

**INFORMATION OFFICE OF THE STEERING PLATFORM
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Innovation Infrastructures in the Western Balkan Countries

Albania

Bosnia and Herzegovina

Croatia

The Former Yugoslav Republic of Macedonia

Montenegro

Serbia

October 2007



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THEMATIC REPORT

on Innovation Infrastructures in the Western Balkan Countries

Albania

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1 Introduction

This thematic report is produced by the “Information Office of the Steering Platform on Research for Western Balkan Countries” and reviews the situation of Innovation Infrastructures in Albania.

The report is currently based upon desk research, as our questionnaires sent to Albanian institutions were not answered.

The objective of this study is to enhance our understanding of the national innovation system in Albania. An overview of the situation as regards “Innovation Infrastructures” such as clusters, technology and innovation centres, technological and science parks, business-start-up centres/ technology incubators and some further related organizations is given. The general environment is described as well as important strategic documents and the main programmes and instruments for support. The report concludes with a list and description of the main infrastructures.

The report was compiled in summer 2007.

1.1 General Environment for Setting Up Innovation Infrastructures

This first section deals with rules and regulations, describes the national framework and the specific funds available.

Albania has made significant progress in transition reforms in recent years but significant challenges remain. Business environment suffers from a high level of corruption, serious shortcomings in the judiciary, and very weak institutional and law enforcement capacity. Despite sizeable investments in recent years, infrastructure is far from being adequate for private sector development, including substandard road network, lack of reliable power supply, and limited regard paid to environmental consequences of rapidly expanding economic activity. Poverty is also a significant issue, particularly outside the main Tirana – Durres area.

The main challenges for the new government are (The Government of Albania, 2006):

- substantial strengthening of the public sector, including an effective and systematic fight against corruption and organised crime;
- increased efficiency and impartiality of the judiciary and public administration, particularly the customs and the tax system; and resolution of land ownership;
- infrastructure improvements, including upgrades of the road system, modernisation and expansion of seaports and regional airports, progress in restructuring and privatisation of utilities to ensure reliable services, particularly in power and telecom sectors, and greater attention paid to environmental issues, including waste disposal and wastewater treatment as well as environmental issues related to expansion of the private sector; and
- improving access to finance, particularly for SMEs and enterprises outside the Tirana – Durres area, as well as improving the business environment for

foreign direct investments (FDIs) that would contribute to the development of the industrial sector.

Relatively good progress in building institutions responsible for elaborating and delivering Small and Medium Size Enterprise's (SME) policy and completing the relevant legal and institutional framework has been done. However, policy is still at an early stage of development in the broad regulatory area, particularly with respect to company registration, where Albania actually lags behind the rest of the Western Balkan region. Progress is still too dependent on donor support, raising questions about the medium-term sustainability of a number of programmes. Once these issues are addressed, Albania has the potential to move quickly to the next stage of policy development, where the focus will be on implementation more than elaboration

Better access to technology, e-business and on-line services can help SMEs to be more competitive and innovative. There is a need to progressively reinforce technology networks to prepare for the future.

The joint report of EC and OECD on the implementation of the European Charter for Small Enterprises also finds that the situation in Albania warrants a renewed commitment for the introduction and implementation of business friendly policies over the next year. The challenge lies mainly in modernisation and speeding up of company registration procedure (OECD and EC, 2007).

The Government of Albania (GoA) informed in the Memorandum issued in June 2007, about several steps, which were taken in order to improve the Albanian business environment. The business registration process was set up the National Registration Center, and with assistance from the US Millennium Challenge account a one-stop shop for business registration by the end of September 2007 will be established. Work to reduce barriers in the licensing system was intensified and has decreased the legal timeline for business registration from 30 to 8 days. It is planned that in September 2007 it will be reduced to one day. GoA moved ahead with Regulatory Reform Task Force. The institutional framework to monitor these reforms has been set up; steps to develop the regulatory management system taken. There were efforts to improve the existing legal and regulatory frameworks done; and systematic monitoring and evaluation of reforms introduced. The legal environment in Albania has improved. Parliamentary passage in late 2006 of a new procurement law and a new concessions law will both serve to improve the transparency and competitiveness of the bidding process; while there are expectations that the passage in late 2006 of the law on the business advisory council and the law on chambers of commerce and industry to significantly improve the dialogue between government and the business community. In order to promote SMEs, additional donor funds for the financing of micro credits and small loans were secured; and a small fund to promote further SME development - the Competitiveness Fund - was established. The Fund is capitalized with about EUR 183,097 and has a mandate to promote the increased competitiveness of SMEs. The AlInvest agency to assume responsibility for the implementation of government policies with respect to SMEs, exports, and foreign direct investment was created.

As described above, significant actions to improve business and investment climate in areas outside the International Monetary Fund (IMF) - supported program were taken by the GoA. There is a continuation with efforts under the Regulatory Reform

Task Force to ease market entry barriers, to make the regulatory environment, more transparent, predictable, and simple; and to ensure a level playing field for local and foreign business. In order to support the development of SMEs, the encouragement of donor support for micro credits will continue; the SME Medium-Term Strategic Programme for 2007 - 2009 was finalized and following actions to be carried out (The Government of Albania, 2007).

As stated by Lauresha Grezda from the USAID/EDEM, the National Business Registration Center has started its activity on Monday September 3, 2007 and it's the first center of this kind in Albania. The one stop shop will offer even services, which until now had been performed by the General Tax Directorate, enabling businesses to register within one day paying a fee of only Lek 100. This Center is financed by Millennium Challenge Corporation Threshold Programme. 12 other one stop shops will be opened in other districts of Albania. After submitting the forms, the citizens can, within 24 hours, take the respective documents certifying that their business has been registered with the NBRC together with the Individual Taxpayer Identification Number (ITIN).

According to Uvalić, the overall state of R&D infrastructure in Albania is not very satisfactory. At the time of writing this report, there were still no research centres at the local or regional level, nor new technologies or innovation parks. The technology and technical research equipment has improved in recent years, but is still insufficient. The communication and information infrastructure, the network access for higher education and research institutes, and the library information systems are highly inadequate and there is almost no access to electronic journals and Science Citation Index databases (Uvalić, 2006).

Government and its agencies have a fundamental lead role to play in providing an environment favourable to business operations and conducive to private investment. This is especially true for small business. In order to flourish and grow they need an environment that facilitates and enables business start-up, does not hamper them with excessive and costly regulations and facilitates access to finance and business services.

In Albania, the leading agency has been the Albanian Economic Development Agency and various ministry departments, which mostly offer support through donor projects on training activities, participation on conferences, fairs and other promotional activities such as publications, brochures, etc. There are more than 60 business support centres. Most information and consulting services are offered through the non-governmental network of Regional Development Agencies (RDA).

The innovation infrastructure in Albania is represented by:

- **Regional Development Agencies (RDAs):** There are 10 Regional Development Agencies operating since 1995 in 10 regions of Albania, with the status of NGOs. RDAs mission is "to serve as an intermediary bridge to business, donors, local authority and civil society, improve business climate and enhance the regional economic development through the implementation of common efforts for the

coordination of programs serving as sourcing centres”. The activities of RDAs are coordinated also by National RDAs Centre in Tirana. For more information about RDAs, please contact the Director of National Center of the RDAs, Ilir Rembeci (email: ilirrda@albmail.com).

- Local Economic Development Agencies (LEDAs): Local Economic Development Agencies are Foundations, established with the support of the UNOPS-PASARP programme. They are independent and owned by local public and private member institutions in the region.

Their aim is contribution, in accordance with other institutions competencies and in coordination with them, to the definition and implementation of the objectives for the local economic development of the region of Shkodra, Durres, Vlora. They focus their activity on the improved exploitation of local resources, and the inclusion of disadvantaged population and depressed areas into the formal economic circuit. The core object of LEDAs is identification, analysis and implementation of initiatives favouring the development of economic activities and the creation of employment opportunities, within a framework that combines poverty reduction and the promotion of an integrated and sustainable development of the territory.

