

Project Fiche 2.2: Implementation of the TAM/BAS Programme

1. Basic information

1.1 CRIS Number: 2008/20-311

1.2 Title: Implementation of the TAM/BAS Programme

1.3 ELARG Statistical code: 2.20

1.4 Location: The former Yugoslav Republic of Macedonia

Implementing arrangements:

1.5 Contracting Authority

European Commission, EC Delegation, on behalf of the beneficiary

1.6 Implementing Agency

European Commission, EC Delegation, on behalf of the beneficiary

1.7 Beneficiary (including details of project manager)

The grant beneficiary is the European Bank for Reconstruction and Development (EBRD), TAM/BAS Programme Team

The final Beneficiaries are micro, small and medium sized enterprises (SMEs¹) in the beneficiary country

1.8 Overall cost (VAT excluded)²: EUR 2,830.000

1.9 EU contribution: EUR 2,100.000

1.10 Final date for contracting

Two years from the date of the conclusion of the Financing Agreement

1.11 Final date for execution of contracts

Two years from the final date for contracting.

1.12 Final date for disbursements

One year from the final date for execution of contracts.

¹ The EU uses the term SME to include both micro, small and medium sized enterprises

² The total costs of the project should be net of VAT and/or other taxes. Should this not be the case, the amount of VAT and the reasons why it should be considered eligible should be clearly indicated.

2. Overall Objective and Project Purpose

2.1 Overall Objective

The overall objective of the TAM/BAS Programme is to promote the transition to market economy in the country.

2.2 Project purpose

The purpose of the TAM/BAS Programme is to promote the development, deepening and sustainability of the MSME sector in the country.

2.3 Link with AP/NPAA/EP/SAA

The **Accession Partnership** includes among the short-term priorities: 'Reduce impediments to employment creation and address in particular youth and long term unemployment'; 'Enhance the general business environment by further improving the rule of law, strengthening the independence of regulatory and supervisory agencies, speeding up legal procedures and continuing registration of property rights'; 'Define and implement an industrial strategy conducive to growth and innovation'; 'Introduce systematic assessment of the impact of new regulations on enterprises'; 'Strengthen resources of the SME department and the SME Agency and ensure implementation of SME strategy and Action Plan and the European Charter for Small Enterprises'; 'Continue work on regulatory simplification, "regulatory guillotine" and reduction of bureaucratic barriers to doing business; introduce regulatory impact assessments'.

The **European Commission's 2007 Progress Report** underlined that: 'there has been progress in the field of enterprise and industrial policy, mainly limited to the implementation of enterprise and industrial policy principles. However, further efforts are needed, to develop instruments and sector policies. The former Yugoslav Republic of Macedonia still lacks industrial, technology and innovation strategies. The country is partially meeting the EU requirements in this area.'

The **Stabilisation and Association Agreement (SAA)** between the EC and the country foresees, in Article 73, that the former Yugoslav Republic of Macedonia shall take the necessary measures in order to gradually achieve conformity with Community technical regulations and European standardisation, metrology, accreditation and conformity assessment procedures. The SAA, in Article 86, furthermore foresees that the parties shall aim to develop and strengthen private sector small and medium-sized enterprises (SMEs), the establishment of new undertakings in areas offering potential for growth and cooperation between SMEs in the Community and the former Yugoslav Republic of Macedonia.

Article 100 spells out co-operation in the agro-industrial sector: Cooperation in this field shall have as its aim the modernisation and restructuring of agriculture and the agro-industrial sector, water management, rural development.

2.4 Link with MIPD

In the **Multi-annual Indicative Planning Document (MIPD) 2007-2009**, the TAM and BAS Programmes fit into **Component I – Transition Assistance and Institution Building:**

- *Main priorities and objectives under 3.2. Economic development and social cohesion* include: 'EU assistance will aim at strengthening the competitiveness of the economy and further improving the investment climate and business environment, in particular by supporting small businesses and the implementation of the European Charter for SMEs,

improving administrative procedures and by completing the registration of all land and real estate as well as strengthening the cadastre.

Also, in the field of agriculture and rural development the capacity of the administration to enforce the management mechanisms of the Common Agricultural Policy needs to be further upgraded. With regard to food safety, veterinary and phytosanitary policy, support will be given to the adoption of the *acquis* and to upgrading the laboratory sector, including inspectors and staff.

- *Expected results* include: ‘the investment climate and business environment will have further improved and will be more conducive to FDI and local economic activity (in particular with regard to SMEs)’

In addition, TAM and BAS Programmes will incorporate the major cross cutting issues to be tackled in the country, including:

- Environmental considerations
- Equal opportunities and non-discrimination
- Minority and vulnerable groups' concerns
- Good governance

2.5 Link with National Development Plan

The **Programme for the Development of Entrepreneurship, Competitiveness and Innovation of the Small and Medium Enterprises (2007-2010)** specifically aims at the increase of SME contribution to GDP, the increase in employment in SMEs and the increase in number of SMEs. It further states as an explicit objective the improvement of Business Development Services.

2.6 Link with national/ sectoral investment plans

N/A

3. Description of project

3.1 Background and justification

Despite improvements, the general business environment in the country remains rather challenging. The country experienced the lowest growth rates in the Western Balkan region. Real GDP was somewhat sluggish in 2006, growing by 3.2% compared to 4.1 % in 2005, where *GDP per capita* has been reported as 7,080 USD (PPP), above average for the region³. Worrying is that economic growth has had little or no impact on the *unemployment rate*, which remains above one-third of the labour force and is even higher for women.

Generally, market efficiency is quite low in the country. In the Global Competitiveness Report the country scores 3.7 out of 7 on the *market efficiency indicator*⁴.

The above business environment challenges are reflected by the low *brain drain* score reported by the Global Competitiveness Report. For the country it is 2.3 out of 7, which means that a lot of well educated people leave the country as a result of lacking opportunities in the country⁵.

³ World Bank's World Development Indicator database (2007)

⁴ World Economic Forum's 'Global Competitiveness Report' (2006-2007): 7 is the highest score possible and 1 is the worst score

⁵ World Bank's 'Doing Business Survey' (2006-2007)

Regarding the SME sector in the country the greatest business obstacles are problems with *financing, anti-competitive behaviour, corruption* and the *functioning of the judiciary*. These difficulties in the business environment are also reflected by the Doing Business Index, where the country is ranked 18 out of 28 transition countries⁶.

The total number of SMEs in the country is 55,742⁷. The SME sector, and in particular smaller companies, face severe challenges in terms of sales growth, exports, level of FDI, production quality and business sophistication:

The change in sales of small companies in the country has been reported to be negative with -3.6% over the last three years, while in the Western Balkan region sales increased on average 4.4% over the last three years. Medium companies have performed slightly better but still report a decrease in *sales* of -0.2%⁸.

Related to the bad sales figures is a low level of exports. Small companies in the country have had a negative change in *export* of -0.1% during the last three years, while the other Western Balkan countries experienced an average change in exports of 1.3%. Medium companies had a growth of 4.5% in export, while the average of the Western Balkan countries was 6.3%. The export difficulties are also reflected in the low rank of the country in the transition country group of the Doing Business Index, where over the past two years it lost three ranks in the category *trading across borders*, falling back to rank 21⁹.

Less than 50% of small and medium companies have *adopted new technologies*¹⁰. Only 12% of medium companies have *agreed to new joint ventures with foreign partners*¹¹. Only 4.1% of small companies in the country obtained a new *quality accreditation* in the past 36 months, compared to an average of 8.1% of small companies for the overall Western Balkan region. In the medium sized companies, numbers for *quality accreditation* was above the regional average¹².

The TAM/BAS Programme promotes economic transition in the countries of EBRD operation through the Turn Around Management (TAM) and Business Advisory Services (BAS) Programmes, complementary programmes which develop the SME sector through a multi-tiered approach.

TAM/BAS combines direct assistance to the private sector at the enterprise level with systemic market development interventions. Thereby TAM/BAS achieves enterprise level change and the development of a sustainable infrastructure of business advisory services in its countries of operation. TAM/BAS also contributes to improving the policy and regulatory environment for business through its informed input to EBRD's policy dialogue.

The **TAM Programme** supports economic transition by achieving enterprise change in potentially viable small and medium enterprises in the EBRD countries of operation. TAM intervention occurs at the enterprise level. TAM transfers relevant commercial and technical

⁶ World Bank's 'Doing Business Survey' (2006-2007). Ranking out of 28 transition countries established by the EBRD

⁷ World Bank's World Development Indicator database (2007)

⁸ Joint World Bank and EBRD's 'Business Environment and Enterprise Performance Survey'- BEEPS (2005)

⁹ BEEPS (2005)

¹⁰ BEEPS (2005)

¹¹ BEEPS (2005)

¹² BEEPS (2005)

know how from experienced directors and senior managers, from economically developed countries, resulting in the introduction of new management culture and improved management skills in the assisted enterprises.

