that limit investments, and recommendations for harmonization of regulations with international accepted standards</p>
Serbia and UNMIK/ Kosovo	<ul style="list-style-type: none"> <li>• <b>National Strategy for the Economic Development of Serbia, 2006-2012</b></li> <li>• <b>National Programme for Business Incubators and Clusters Development in the Republic of Serbia 2007-2010</b></li> </ul> <p>The objective of the Programme is to generate new jobs, new enterprises and increase competitiveness through development of entrepreneurs, enterprises and institutions for support to the sector of SMEs. The Government of the Republic of Serbia anticipates establishment of sustainable SME and entrepreneurial infrastructure, by strengthening institutions on the local and regional levels, establishing business incubators and parks, promoting business-to-business networking, clusters and other innovation activities. Financial resources provided from the State Budget within the above mentioned programme, demonstrate the willingness of the Government to support SME and entrepreneurial infrastructure development.</p> <ul style="list-style-type: none"> <li>• <b>Strategy for the Development of Small and Medium-sized Enterprises and Entrepreneurship 2003-2008</b></li> </ul>

COUNTRY	STRATEGIC DOCUMENTS
	<p>The priority objective is to create a framework for the development of a sustainable, internationally competitive and export oriented SME sector and subsequently to secure economic and social growth in the Republic of Serbia.</p> <ul style="list-style-type: none"> <li>• <b>Plan of the Government of the Republic of Serbia for Stimulating Small and Medium-sized Enterprises and Entrepreneurship Development, 2005-2007</b></li> </ul> <p>It defines the necessary steps to improve the favourable SME and Entrepreneurship environment that relates to raising the level and skills with the entrepreneurship sector, building institutions for non-financial support to the SME sector, as well as development of non-financial services such as providing information, consultancy, mentoring and training in different business areas, financing and financial measures to support SMEs, innovations and modern technology applications to support SMEs.</p> <ul style="list-style-type: none"> <li>• <b>National Development Plan of UNMIK/Kosovo</b></li> </ul>
Montenegro	<ul style="list-style-type: none"> <li>• <b>Economic Reform Agenda for Montenegro 2002 – 2007</b></li> </ul> <p>The Agenda consists of 16 individual sections each dedicated to a particular aspect of economic reform. Central themes in the Agenda are: entrepreneurship, investment, formalisation of the grey economy, competition and competitiveness. In the strategic document attraction of foreign investments is marked as one of the primary goals, having in mind the positive effect they have in speeding up the production process and the creation of new employment.</p> <ul style="list-style-type: none"> <li>• <b>Strategy of development of small and medium sized enterprises 2007 – 2010</b></li> </ul> <p>It includes policy measures focused on business education and promoting/ supporting small and medium enterprises.</p> <ul style="list-style-type: none"> <li>• <b>Multi-annual Indicative Planning Document (MIPD) 2007 - 2009 for Montenegro</b></li> </ul> <p>Its main objective is to help the country face the challenges of European integration, to implement the reforms needed to fulfil EU requirements and progress and the Stabilisation and Association Process and to lay the foundations for fulfilling the EU membership criteria.</p> <ul style="list-style-type: none"> <li>• <b>Montenegrin agriculture and EU – Agriculture and Rural Development Strategy</b></li> </ul> <p>In the field of agriculture policy, measures-programmes for assistance in agriculture development are being adjusted to new reforms of CAP, particularly rural development policy, which represents the largest part of budgetary allocation for agricultural assistance.</p>

### ANNEX 3. Main Donors and Programmes supporting entrepreneurship and Innovation in Western Balkan Countries

(source: Information Office of the Steering Platform on Research for the Western Balkan Countries (see-science.eu), "Thematic Reports on Innovation Infrastructures in the Western Balkan Countries", September 2007)