- Business incubators and clusters: There are 2 business incubators and 4 clusters operating across Albania. The new industry clusters were established in Tourism Industry, Meat Processing Industry, Herbs and Spice Industry and Leather Goods Production Industry in the frame of the Enterprise Development and Export Market Services Project (EDEM) financed by U.S. Agency for International Development (USAID). This programme aims to promote the competitiveness of small and medium enterprises (SMEs) in domestic and foreign markets, and accelerates the entry of Albanian agricultural and manufactured exports into global markets through developing inter firm clusters and networks, enhance the co-operation between small enterprises, spread best practice via co-operative forum meeting, offer adequate training.

Over and above the business support centres identified earlier, there are also several initiatives providing technical advice and/or funds to specific sectors or clusters that are funded by international donors. However, there is currently little awareness of the business advisory services available to start-ups and established SMEs. The main reason for this appears to be because the services that exist tend to be supply-driven and entrepreneurs may not be making full use of what is on offer.

The Open Society Foundation (OSF) also seeks to enhance the level of entrepreneurship and access to technology, for example through funding provided to the Regional Development Agency Network and other institutions. The Adriatic and Ionian Initiative, financed by the Italian Government, aims to improve access to information and communication. There are also projects financed by USAID and Deutsche Gesellschaft für Technische Zusammenarbeit (GTZ) to strengthen the technological capacities of SMEs by developing clusters. Several industry-specific research institutes exist, but their skills and equipment have been deteriorating since 1992. As the market economy evolves and the number of SMEs increases, it is possible that the demand for their services may increase in areas such as seismology and construction materials.

United Nations Development Programme (UNDP) is addressing Information and Communication Technology (ICT) development. It has supported the creation of a national ICT strategy, prepared a National e-readiness Assessment Report and is supporting the implementation of an Action Plan to address e-government, e-education and e-commerce issues. However, there remain serious obstacles to efficient technology transfer to small enterprises such as (OECD and EBRD, 2005):

- Improving technical education and skills;
- Raising finance for new technologies;
- Improving legislation and strategies;
- Building institutional capacities; and
- Improving information dissemination.

1.2 Strategic Documents

Strategic documents reflecting National Innovation Strategies (NIS) have been already highlighted in Science and Technology Country Report Country – D5 Albania (see.science.eu). To indicate other key documents, which have been formulated in order to set up the framework for innovation and technology development:

- 'National Strategy for Development and Integration (NSDI)'

A single national strategy to be implemented over a seven-year period (2007-2013) is built on a comprehensive set of sector strategies and is guided by a selective set of crosscutting strategies. The national strategy emerges as a synthesis of sector strategy documents developed for all sectors. The European integration and NATO membership planning processes will be fully incorporated in the national strategy.

The national strategy document has the following structure:

- Overview (Overview of current situation and key issues facing the country.)
- Vision, strategic priorities and strategic goals (Concise statement providing the overall framework of the strategic planning exercise. Envisaged role of government.)
- Policies (Key points of sector and crosscutting strategies in summary form arranged by strategic priority, with emphasis on links between major policies and achievement of strategic goals.)
- Macroeconomic framework and fiscal implications:
 - A. Macroeconomic framework in the form of scenario; and
 - B. Broad inter-sectoral implications of strategic priorities.
- Accountability (Consultation process and high-level monitoring indicators to assess progress towards the key national goals.)

- 'Strategic Programme for the SME Development for 2007 - 2009 and for 2010 - 2013'

The Strategic Programme for the SME Development for the medium-term period 2007 - 2009, is an integral part of the government programme and is reflected in the business development and investment strategy of the medium- and long-term period 2007 - 2013. The SME development policies for the ongoing period have been designed complying with all the acts and MSA and European Partnership, as well as the European Charter for Small Enterprises.

The vision of the 'Strategic Programme for the SME Development for 2007 – 2009' is to accelerate improvement of the business and investment environment, increase the competitiveness of SMEs in both regional and global markets through the development of technology and information, reduce administrative barriers, and provide financial facilities for businesses.

The long-term objectives of the SME Development Programme include the following:

- Increase employment by 5% annually;
- Increase the number of new business by 15% annually;
- Increase crediting to the private sector by 3 to 4 times in 4 years;
- Increase micro crediting capacity by 3 to 4 times in 4 years; and
- Gradually reduce the informal sector.

Strategic priorities for the development of this sector include:

- Harmonize with sector strategies that have an impact on SME development;
- Ensure transparency of decisions, actions and measures that have an affect on the business environment;
- Ensure fair competition, and support SME integration into the global market; and
- Develop the information technology and entrepreneurship culture.

- 'Strategy for Albania'

As approved by the Board of Directors on April 4, 2006. European Bank for Reconstruction and Development (EBRD) strategy prepared and approved in April 2006 and aims to support private sector development and improve business environment.

- 'Multi-annual Indicative Planning Document (MIPD) 2007 - 2009'

Multi-annual Indicative Planning Document (MIPD) is the key strategic planning document for assistance to Albania under the Instrument for Pre-Accession Assistance (IPA). It takes account of the main reform priorities as identified in the European Partnership, the Stabilisation and Association Agreement and Interim Agreement, the enlargement package (regular report) as well as the Albania's National Strategy for Development and Integration and the National Plan for the Approximation of the Legislation and SAA Implementation.

The priorities identified in MIPD 2007-2009 respond to European Partnership priorities and SAA and Interim Agreement requirements, which are the baseline documents for this multi-annual indicative planning document. In this respect, Albanian authorities have developed a National Plan for the Approximation of the Legislation and SAA Implementation (July 2006), outlining the strategy on how to realise the European priorities. These principles and priorities set out in the multi annual indicative planning document will serve as a basis for the annual programming of EU funds in 2007, 2008, and 2009.

1.3 Specific Programmes and Instruments

Following programmes, projects and instruments supporting technology development are defined:

- Adriatic - Ionian Initiative;
- EU - PHARE / CARDS - IPA;
- GTZ projects;
- USAID Programme (EDEM - Albania Enterprise Development & Export Market Services);
- UNOPS - PASARP programme (Program of Activities in Support of Albanian Regions and Prefectures); and
- World Bank's programmes: IFC/PEP Southeast Europe, Southeast Europe Enterprise Development (SEED - the programme is already closed), Training Enterprise and Employment Fund.

- Adriatic - Ionian Initiative

The Initiative is based on the idea that international crises are not resolved through violence but through a mutual cooperation among the various peoples, in order to identify and jointly define a range of common interests, in all sectors. From a modern perspective, these interests are coincident with: security, economics, trade, scientific and technological research and development, environment conservation, and finally, preservation of cultural heritage and values, which are plentiful in this region. The seven countries of the Adriatic Ionian Basin, namely Albania, Bosnia and Herzegovina, Croatia, Greece, Italy, Serbia, Montenegro and Slovenia, launched the Adriatic-Ionian Initiative, signing the Ancona Declaration in the occasion of the Ancona Conference on "Development and Security in the Adriatic and the Ionian" (March 20, 2000).

In Albania, the Adriatic - Ionian Initiative, financed by the Italian Government, aims to improve access to information and communication.

- EU - PHARE / CARDS

Since 2001, the Community Assistance for Reconstruction, Development and Stabilisation ("CARDS") programme has been the main EC financial instrument for co-operation in the Balkan countries. For the period 2001-2005, commitments under the CARDS national programme for Albania were EUR 237 million. The strategy of the CARDS Programme is expressed in the Country Strategy Paper (CSP) for Albania, 2002-2006, prepared by the European Commission and the Government of Albania.

The main priorities for financing under the CARDS programme as stated in the CSP for Albania were:

- Legislation;
- Administrative capacity building;
- Economic and Social Development;
- Environmental and Natural Resources; and
- Stability and democracy.

In 2007 the CARDS programme was transformed to IPA - Instrument for Pre-Accession Assistance.