TAM projects frequently involve complete restructuring, encompassing all aspects of the enterprise. Projects usually have a time-span of around 18 months. TAM has no field infrastructure. TAM projects are implemented by the TAM team, consisting of experienced directors and senior managers, contracted only on the basis of individual projects.

The **BAS Programme** supports economic transition, both by achieving enterprise change in potentially viable micro, small and medium enterprises and by developing sustainable infrastructures of business advisory services in the EBRD countries of operation.

BAS intervention is systemic in that it targets a market system by acting as a facilitator for the use of private-sector consultants by SMEs to obtain a diverse array of services. BAS operates on both the demand side and on the supply side. On the one hand, it stimulates demand by raising the understanding of SMEs of the potential benefits of using external consultants. On the other, it directly increases the supply and quality of local advisory services.

BAS activities include assisting individual enterprises to engage with local consultants on narrowly-based, specific projects with a rapid payback. BAS supported projects typically last around four months. Additionally, BAS carries out market development activities. Examples of the latter include MSME and consultancy training, support to, and development of, existing relevant local institutions, visibility and dissemination, and informed contributions to EBRD policy dialogue.

BAS Programmes are implemented through a well defined field management structure, comprising BAS Teams of local nationals in each country of operation. Potential partners in the project are relevant Government Ministries, the Ministry of Economy, the Ministry of Finance, the Economic Chamber, the Agency for the Promotion of Entrepreneurship, the National Entrepreneurship and Competitiveness Council, the SME Forum, the Sector for European Affairs, the European Integration Department, Regional Enterprise Agencies and other national and regional SME actors, Chamber of Commerce, and Export Promotion Agency (EPO).

3.2 Assessment of project impact, catalytic effect, sustainability and cross border impact

Programme impact and catalytic effects

Transition to market economy - impact objectives	Monitoring benchmarks
Competitiveness in the project sector	<p>TAM/BAS develop successful private companies which increase competitiveness in the SME sector.</p> <p>Successful SMEs expand consumer led markets, increase interaction with other sectors and achieve greater levels of efficiency and innovation.</p>

Reach out to the SME sector and rural regions	TAM/BAS is a key tool to reach the SME sector: 75% of BAS projects with companies of fewer than 100 employees. 63% of TAM projects occur outside capitals and 54% of BAS projects occur outside capitals.
Expansion of markets in other sectors	TAM/BAS companies develop export potential, establish joint ventures with companies from developed countries, and develop product ranges for new markets.
More widespread private ownership	Client companies have to irrevocably commit to privatisation.
Transfer and dispersion of skills	TAM transfers management skills from developed country Senior Advisors, who spent over 18 months coaching and training each company. BAS micro and SME managers learn to use external business services; domestic consultancy sectors are built (93% of BAS consultants used are local), local skills are developed and dispersed.
Institutional expansion building on existing institutions	BAS works to strengthen and promote local institutions which have the ability, or the potential, to support the development of the MSME sector and of the local consultancy market. Also, BAS assists in the establishment of local institutions where there is a clear gap in a given country.
Demonstration of replicable new behaviour/activities	TAM Advisors work in all EBRD countries, drawing on their previous broad regional experiences everywhere. Successful CEOs who have benefited from the programme can move on to other companies within the industry sector and replicate the lessons learned elsewhere.
Setting standards for corporate governance and business conduct	TAM/BAS introduce best-practice corporate governance business conduct standards in client companies such as annual audits, regular Board meetings, transparent management structure and recruitment procedures.
Demonstration effect	High impact demonstration effect through the successful restructuring of private companies. Successful restructuring provides replicable platform for companies in state dominated sectors.

Sustainability

In the case of TAM, sustainability on the individual project/micro level is built when a TAM project comes to a successful closure and skills and knowledge have been transferred. The increased competitiveness of TAM client firms puts pressure on their peers, forcing them to improve their operation to survive, hence providing an impact at the sector level. Equally, managers of TAM client companies move on within an industry sector (at times to other sectors) transferring their improved skill set further.

In the case of BAS, a key element is the development of a sustainable infrastructure of local business advisory services, as this will contribute to the improved performance of the MSME sector once BAS exits a country. Sustainability may also be related to leaving some level of institutions behind when business support programmes exit countries. Existing SMEs and

local consultancy institutions will be strengthened, and assistance given to the planning of any new institutions proposed by government or the private sector.

Visibility and Dissemination

TAM/BAS devotes significant efforts to dissemination of the role and results of the programme, increasing its visibility together with that of the EBRD and the donors who fund the programmes.

In the field, dissemination activities are one of the key undertakings of local BAS Teams. These are generally aimed at conveying an understanding of market economy best practices, and demonstration effects of TAM/BAS assistance based on case studies and endorsement of TAM/BAS by CEOs, donors and governments. They are also used as a tool for marketing and promoting consultancy benefits to a wide audience of SMEs.

The detailed Terms of References (for the Grant project) to be developed will include a specific visibility budget.

Additionality

The TAM/BAS Programme determines the differing level of activities to be carried out in urban, non-urban and rural areas in order to ensure adequate prioritisation and additionally.

Cost recovery from normal TAM projects has not been an element of TAM operations since its inception, for reasons relating to the nature and needs of the target enterprises, especially in countries at an early stage of transition. TAM was established to create competent managements in potentially viable, but not yet fully viable, enterprises in the EBRD countries of operation. These enterprises may have negative cash flows at the beginning of TAM projects, and, in some areas, may still have a significant element of barter trading. Imposing a charge for a TAM project under these conditions would be counter-productive. In this context, the commitment of participating SMEs is however guaranteed by the conditionality described in section 3.5.

As regards BAS Projects, BAS will contribute 25-75% of the total net project cost capped at EUR 10,000. The grant percentage varies, depending on assessments made by the BAS Teams of the overall additionality of the project. BAS takes care not to crowd out existing local commercial providers of business advisory services. Typically, higher incentives are given to smaller enterprises located in less developed or rural areas and with no previous experience with consultancy services. Similarly, assessments are made on the type of consultancy service to be provided, with larger grants provided for less mature market segments. The Local Team will develop Grant Guideline Matrices, which are reviewed annually to reflect the local business advisory services' market conditions. As the intervention's additionality in a specific market segment decreases, BAS will phase out by lowering the grant amount and eventually exiting.

3.3 Results and measurable indicators¹³

The proposed programme foresees two broad categories of activities in order to reach the outlined objectives:

¹³ Please note that some of the indicators have not yet been quantified or been given a benchmark. This will be done during the development of the detailed Terms of Reference.

- Component 1: TAM
- Component 2: BAS

Although the specific contents of the service provided through BAS and TAM will be designed in close consultation with the clients, specific attention will be given to FDI intelligence and preference will be given to support companies in promising, new sectors where the country has comparative advantages.

Concerning Component 1 – TAM, the results and measurable indicators are the following

The following results are expected to be realised:

Enterprise-level change in assisted SMEs in terms of:

- Management absorption of TAM Team mentoring and on the job training.
- Introduction of new management culture and improved management skills.
- Understanding of market economy best practices and managerial know how by management/owner.
- Development of independently capable management able to lead company after TAM Team leaves as essential skills and analytical tools have been transferred.

The measurable indicators are:

- Enhanced performance of enterprise as measured by improved:
 - Sales & marketing
 - Production
 - Productivity
 - Finance
 - Organisational issues/HR.

Concerning Component 2 – BAS, the results and measurable indicators are the following

The following results are expected to be realised:

- Enterprise-level change in assisted SMEs
- Sustainable infrastructure of local business advisory services

The measurable indicators are:

- Improved performance of assisted SMEs as measured by one of the following areas depending on the nature of the project:
 - Improved Market Performance
 - Improved Management Effectiveness
 - Reduced Costs
 - Introduced Quality Management & Certification
- Sustainable infrastructure of local business advisory services
 - Increased demand for local consultancy services
 - Increased supply of local consultancy services
 - Improved quality standards in local consultancy services
 - Presence of strengthened industry associations (for example associations of management consultants) and/or accreditation bodies for local consultants

3.4 Activities

Activities to be carried out under the proposed project, with the goal of delivering the identified project results, include the following:

Concerning Component 1 – TAM, the activities include:

1) Establish the TAM Teams. Industry-specific senior managers from market economies form TAM Teams, comprising:

- *TAM Team Country Coordinator:* To identify, screen, coordinate and roll out a number of TAM projects in their relevant country or region of operation.
- *Senior Industrial Advisor:* To provide management industry specific advice on all aspects of the business and hands-on support to management. Main counterpart to management transferring market-driven know how.
- *Specialists:* To provide specialist input

2) TAM Teams carry out about 20 TAM Projects. Support provided by TAM Team within a TAM project includes:

- Teaching
- Mentoring
- On the job training on commercial and technical know how to key managers across the main business functions, including their inter-dependence and interaction
- Training visits to established market economies

Areas of focus include:

- Sales and marketing
- Production
- Productivity
- Finance
- Organisational issues, HR
- FDI knowledge/intelligence

Concerning Component 2 – BAS, the activities include

1) Establish BAS Team. Local BAS Team comprises:

- *Regional/Programme Director:* To select and mentor local BAS National Directors to maintain high quality and integrity standards of programme activities
- *National Programme Director:* To manage BAS projects and market development activities, particularly building the local business advisory sector
- *Project Officer:* To identify potential projects, to develop and monitor all aspects of their implementation, and to assess all project related reporting (2 are foreseen for the proposed level of activities)
- *Administrator/Assistant to National Programme Director:* Responsible for all administrative and financial matters.