COUNTRY	ALBANIA
DONOR	PROGRAMME
<b>EU – PHARE/ CARDS-IPA</b>	Strategy is expressed in the Country Strategy Paper (CSP) for Albania, 2002-2006, prepared by the European Commission and the Government of Albania. Economic and social development is one of the main priorities of the programme.
<b>USAID</b>	<p>One of the general development themes of the USAID support strategy is economic growth and SME development by increasing private investment, improving the availability of credit, supporting capital formation and strengthening the banking system.</p> <p>One of USAID projects is the Albanian Enterprise Development and Export Market Services (EDEM) project, providing assistance in industry-wide cluster activities, supporting the creation and development of industry groups made up of businesses, government and other organizations that share the goal of building competitiveness. EDEM also assists selected companies design and implement strategies to remove obstacles of their competitiveness.</p>
<b>World Bank</b>	<p>The <b><i>Southeast Europe Enterprise Development (SEED)</i></b> is a multi-donor initiative managed by the World Bank Group, supporting SME developing and striving to improve the overall environment of SME growth and competitiveness in the region. The SEED project is already closed now and the new project of World Bank is being implemented.</p> <p><b>The IFC/PEP Southeast Europe programme (<a href="http://www.ifc.org/pepse">www.ifc.org/pepse</a>), is the new programme managed by the World Bank Group, supporting private sector development and co-financed by Austria, Canada, IFC, Netherlands, Norway, Slovenia and Switzerland. The programme operates in Albania, Bosnia and Herzegovina, the FYR of Macedonia, Serbia and Montenegro.</b></p>

COUNTRY	BOSNIA AND HERZEGOVINA
DONOR	PROGRAMME
<b>EU</b>	<p>The <b>EURED II project</b> (EU support to <b>SME and Regional Economic Development in BiH</b>), is built on the achievements of <b>EURED</b> which successfully strengthened two existing and established three new Regional Development Agencies (RDAs), which were then linked into an RDA network. EURED provided technical assistance (TA) to RDAs in the development of five <b>Regional Economic Development (RED) Strategies</b>, with the active participation of a wide range of stakeholders, and provided assistance to the EC in managing the RED Fund, which financed forty-seven SME and tourism development projects throughout the country and supported the operational costs of the RDAs themselves.</p> <p>The <b>Capacity Building for Trade and FDI Attraction to BiH – TDI Project</b>, supported by EU, was focusing on the development of trade, on expanding trade opportunities, on raising the capacities of the BiH economy and, by so doing, on assisting BiH to reduce its trade deficit.</p> <p>The EU <b>Building Export Promotion Capability in BiH - EU EXPRO</b> is a Project funded by the European Union (EU), with the overall project objective to build export promotion capacity in BiH</p> <p>The <b>Quick Impact Facility (QIF)</b> initiative of the European Commission (EC) addresses the issue of sustainable return of refugees through support to local economic development and job creation. It provides grants and consulting/training to SMEs in key return areas, strengthening the network of business service providers; assistance to local authorities to improve the business environment and development of public-private partnerships.</p> <p>The EU Programme for <b>Enterprise Revitalisation (EUPER)</b> aims to revitalise about 40 medium-sized companies through turn-around management and restructuring support, facilitation of access to finance, development of markets (domestic and foreign), mitigation of the social costs of restructuring, particularly vocational training and support for start-ups.</p> <p>The <b>Post-Privatisation Enterprise Restructuring Project (PPERP)</b> of the <b>Department for International Development (DFID)</b> provides restructuring support to about 80 SMEs to secure viability and profitability. It assures assistance to the unemployed following restructuring and disseminates best practice from the process of restructuring.</p>
<b>EBRD</b>	<p>The <b>Western Balkans SME Finance Facility</b> Project of EBRD consists of credit lines to partner banks (PBs) and leasing companies (PLCs) for onlending to SMEs and Technical Cooperation (TC) to assist the banks in strengthening their SMEs risk appraisal and monitoring capabilities.</p> <p>The <b>Business Advisory Service Programme BiH (BAS)</b>, administered by EBRD, has been established in order to assist the development of small and medium sized enterprises.</p>
<b>World Bank</b>	<p>The <b>World Bank Business Environment Adjustment Credit Project (BAC)</b> supports the Government's reform program to improve the investment climate and strengthen a single economic space to promote domestic and foreign investment and private sector growth. Objectives of</p>

