

POLICY BRIEF 9

IMPROVING THE PRINCIPLES, POLICIES AND INSTRUMENTS OF NEGOTIATION CHAPTER 20: ENTERPRISE AND INDUSTRIAL POLICY



PROJECT:

"STRENGTHENING CAPACITIES AND MECHANISMS FOR SUPPORTING CHAPTER 20 REFORM PROCESS""

THE REFORM PROCESS OF CHAPTER 20: ENTERPRISE AND INDUSTRIAL POLICY AIMS TO PROMOTE STRATEGIES, REGULATIONS AND INSTRUMENTS THAT WOULD IMPROVE COMPETITIVENESS AND THE BUSINESS ENVIRONMENT, DOMESTIC AND FOREIGN INVESTMENTS AND THE OVERALL BUSINESS CLIMATE IN WHICH SMALL AND MEDIUM-SIZED ENTERPRISES (SMES) OPERATE, WHICH WOULD ALSO LEAD TO STRENGTHENED ENTREPRENEURSHIP AND INNOVATIONS.

THE POLICY BRIEF SHOWS THE CONCLUSIONS AND RECOMMENDATIONS FROM THE CHAPTER 20 PLATFORM EXPERT WORKSHOP FOR PROMOTING THE REFORM PROCESS.



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YOUTH ENTREPRENEURIAL SERVICE (YES) FOUNDATION,
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INTRODUCTION

The accession process towards the European Union (EU) involves the adoption of the established EU *acquis* and preparations for proper implementation and carrying out of judicial, administrative, economic and other reforms that are necessary for the country to meet the requirements for joining the Union. The provided recommendations and tasks that the EU candidate-countries have to fulfil are divided into 33 chapters, each constituting the starting point for accession negotiations, i.e. each corresponding to a specific area. Candidate-countries are obligated to adapt their administrative and institutional infrastructures and to align their national legislation with the EU legislation in all these areas.

One of the negotiation chapters is **Chapter 20: Enterprise and Industrial Policy**, which aims to contribute to the development of competitiveness and the small and medium-sized enterprises (SMEs) sector through the following three areas: (1) enterprise and industrial policy principles; (2) enterprise and industrial policy instruments; and 3) sectorial policies. From year to year, our country is making progress in improving the overall business environment for SMEs by simplifying certain administrative procedures, financial support, legislative alignment, etc. However, additional efforts and funds should be provided in the forthcoming period and the capacities of the various actors in the process should be increased, if the goal is to obtain and establish the overall business environment that exists in the developed countries of the EU. In this regard, the project "**Strengthening the Capacities and Mechanisms for Supporting Chapter 20 Reform Process (YESNetwork+)**" is being implemented, which aims to achieve coordination between civil society organizations (CSOs) in the reform process of Chapter 20, strengthen the policy making capacity, set up networking and monitoring policies for Chapter 20, improve the transfer of knowledge among CSOs and other relevant actors and raise the awareness about the importance of Chapter 20 for the country's overall progress towards EU accession.

In the scope of the project a dedicated **Chapter 20 platform** has been created, comprising of 49 members, active actors in the civil society sector, policy makers and relevant institutions that act in the areas of this negotiation chapter. The platform will contribute to active involvement in the reform process of Chapter 20 through numerous activities, creating a resource centre with relevant materials for monitoring the reform priorities of the chapter, publicly available resources, through which the transfer of knowledge and coordination of CSOs and other actors at the national level will be supported.

THE CHAPTER 20 PLATFORM IS ACTIVELY ENGAGED ON STRENGTHENING CAPACITIES FOR CREATING AND MONITORING POLICIES, ORGANIZING TRAININGS, WEBINARS, EXPERT MEETINGS, FORUMS, IMPLEMENTING RESEARCH AND OTHER RELEVANT ACTIVITIES.

This document presents the conclusions and recommendations of one of the expert workshops of the Chapter 20 Platform, providing an overview of conclusions and recommendations in regard to the current state of affairs, challenges and opportunities for the promotion of policies and instruments of Chapter 20: Enterprise and Industrial Policy.

APPROACH AND CONCLUSIONS

The first national platform for enterprise and industrial policy - Chapter 20 organized three expert workshops for the purpose of discussion, coordinated action and forwarding recommendations to the relevant actors in the country, for the promotion of the various areas of the negotiation chapter, as part of its annual activities for 2018.

The first expert workshop titled "The State of Affairs and Challenges in Chapter 20: Enterprise and Industrial Policy" provided an overview and discussion of the current conditions, challenges and recommendations for the promotion of the policies and instruments of Chapter 20. Discussions were held on the selected, key topics of the three areas of the chapter, principles, instruments and sectorial policies. The workshop was attended by 27 experts from the civil society sector and the relevant institutions for this negotiation chapter - the Ministry of Economy, the Ministry of Education and Science, the Ministry of Labour and Social Policy and the Agency for Promotion of Entrepreneurship (APE).