- USAID Programme

USAID has been operating in Albania since 1992 through the Support for Eastern European Democracy (“SEED”) Fund. The USAID Programme supports economic growth and micro, small-and medium-enterprise development, democratic development and rule of law, and social stability. These objectives directly support and are consistent with multi-dimensional U.S. interests identified in the President’s 2002 National Security Strategy and the Joint State-USAID Strategic Plan. They concentrate on the following three general development themes:

- Economic growth and SME development by increasing private investment, improving the availability of credit, supporting capital formation, and strengthening the banking system;
- Democratic reform and rule of law to support civil society by increasing citizen awareness of public issues, assisting in elections, strengthening legal institutions, supporting the GoA decentralization program, and mitigating corruption and trafficking of persons; and
- Health reform to improve primary health care by developing and implementing quality primary health care models, strengthening management capacity at the primary health care level, and encouraging community participation to ensure improved health care for Albanians.

The **Albanian Enterprise Development & Export Market Services (EDEM)** project supported under USAID officially started on September 15, 2003. This USAID project works with the Albanian business community in order to improve its competitiveness in domestic and export markets, thereby increasing sales of Albanian products and services and creating employment opportunities.

Working with selected industry sectors, EDEM provides assistance in two tracks:

- Industry-wide or cluster activities. EDEM supports the creation and development of industry groups made up of businesses, government, and other organizations that share the goal of building competitiveness. Focusing on removing non-firm-specific constraints, these efforts target ways to improve the overall business environment and demonstrate the advantages of private - sector firms working together to address issues of common interest.
- Support to individual firms. EDEM also assists selected companies to enhance their ability to compete effectively in the marketplace. EDEM helps these companies design and implement strategies that remove obstacles to their competitiveness so they can take advantage of growing market opportunities in Albania and abroad.

In addition to assisting four key Albanian industries: meat processing, tourism, herbs and spices and leather goods and shoe production managed by ACIT (Albanian Center for Institutional Trade), EDEM works with leading firms in other industries where significant potential exists for businesses to become export competitive. Current examples include fruit and vegetable consolidation and processing, olive oil processors and mushroom cultivation.

The EDEM project has started September 2003 and will end in September 2008.

- **IFC/PEP Southeast Europe** is part of IFC (International Finance Corporation), World Bank Group. The programme operates in Albania, Bosnia and Hercegovina, the FYR Macedonia, Serbia and Montenegro and was formally launched in July 2005 and has been established for an initial period of five years.

The Private Enterprise Partnership for Southeast Europe (PEP-SE) is catalyzing private sector development from a platform of four operational programs:

- Alternative Dispute Resolution;
- Corporate Governance;
- International Technical Standards and Regulations; and
- Recycling Linkages.

PEP-SE's private sector development programmes are co-financed by following countries: Austria, Canada, IFC, Netherlands, Norway, Slovenia, and Switzerland. For more information, please visit: <http://www.ifc.org/pepse>.

- **World Bank's Southeast Europe Enterprise Development (SEED)**, a multi-donor initiative managed by the World Bank Group's supported SME development and strived to improve the overall environment for SME growth and competitiveness in the region. The SEED project is already closed now and a new project of World Bank is being implemented (IFC/PEP SE).

SEED's activities included:

- Raising investment capital for SMEs;
- Building capacity of SMEs and of the local institutions and individuals that support them such as business associations, consultants, and financial institutions; and
- Improving the business enabling environment.

SEED had been doing similar work in Bosnia and Herzegovina, FYR of Macedonia, and the province of Kosovo since its creation in September 2000. SEED's activities were compliment the reconstruction and development activities of the World Bank Group and other multilateral and bilateral donors in Albania.

1.4 Financing

There is a large-scale of important donors operating in Albania and the financial supports comes especially from the EBRD, EIB, EU, UNDP, USAID, and the World Bank (SEED and Training Enterprise and Employment Fund). Other financial support for innovation infrastructures and enterprise development is coming, for example, from German Deutsche Gesellschaft für Technische Zusammenarbeit (GTZ), Italian Government, and Swiss Agency for Development and Cooperation (SDC), International Monetary Fund (IMF) and the Open Society Foundation (OSF), which also seeks to enhance the level of entrepreneurship and access to technology, for example through funding provided to the Regional Development Agency Network and other institutions.

2 Existing Innovation Infrastructures in Albania

2.1 Key Government Players

Name:	Ministry of Economy, Trade and Energy (METE), Department of Business Promotion (including the Sector of SME Policies)
Contact person:	Bashkim Sykja (Director)
Email:	bsykja@mete.gov.al
Website:	http://www.mete.gov.al

The Ministry of Economy, Trade and Energy (METE), formerly titled the Ministry of Economy (MoE), is the main government institution responsible for SME development in Albania. It is a fully operational organization responsible for SME policy elaboration, drafting and co-ordination, with a system of regular consultation with the implementing SME agencies.

Within the METE, the Business Promotion Department has the responsibility to prepare, monitor and oversee SME policies and programmes.

Its main tasks are as follows:

- Prepare and update the strategy for SME development;
- Follow up the implementation of the strategy and other business promotion policies;
- Consult with the business community on businesses issues, such as discussions on draft legislation, fiscal package, regulatory and licensing system;
- Coordinate the Working Group responsible for implementing the business simplification action plan;
- Maximise SMEs' access to financial support; and
- Create institutional infrastructure to support entrepreneurship and competitiveness.

The METE co-operates with other ministries on business and SME related issues, especially with the Ministry of Finance (taxes and budget), Ministry of Transport (trade and transport facilitation), Ministry of Local Government (local economic development and local taxes), Ministry of Agriculture (licensing), Ministry of Health (regulations), Ministry of Environment (environmental standards), Ministry of Education and Science (vocational education and training), Ministry of Labour and Social Work (business incubators), as well as various government and governmental agencies such as the Patents and Trademark Office, Agency for Expert Promotion and Agency for Foreign Investment Promotion.

Name:	Ministry of Labour and Social Affairs
Contact:	Rruga "Kavajes", Tirana, Albania
Email:	Not available
Website:	http://www.mpcs.gov.al/

The Ministry of Labour and Social Affairs is responsible for the implementation of business incubators in Albania. Unfortunately, there is no information about the Ministry in English available.

Name:	Albanian Agency of Business and Investment (AlbInvest)
Contact person:	Denis Kalenja (Executive Director)
Email:	info@albinvest.gov.al
Website:	http://www.albinvest.gov.al/

The Agency of Business and Investment (AlbInvest), was established by GoA (Government of Albania) in 2006 as a new agency responsible for implementing governmental policies in the field of SME promotion. The Agency has its own staff and budget. The former agency for SME (SMEA) has been operating in Albania since 2003 and was responsible for implementing government policies for SME promotion. In March 2006 this agency merged with the Foreign Investment Agency and the Export Promotion Agency, creating a single Agency of Albanian Business and Investments, Albinvest.

The Albanian Government has assigned AlbInvest three strategic goals:

- Assisting and accelerating the inflow of foreign investment into the Albanian economy;
- Improving the competitiveness of Albanian exporters; and
- Providing professional services to assist the growth of Albanian SMEs.

AlbInvest wants to help seize the business opportunities available in Albania by:

- Providing up to date information on the investment climate, investment incentives, and the legal framework relating to the investment process in Albania;
- Assisting for quantification of the cost benefits that Albania can offer;
- Identifying suitable green field and brown field site options and/or serviced office space;
- Assisting to obtain the permits and licenses required by national and local authorities, thus speeding facilitating investment projects; and
- Identifying and assessing potential suppliers in Albania.

Name:	Albanian Economic Development Agency (AEDA)
Contact:	Bulevardi Zhan D' Ark, Tirana, Albania
Email:	Not available
Website:	http://www.aeda.gov.al/ (not working at the time of writing of the report)

The purpose of the Albanian Economic Development Agency is to assist the government in its efforts to create a favourable environment for foreign and local investments.

Name:	Business Advisory Council (BAC)
Contact:	Not available
Email:	Not available
Website:	Not available

Several attempts have been made by the government to increase the participation of the SME stakeholders in a Government-business consultative process. The METE sees the Business Advisory Council (BAC), which was established in 2000, as its main source of regular dialogue on business-related legislation and procedures. The BAC is chaired by the Minister of METE, who also acknowledges that this mechanism is in need of further reform (regular meetings, secretariat, balanced representation, clear agenda, etc.) in order to play an effective role. The general consensus is that consultations are taking place more often and at an earlier stage of legislation/policy development, thus allowing the voice of the business sector to be heard. For example, in May 2004 the Ministries of Finance and Economy established a Working Group to work on the 2005 fiscal package (OECD and EBRD, 2005).