COUNTRY	BOSNIA AND HERZEGOVINA
DONOR	PROGRAMME
	<p>the reform program are to reduce those administrative and regulatory barriers that will have the most critical near-term impact on the three phases of business development: business entry, business operations, and business exit.</p> <p><b>The <i>IFC/PEP Southeast Europe programme</i> (<a href="http://www.ifc.org/pepse">www.ifc.org/pepse</a>), is the new programme managed by the World Bank Group, supporting private sector development and co-financed by Austria, Canada, IFC, Netherlands, Norway, Slovenia and Switzerland. The programme operates in Albania, Bosnia and Herzegovina, the FYR of Macedonia, Serbia and Montenegro.</b></p>
<b>USAID</b>	<p><b>Cluster Competitiveness Activity (CCA)</b> is a four year program to assist businesses in sectors with great potential for economic development in Bosnia and Herzegovina, CCA helps improve competitiveness by (i) encouraging cluster formation and cohesion, (ii) raising firm and industry productivity and links to global markets, and (iii) improving the policy and regulatory environment for doing business. CCA provides consulting, training, analysis and support with access to finance and information on trade opportunities.</p>
<b>GTZ</b>	<p>The <b>Programme for Economic and Employment Promotion in BiH</b> is being implemented by GTZ with co-financing of the Swiss Agency for Development Cooperation (DEZA). The programme's goal is to support private enterprises from selected industries in realizing their potential for growth and development. GTZ advises business sectors, which show signs of economic recovery (light industry), form initial regional priority areas (wood/furniture) or are relevant to employment (tourism). In these sectors, cooperation is being developed step by step among enterprises, their suppliers and/or customers, among chambers, associations and technical schools and universities, and between providers of business services, testing laboratories, banks, and government agencies. Concurrently, municipalities are supported in instigating economic promotion.</p>

COUNTRY	CROATIA
DONOR	PROGRAMME
<i>National Programmes</i>	<p>The <b>Business Innovation Centre of Croatia – BICRO Ltd.</b> was created in 2006 when the <b>international agreement</b> between <b>Republic of Croatia</b> and <b>World Bank</b> was signed and additional cooperation with other partners agreed. The Centre manages five national development programmes supporting technology development (Support for Entrepreneurship Based on Innovation and New Technologies):</p> <ul style="list-style-type: none"> <li>• Seed Capital Programme (RAZUM);</li> <li>• Technology Infrastructure Development Programme (TehCro);</li> <li>• Venture Capital Programme (VrnCro);</li> <li>• R&amp;D Programme (IRCro); and</li> <li>• Competitiveness Upgrading Programme (KonCro).</li> </ul> <p>Those programmes are implemented across the whole country and administered exclusively by BICRO.</p>
	<p>The <b>Seed Capital Programme (RAZUM)</b>, which is administered by BICRO, aims to ensure a sustainable increase in the number of knowledge-based enterprises. It serves as a seed fund for development of knowledge-based private or largely private enterprises that are using traditional technology and/or are technology based companies, which can be expected to have a significant favourable impact on economic development. The programme's operation is based on public support and other sources of financing (such as the Croatian Bank for Reconstruction and Development – HBOR; the Ministry of the Economy, Labor and Entrepreneurship – MELE; the Fund for Development and Employment - FDE, and a World Bank loan), contributing 70% of project costs in the form of conditional grants, and the remaining 30% is contributed from the private sector.</p>
	<p>The <b>Technology Infrastructure Development Programme (TehCro)</b>, administered by BICRO, supports for creation of technology incubators, R&amp;D centres and technology-business centres linked to research/ academic institutions and R&amp;D-based industry. The Government of Croatia has initiated the programme, with support from the World Bank, to enable the right technology infrastructure to support commercialization of research outputs and development and growth of knowledge-based enterprises,</p>
	<p>The <b>Venture Capital Programme (VenCro)</b>, which is set up as a Government programme, is operated by BICRO to provide incentives to potential fund managers to start venture capital funds in Croatia and develop the venture capital industry.</p>
	<p>The <b>Research and Development Programme (IRCro)</b>, administered by BICRO, is intended to encourage and stimulate demand for services of public research institutions, as well as to encourage SMEs to invest in R&amp;D activities. The Programme envisages utilization of extensive facilities available within the universities and research institutions in the country. Projects under the IRCro Programme involve cooperation between an industrial firm and research/academic institutions and are jointly funded by the IRCro programme and the industrial company involving a 50/50 matching grant scheme. Thus, the private sector participates 50% in funding of R&amp;D activities.</p>
	<p>The <b>Business Competitiveness Upgrading Programme (KonCro)</b></p>