The "Partnership for Better Business Regulation" project identifies communication as one of the challenges, companies are not sufficiently familiar with the work of the chambers.

The position of the business community is expressed through the positional documents of the chambers of commerce, whose requests are not accepted for the most part.

The National Strategy for SMEs (2018-2023) and the Industrial Strategy (2018-2027) are the main strategic documents for Chapter 20. The Strategy for women entrepreneurship 2020-2023 has also been developed, whereas the Strategy for Social Entrepreneurship is in the process of development.

Conclusions on improving the business environment through appropriate business regulations

- It is necessary to improve the process of law making, as submitted recommendations and opinions from companies and organizations, such as the chambers, are not always taken into consideration when adopting laws.
- Communication between the companies and chambers and between the chambers and the state continue to pose a challenge, companies are not familiar with the work of the chambers and there is a need to increase the functionality of communication channels.

Conclusions on policies and strategic documents

- At the national level, there is no continuously functional mechanism for communication, coordination and harmonization between institutions and bodies that work on SME policy making.

- The capacities for the work of the councils and the bodies for entrepreneurship development are not sufficiently developed or their work is impermanent and dependent on project financing, as in the case of the Entrepreneurship Council.
- The priorities that are set while creating strategic documents are too broad.
- Better structuring and coordination between institutions is needed, in order to utilize IPA funds for industry development.

Conclusions on the support programmes for enterprise and industrial policy

- Greater, direct communication with companies is needed to assess their needs and the impact made by the implementation of the measures from the support programmes for enterprise and industrial policy.
- When creating the measures, the turnout of companies that provide input and respond to polls is very low (only 5%), although surveys are done in cooperation with chambers, and through direct access.
- Additionally, newly introduced measures should be better promoted so that they are more utilized.
- It is necessary to increase the budget of the Agency for Promotion of Entrepreneurship, which is a central government agency for SMEs with a widespread network of organizations providing support also at a local level.
- The Ministry of Education and Science does not have a dedicated budget for promotion of the European programmes for SMEs, "Horizon" and COSME.
- There is no national financial assistance and measures or sources of finance/financial products that companies can use to cover the part of co-financing, which is mandatory when applying for projects in European research and development programmes and SME-related programmes. It is necessary to work on developing this project financing.
- The services of Enterprise Europe Network, as one of the main instruments of Chapter 20, are underutilized by companies.
- Innovators are not included in the Innovation Strategy and consequently the institutions, such as the Fund for Innovation and Technological Development, are unable to support them.

The Industry Strategy foresees a National Council for Entrepreneurship and Competitiveness as a body for more successful dialogue and coordination.

The main programmes are the Programme for Competitiveness, Innovation and Entrepreneurship (Ministry of Economy) and the Programme for Support of Entrepreneurship, Competitiveness and Innovation of SMEs (APE).

APE's services complement each other - self-employment, then mentorship, then info-desk services and voucher system. There is a lack of subsidies for companies due to the limited budget.

The YESNetwork+ project supported the creation of a complete project financing model (a new financial product), with governmental institutions and banks consulted during the process.

A strategy for rural tourism existed until 2017 and was well prepared, however at the moment there is no announcement for a new strategy.

It is necessary to create a tourism strategy covering a long time span of 10 to 15 years, and to have two-three year plans in order to meet the current needs of this fast growing industry globally, since it is the second priority sector in the country, following the ICT sector.

Conclusions on sectorial policies for tourism and ICT

- There is no Strategy for rural tourism that will encompass enterprises operating in this sector.
- It is necessary to support the work of the Agency for Support and Promotion of Tourism as a key institution in the field of tourism in the country, by allocating more funds and creating additional services.
- There is no long-term strategy for tourism as a fast growing industry, nor is there an institute that would be an indicator of analyses of such a strategy.
- Access to the IPA 2 tourism programme is also hindered by the high percentage of contribution (50%) from the companies.
- The digitization of companies is not covered in any programme and it is necessary to foresee it in the SME programme. There is a strategy for digitization of the public administration, but not for the companies.

RECOMMENDATIONS FOR POLICY MAKERS

Recommendations for improving the business climate through adequate business regulations

- The process of adopting laws should be improved, the opinions submitted by the companies and chambers on the draft laws should be considered and implemented in the process of law adoption.
- Communication between companies, chambers of commerce and the state should be improved, through the active use of existing communication tools.
- The cooperation between institutions and companies should be improved and the agreed positions of the business community in the positional documents should be reviewed and accepted when adopting the laws.

Recommendations for improving policies and strategic documents for enterprises

- Coordination and communication should be improved at the institutional level and they should be harmonized, in order to create structured policies and measures for companies.
- The structure and coordination should be improved, in order to utilize more assets from the IPA funds and from other donors that will contribute to the development of the industry.
- The capacities of the bodies and the existing entrepreneurship councils, for example the National Entrepreneurship and Competitiveness Council, should be strengthened, in order to contribute to a more successful dialogue, while at the same time the state's participation in these councils should not be overwhelmingly higher than the participation of other actors.