2.2 Key Innovation Infrastructures

The following section gives an overview on the main existing innovation infrastructures in Albania (Clusters, Technology and Innovation Centres, Technological and Science Parks, Business-start-up centres/ Technology Incubators and some further related organizations).

A) Clusters

Clustering of firms as a tool to promote co-operation among the representatives of the private sector at the industry level is a very recent initiative promoted by non-

government sector. The first to initiate this initiative was the Albanian Center for International Trade (ACIT). ACIT produced sectoral studies to evaluate the competitive position and clustering possibilities. Data analysis and in-office research on the potential clusters was accompanied by brainstorming sessions with industry experts. So, the screening process and the selection criteria went through a transparent process which involves different stakeholders, backed by studies and research work on the sector (Xhepa and Agolli, 2004).

In Albania, there has been an attempt thorough the USAID Enterprise Development and Export Market Services (EDEM) project to establish clusters in following sectors:

- Leather goods/shoe production;
- Meat processing;
- Spices and herbs; and
- Adventure tourism.

The EDEM project serves as facilitator of the clusters. Cluster managers are employed to act as cluster facilitators and do all the administrative work for the cluster members. Members of the cluster work together with cluster managers and industry experts to develop work programs in identifying the needs of the industry. Through the project, technical assistance is provided to the established clusters, provide office facilities for the meetings and conduct specific research activities as required by the cluster members. This support is given up to a certain time (around 16-18 month) and clusters are supposed to be self sustaining their activities.

So far, there are four clusters established until now and it is planned that other clusters will be created in near future. Other sectors are under the review but planned to support and facilitate the establishment of 6-8 clusters in both, agricultural and non-agricultural sector. There here is a huge potential e.g. in textile or olive oil industry, wine producing and trading.

Name of initiative:	Meat Processing Cluster
Contact:	Contact via EDEM project (Albanian Enterprise Development and Export Markets Services)
Email:	edemstaff@dai.com
Website:	Not available

The Meat processing cluster model was first cluster supported by World Bank. In February 2004, the Meat processing cluster was introduced to 13 meat processing companies by EDEM for the first time. Participating companies at the meeting welcomed the initiative and expressed a readiness to participate in EDEM cluster activities. Subsequently, a total of 18 meat processing companies have participated in the cluster activities organized by the project in the initial phase. As stated in the Albania Enterprise Development & Export Market Services (EDEM), Annual Report, the meat processing cluster intend to assist the industry to identify new market

opportunities, develop management/operational capacities, improve business environment and strengthen linkages among cluster stakeholders.

Data analysis and in-office research on the potential clusters was accompanied by brainstorming sessions with industry experts. So, the screening process and the selection criteria went through a transparent process which involves different stakeholders, backed by studies and research work on the sector.

As stated in the Annual Report of EDEM, it is clear that the cluster approach is a new concept in Albania and is difficult for the meat processing companies to comprehensively absorb. Confusion about differences between the cluster and other food processing associations has added to difficulties in understanding the cluster approach. Compounding the situation, historically real cooperation and interaction among meat processing companies has been limited in Albania and both associations are struggling with each other in attracting due paying membership. For a 'proactive' meat processing cluster to involve clear benefits must be tangible to the companies, benefits they do not expect to receive from the competing associations (Development Alternatives Inc., 2004).

Industry/Sector (technology area): Food processing
International activities: Not available

Name of initiative:	Medicinal and Aromatic Herbs Cluster
Contact:	Contact via EDEM project (Albanian Enterprise Development and Export Markets Services)
Email:	edemstaff@dai.com
Website:	Not available

The medicinal and aromatic herbs cluster, which creation and operation was organized by EDEM, is taking shape and helping to demonstrate that after nearly 15 years of transition, no more time will be lost in challenging the idea that small and medium-sized companies cannot export because they lack the processing and exporting capabilities of the "giants." Indeed, the Albanian medicinal herb cluster has already started to export "Made in Albania" products to the new markets in Europe and United States.

EDEM / Herbs and Spices staff has conducted a series of meetings with herb and spice businesses interested in diversifying action of their businesses. Interested dried herb businesses and/or essential oils businesses have a chance to differentiate their products, by developing herbs based products to serve these markets. Over the quarter businesses have been visited at site and were introduced to a wide range of products that can be produced with aromatic species:

Industry/Sector (technology area): Biopharmaceuticals, Agriculture
International activities: Not available

Name of initiative:	Specialty Tourism Cluster
Contact:	Contact via EDEM project (Albanian Enterprise Development and Export Markets Services)
Email:	edemstaff@dai.com
Website:	Not available

Tourism was one of the initial clusters selected by the EDEM as an industry with significant potential to contribute to Albania's economic development, as well as the sustainable development and protection of the country's natural and cultural heritage. Tourism is a diversified and highly competitive industry. With poor infrastructure and extensive regional competition in the traditional mass market tourist segments like "sun and sand", Albania is not well positioned for mass market tourism. The country is, however, potentially well positioned for the development of specialty tourism segments such as adventure travel, ecotourism, cultural tourism and agro-tourism. Based on an industry assessment, it was decided that the focus should be placed on "Specialty Tourism" including adventure and sports, culture and the archaeological and historical heritage of Albania, where Albanian tourism industry could develop competitive advantages.

The first cluster meeting was held on March 24, 2004 and was attended by 33 representatives from the industry. Three areas of focus were selected:

- Marketing and promotion of Albanian tourism destinations;
- Training on all the levels of staff in tourism industry; and
- Advocacy on issues related to Government policies that affect the tourism industry.

Cluster members formed three task force groups and each was given the task to address one of the three high priority directions. Chairpersons for each group were identified and work plans for short, medium and long term activities were drafted. Increased participation of representatives from different municipalities and regions in the cluster meetings and other cluster activities indicate the positive results of these efforts. Presently the Specialty Tourism Cluster has 80 members encompassing travel agencies, tour operators, hotels and other accommodation structures as well the supportive network of the tourism industry like Albanian government ministries and agencies, associations, organizations, donor organizations, and educational institutions. Communication and information exchange among cluster members is considered an important function of the cluster.

Industry/Sector (technology area): Tourism

International activities: Co-operation with the US Peace Corps

Name of initiative:	Leather Goods/Shoe Production Industry Cluster
Contact:	Contact via ACIT (Albanian Centre for International Trade)
Email:	Not available (refer to acit@acit-al.org ; info@acit-al.org)
Website:	Not available (refer to www.acit-al.org)

It was agreed by the ACIT, EDEM and USAID that implementation of the Leather Goods/Shoe Production industry based cluster will be a combined effort of ACIT and EDEM. ACIT has accepted responsibility for managing the activity and will direct much of the assistance activities. EDEM supports ACIT's efforts by providing support and guidance to ACIT staff as they set about undertaking the different tasks.

In mid-September 2004, ACIT organized the initial meeting of the industry and presented the concepts and approach of a cluster-based approach to approximately 20 industry representatives. Recognizing that the industry faces many barriers to its development, attendees responded with considerable interest to the idea of working together in a collaborative manner.

A tri-lingual (Albanian, Italian and English) brochure was published highlighting the competitive advantages of Albania in this sector. Its purpose is to encourage foreign investment in the industry. The brochure illustrated success stories of profitable joint ventures currently operating in Albania and contained a complete directory of Albanian leather goods/footwear companies. The brochure was disseminated to interested stakeholders such as: Italian companies, footwear associations in the EU, chambers of commerce, trade attaches, and footwear trade fairs.