2) Local BAS Team to carry out about 96 BAS Projects. Support provided by the local BAS Team within BAS projects includes:

- *Project Development* including enterprise diagnostics, matching enterprise needs (demand) with consultancy offerings and support in defining consultant assignments.
- *Monitoring* during project implementation.
- *Flexible Grant* (up to 75% of net project cost) capped at €10,000 based on the Grant Guideline Matrices.

Local BAS Team qualifies local consultants prior the start of BAS projects and maintains an active database of local consultants. Local BAS Team develops a Grant Guideline Matrix, which is reviewed annually to reflect the local business advisory services' market conditions. As the intervention's additionality in a specific market segment decreases, BAS will phase out by lowering the grant amount and eventually exiting.

Typical projects supported include:

- Market Analysis & Planning
- Development Planning
- Feasibility Studies
- Partner Search (this includes international partners)
- Reorganisation/Restructuring
- Computerised Financial/Management Information Systems
- Computerised Manufacturing Systems
- Engineering Studies
- Quality Management & Certification Systems

The duration of a BAS project depends on the project supported but typically lasts 4-6 months.

3) Local BAS team also carries out Market Development Activities. Typical market development activities supported by local BAS Teams:

- *SME and consultancy training* - with cost participation from participants if appropriate.
- *Informed contribution to policy dialogue with authorities* on regulatory, tax or bureaucratic matters.
- *Support to and development of existing local institutions* – particularly in relation to the market for local business advisory services in terms of supporting the development industry associations or accreditation bodies for local consultants.
- *Visibility and dissemination* of market economy best practices and marketing and promotion of consultancy benefits to a wide audience of SMEs – a variety of mechanisms are used including: presentations/workshops/seminars for SMEs and consultants, articles and interviews with the media, PR activities such as special speaker events, and business networking activities and fairs.

Management and contracting arrangements

A steering committee will be established that will include relevant stakeholders like the Ministry of Economy, SME representative bodies, chambers of commerce, SME promotion agencies etc, in order to ensure appropriate dissemination of information and lessons learned. (See for more details also Annex 3).

The expected contracting arrangements are:

Financed through IPA:

The TAM/BAS Programme will be implemented through two (direct award) Grant Agreements between the European Commission and the EBRD. The grants to the EBRD are consistent with article 168.1 (f) of the Implementing Rules to the Financial Regulation, which gives support to the high expertise of the EBRD in the area of turn around management and business support to the SME's. Implementation of both the BAS and the TAM Programme takes place over the duration of approximately 24 months. The TAM grant is expected to have a value of Euro 1.075.000, while the BAS grant has an expected value of Euro 1.025.000. Co-financing by the EBRD as an IFI is expected to be Euro 250.000 (125.000 for BAS, 125.000

for TAM), and the co-financing from the private sector is expected to reach Euro 480.000 through the BAS programme. Signature of the grants should occur in the 3rd quarter of 2010.

3.5 Conditionality and sequencing

As regards TAM enterprises selection, SMEs are selected to be screened based upon the potential viability of the enterprise, and demonstrated willingness of management and owners to undergo change and benefit from advice.

TAM projects require that the time and full cooperation of the CEO, and senior management, must be committed to TAM, and the CEO must agree to take the commercial risks (including introduction of new management practices, changes in work practice, development of new products, use of new technologies, new approaches to design and marketing) associated with rapid implementation of TAM recommendations. Meeting these conditions is an obligation of the beneficiary enterprise. If the enterprise does not perform to expectations, the project is closed.

Under BAS projects, the EBRD undertakes to provide a grant to the beneficiary enterprise which supports a part of the cost of the project. The Grant Agreement between the beneficiary enterprise and the EBRD contains the terms and conditions of payment of the grant as well as the description of the underlying consultancy project to be undertaken, including the Terms of Reference (TOR) of the consultant engaged.

Once the consultant completes services to the satisfaction of both the local BAS Team and the beneficiary enterprise, and the latter pays the consultant's final invoice, the grant is paid by the EBRD to the beneficiary enterprise. The EBRD has the right to suspend or cancel the grant in the events of default listed in the Grant Agreement.

3.6 Linked activities

The project proposal builds on previous EBRD TAM/BAS programmes in the country.

TAM has undertaken 33 projects in the country, utilising over EUR 1.2 million of donor funding. This has included major contributions from the Central European Initiative, the EU (Phare), and the Danish, Irish, Japanese, Swedish, Swiss and UK governments. Currently, TAM is implementing 13 projects funded by the European Agency for Reconstruction (EAR).

Since 2002, BAS has undertaken 303 projects, of which 228 have been completed. The programme has utilized over EUR 2.6 million of donor funding. This has included contributions from EAR, the Central European Initiative (CEI), the Balkan Region Special Fund (BRSF), the UK, Portugal and the Netherlands. BAS has put high priority on environmental projects (most notably the Integrated Pollution Prevention Control through EAR funding). Projects have addressed specific environmental issues by assisting companies in energy efficiency, wastewater treatment and emission reductions.

3.7 Lessons learned

The following risks and assumptions were identified from lessons learned from past assistance described in section 3.6:

Factors necessary to sustain the overall objectives of the project in the long run:

- Stable and predictable political and economic environment.

- Government support for institutions supporting economic growth, a vibrant entrepreneurial sector and economic innovation.
- Government commitment to and active promotion of the private sector.
- Removal of legal and administrative restrictions on private sector development.
- Development of multifaceted financial system to support economic growth.

Factors necessary for the project purpose to contribute to the achievement of the overall objectives:

- National government committed to and actively promoting SMEs and facilitating conditions for their growth.
- Removal of administrative and legal restrictions on SME development within the local economy.
- Government commitment to level playing field to promote SME entry and development, and to smooth exit.
- Development of financial sector to lower costs and increase SME access to financial intermediation.

Factors which may restrict the activities from achieving the results:

- Programme-wide factors:
 - Discontinued funding
 - Change in donor priorities
- Adverse external conditions (economic and/or political instability)
- Local government/institution-specific factors
 - Lack of response/commitment
 - Change in priorities
- Enterprise-specific factors:
 - Change in management
 - Change in ownership
 - Lack of management response/commitment

These risks are mitigated by the fact that individual TAM projects may be terminated early by the TAM Senior Manager if not progressing well under these extreme circumstances.

As regards BAS Projects, an average 50% cost participation on the part of the enterprise usually ensures appropriate follow-up of management after the project as CEOs want a tangible payback as quickly as possible (as described in section 3.5).

- Consultant-specific factors:
 - Lack of management response/commitment
 - Unsatisfactory performance

These risks are mitigated by the fact that BAS grants will not be paid until the consultants' final reports have been fully accepted by the CEOs concerned and by the BAS National Directors. BAS reserves the right to cancel projects at any time and to reallocate funds to a new project with another enterprise (as described in section 3.5).

- Unforeseen changes in TAM Teams.
- Unforeseen changes in local BAS Teams.

4. Indicative Budget (amounts in €)

			SOURCES OF FUNDING									
			TOTAL EXP.RE	IPA COMMUNITY CONTRIBUTION		NATIONAL CONTRIBUTION					PRIVATE CONTRIBUTION	
ACTIVITIES	IB (1)	INV (1)	EUR (a)=(b)+(c)+(d)	EUR (b)	% (2)	Total EUR (c)=(x)+(y)+(z)	% (2)	Central EUR (x)	Regional/Local EUR (y)	IFIs EUR (z)	EUR (d)	% (2)
Activity 1												
TAM	X		1.200.000	1.075.000	90	125.000	10			125.000		
BAS	X	-	1.630.000	1.025.000	63	605.000	37			125.000	480.000	
TOTAL IB			<i>2.830.000</i>	<i>2.100.000</i>		<i>730.000</i>				<i>250.000</i>	<i>480.000</i>	
TOTAL INV												
TOTAL PROJECT			2.830.000	2.100.000	74	730.000	26			250.000	480.000	

Amounts in net of VAT

(1) In the Activity row use "X" to identify whether IB or INV

(2) Expressed in % of the **Total** Expenditure (column (a))

Within the activities to be undertaken, parallel co-financing by SMEs will be sought in the case of BAS Projects. BAS will use a flexible grant approach of 25-75% (with an average 50% contribution) of the total net project cost capped at EUR 10,000. The remaining cost of the project will be borne by the client. TAM/BAS Market development activities in the form of Workshops/ Seminars and Training courses will be provided initially free of charge, however specialised or follow-up training may require a contribution from the participants.