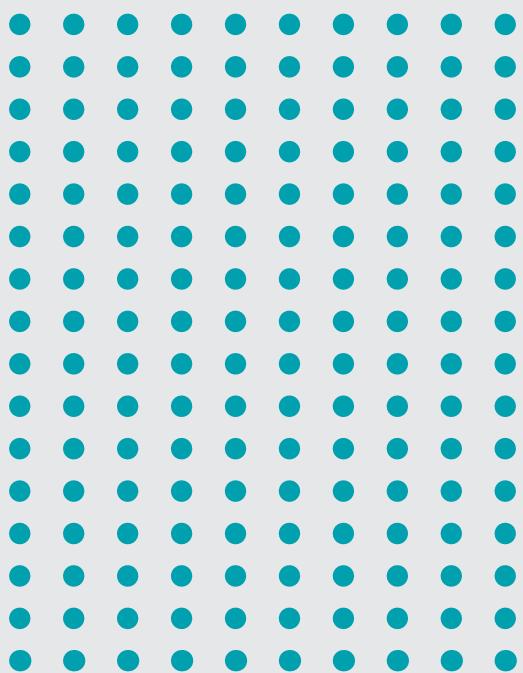
- In support of the process of mapping out activities for smart specialization and coordination with the industrial policy, it is necessary to adopt a narrower selection of priorities in the strategic documents, in order to direct the finances of certain priority areas in which the country will specialize.
- Funding should be allocated to support the implementation of the newly adopted strategy for women entrepreneurship (2019-2023).
- In the field of social entrepreneurship, it is recommended to establish a certain certification body for those enterprises that meet the requirements to register as social enterprises, so they do not have to register in the Central Register.

Recommendations for support programmes for enterprise and industrial policy

- Access to and communication with companies should be improved and the access should be customized, in order to receive valid feedback for their real needs, measures from previous strategies should be evaluated and appropriate measures should be created for the coming years.
- Newly created measures should be more actively promoted, directly before the companies, in order to utilize the planned funds and meet the needs of the companies.
- A dialogue between the institutions, the civil sector and the business community should be opened, in order to decide through which institution and what measures the program's innovators can include.
- Statistics and access to SME data should be improved, in order to create good strategic documents.
- Networking and cooperation between donors, technology transfer centres, clusters and associations from the region and Europe should be improved, in order to facilitate the transfer of knowledge and sustainability of the institutions at the local level.
- Mechanisms should be found and funds should be allocated from the national budget, so that when the companies apply in the European programmes, they can cover the co-financing of funds, thus be more competitive and use more European funds.
- The promotion of European programmes should be improved and supported through the Ministry of Education and Science and other institutions.
- The utilization of Enterprise Europe Network services by companies should be improved, in order to find suitable business partners from abroad, to create project proposals, to evaluate the innovative component of the company, etc.
- A plan and assets for digitization should be included in SME programmes, with the aim of providing financial assistance for their digitization.

Recommendations for sectorial policies for tourism and ICT

- A new rural tourism strategy should be developed.
- A long-term tourism strategy, with a time span of 10 to 15 years, should be created.
- Help should be provided to finance the part that companies have to co-finance when applying for assets from European funds.
- The work of the Agency for Promotion and Support of Tourism should be supported, as a key institution in the field of tourism in the country, by allocating more funds, as well as creating new agendas and plans for promotion of tourism in foreign countries.
- A strategy to support the development of the ICT industry should be created, which will stimulate companies that provide additional benefits to employees and it will stimulate job creation, export, companies that invest in employee certification and company certification, tax incentives by excluding payment of personal income tax for companies from the ICT sector.
- Measures should be defined, as well as a budget, to support ICT companies for export activities through the Agency for Foreign Investments and Export Promotion, through participation in events, promotional campaigns for promoting domestic ICT companies abroad and researching potential foreign markets.
- The ICT sector should be included in the measures and programmes of the Government and the Ministry of Economy intended to support companies in which the ICT sector is currently excluded (for example, the State Aid Law).
- The availability of data from the ICT sector that are relevant for creating appropriate strategies and activities should be improved, for example, through the export of IT services, state investments in the ICT sector, etc.
- Appropriate amendments should be made to the Law on Donations, in order for companies that donate to educational purposes to be exempt from paying certain taxes, like the exemptions for companies that donate to sports.
- Measures and activities should be defined to stimulate the return of highly skilled workers in the field of ICT who have emigrated from the state.



КРАТКА АНАЛИЗА 9

ПОДОБРУВАЊЕ
НА ПРИНЦИПИТЕ,
ПОЛИТИКИТЕ И
ИНСТРУМЕНТИТЕ НА
ПРЕГОВАРАЧКОТО
ПОГЛАВЈЕ 20:
ПРЕТПРИЈАТИЈА И
ИНДУСТРИСКА
ПОЛИТИКА