Industry/Sector (technology area): Leather products, Footwear
International activities: Not available

B) Technology/Innovation Centres

Name of initiative:	Business Innovation Center (BIC) Albania
Contact:	Pjeter Bogdani Street, Pall 9, Suite 4/3, Tirana, Albania
Email:	bic@albaniaonline.net
Website:	Not available

The Business Innovation Center (BIC) Albania was created in 1999. The Centre actively participates in several international projects, e.g. in Integra. The Integra is an international network of service centres supporting enterprises. It is committed in 23 countries with information and promotional activities aiming at

favouring international cooperation. The international network, launched its activities in 2002, and is made up of 75 foreign centres and 73 Italian centres belonging to 18 regions. The Integra Plus is the second working phase of the internationalisation involving the Integra network, co-financed by the Italian Ministry of Foreign Affairs and developed by Mondimpresa. Integra Plus intends to promote cooperation relations between the enterprises of the Mediterranean basin and the Balkan countries through the knowledge of the Italian productive districts.

Industry/Sector (technology area): Not available

International activities: Participation in several international projects, e.g. Integra

C) Technological and Science Parks

As indicated in the Report on the implementation of the European Charter for Small Enterprises in Moldova and the countries in the Western Balkans published in 2006 and investigated via the internet research, there are no technology or science parks in operation in Albania at the time of writing of this report (EC, 2006).

D) Business-start-up Centres/ Technology Incubators

Business incubators are generally defined as special areas for new and young developing businesses that provide such businesses with premises, infrastructure, a comprehensive range of services and support that can improve their ability to initiate and run their operations during the early developmental period. The combination of features such as physical facilities, focus on start-ups and SMEs, and provision of “soft” advisory and support services are what distinguish business incubators from other industrial centers or industrial estates.

There are two Business Incubators in Tirana and Shkodra. These were set-up with World Bank assistance (Training Enterprise and Employment Fund) and are the responsibility of the Ministry of Labour and Social Affairs, rather than the institution responsible for enterprise development, namely the Ministry of Economy, Trade and Energy (METE). The business incubators were subsidized for the first three years of their operation and are now operating on a self-financing basis, except for their premises which remained rent-free until 2005. To become members of the business incubators, all tenants must be start-ups. They can remain as tenants benefiting from the subsidised rents for a maximum of three years, after which they must pay the full rental costs.

The subsidized services include office services such as:

- Office services (telephone, fax, receptionist);
- Training (start-your-own-business, improve-your-business, etc.); and
- Legal advice.

As stated in the Enterprise Policy Performance Assessment in 2005, there has been no progress in the development of business incubators since 2003. No official policy exists and there is no preparatory work to assess other potential locations for future

incubators or to identify funds for creating additional incubators. Despite a relatively long track-record with business incubators in Albania, the key relevant organizations remain largely ignorant of business incubators' objectives, functioning and general effectiveness. No progress has been made in disseminating information and promoting the role of business incubators to ministries, local authorities, as well as leaders of business associations, such as Chambers of Commerce and others (OECD and EBRD, 2005).

Very little is known about the extent to which the Albanian business incubators have been successful, their governance structures and/or their financial state. The authors of the study 'Small and Medium-Sized Enterprises Development, Albania' found surprising the fact that, the SME strategy refers to the establishment of incubators (and industrial parks) while there is no reference or/and description of the experiences with existing incubators, so they it can build on successful experiences or call for potential changes on the structure/management to make it a success story. Although the business incubators are under the responsibility of the Ministry of Labour and Social Affairs, any reference in any of the ministerial documents could be extracted. Therefore, the authors suggest encouraging the authorities to urgently undertake a comprehensive review of the incubator projects, measure their performances and offer recommendation for their potential use as promotional tools (Xhepa and Agolli, 2004).

To sum up, there is no strategy in place for sustainable business incubator operation. There is also a degree of institutional fragmentation in Albania: the Ministry of Economy, Trade and Energy (METE) is responsible for SME development, while the Ministry of Labour and Social Affairs is responsible for establishing and implementing business incubators. This reflects uncertainty about whether business incubators are employment/income generators or hi-tec / high growth generators; as well as the fact that there are no policies, strategies and resources in place for business incubator development in Albania.

Name of initiative:	Tirana Business Incubator
Contact person:	Not available
Email:	Not available
Website:	Not available

The Tirana business incubator was established with support of World Bank Training, Enterprise and Employment Fund in 1998. The business incubator is an institution of the Ministry of Labour and Social Affairs and is under the responsibility of the Employment National Service. The target of the business incubator is to induce the development of business via support of different projects about the development of the activities.

Activities of the Tirana Business Incubator are as follows:

- Management of Business Incubator;

- Demise of Business Incubator environment for small business operations; and
- Support and finance among credit for different projects (e.g. Creating of new business, Training among participation in work, Incubator of small business).

The Incubator was financed for the first three years of operation in order to assist to take-off. Since then, it has have been operating on a self financing basis, and had rent-free premises until 2005.

Recently, the Tirana Business Incubator sought a UNISTAR (UN Volunteers) advisor to analyse the efficiency of their services, which includes advising clients on new product development, marketing and improved business management. An Italian specialist in the small industries field, with prior volunteer experience in Albania and Croatia, was selected for the project. The consultancy resulted in the implementation of suggestions to strengthen human resources development and helped to maximise use of the existing physical space at the Incubator. The results of the analysis are not available at the time of compiling this thematic report.

Industry/Sector (technology area): Not available

International activities: Not available

Name of initiative:	Business Incubator in Shkodra
Contact:	Not available
Email:	Not available
Website:	Not available

The Business Incubator in Shkodra was created in 1999 with support of the World Bank Training, Enterprise and Employment Fund too. The incubator was working upon the same rules as the Tirana Business Incubator. The subsidized services included office services such as telephone, fax, and reception, training and legal advice.

It is not clear whether the Business Incubator in Shkodra is still operating as foreseen and have attained financial sustainability.

Industry/Sector (technology area): Not available

International activities: Not available

E) Others, related Organisations

There are several online **business support web-portals**:

- **Albanian Business Information Centre (ALBIC)** – <http://www.albic.net>) is presenting the network of the Regional Development Agencies. The Albanian Business Information Centre is supported by SOROS Foundation and contains business information including practical information in all the fields related to business: Fiscal system; Legislation; Financial system; Public procurement and Licensing; Online materials about business; Training and consulting, various publications, surveys and studies; online application forms and Discussion Forums. ALBIC offers comprehensive and updated information for "DOING BUSINESS" in Albania. Hundreds of informative pages, business guides online, manuals and much more in one place is available there and aims to be the biggest Business Information Portal in Albania.
- **SEEbiznet** developed by the former SME Agency. At the time of writing the report, the indicated webpage <http://www.seebiz.net.al> was not operating.
- **WIRAM/GTZ** is supposed to present the network of partners for local development on the internet. The website is nevertheless also not available.

Name of initiative:	Albanian Centre for International Trade (ACIT)
Contact:	Rr 'Deshmoret e 4Shkurtit', Sky Tower 71/2, Tirana, Albania
Email:	acit@acit-al.org
Website:	http://www.acit-al.org

The Albanian Centre for International Trade (ACIT) - a joint programme of the USAID and the Institute for Contemporary Studies (ICS) was established in 2002. The ACIT's mission is the improvement of the quality of trade policies in Albania, as an important instrument for the economic growth and development, as well as the increase in the benefits of the society and citizens from the opportunities created by the trade liberalization and integration.

To accomplish this mission, the ACIT has developed its program based on five main pillars – it operates as a:

- Study and research centre on international trade and trade policies;
- Dialogue forum among various stakeholders and interest groups, aiming at the improvement of trade policy formulation and the informed public debate;
- Resource centre, which provides direct access to information processed on the international trade of Albania and other countries;
- Capacity building centre in international trade policies; and
- Promotion centre for the competitiveness of the Albanian economy and products.

The aim of ACIT work is the improvement of the performance of the Albanian economy, the increase of employment and welfare, and the promotion of exports and

investments. Since its establishment, the ACIT has played an important role particularly as a centre of trade information and professional research in the area of trade policy. ACIT supports the decision-making and marketing processes by providing to the interested parties accurate information and knowledge on conditions, opportunities and risks involved in international trade issues, as well as through unbiased analysis on the trends and problems related to the Albania's international trade.