It is expected that 96 BAS projects at an average of €5,000 for a total amount of €480,000 will be implemented. Considering that on average BAS contributes 50% of project costs (although up to 75%), this means that companies will provide approximately an equivalent amount. In parallel, the EBRD will contribute with 10% co-financing to both programmes BAS/TAM, in the amount of €250.000.

5. Indicative Implementation Schedule (periods broken down per quarter)

Contracts	Start of Tendering	Signature of contract	Project Completion
Grant Agreement with the EBRD – BAS	Q4 2009	Q3 2010	Q3 2012
Grant Agreement with the EBRD – TAM	Q4 2009	Q3 2010	Q3 2012

6. Cross cutting issues

In addition, the Programme will promote the adoption of measures to address cross-cutting issues that are pertinent to SME sector development such as meeting environmental standards, efficient use of energy or gender issues.

TAM/BAS Programmes address cross cutting issues inherently as part of best practices transfer:

As part of the objective to change management culture, TAM works closely with all selected enterprises to ensure that the highest standards of management practice are enforced in relation to gender equality and that no discrimination is made on the basis of ethnic extraction. TAM continuously highlights the importance of sound management practice in the following areas: Equality of employment opportunity; Equality of pay; Equality of advancement opportunity; Maternity Leave and Maternity Protection. In extreme cases, where an enterprise persists with management practices which contravene its policy, TAM reserves the right to terminate assistance.

The BAS Programme has also undertaken numerous projects supporting ethnic diversity and cross-border co-operation, women entrepreneurs, youth, and projects aiming to reduce adverse environmental impact. The BAS Programme also provided opportunities for marketing specific types of consultancy services, particularly in rural areas. It provided suitable platforms for promotion of businesses and consultants from minority groups.

6.1 Equal Opportunity

In addition to addressing equal opportunity issues through the TAM and BAS instruments, the TAM/BAS Programme has successfully conducted ‘Women in Business Initiatives’ in the Western Balkans and the Caucasus. These projects support women entrepreneurs who want to start up their own businesses, as well as the growth of established women-owned enterprises. In co-operation TAM and BAS have implemented workshops and seminars and provided business-specific advice. These synergies have proven to be highly suitable to a business environment that lacks large number of women entrepreneurs in the SME sector. Through the inherent focus of each TAM project on best practices, gender equality measures and employment protection measures are a fixed component of each project where applicable – even if it is not a specific ‘Women in Business Project’.

6.2 Environment

TAM/BAS supports SMEs to comply with environmental regulations and to promote energy efficient technologies and environmental protection. The hands-on advice that TAM/BAS provides allows companies to recognise the long-term benefits of investing in, and overcoming, environmental and energy problems.

The TAM Programme has a strong track record in dealing with environmental and energy efficiency issues as part of its projects. The TAM database includes a large number of environmental experts and specialists who are added to projects when necessary. Energy efficiency/renewable energy and environmental certification initiatives are often addressed together, in order to find comprehensive solutions to overcoming environmental degradation and/or inefficient energy usage.

BAS has put high priority on environmental issues. The most notable example has been in the country, where the BAS Environment Programme, through EAR funding, has supported SMEs in strengthening environmental management and moving into compliance with the EU Integrated Pollution Prevention Control Directive. Projects have addressed specific environmental issues by assisting companies in energy efficiency, wastewater treatment and emission reductions without undue adverse effect on their viability or competitiveness.

6.3 Minorities

Difficulties in starting projects in companies led by members of minority groups often lie in the relatively small number of officially registered enterprises fulfilling the TAM and BAS eligibility criteria. However, minority issues and the protection of minority rights form an inherent part of TAM and BAS projects where applicable.

ANNEXES

1 - Log Frame in Standard Format

2 - Amounts contracted and Distributed per Quarter over the full duration of Programme

3 - Description of Institutional Framework

4 - Reference to laws, regulations and strategic documents

- Reference list of relevant laws and regulations
- Reference to AP/NPAA/EP/SAA
- Reference to MIPD
- Reference to National Development Plan
- Reference to national/sectoral investment plans

5 – Details per EU funded contract (*) where applicable:

- *For TA contracts*: account of tasks expected from the contractor
- *For Twinning covenants*: account of tasks expected from the team leader, resident twinning advisor and short term experts
- *For Grant schemes*: account of components of the scheme
- *For Investment contracts*: reference list of feasibility study as well as technical specifications and cost price schedule + section to be filled in on investment criteria
- *For works contracts*: reference list of feasibility study for the constructing works part of the contract as well as a section on investment criteria (**); account of services to be carried out for the service part of the contract

(*) non standard aspects (in case of derogation to PRAG) also to be specified

(**) section on investment criteria (applicable to all infrastructure contracts and construction works):

- Rate of return
- Co-financing
- Compliance with state aids provisions
- Ownership of assets (current and after project completion)

ANNEX 1- Log frame in Standard Format

LOGFRAME PLANNING MATRIX FOR Implementation of TAM - BAS	Programme name and number: Implementation of TAM - BAS		
	Contracting period expires two years from the date of the conclusion of the Financing Agreement	Execution period expires two years from the final date for contracting	Disbursement period expires one year from the final date for execution of contracts.
	Total budget: €2.830.000		IPA budget: €2.100.000

Overall objective	Objectively verifiable indicators	Sources of Verification
The overall objective of the TAM/BAS Programme is to promote the transition to market economy in the country.	<p>Progress in transition - EBRD transition indicators such as:</p> <ul style="list-style-type: none"> • Liberalisation and privatisation • Business environment and competition • Infrastructure • Financial sector <p>Economic policymaking</p> <ul style="list-style-type: none"> • EBRD specialist country knowledge • Legal transition surveys • EBRD Office of Chief Economist (OCE) sectoral surveys <p>Improvement in macroeconomic performance:</p> <ul style="list-style-type: none"> • Real economy • Development of financial sector • External sector 	<p>EBRD Transition Report</p> <p>EBRD Transition Indicators</p> <p>EBRD Country Strategies</p> <p>EBRD/ World Bank Business Environment and Enterprise Performance Surveys (BEEPS)</p>

Project purpose	Objectively verifiable indicators	Sources of Verification	Assumptions
The purpose of the TAM/BAS Programme is to promote the development, deepening and sustainability of the MSME sector in the country.	<p>Where available from national sources:</p> <p>MSME sector performance:</p>	<p>EBRD Transition Report</p> <p>EBRD Country Strategies</p>	National governments committed to and actively promoting SMEs and facilitating

	<ul style="list-style-type: none"> In terms of market share, productivity and profitability, against relevant comparators <ul style="list-style-type: none"> MSME share of GDP MSME employment MSME share of national exports In terms of performance improvements over time In terms of skills, ability to meet standards, finance, information and market infrastructure In terms of regulatory and policy environment <p>Adoption of measures to address cross-cutting issues that are pertinent to MSME sector development such as meeting environmental standards, efficient use of energy or gender issues.</p> <p>Programme targets:</p> <ul style="list-style-type: none"> Achievement of targets for Programme's exit/graduation from countries as per TAM/BAS Strategic and Operational Plan. 	<p>EBRD/ World Bank Business Environment and Enterprise Performance Surveys (BEEPS)</p> <p>OCE sectoral and country surveys</p> <p>The World Economic Forum Global Competitiveness Report</p> <p>TAM/BAS Country Briefs (developed with OCE)</p> <p>TAM/BAS Country Strategies (to be developed with OCE according to the EBRD Country Strategies schedule)</p>	<p>conditions for their growth.</p> <p>Removal of administrative and legal restrictions on MSME development within the local economies.</p> <p>Government commitment to level playing field to promote MSME entry and development, and to smooth exit.</p> <p>Development of financial sector to lower costs and increase MSME access to financial intermediation.</p>
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Results	Objectively verifiable indicators	Sources of Verification	Assumptions
<p>Component 1 – TAM</p> <p>Enterprise-level change in assisted SMEs in terms of:</p> <ul style="list-style-type: none"> Management absorption of TAM Team mentoring and on the job training. Introduction of new management culture and improved management skills. Understanding of market economy best practices and managerial know how by management/owner. Development of independently capable management able to lead company after TAM Team leaves as essential skills and analytical tools have been transferred. 	<p><i>The measurable indicators are:</i></p> <ul style="list-style-type: none"> Enhanced performance of enterprise as measured by improved: <ul style="list-style-type: none"> Sales & marketing Production Productivity Finance Organisational issues/HR. 	<p>Ex-ante & Ex-post transition impact assessments (to be developed with OCE)</p> <p>TAM Standard Reporting (see Activities row below)</p> <p>TAM/BAS Country Strategies (to be developed with OCE according to the EBRD Country Strategies schedule)</p> <p>Randomised Impact Assessments (RIAs) (to be developed with OCE if sufficient funding is mobilised)</p>	<p>Enterprise-specific factors:</p> <ul style="list-style-type: none"> Change in management Change in ownership Lack of management response/commitment <p>Adverse external conditions (economic and/or political instability).</p>