COUNTRY	CROATIA
DONOR	PROGRAMME
	<p>assists SME's to become more competitive by increasing productivity, improving product quality, upgrading business organization by introducing ISO standards, helping in the patenting procedure, product design and environmental protection.</p>
	<p>The <b>Technology-Related Research and Development Programme (TEST)</b> is administered by the <b>Croatian Institute of Technology (CIT)</b>. The programme is targeted at academia and research institutions, and provides financial support to the development of new technologies, as well as complex projects for technological development such as prototype, pilot solution, accredited laboratories and intellectual products. Projects related to industry application are encouraged, as well as those leading to new approaches in fundamental and applied research.</p>
	<p>The <b>Ministry of Economy, Labour and Entrepreneurship (MELE)</b> administers programmes that are complimentary to the aims and objectives of the Ministry of Science, Education and Sports relating to technology and innovation, especially stimulating development and growth of technology-based SMEs. The MELE programmes are aimed at encouraging individuals to establish their own companies, as well as <b>development of innovation clusters (Cluster Development Programme)</b> to boost competitiveness. MELE also encourages development of Entrepreneurship Centres and Regional Development Agencies by providing them with financial assistance. There are several operational programmes of financial assistance for Stimulating Productivity and Introducing New Technologies and Products, and the Education in Entrepreneurship Programme.</p>

COUNTRY	FORMER YUGOSLAV REPUBLIC OF MACEDONIA
DONOR	PROGRAMME
<b>National Programmes</b>	The Government of FYR of Macedonia with its Programme (2006 - 2010) placed strong emphasis on the development of SMEs. The focus is on increasing the competitiveness of local companies and on domestic and foreign direct investment (FDI) as well as on improving the capacity of public institutions to implement reforms.
<b>International Donors</b>	<b>USAID</b> <i>Macedonia's Competitiveness Activity (MCA) Programme</i> , providing assistance to the Macedonian enterprises to shape their vision and actions, which would eventually result in higher competitiveness on the domestic, regional and international markets. This project involves enterprises of all sizes, and helps them to produce and market complex products and services. Five clusters were created through this project (tourism, IT, lamb and cheese, wine and apparel)
	<b>GTZ</b> <i>Technology Transfer Programme</i> , aiming at encouraging technology transfer with the creation of a network of specialist agencies, a technology park and facilitated links between SMEs and both of the country's universities (and with German universities) to support innovation development and technology transfer.
	<b>ICE</b> <i>(the Italian Office for Trade Promotion)</i> promotes Macedonian and Italian products in each others countries. This Office also provides for the 'matchmaking' of companies from both countries, organising fairs, making contacts and organising meetings between the companies, etc.
	<b>SINTEF</b> <i>Macedonia (the office for Norwegian - Macedonian cooperation)</i> . Through the 'matchmaking' programme, this office links Macedonian and Norwegian companies. Macedonian companies need assistance in how to enter foreign markets. The type of cooperation is not limited so it could be import deals, joint investments, joint performance on third markets (partnering on international tenders), etc.
	<b>SIPPO</b> <i>(the office of the Swiss embassy)</i> . The goal of the office is to promote Macedonian products in Switzerland and other EU countries.
	<b>DIHK</b> <i>(the German Chamber of Commerce for International Cooperation)</i> . A project of the German Chamber of Commerce, whose goal is to increase cooperation between Macedonian and German companies, by means of organising fairs, is implemented.
	<b>The IFC/PEP Southeast Europe programme</b> ( <a href="http://www.ifc.org/pepse">www.ifc.org/pepse</a> ), is the new programme managed by the <b>World Bank Group</b> , supporting private sector development and co-financed by Austria, Canada, IFC, Netherlands, Norway, Slovenia and Switzerland. The programme operates in Albania, Bosnia and Herzegovina, the FYR of Macedonia, Serbia and Montenegro.