The Information Resource Center was established in the frame of the ACIT project and supports participatory and informed trade policy decision by providing all stakeholders with accurate information and data about conditions, opportunities and risks that international trade entails. Being client-oriented, the set-up of facilities, types of information and services provided will be by consulting their clients' needs and preferences.

Name of initiative:	Albania Center for Economic Research (ACER)
Contact:	A. Frasheri Str., Bldg. 4, Entr. 3, Apt. 24, Tirana, Albania
Email:	zpreci@adanet.com.al
Website:	http://www.balkannetwork.org/Albania1.htm

Albanian Center for Economic Research (ACER) was the first non-profit organization to emerge in Albania after the political changes in 1991. Founded and incorporated by a group of university professors, economists and bankers, ACER was registered in the Tirana District Law Court of Tirana in June 1993. ACER has been active in research identification and execution, information publication and dissemination throughout the public opinion exchange, aiming to:

- strengthen parliamentary democracy and private entrepreneurship in Albania; and
- encourage the wide-scale recognition of classical liberal values in Albanian society.

The objectives of ACER are to advance educational and scientific profile and understanding, in the field of the promotion of free enterprises, limited government and personal responsibility as pertaining to Albania; to publish, to conduct seminars, and to engage in such other and further means as may be necessary and proper to accomplish the foregoing objects and purposes. ACER encourages an open dialogue between scholars and policy makers and promotes public-private coalition building.

ACER's activity includes:

- Research and research management;
- Education and training;
- National policy development and legal and regulatory reform;
- Public outreach and advocacy; and
- Information exchange and dissemination.

Through many contacts in Albania and abroad, the Center has strengthened its staff professional capabilities and has become known for its accurate data collection, analysis, surveys and expertise. In 1994 supported by the International Center for Economic Growth (ICEG), ACER conducted a survey on Managerial Capacities of Albanian New Entrepreneurs. In 1995-1996 the Center performed the first Comprehensive Survey of Small Business in Albania. The analysis of this survey focused on financial topics of small businesses and included the impact of the informal financial sector (money lending); staff professional abilities; the establishing of a supportive environment for small businesses as well as prior topics for the future.

3 Conclusions/Recommendations

In overall terms, good progress has been made by the Government of Albania and the Ministry of Economy, Trade and Energy (METE) in setting out and beginning implementation of new policies to support the growth and development of SMEs. However, a stronger outreach and partnership with SMEs is needed, if the opportunities for growth of the sector are to be maximized.

Until now, there are four clusters established and other sectors are under review in order to facilitate the establishment of further 6-8 clusters in the agricultural and non-agricultural sector (e.g. textile, olive oil industry, wine producing and trading).

The situation with technology or science parks in Albania is not satisfactory as there are no parks in operation at the moment. The only existing innovation centre in Albania is the Business Innovation Center (BIC), based in Tirana.

Two business incubators are operation in Albania, but there has been no progress in the development of business incubators since 2003. There is no official strategy in place for sustainable business incubator operation and a comprehensive review of the incubator projects is still missing. The problem might be caused by lack of cooperation and communication between key governmental players – the Ministry of Economy, Trade and Energy (METE) is responsible for SME development, while the Ministry of Labour and Social Affairs is responsible for establishing and implementing business incubators.

In general, progress is still too dependent on donor support, raising questions about the medium-term sustainability of a number of programmes. Once these issues are addressed, Albania has the potential to move quickly to the next stage of policy development, where the focus will be on implementation more than elaboration.

Several issues related to policy implementation can be stated, main ones are relating to:

- Strengthening of institutions, in particular those directly related to SME development (Ministry of Economy, Trade and Energy, Department of Business Promotion including the Sector of SME Policies) and other various offices in different line ministries;
- Strengthening of communication and promoting effective dialogue between the Government and the private sector;
- Coordinating the activities of the various bodies working to support SME development;
- Reducing complexity and ensuring coherency and consistency in policy, laws, regulations, procedures and support programs; and
- Avoiding unnecessary changes in laws, regulations and programs to facilitate planning of investments. (Xhepa and Agolli, 2004)

The following recommendations can be given:

- **Develop a clear strategy** with a more comprehensive strategic vision supporting innovation infrastructures, **identify measurable objectives** and targets and develop monitoring instruments to **measure the progress**;
- **Strengthen the relationships** between various units of the ministries and Agency responsible for the SMEs development and **clarify the responsibilities** at the work position level;
- **Improve intergovernmental co-ordination** (essential to ensure transparency and harmonisation when SME policies are elaborated);
- **Reduce complexity** and **ensure coherency and consistency** in policy, laws, regulations, procedures and support programs;
- **Enhance and improve the involvement of business organisations** in the policy creation (giving them enough time to respond to various government initiatives and policy actions proposed);
- **Offer more support programmes** for establishing innovation infrastructure (e.g for technology and innovation centres, science parks, but also for incubators and clusters);
- **Implement technology or science parks**;
- **Strengthen communication** and promote **effective dialogue** between the government and the private sector (provide efficient **networking amongst key actors**)
- **Provide adequate support** with staff and finance for the institutions involved in support of innovation infrastructures;
- **Strengthen the staff capacities** through continuously offering training activities and other **capacity building activities**;
- **Follow up with best practices on implementation of SME policies** and institutions and prepare recommendations for potential changes;
- **Increase support for research, analyses and technical support**;
- **Better disseminate available information** (Albania regularly conducts business surveys, but disseminates only a small part of the available information);
- **Improve information access via internet – encourage use of internet services** (regularly update ministries' home pages carefully and use them as tools for information dissemination and consultation with various stakeholders. The same applies to businesses and others institutions.);

- **Properly evaluate the existing innovation infrastructures** (e.g. business incubators evaluation is currently missing);
- **Raise entrepreneurs' awareness** of the activities of innovation infrastructures;
- **Raise public awareness;**
- **Support also institutions which are not based in Tirana** (more effective support on another Albanian areas is necessary);
- **Build a system to regularly monitor** trends in the SME sector; and
- **Build trust and cooperation** among e.g. cluster members.

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6 List of Acronyms / Definitions

ACER - Albania Center for Economic Research
ACIT - Albanian Centre for International Trade
AEDA - Albanian Economic Development Agency
ALBIC - Albanian Business Information Centre
ALBINVEST - Agency of Albanian Business and Investments
ANIH - Agency for Foreign Investment Promotion
BAC - Business Advisory Council
BIC - Business Innovation Centre Albania
CARDS - Community Assistance for Reconstruction, Development and Stabilisation
CEE - Central and Eastern Europe
CEI - Central European Initiative
CSP - Country Strategy Paper
EBRD - European Bank for Reconstruction and Development
EC - European Commission
EDEM - Albania Enterprise Development & Export Market Services
EIB - European Investment Bank
EIT - European Institute of Technology
EPPAs - Enterprise Policy Performance Assessments
ERA-NET - European Research Area Network
EU - European Union
EUR - Euro (currency)
FDE - Fund for Development and Employment
FDI - Foreign Direct Investment
GoA - Government of Albania
GTZ - Deutsche Gesellschaft für Technische Zusammenarbeit
IASP - International Association of Science Parks
ICEG - International Center for Economic Growth
ICS - Institute for Contemporary Studies
ICT - Information and Communication Technologies
IFC - International Finance Corporation
IMF - International Monetary Fund
INTERREG - European Community Initiative
IPA - Instrument for Pre-Accession Assistance
ITIN - Individual Taxpayer Identification Number
LEDAs - Local Economic Development Agencies
MEFP - Memorandum on Economic and Financial Policies
METE - Ministry of Economy, Trade and Energy
MIPD - Multi-annual Indicative Planning Document
MoE - Ministry of Economy
NATO - North Atlantic Treaty Organisation
NGO - Non Governmental Organisation
NIS - National Innovation Strategies
NIS - National Innovation System
NRDP - National R&D Programmes
NSC - National Science Council
NSDI - National Strategy for Development and Integration

OECD - Organisation for Economic Co-operation and Development
OSF - Open Society Foundation
PEP-SE - Private Enterprise Partnership for Southeast Europe
PHARE - Poland Hungary Aid for the Reconstruction of the Economy
RDAs - Regional Development Agencies
R&D - Research and Development
SAA - Stabilisation and Association Agreement
SDC - Swiss Agency for Development and Cooperation
SEE - South-Eastern Europe
SEED - Southeast Europe Enterprise Development (World Bank Programme)
SEED - Support for Eastern European Democracy (USAID)
SMEA - former SME Development Agency
SMEs - Small and Medium Size Enterprises
S&T - Science and Technology
UHIPP - Association of Institutions that Promote Entrepreneurship
UN - United Nations
UNDP - United Nations Development Programme
UNESCO - United Nations Educational, Scientific and Cultural Organisation
UNISTAR - UN Volunteers
UNOPS - United Nations Office for Project Services
USAID - U.S. Agency for International Development
USD - US Dollar (currency)
WB - Western Balkans
WBC - Western Balkan countries

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THEMATIC REPORT on Innovation Infrastructures in the Western Balkan Countries

Bosnia and Herzegovina

D10

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1 Introduction

This thematic report is produced by the “Information Office of the Steering Platform on Research for Western Balkan Countries” and reviews the situation of Innovation Infrastructures in Bosnia and Herzegovina.