<p>Component 2 – BAS:</p> <p>A) Enterprise-level change in assisted SMEs in terms of improved performance of assisted SMEs as measured by one of the following depending on the nature of the project:</p> <ul style="list-style-type: none"> • Improved Market Performance • Improved Management Effectiveness • Reduced Costs • Introduced Quality Management & Certification <p>B) Sustainable infrastructure of local business advisory services</p>	<p>AD A) Improved performance of assisted SMEs as measured by one of the following depending on the nature of the project:</p> <ul style="list-style-type: none"> • Improved Market Performance • Improved Management Effectiveness • Reduced Costs • Introduced Quality Management & Certification <p>Programme targets:</p> <ul style="list-style-type: none"> • At least 85% success rate in projects rated one-year after completion • Less than 5% of all projects undertaken cancelled <p>AD B) Outputs at the local business advisory services market level include:</p> <ul style="list-style-type: none"> • Increased demand for local consultancy services • Increased supply of local consultancy services • Improved quality standards in local consultancy services • Presence of industry associations or accreditation bodies for local consultants <p>Programme targets:</p> <ul style="list-style-type: none"> • To achieve targets for entry/exit in specific local consultancy services market segments as per BAS country strategies • To achieve cross-cutting issue targets as per TAM/BAS Strategic & Operational Plan. 	<p>AD A) BAS Standard Reporting (see Activities row below)</p> <p>Randomised Impact Assessments (RIAs) which compare the performance of BAS beneficiaries with a control group of enterprises (to be developed with OCE if sufficient funding is mobilised)</p> <p>AD B) TAM/BAS Country Strategies (to be developed with OCE according to the EBRD Country Strategies schedule)</p>	<p>AD A) Enterprise-specific factors:</p> <ul style="list-style-type: none"> • Change in management • Change in ownership • Lack of management response/commitment <p>Consultant specific factors:</p> <ul style="list-style-type: none"> • Lack of response/commitment • Unsatisfactory performance <p>Adverse external conditions (economic and/or political instability).</p> <p>AD B) Local government/institution-specific factors:</p> <ul style="list-style-type: none"> • Lack of response/commitment • Change in priorities
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Activities	Means	Costs	Assumptions
<p>Concerning Component 1 – TAM, the activities include:</p> <p><u>1) Establish the TAM Teams.</u> Industry-specific senior managers from market economies form TAM Teams,</p>	<p>1 Grant Contract</p>	<p>€1.100.000</p> <p>(TAM = €1.075.000)</p>	<p>Programme-wide factors:</p> <ul style="list-style-type: none"> • Discontinued funding • Change in donor priorities

<p>comprising:</p> <ul style="list-style-type: none"> • <i>TAM Team Country Coordinator:</i> • <i>Senior Industrial Advisor</i> • <i>Specialists</i> <p>2) <u>TAM Teams carry out about 20 TAM Projects.</u> Support provided by TAM Team within a TAM project includes Teaching, Mentoring, On the job training on commercial and technical know how to key managers across the main business functions, including their interdependence and interaction, and Training visits to established market economies.</p>		<p>BAS = €1.025.000)</p>	<p>Enterprise-specific factors:</p> <ul style="list-style-type: none"> • Change in management • Change in ownership • Lack of management response/commitment <p>Unforeseen changes in TAM Teams.</p>
<p>Concerning Component 2 – BAS, the activities include:</p> <p>1) <u>Establish BAS Team.</u> Local BAS Team comprises:</p> <ul style="list-style-type: none"> • <i>Regional/Programme Director</i> • <i>National Programme Director</i> • <i>2 Project Officers</i> • <i>Administrator/Assistant to National Programme Director</i> <p>2) <u>Local BAS Team to carry out about 96 BAS Projects.</u> Support provided by local BAS Teams within BAS projects includes Project Development, Monitoring, and the Flexible Grant.</p> <p>3) Local BAS team also carries out Market Development Activities. Typical market development activities supported include:</p> <ul style="list-style-type: none"> • MSME and consultancy training • Informed contribution to EBRD policy dialogue with authorities on regulatory, tax or bureaucratic matters • Support to and development of existing local institutions – particularly in relation to the market for local business advisory services • Visibility and dissemination of market economy best practices and marketing and promotion of consultancy benefits to a wide audience of SMEs 			<p>Programme-wide factors:</p> <ul style="list-style-type: none"> • Discontinued funding • Change in donor priorities <p>Enterprise-specific factors:</p> <ul style="list-style-type: none"> • Change in management • Change in ownership • Lack of management response/commitment <p>Consultant-specific factors:</p> <ul style="list-style-type: none"> • Lack of management response/commitment • Unsatisfactory performance <p>Local government/institution-specific factors</p> <ul style="list-style-type: none"> • Lack of response/commitment • Change in priorities <p>Unforeseen changes in local BAS Team.</p>

ANNEX 2 - Amounts (in million EUR) contracted and Distributed per Quarter over the full duration of Programme (only IPA funding)

	2010				2011				2012				2013			
Contracted	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
BAS /Grant			1.075													
TAM Grant			1.025													
Cumulated			2.1													

	2010				2011				2012				2013			
Disbursed	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
BAS /Grant			0.5				0.4				0.175					
TAM Grant			0.5				0.4				0.125					
Cumulated			1.0				1.8				2.1					

ANNEX 3: Institutional Framework

3.1.1 The TAM Programme

3.1.2 TAM Teams

Selection and Composition of TAM Team: Roles of TAM Team Country Co-ordinators (TTCC)/Senior Industrial Advisors (SIA)/Specialists (Sp):

Role of TAM Team Country Co-ordinator: TAM Team Country Co-ordinators are appointed by the TAM Programme Team in London, and are responsible for managing TAM projects, usually in one country or region of operations. TTCCs are contracted on short screening contracts and/or on the basis of individual projects for which they are responsible.

TTCCs identify and screen enterprises that may be eligible for assistance and make recommendations to the TAM Senior Manager on acceptance for a TAM project or rejection.

Selecting TAM Team Country Co-ordinators: Experienced and proven Senior Industrial Advisors are excellent candidates for TTCC positions as they have gained an in-depth knowledge of the region/country they are primarily working in, as well as the operational/administrative aspects of the TAM Programme. Normally, TTCCs are appointed from the group of operational Advisors.

Role of Senior Industrial Advisors: Once the enterprises to receive assistance have been selected, the TTCC recommends sector-specific Senior Industrial Advisors to be assigned to each project, to the TAM Senior Manager. The SIA will support and help develop each enterprise's management over a period of 12 to 18 months, but will operate in a way that avoids creating dependency. Generally, SIAs have been CEOs, senior managers or directors of commercial companies in the same sector as the target enterprise and have a minimum of 15 years hands-on experience as senior operating directors in an economically developed market economy. SIAs therefore bring multi-national and multi-cultural experience to the TAM project.

For each TAM project, the industry-specific SIA, assisted as necessary by Specialists, will support the enterprise CEO and the management team in:

- Preparation and support in the development and implementation of a viable business plan, based on a review of present and proposed product or service ranges, the local and international market opportunities for the enterprise, the current management, staffing and production arrangements, and considerations relating to energy and environmental issues and employee health and safety.
- Development of marketing strategies for the specific products and services and for local and international markets, and implementation of the market driven sales activities, which follow.
- Assisting enterprise managers to introduce healthy and efficient industrial practices.

Specialists: Within a TAM project, specialist inputs may also be required based on the recommendations of the SIA. The Specialist will also have a minimum of 15 years hands-on experience as a senior operating director in an economically developed country, but with a different field of expertise to balance and complement that of the SIA.

Selecting Senior Industrial Advisors & Specialists: TAM regularly conducts recruitment events in market-based economy countries. All SIAs and Specialists are interviewed in person by a TAM/BAS staff member, or, in the case of Asia, by a TAM Team Country Coordinator. If candidates meet the following general selection criteria they are added to the TAM project Candidate Database:

- Must be able to work in both written and spoken English
- Minimum 15 years "hands-on" experience as a senior operating director of directly related and comparable sized businesses
- Must have worked in multicultural environments
- Must have experience in working with multinational market-driven Enterprises
- Willing and fit to travel regularly in the Bank's Countries of Operations

There are currently nearly 3,000 qualified candidates of 33 different nationalities on the TAM database. TAM is now starting to recruit and use qualified SIAs and Specialists from Eastern European Countries, but in order to build the database of Eastern European nationals, specific funding is necessary to conduct recruitment events in these countries.

Candidates entered on the TAM Database are eligible to participate in TAM projects. When an enterprise has been screened and a project approved by TAM management, the TAM Team in London searches the candidate database to identify advisors with relevant industry experience and expertise. A short-list of approximately 6-10 candidates is supplied to the TTCC along with CVs and a summary of any prior TAM experience. The TTCC recommends an SIA to the TAM Senior Manager, either from this list or from other sources.