COUNTRY	SERBIA AND UNMIK/KOSOVO
DONOR	PROGRAMME
<p><b>National Programmes</b></p>	<p><b><i>Business Innovation Programs (BIP)</i></b></p> <p>During 2005, through the support from the Ministry of Education and Sport, the implementation of two extracurricular programmes for the development of entrepreneurial abilities for Secondary Vocational School pupils has continued. The Business Innovation Programmes (BIP) from Norway, in cooperation with the NGO "Civil Initiatives", is implementing the project "Youth Entrepreneurship" in 10 Secondary Schools. This Project aims to encourage the entrepreneurial spirit of secondary school pupils through the establishment of pupils' enterprises as a component of this programme.</p>
	<p><b><i>Enterprise Development and Entrepreneurship Programme (EDEP)</i></b></p> <p>The 'Support to Enterprise Development and Entrepreneurship Programme' commenced in December 2004 and operated for a period of two years until December 2006. The overall objective of the project was to assist in the creation of a framework for the development of a sustainable, internationally competitive and export oriented small and medium-sized enterprise (SME) sector in Serbia through improvements in the effectiveness of government policies and instruments aimed at stimulating and enhancing private sector enterprise.</p> <p>The main project partner was the Ministry of Economy (MoE), specifically the Department for SME Development and the Department for Private Entrepreneurship. The other main project partners were the Republic Agency for the Development of SMEs and Entrepreneurship (RASME). Other project partners include the Ministry of Science (MoS, former Ministry of Science and Environmental Protection), the network of Regional SME Agencies.</p>
	<p><b><i>"ENTRANSE 2007" Project - Programme to support the growth and job creation by supporting SME and entrepreneurship development in the Republic of Serbia</i></b></p> <p>The ENTRANSE Project development started in cooperation with the Ministry of Economy and Republic Agency for the Development Small and Medium-Sized Enterprises and Entrepreneurship (RASME). It has been approved by the Norwegian Ministry of Foreign Affairs in December 2004 and soon after, its implementation started. The Ministry of Economy is the National Lead Partner and the project owner. SINTEF Technology and Society (Norway) is the International Lead Partner and Serbian Agency for SME Development is the National Implementing Partner.</p> <p>The main goal of "ENTRANSE 2007" Project is to generate new jobs and new enterprises through development of entrepreneurs, enterprises and SME institutions in the Republic of Serbia. Target groups are institutions for SME development, entrepreneurs with sound business ideas and SMEs. "ENTRANSE 2007" Project defines the following objectives:</p> <ul style="list-style-type: none"> <li>a) Support to business incubators;</li> <li>b) Institutional building of institutions responsible for SME development;</li> <li>c) Support business and innovation networking activities (Clusters, IRC);</li> </ul> <p>and</p>