The report is based upon desk research, interviews and questionnaires with main stakeholders.

The objective of this study is to enhance our understanding of the national innovation system in Bosnia and Herzegovina. An overview of the situation as regards “Innovation Infrastructures” such as clusters, technology and innovation centres, technological and science parks, business-start-up centres/ technology incubators and some further related organizations is given. The general environment is described as well as important strategic documents and the main programmes and instruments for support. The report concludes with a list and description of the main infrastructures.

The report was compiled in summer 2007.

1.1 General Environment for Setting Up Innovation Infrastructures

This first section deals with rules and regulations, describes the national framework and the specific funds available.

In Bosnia and Herzegovina (BiH) enterprise policy is largely established at entity level. The country lacks a SME strategy, as well as policy design and implementation capability at state level. There are growing disparities in approach and level of development among the two entities and the District of Brčko. Some critical elements for establishing a level playing field across the country are still not in place (e.g. harmonisation of corporate tax, a national company register). There is a need to establish a system allowing regular information exchange, and to create synergies among locally managed programmes at state level.

BiH has already approved a major reform of the overall company registration system. It is moving towards harmonisation of company registration procedures, which are currently set at entity level. Development of a single company register has been delayed due to technical problems.

BiH appears to lag behind significantly in the entire business establishment process, due in particular to problems of agreement and co-ordination between different levels of government. An important development is the USAID Project SPIRA – Streamlining Permits and Inspection Regimes Activity (for the period 2005-09), which is designed to improve SMEs’ access to the market place by reducing administrative barriers to start-up and operation. SPIRA targets the pre- and post- registration

phases of limited liability and joint stock companies, and all phases for independent craft shop start-ups. The project will remap the procedures associated with business start-up, identify unnecessary or unjustifiable regulatory burdens, and (with the assistance of working groups) propose policy revisions to reduce start-up time. It is therefore hoped that conditions will quickly improve.

In Bosnia and Herzegovina, business regulations are mostly issued at entity level. The Republika Srpska has made the most progress in regulatory reform among the two entities. It has started to simplify business conditions through the Government's initiation of a 'Guillotine of Regulations'. The goal is to remove all barriers to business start-up and SMEs. There are 351 formalities currently subject to the guillotine, and about 900 initiatives for changing regulations.

A number of international projects also include the issue of business simplification (in alphabetical order):

- the UK Department for International Development (DFID) Reform of Business Registration Project;
- the USAID Streamlining Permits and Inspection Regime Activity (SPIRA) programme; and
- the World Bank Business/Environment Adjustment Credit (BAC) project. (OECD and EC 2007)

As stated in the Enterprise Policy Performance Assessment (OECD, EBRD 2003), the development of an institutional framework to support of SMEs and enterprise development is still in its infancy and its development is constrained by the complex constitutional structure of BiH. However, in recent months important steps have been made which may result in a more coherent institutional structure to support SMEs. Some progress has been also made in relation to the development of SME strategies. At the entity/district level, the Regional Development Strategy for the District of Brčko (2002 - 2006), adopted in June 2002, contains a SME development strategy as a priority development goal and refers to the establishment of a sound business environment, supported by adequate institutional infrastructure. Also, following the initiative of the Ministry of Industry and Technology, a Programme of Development of SMEs (2002 - 2005) was adopted in December 2001. On the basis of this programme, the Law on Incentives for SMEs was adopted in September 2002, according to which an Agency for SMEs and a Fund for SME Development should be implemented. There is no corresponding strategy for the Federation. Both strategies relate to their respective geographical territory and there is precious little co-ordination between the entities/district and the State level.

The business advisory service environment in BiH is fairly complicated, consisting principally of business centres and agencies, as well as regional development agencies (RDAs). A key mechanism for providing business advisory support is through the 25 business centres and agencies that have been formed in recent years, focusing primarily on support to the SME sector. The majority of them are based on international donor support:

- Agency for Local Development Initiatives (ALDI Gorazde);
- Business Centre in Srebrenica (support for return of refugees);
- Business Support Centre Brčko (part of Brčko District Regional Development Agency - BDDA);

- Central Bosnian Economic Development Agency (CeBeda);
- Chambers of Commerce business support departments (Sarajevo, Tuzla, Banja Luka, Chamber of Trade of BiH, etc.);
- Development of Women Entrepreneurship Programme, EG development society Tuzla;
- Enterprise Development Agencies established by UNDP/ILO in Banja Luka, Livno, Mostar, Brčko and Bihač;
- Regional Business Development Centres established by UNDP/UNIDO in Zenica and Banja Luka (the third in Bihač closed down due to lack of financial sustainability);
- Tuzla Agency for Local Development Initiatives (TALDI); and
- Others including EG Tuzla, LINK Mostar, NBR (Independent Bureau for Development) Gradačac and Forma-F Mostar and Economic research institutes (mainly linked to universities).

The business support centres and agencies listed above typically offer the following services: business consulting; enterprises development; business planning; access to credit and investment; market surveys and marketing (OECD and EBRD 2003).

1.2 Strategic Documents

Strategic documents reflecting National Innovation Strategies (NIS) have been already highlighted in Science and Technology Country Report Country – D6 Bosnia&Herzegovina (see.science.eu). To indicate several key documents, which have been formulated in order to set up the framework for innovation and technology development:

- ‘National Bosnia and Herzegovina SME Strategy’

The SME Strategy was drafted in 2005. Public hearings were delayed because of disagreements among the entities. There is still a lack of overall policy at the state level; creation of national SME Agency was foreseen in the strategy, which was not approved yet.

As stated in the EC Council Decision (COUNCIL DECISION of 30 January 2006 on the principles, priorities and conditions contained in the European Partnership with Bosnia and Herzegovina and repealing Decision 2004/515/EC), there is a need to adopt without further delay the currently proposed State-level SME strategy and start implementation of the prioritised actions. A sound and comprehensive industrial policy has to be developed immediately and integrated research policy has to be designed and implemented as soon as possible.

- ‘Development strategy of small and medium enterprises in the Republika Srpska for the period 2006 – 2010’

The Strategy has the goal to create a framework for establishing a dynamic, competitive and export-orientated sector of small and medium enterprises in the Republika Srpska in the next five-year period. The Strategy has been processed by the Republic Agency for Development of Small and Medium Enterprises in the cooperation with scientific associates: prof. dr Janko Cvijanović (University in

Belgrade), prof. dr Milenko Dostić (University in Sarajevo), prof. dr Vujo Vukmirica and prof. dr Sretko Košpić (University in Banja Luka), who have processed the key segments of the Strategy: Potentials for SME development; Obstacles for SME development; Export competitive capability of SME and Vision of long-term development of SME with the key programmes which should create the business environment for development of SME in the Republic of Srpska.