During the course of the project, specialists (financial, marketing, IT, HR, design, etc) may be selected and contracted using the same procedure.

3.1.3 Project Implementation

After the TAM Team Country Co-ordinator has identified an enterprise that may be eligible for assistance and has received approval from EBRD TAM Programme Team in London, a project proposal is sent to the Chief Executive Officer.

The project proposal contains broad terms of reference and objectives of the project, CVs of the TAM Team Country Co-ordinator and the proposed SIA as well as a confidentiality agreement. Once the enterprise has returned the signed proposal, the project begins.

Each TAM project is "tailor-made" according to the company's needs, and clear, initial objectives are agreed with the management during the SIA's first visit. Further visits target these objectives and formal reports of every visit summarise progress and outline work to be done by the enterprise before the next visit. Final Enterprise Report reports assess the outcome of the full project.

An individual TAM project typically involves a total of around 60 days of advice/assistance from an SIA and one/two Specialists, over a period of 12 to 18 months. The main objective of a TAM project is to develop the management skills of the CEO and senior management, based on "hands-on" training in all aspects of their specific business. The topics may include, depending on the needs of the particular enterprise:

Sales and Marketing

- Sales (volume, break-down by clients, geographical spread)

- Marketing strategy
- Securing buyers/off-taker
- Branding, packaging
- Establishing new foreign contacts, export links
- Distribution channel, logistics

Production

- Quality controls & product standards
- Raw material supply
- Production environment
- Technical enhancements to production line, and/or products
- Production efficiency
- Product design

Finance

- MIS & Budget and Controls, Financial Statements
- Profitability
- Business planning
- Investment planning
- Financial management improvements

Organisational issues, HR

- Training (i.e. management attends training visit to developed country with advisor to a company in the same industry for training)
- Organisation and reporting lines
- Job descriptions

TAM projects have a budget of €52,000 in Albania, Bosnia and Herzegovina, Bulgaria, Croatia, Kosovo*, Montenegro, Romania, Serbia and the former Yugoslav Republic of Macedonia, and €74,440 in Armenia, Azerbaijan, Belarus, Georgia, Kazakhstan, Kyrgyz Republic, Moldova, Russia, Tajikistan, Turkmenistan, Ukraine and Uzbekistan.

The budget for a TAM project consists of fees (€500 per day for SIA and Specialists; €600 per day for Team Co-ordinators), per diems according to applicable EU/UN rates and reimbursable expenses (travel).

Cost Recovery for TAM Projects

Cost recovery from normal TAM projects has not been an element of TAM operations since its inception, for reasons relating to the nature and needs of the target enterprises, especially in countries at an early stage of transition. TAM was established to create competent managements in *potentially* viable, but not yet fully viable, enterprises in the EBRD countries of operation. These enterprises may have negative cash flows at the beginning of TAM projects, and, in some areas, may still have a significant element of barter trading. Imposing a charge for a TAM project under these conditions would be counter-productive.

Instead of a direct cost-to-enterprise requirement, TAM requires that the time and full cooperation of the CEO, and senior management, must be committed to TAM, and the CEO must agree to take the commercial risks (including introduction of new management practices, changes in work practice, development of new products, use of new technologies, new approaches to design and

* Under UNSCR 1244 (1999)

marketing) associated with rapid implementation of TAM recommendations. Clearly, the costs and risks to the enterprise are high, but meeting these conditions is an obligation of the beneficiary enterprise. If the enterprise does not perform to expectations, the project is closed.

This methodology allows the TAM Senior Advisors to be in complete control of each individual project. If a direct cost is charged, then the situation is reversed, and the CEO can direct the Senior Advisor. This is not an effective procedure for enterprise restructuring - especially in early transition countries.

However, costs recovery is an important feature of TAM projects directly related to banking investments, as described in section 5.4. In the rare cases where there is a follow-up project with a given company full cost will be recovered from that company.

3.1.4 TAM Project Reporting, Monitoring and Project Closures

The basis of the management of the TAM Programme is a series of reports for each and every TAM project. Projects are selected, monitored and assessed through screening reports, visit reports, financial reports and final enterprise reports.

Pre Project Reporting

Currently, before TAM commences operations in a country, a needs assessment is conducted to assess the market and potential clients eligible for TAM intervention. TAM and OCE are working together to enhance the pre-project assessments by preparing TAM/BAS Country Strategies, which will demonstrate TAM's contribution to transition impact both *ex ante* and *ex post*. These three year TAM/BAS Country Strategies will be based on TAM/BAS Country Briefs, which are reviewed on an annual basis and serve as a follow-up to the three year Country Strategies. On a project level, transition impact potential will be assessed *ex ante* during the screening process.

Under particular Funding Agreements, TAM prepares programme Inception Reports for one country or region. The programme inception report defines the workplan, together with a set of indicators and sources of verification to allow the monitoring of progress and achievements of the programme. The inception reports also describe the starting environment of the programme (political, institutional, situation of the beneficiary companies) as well as the assumptions and risks underlying the programme intervention in the particular country/region. The report also sets out any particular cross-cutting issues to be address or any regions and industries to be emphasised. A timeline is drawn up to achieve key milestones in the project during the agreed time span for implementation.

After needs assessments, analyses from country briefs and inception reports are completed, TAM screening begins.

Visit Reports

After each visit, the SIA and Specialist (if applicable) are required to write visit reports describing the progress made towards meeting the key objectives set out during the first visit, and outlining the next steps planned for the project.

TAM visit reports illustrate how objectives are recorded and monitored throughout a project. All reports are sent via the TTCC to the TAM Senior Manager for review, editing and distribution to the enterprise CEO and all members of the specific project team.

The visit reports are summaries of progress and recommendations for the enterprise CEO for further actions, based on the SIA's assessment of implementation of previous recommendations. The reports are also a monitoring tool for TTCCs and the TAM Senior Manager.

In extreme circumstances, if the project is not progressing well (for example, because of a lack of management cooperation, or a change of CEO, or a change in ownership) the project may be terminated early by the TAM Senior Manager. Unspent funds are returned to the donor, who may or may not agree to the funds being utilised for a replacement TAM project.

Financial Reports

Various financial reports are used to monitor the disbursement level of each individual TAM project, as well as the progress of disbursements under specific donor agreements.

Project Financial Reporting

Weekly project budget reports monitor the disbursement level of each individual Advisor's contract. TTCCs use these budget reports to manage operations within the allocated project budget. The budget reports are also used by the TAM Senior Manager to monitor disbursement rates for projects and programmes.

Weekly contract end date reports allow TTCCs to monitor the contracts for the SIAs and Specialists working on the project. These reports enable the TTCC to prepare visit timelines and to request contact extensions for SIAs and Specialists whenever appropriate.

Invoice payment reports enable the London TAM Team to monitor that invoices for SIAs and Specialists are paid only after appropriate visit reports are received, and to inform TTCCs of the status of payments under project contracts.

Agreement Financial Reporting

A monthly funding report enables the London TAM Team to monitor the aggregate disbursements of projects under specific donor agreements and for projects under bi-lateral funding. These reports categorise agreement expenditures under specific budgetary headings, such as per diems, fees, reimbursables, visibility, training, etc. This ensures that the TAM projects under a specific agreement are disbursed according to the agreed timeline and scheduled to complete before the agreement expiring date.

These funding reports also inform EBRD's Fund Financial Control Unit (FFC) about the progress of specific agreements, so that they can, for example, request new tranches of funding in a timely manner.

Project closure reports are prepared regularly with FFC. These confirm that all visit reports and the Final Enterprise Report have been received in London, and that all outstanding invoices have been paid, allowing the project to be financially closed.

Final Enterprise Reports

At the completion of each TAM project, the SIA prepares a Final Enterprise Report (FER). This reviews the project and its outcomes, and has two purposes.

It is a management tool for the TAM Senior Manager and the London TAM Team to assess the project overall, including judging the performance of the TTCC, the SIA and Specialists, and it is a vehicle for the independent evaluation and rating of the project by the TAM Project Evaluation

Advisor. These ratings combined can be used as one measure of the quality and impact of the TAM Programme as a whole.

Additionally, at the end of a project, the CEO rates the assistance provided, which is another useful input parameter for assessment of TAM projects and programmes.

TAM and OCE are currently developing methods for *ex post* assessment of progress made towards the *ex ante* transition impact objectives, which will be provided within the FERs.

3.2 The BAS Programme

3.2.1 Local BAS Teams

The BAS Programmes operate from local offices, usually located in the capital or main economic city of each country. In larger countries of operation, BAS also operates using provincial offices to meet the needs and demand of different areas, giving a broad geographical reach. Each office has two to four local staff members (nationals of the country), depending on the level of programme activities to be carried out.