COUNTRY	SERBIA AND UNMIK/KOSOVO
DONOR	PROGRAMME
	<p>d) Ensure knowledge transfer, monitoring and evaluation.</p> <p>During the first two years, the project supported the establishment and development of the Pilot Business Incubator Centre Niš, preparation and implementation of the Training Programme for Pre-incubation, incubation and post-incubation period, preparation of the Programme for Business Incubators and Cluster Development.</p> <hr/> <p><b><i>Serbian Enterprise Development Project (SEDP) programme</i></b></p> <p>In this Programme, industry experts provide targeted technical assistance to individual firms and clusters in industries such as Fruit and Fruit Juice, ICT, Tourism, Textiles and Wood Furniture – focusing on productivity enhancement, export development, industry competitiveness, adding value to product portfolios and linking firms to international markets and suppliers. Final results will include greater incomes for firms and individuals along the marketing chain, increases in productivity, job creation, higher output of export and import substitution products and, ultimately, higher revenues for the Government of Serbia. A corollary result will be expanded ties with other countries of Southeast Europe through direct linkages among clusters.</p> <hr/> <p><b><i>Vojvodina Investment Promotion Fund (VIP Fund)</i></b></p> <p>The Vojvodina Investment Promotion Fund was founded by the Parliament of the Autonomous Province of Vojvodina, as an official regional investment promotion agency with a mandate to provide support to foreign investors and facilitate their business in Vojvodina. The VIP Fund became fully operational in December, 2004.</p> <p>The specific goal of the VIP is to facilitate FDI inflow into the region of Vojvodina through activities such as location marketing, investment climate benchmarking, provision of assistance to potential and existing investors with concrete investment projects and co-operation with institutions specialized in the FDI promotion world-wide. VIP services to potential and existing investors are free of charge. The VIP comprises two operational units: the Vojvodina Investment Promotion Agency (VIP) and the Supportive Infrastructure Fund (SIF).</p> <p>As part of the Integrated Regional Development Plan (IRDP), the BBI project (Building Business Incubators) was created to establish and manage business incubators in the region of Vojvodina with an aim to significantly support the socio-economic development process in the region, considering the development of new businesses as a key factor for future economic growth in the region. The BBI project is supported by the Serbian Agency for the Development of SMEs and Entrepreneurship and therefore in line with the Serbian Government's policy on SMEs development and promotes following policy measures under the IRDP:</p> <ul style="list-style-type: none"> <li>- Development of SMEs;</li> <li>- Enhancing the R&amp;D and business co-operation.</li> </ul>
<p><b><i>International Donors</i></b></p>	<p><b>The IFC/PEP Southeast Europe programme (<a href="http://www.ifc.org/pepse">www.ifc.org/pepse</a>), is the new programme managed by the World Bank Group, supporting private sector development and co-financed by Austria, Canada, IFC, Netherlands, Norway,</b></p>

COUNTRY	SERBIA AND UNMIK/KOSOVO
DONOR	PROGRAMME
	<p><b>Slovenia and Switzerland. The programme operates in Albania, Bosnia and Herzegovina, the FYR of Macedonia, Serbia and Montenegro.</b></p>
	<p><b><i>Joint Project of Institution Building of Ministry of International Economic Relations (Joint Project).</i></b> The project is funded by the British and Swedish governments. Through strengthening capacities of the Ministry of Economy and the Republic Agency for the Development Small and Medium-Sized Enterprises and Entrepreneurship, the project will strengthen sectorial institutional capacities and operational capacities for the purpose of facilitating development and coordinating administrative sector structures with the aim of planning and managing external funds in the line ministries.</p>
	<p><b><i>USAID/MEGA (Municipal Economic Growth Activity) Project.</i></b> The purpose of the MEGA (Municipal Economic Growth Activity) Project is to develop the skills of local governments and local business groups to foster economic growth and job creation, assist them to put these concepts and skills into practice, and to create a business friendly environment where the private sector can flourish.</p> <p><b><i>USAID/Community Revitalisation through Democratic Action (CRDA) Programme.</i></b> The Programme provides support in economic development activities along with civic participation, environmental management and infrastructure (\$200 million over 5 years).</p>

COUNTRY	MONTENEGRO
DONOR	PROGRAMME
<i>National Programmes</i>	<p>Funds such as the <b>Development Fund</b> of the Republic of Montenegro are common instruments of state support to entrepreneurship. Such funds may operate using the state budget funds, privatization proceeds, donations, foreign financial support, etc. Development Fund earns its income primarily by selling shares from its portfolio, collecting dividend from profitable companies and interest from loans approved to SMEs, which means that whole income is of non-budgetary type.</p> <p>Financial support to the SME sector provided by the <b>Directorate for Development of Small and Medium-sized Enterprises (SMEDA)</b> in the period 2002 - November 2006, was provided through the development projects:</p> <ul style="list-style-type: none"> <li>- "Increasing the competitive capacity of local enterprises"</li> <li>- "Youth in business"</li> <li>- "Incentives for entrepreneurship"</li> </ul> <p>The programme envisaged the unification of financial support through the banking sector, in cooperation with the <b>Employment Agency, SMEDA</b> and the <b>Development Fund</b>. The basic purpose of this programme is to enable SMEs and entrepreneurs to obtain, under more favourable conditions than in commercial banks, the credit funds, in order to be able to operate in a stable manner, increase the pace of their growth and development, employ new workers and thus contribute to the overall economic development of Montenegro.</p>
	<p>In April 2007, within the programme "<b>Competition and export encouragement</b>" (<a href="http://www.nasme.cg.yu/eng/infocus.php">http://www.nasme.cg.yu/eng/infocus.php</a>) the Directorate for Development of Small and Medium-sized Enterprises (SMEDA) announced two credit lines, the one intended for <b>competition encouragement</b>, through product and service quality improvement and assortment widening and the other for <b>export encouragement</b>, with the aim of encouraging product and service positioning of Montenegrin enterprises in foreign markets.</p>
	<p>The project of the <b>Diaspora Fund</b> involves preparation of the program of business cooperation with the Montenegrin Diaspora, which will be based on mutual economic interest and creation of favourable conditions for return of the immigrants, and for the economic development of Montenegro through new investments, as well as for the involvement of the Montenegrin Diaspora in the economic activities in Montenegro. The founders of the Diaspora Fund are the <b>Government of Montenegro - Directorate for development of Small and Medium-sized Enterprises</b> and the <b>bank (Crnogorska Komercijalna Banka)</b> with equal participation in the structure of assets of the Fund. Operations of the Fund are planned and based on the principle of credit provision, according to the defined pace of creation and placement of funds.</p>
<i>International Donors</i>	<p>The <b>Federal Ministry for Economic Cooperation and Development, Germany (BMZ)</b> is one of the principal donors in Montenegro and cooperates with the country since 1999. The priority areas of cooperation between Montenegro and Germany are laid down in government negotiations. Cooperation currently concentrates on enhancing public infrastructure, supporting the banking sector in setting up programmes for SMEs and providing advice on economic policy.</p>

COUNTRY	MONTENEGRO
DONOR	PROGRAMME
	<p>The BMZ, together with Switzerland, Austria and the <b>European Agency for Reconstruction</b>, has developed the <b>European Fund for Southeast Europe (EFSE)</b>, which is active in the entire region. The purpose of the fund is to make small and micro loans available to SMEs at preferential rates through local partner institutions. It is a revolving fund, which means that repaid loans are used to grant new loans. Thus, the fund will stay in existence over the long term and will be able to promote SMEs until such time as appropriate structures have been established. Simultaneously, training is being given to bank employees.</p> <p><b>The <i>IFC/PEP Southeast Europe programme</i> (<a href="http://www.ifc.org/pepse">www.ifc.org/pepse</a>), is the new programme managed by the World Bank Group, supporting private sector development and co-financed by Austria, Canada, IFC, Netherlands, Norway, Slovenia and Switzerland. The programme operates in Albania, Bosnia and Herzegovina, the FYR of Macedonia, Serbia and Montenegro.</b></p>

## **ANNEX 4. List of Main Innovation Stakeholders in SEE and WBC**

## **ANNEX 5. South East European Conference on Innovation: Programme and Presentations**