Typically, local BAS Teams comprise the following:

- **Regional/Programme Director (R/PD):** Regional/Programme Directors have the responsibility for establishing and managing individual BAS Programmes., R/PDs select and mentor local BAS National Directors and are the key to maintaining high quality and integrity standards of programmes. R/PDs oversee the selection of projects and the monitoring and reporting on daily operations to BAS headquarters in London.
- **National Programme Director (NPD):** NPDs are responsible for day-to-day management of programmes, recommending projects to the R/PD, building the local business advisory sector and carrying out other market development activities.
- **Project Officer (PO):** POs identify potential projects, develop and monitor all aspects of their implementation, and draft all project related reporting.
- **Administrator/Assistant to NPD:** responsible for all administrative and financial matters.

3.2.2 Assisted Enterprises

To qualify for BAS assistance, enterprises should meet the following criteria:

- **Size:** up to 500 employees
- **Ownership:** Be majority privately and locally owned.
- **Area of activity:** Operate in all sectors except banking and financial services, military products or services, gambling, tobacco.
- **Viability:** Be able to demonstrate potential for growth,
- **Management attitude:** Be open to cooperate with BAS and the consultant.
- **Respectability/Integrity:** Enterprise and management are credible and respectable.
- **Experience with external consultancy services:** Have a genuine need for business advice and a capacity to absorb the assistance given yet little or no previous experience of using external consultants, and/or do not have resources to finance a complete project.
- **Financial commitment:** enterprise is ready and able to pay 25-75% of the total project cost (programme specific)

3.2.3 Local Consultants

The BAS Programme pre-qualifies providers of consultancy services and maintains a database of those it believes are suitable for BAS projects. The consultant involved must have the relevant experience, capacity, resources and general competence to undertake the assignment successfully.

Local consultants are evaluated for specific advisory service types and sectors of competence on:

- **Track record:** Company profile. Copy of registration certificate with state register. Certificate of ownership (extract from charter and/or memorandum of establishment). Annual financial statements for at least two previous years (income statement, cash flow statement, balance sheet). Narrative on specialisation and quotation of fees by advisory service type (in €/work day).
- **Client work and references:** Description of undertaken projects (within the framework of specialisation) in the last 2-3 years, including references.
- **Staffing:** Interview with, and CVs of, all consultants

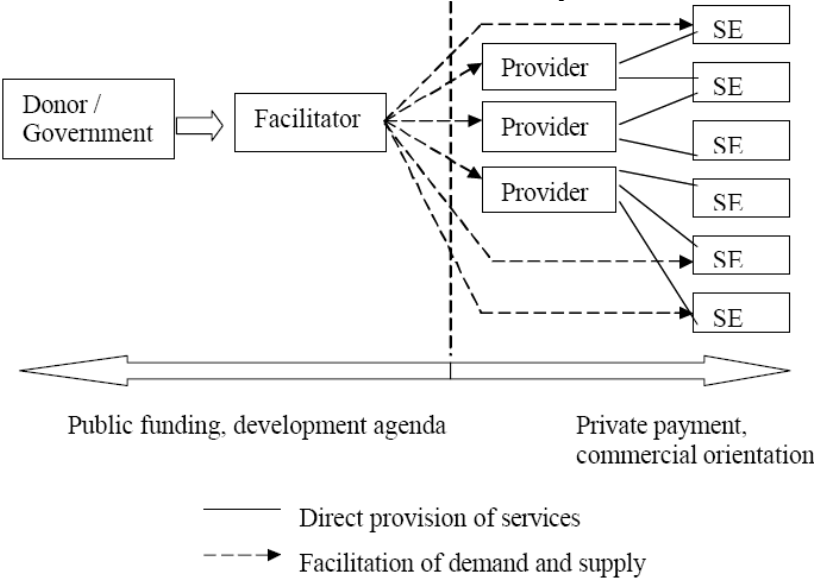
When the enterprise needs have been defined and the terms of reference for the consultancy services have been prepared, a tender may be announced among BAS qualified business service providers for implementation of a project. The final selection of the consultant rests with the enterprise.

No consultant can carry out a simultaneous project until the first project has been completed satisfactorily.

3.2.4 Activities carried out by Local BAS Teams

3.2.4.1 BAS Projects

BAS acts as a facilitator for the use of private-sector consultants by SMEs to obtain a diverse array of services, with the objective of improved MSME performance and developing a sustainable infrastructure of local business advisory services



Local BAS Teams initiate projects by identifying target enterprises, according to the eligibility criteria outlined above, and matching them with local consultants sourced from the database.

BAS Project Flow

The typical BAS project flow is as follows:

- The application is received by the BAS Team and reviewed
- Eligibility criteria are assessed and enterprise is visited
- A potential consultancy project is discussed with the enterprise
- The BAS Team proposes suitable consultants to the enterprise
- The enterprise makes the final selection of the consultants
- A draft TOR is prepared by the consultant and the enterprise
- The Project Proposal is prepared by the BAS Team
- The BAS Team provides input to the TOR which is then finalised
- Project Proposal and TOR are submitted for approval to the Regional Programme Director (RPD)
- Approval is granted by RPD
- Enterprise is informed about approval
- Consultancy services contract is reviewed by the BAS Team
- Grant Agreement is drafted and sent by email to London for checking and hard copy for signature, together with supporting documentation
- Grant Agreement is signed by all parties and signature pages are received from London
- Consultancy services are commenced
- BAS Team monitors progress of project
- Review meetings are held with consultant and enterprise
- RPD is updated on project progress
- Consultancy services are completed
- Completion documents are submitted to BAS by the enterprise
- If consultant has met TOR and completion documents meet requirements, grant disbursement is made
- Completion Report is prepared
- Enterprise is visited one year after completion of project
- Impact is assessed and project is rated
- Evaluation Report is prepared and approved by RPD

The duration of a BAS project depends on the project supported but typically lasts four to six months.

3.2.5 Market Development Activities

Market development activities carried out so far by BAS fall into four categories:

- *SME and consultancy training* - with cost participation from participants if appropriate.
- *Informed contribution to policy dialogue with authorities* on regulatory, tax or bureaucratic matters.
- *Support to and development of existing local institutions* – particularly in relation to the market for local business advisory services in terms of supporting the development industry associations or accreditation bodies for local consultants.
- *Visibility and dissemination* of market economy best practices and marketing and promotion of consultancy benefits to a wide audience of SMEs – a variety of mechanisms are used including: presentations/workshops/seminars for SMEs and consultants, articles and interviews with the media, PR activities such as special speaker events, and business networking activities and fairs.

MSME and Consultancy Training

Thanks to the daily contact with both MSME and with providers of local consultancy services, local BAS Teams naturally develop a deep understanding of the needs of both the MSME sector and the local market for consultancy services. In addition, the teams regularly carry out detailed needs assessment surveys of the providers of local consultancy services which are engaged in BAS projects or in other activities undertaken by the office. The ground knowledge and the results of the surveys are then used to develop specific training courses, workshops or seminars that can cater to the needs of the country.

Typically, the local BAS Teams do not provide the training directly. Rather they utilise the resources of the TAM/BAS Programme to organise the courses, for example by bringing in TAM Advisors and EBRD staff when relevant and possible, or by utilising consultants engaged by other BAS offices. Where appropriate, BAS also seeks payment from the participants.

Examples of such activities undertaken in 2006 include:

- Quality Management Accreditation of consultants in Kosovo* funded by EAR;
- training in Integrated Pollution Prevention and Control and new environmental laws for 47 local environmental advisors in the former Yugoslav Republic of Macedonia funded by EAR;
- Developing Consultancy Marketing Skills funded by ETCI in Moldova;
- Seminar on Energy Efficiency for SME funded by ETCI in Georgia;
- Market Surveys and Data Interpretation for consultants funded by ETCI in Azerbaijan.

Such activities provide a networking platform which can lead to the creation of formal and informal networks, which are of undoubted importance in business development. The importance of this factor is even more evident when the programme seeks to achieve its objective by promoting the wider use of a skilled, underutilised section of the population, as in the case of Women in Business Programmes. Training, on business start-up related issues, marketing or finance, through workshops and seminars are an important component of these programmes as networks are powerful tools for the continued support of women entrepreneurs.

“Hands-on” training of consultants is also implemented and encouraged by BAS through the twinning of consultants from economically developed countries with local consultants on specific BAS projects – this provides the enterprises with high level advice as well as building the skills of local consultants, and is now a proven method for establishing, for example, ISO certification sub-sectors in local consultancy markets in low transition countries.

The use of “neighbour” consultants, as well as the sharing of BAS consultants’ and enterprises’ databases between offices to carry-out these activities makes BAS activities truly “cross-border”. This aspect of the programme clearly contributes to enhancing, or re-establishing, trade and business links in previously integrated regions. It also provides opportunities for regional marketing of specific types of consultancy services in order to, for example, boost added value ventures (such as tourism and food processing) in rural areas.

Contribution to EBRD Policy Dialogue

It is clear that the Bank, through its senior management, plays a leading role in undertaking policy dialogue in its capacity building contribution to its countries of operation. The extensive country-specific experience and knowledge of local MSME and consultancy sectors of local BAS staff, as

* Under UNSCR 1244 (1999)

well as those of TAM Team Country Coordinators (TTCC), one of the key assets of TAM/BAS, can, however, be utilised more widely.

Local BAS Teams and TTCCs have begun to assist ROs and country/sector teams to obtain and collate information from SMEs across regions on the overall business environment they face. This will help enable the views of the “grass roots” SME private sector owners/CEOs to be communicated to EBRD management involved in country/regional policy dialogue.

The local BAS Teams, primarily through the Regional/Programme Director and the National Programme Director, play a role in strengthening the capacity of local institutions to influence government through policy dialogue over the SME environment and particularly over issues that affect the development of the local consultancy sector, such as regulation, registration and accreditation which all have a bearing on its development. Engaging with civil society, through local institutions pertinent to the MSME sector and to the local advisory services market, such as Chambers of Commerce, governmental or non-governmental Agencies for Small and Medium size Enterprises, Municipal Economic Sections, Associations of Consultants and SME representatives, means that BAS can play an important and legitimate role in EBRD’s wider policy dialogue.

In some cases, the local BAS Teams have participated in the preparation of SME development strategies and Consultative Committees for SME development by local Ministries of Economy (for example in Albania). These and related activities will be expanded in 2008.

Support to, and development of, existing relevant local institutions

BAS works to strengthen and promote local institutions which have the ability, or the potential, to support the development of the MSME sector and of the local consultancy market. Also, BAS assists in the establishment of local institutions where there is a clear gap in a given country.

BAS, primarily through the Regional/Programme Director and the National Programme Director, can transfer its skills and know how to institutions such as trade associations, consultant associations, chambers of commerce, enterprise development agencies, etc.

It is of utmost importance for BAS skills and know how to convey the value of a sustainable infrastructure of local business advisory services in improving the performance of the MSME sector in a country. Moreover, BAS know how can be transferred to development agencies so that intervention strategies (like current BAS strategies) aim to facilitate the use of private-sector consultants by SMEs rather than provide the services directly, which will crowd-out the private sector.

BAS can also transfer its project development skills including enterprise diagnostics, matching enterprise needs (demand) with the supply of advisory services, and support in defining consultant assignments. This can be done by training staff or by assisting them in introducing their own continuing professional development programmes.

Further, BAS is now exploring ways of assisting countries in establishing and using formal accreditation schemes for consultants. This would enable local advisory services markets to adopt international standards, by forming associations that would eventually meet the criteria to join international bodies such as the International Council of Management Consulting Institutes (ICMCI), and so have the ability to award the internationally recognised Certified Management Consultant accreditation.

The course of action envisaged to achieve this would be through an initial “train-the-trainers” course, combined with the individual coaching of trainers, leading to a selected group of local consultants to, in turn, deliver core consulting skills courses directly to other peers. The process would also enable the identification of a local company, out of the assisted group, capable and willing to take the role of an Association. This would then be supported in preparing for application for full membership of an internationally recognised body such as the ICMCI. It would also be trained and mentored to be eventually capable of conducting the certification and accreditation process directly.

Visibility and Dissemination

Through its team at HQ, TAM/BAS now devotes significant efforts to dissemination of the role and results of the programme, increasing its visibility together with that of the Bank and the donors who fund the field programmes. Some highlights are:

- TAM/BAS brochure, available in English and Japanese;
- A range of over 30 TAM and BAS country and regional activities fact sheets, crediting the appropriate donor(s) are available;
- A TAM/BAS website in EBRD’s main website pages (<http://www.ebrd.com/tambas>);
- Collaboration with EBRD Communications Departments to publish numerous TAM/BAS stories for both the EBRD main news page and “Blueprint”;
- TAM/BAS participation in International Conferences attended by both the public and private sector and by various organisations such as the EBRD, European Commission, USAID, OECD;
- Organisation of multimedia PR campaigns, press conferences and visibility events for the BAS Programmes everywhere;
- Participation in trade events and exhibitions.

In the field, dissemination activities are one of the key undertakings of local BAS Teams. These are generally aimed at conveying an understanding of market economy best practices, and demonstration effects of TAM/BAS assistance based on case studies and endorsement of TAM/BAS by CEOs, donors and governments. They are also used as a tool for marketing and promoting consultancy benefits to a wide audience of SMEs.

The variety of mechanisms used include presentations/workshops/seminars for SMEs and consultants, articles and interviews with the media, PR activities such as special speaker events and business networking activities and fairs.

Focusing on themes and/or target groups of specific importance for a country, especially linking dissemination with new and innovative projects/programmes, will increase the impact of the programme as whole.

Annex 4: Reference to laws, regulations and strategic documents

Reference list of relevant laws and regulations

N/A

Reference to AP/NPAA/EP/SAA

The **Accession Partnership** includes among the short-term priorities: 'Reduce impediments to employment creation and address in particular youth and long term unemployment'; 'Enhance the general business environment by further improving the rule of law, strengthening the independence of regulatory and supervisory agencies, speeding up legal procedures and continuing registration of property rights'; 'Define and implement an industrial strategy conducive to growth and innovation'; 'Introduce systematic assessment of the impact of new regulations on enterprises'; 'Strengthen resources of the SME department and the SME Agency and ensure implementation of SME strategy and Action Plan and the European Charter for Small Enterprises'; 'Continue work on regulatory simplification, "regulatory guillotine" and reduction of bureaucratic barriers to doing business; introduce regulatory impact assessments'.

The **European Commission's 2007 Progress Report** underlined that: 'there has been progress in the field of enterprise and industrial policy, mainly limited to the implementation of enterprise and industrial policy principles. However, further efforts are needed, to develop instruments and sector policies. The former Yugoslav Republic of Macedonia still lacks industrial, technology and innovation strategies. The country is partially meeting the EU requirements in this area.'

The **Stabilisation and Association Agreement (SAA)** between the EC and the country foresees in Article 73 that the former Yugoslav Republic of Macedonia shall take the necessary measures in order to gradually achieve conformity with Community technical regulations and European standardisation, metrology, accreditation and conformity assessment procedures. The SAA, in Article 86, furthermore foresees that the parties shall aim to develop and strengthen private sector small and medium-sized enterprises (SMEs), the establishment of new undertakings in areas offering potential for growth and cooperation between SMEs in the Community and the former Yugoslav Republic of Macedonia.

Article 100 spells out co-operation in the agro-industrial sector: Cooperation in this field shall have as its aim the modernisation and restructuring of agriculture and the agro-industrial sector, water management, rural development.

Reference to MIPD

In the **Multi-annual Indicative Planning Document (MIPD) 2007-2009**, the TAM and BAS Programmes fit into **Component I – Transition Assistance and Institution Building:**

- *Main priorities and objectives under 3.2. Economic development and social cohesion* include: 'EU assistance will aim at strengthening the competitiveness of the economy and further improving the investment climate and business environment, in particular by supporting small businesses and the implementation of the European Charter for SMEs, improving administrative procedures and by completing the registration of all land and real estate as well as strengthening the cadastre.'

Also, in the field of agriculture and rural development the capacity of the administration to enforce the management mechanisms of the Common Agricultural Policy needs to be further upgraded. With regard to food safety, veterinary and phytosanitary policy, support will be given to the adoption of the *acquis* and to upgrading the laboratory sector, including inspectors and staff.

- *Expected results* include: ‘the investment climate and business environment will have further improved and will be more conducive to FDI and local economic activity (in particular with regard to SMEs)’

In addition, TAM and BAS Programmes will incorporate the major cross cutting issues to be tackled in the country, including:

- A) Environmental considerations
- B) Equal opportunities and non-discrimination
- C) Minority and vulnerable groups' concerns
- D) Good governance

Reference to National Development Plan

The **Programme for the Development of Entrepreneurship, Competitiveness and Innovation of the Small and Medium Enterprises (2007-2010)** specifically aims at the increase of SME contribution to GDP, the increase in employment in SMEs and the increase in number of SMEs. It further states as an explicit objective the improvement of Business Development Services.

Reference to national / sectoral investment plans

N/A

ANNEX 5: Details per EU funded contract

The expected contracting arrangements are:

Financed through IPA:

The TAM/BAS Programme will be implemented through two (direct award) Grant Agreements between the European Commission and the EBRD. Implementation of both the BAS and the TAM Programme takes place over the duration of approximately 24 months. The TAM grant is expected to have a value of Euro 1.075.000, while the BAS grant has an expected value of Euro 1.025.000. Co-financing by the EBRD as an IFI is expected to be Euro 250.000 (125.000 for BAS, 125.000 for TAM), and the co-financing from the private sector is expected to reach Euro 480.000 through the BAS programme. Signature of the grants should occur in the 3rd quarter of 2010.

A steering committee will be established that will include relevant stakeholders like the Ministry of Economy, SME representative bodies, chambers of commerce, SME promotion agencies etc, in order to ensure appropriate dissemination of information and lessons learned.