1.3 Specific Programmes and Instruments

Following programmes and projects supporting technology development are defined (in alphabetical order):

- EC Capacity Building for Trade and FDI Attraction to BiH;
- EC Quick Impact Facility (QIF);
- EFSE - the European Fund for Southeast Europe;
- EBRD Business Advisory Services (BAS) Programme;
- EBRD Western Balkans SME Finance Facility Project;
- EU Building Export Promotion Capability in BiH- EU EXPRO (Building Export Promotion Capability in BiH);
- EU Programme for Enterprise Revitalisation (EUPER);
- EU RED Programme (assistance to local cluster initiatives);
- EURED II Project (EU support to SME and Regional Economic Development in BiH);
- IFC/PEP Southeast Europe;
- Programme for Economic and Employment Promotion in BiH (GTZ);
- South East Europe Enterprise Development (SEED);
- UK Department for International Development (DFID) - Post-Privatisation Enterprise Restructuring Project (PPERP) and Reform of Business Registration Project;
- US Agency for International Development's - Cluster Competitiveness Activity (USAID CCA);
- USAID Business Development Programme (BDP);
- USAID Streamlining Permits and Inspection Regime Activity (SPIRA) Programme; and
- World Bank Business Environment Adjustment Credit (BAC) Project.

- Cluster Competitiveness Activity (USAID CCA)

The activity is sponsored by the U.S. Agency for International development (USAID) and is a four year program to assist businesses in sectors with great potential for economic development in Bosnia and Herzegovina: wood processing and forestry, and tourism. The goal of CCA, working with its partners, is to:

- increase overall revenues, exports, profits, and employment of the BiH wood and tourism sectors; and
- achieve institutionalized sustainability of joint action for individual company competitiveness for these two clusters.

CCA helps improve competitiveness by (i) encouraging cluster formation and cohesion, (ii) raising firm and industry productivity and links to global markets, and (iii) improving the policy and regulatory environment for doing business. CCA

provides consulting, training, analysis and support with access to finance and information on trade opportunities. USAID provides technical assistance through the Cluster Competitiveness Activity (USAID CCA), amounting to USD 16 million (July 2004 - July 2008).

More information can be downloaded at the project webpage: <http://www.usaidcca.ba>.

- World Bank Business Environment Adjustment Credit Project (BAC)

The credit supports the Government's reform program to improve the investment climate and strengthen a single economic space to promote domestic and foreign investment and private sector growth. Objectives of the reform program are to reduce those administrative and regulatory barriers that will have the most critical near-term impact on the three phases of business development: business entry, business operations, and business exit.

The reforms supported by the BAC aims to:

- facilitate business entry through creation of simplified and transparent countrywide approach to business registration and licensing and strengthened legal framework and capacity for attracting foreign investment;
- streamline the environment for business operation by reducing companies' administrative and regulatory compliance costs through rationalization of inspections and regulations, building judicial and extra-judicial capacity to resolve commercial disputes; improving enforcement of secured transactions; and ensuring equal access to public procurement, and
- ease business exit through strengthened bankruptcy and liquidation systems.

- Western Balkans SME Finance Facility Project of the European Bank for Reconstruction and Development (EBRD)

The project consists of credit lines to partner banks (PBs) and leasing companies (PLCs) for onlending to SMEs and Technical Cooperation (TC) to assist the banks in strengthening their SMEs risk appraisal and monitoring capabilities. The objectives of the Framework is to support the Western Balkans in the transition to a market economy by strengthening the financial sector and by increasing SMEs access to finance via the existing banks and leasing companies. These objectives are achieved by providing medium-term and working capital financing to SMEs and by assisting the PBs and PLs to incorporate high quality SME lending as an integral part of their on-going business activities. The EBRD provides finance, while the EC and other donors provide funds for TC.

- IFC/PEP Southeast Europe is part of IFC (International Finance Corporation), World Bank Group. The programme operates in Albania, Bosnia and Hercegovina, the FYR Macedonia, Serbia and Montenegro and was formally launched in July 2005 and has been established for an initial period of five years.

The Private Enterprise Partnership for Southeast Europe (PEP-SE) is catalyzing private sector development from a platform of four operational programs:

- Alternative Dispute Resolution;
- Corporate Governance;
- International Technical Standards and Regulations; and
- Recycling Linkages.

PEP-SE's private sector development programmes are co-financed by following countries: Austria, Canada, IFC, Netherlands, Norway, Slovenia, and Switzerland. For more information, please visit: <http://www.ifc.org/pepse>.

- Business Advisory Service Programme BiH (BAS)

The BAS Programme, administered by the European Bank for Reconstruction and Development (EBRD), has been established in order to assist the development of small and medium sized enterprises.

Objectives of the BAS Programme are:

- Assisting small and medium sized BiH enterprises by financially supporting business advice and activities to benefit from the best local consultants; and
- Developing and strengthening the skills and quality of local consultants and cooperating with those institutions which promote the development of small and medium sized enterprises in BiH (industry associations, chambers of commerce, entrepreneurs representative groups, etc.).

Areas of the BAS Programme support are: market research; business partner and investor search; selecting and appraising equipment to be purchased; improving organizational and business management structure; preparing business plans; developing and improving financial accounting and control systems; developing and upgrading management information systems; preparation and certification for quality management systems.

- Programme for Economic and Employment Promotion in BiH (GTZ)

The programme is being implemented by GTZ with co-financing of the Swiss Agency for Development Cooperation (DEZA) from January 2003 to December 2007. The programme's goal is to support private enterprises from selected industries in realizing their potential for growth and development. Jobs are created and safeguarded when companies are competitive and increase their ability to add value. So investment is to be stimulated, framework conditions improved, and market opportunities seized domestically and abroad.

GTZ advises business sectors, which show signs of economic recovery (light industry), form initial regional priority areas (wood/furniture) or are relevant to employment (tourism). In these sectors, cooperation is being developed step by step among enterprises, their suppliers and/or customers, among chambers, associations and technical schools and universities, and between providers of business services, testing laboratories, banks, and government agencies. Concurrently, municipalities are supported in instigating economic promotion. Here the focus should be on promoting business start-ups. Furthermore, executing organisations and ministries of the entities are advised on improving framework conditions. Development partnerships with industry (public-private partnerships) have also been set up.

- EURED II project (EU support to SME and Regional Economic Development in BiH)

The project began in December 2005 and lasted 21 months. EURED II built on the achievements of EURED (April 2003 - October 2005), which successfully strengthened two existing and established three new Regional Development Agencies (RDAs), which were then linked into an RDA network. EURED provided technical assistance (TA) to RDAs in the development of five Regional Economic Development (RED) Strategies, with the active participation of a wide range of

stakeholders, and provided assistance to the EC in managing the RED Fund, which financed forty-seven SME and tourism development projects throughout the country and supported the operational costs of the RDAs themselves.

The new project's overall objective was to stimulate economic growth and employment generation, thereby contributing to the creation of a basis for sustainable development and social dialogue in BiH.

- Capacity Building for Trade and FDI Attraction to BiH – TDI

Implementation of the Project started in March 2005 and was running until October 2006. The Project was focusing on the development of trade, on expanding trade opportunities, on raising the capacities of the BiH economy and, by so doing, on assisting BiH to reduce its trade deficit.

The Project intervened in the following 3 main areas:

- policy development, sanitary and phytosanitary (SPS) regulations and administration;
- foreign trade; and
- attraction of foreign direct investment.

The objective of the Project, supported by the European Commission, was to assist the State of BiH in developing the capacity to create a trade policy, consistent with international norms, as established by the WTO and SAA, and in the country's economic interests. A well conducted trade policy is of key importance to the improvement of the trade deficit, increasing export opportunities and attracting foreign direct investment.

- EU Building Export Promotion Capability in BiH - EU EXPRO (Building Export Promotion Capability in BiH)

This is 18 month Project funded by the European Union (EU), which commenced on 6 February 2006. The overall project objective is to build export promotion capacity in BiH to be achieved through implementation of 3 separate project components designed to:

- Provide capacity building support to MoFTER (Ministry of Foreign Trade and Economic Relations) and the FTC (Foreign Trade Chamber), in order to secure an effective institutional framework that can implement a BiH export promotion strategy;
- Assist the Foreign Trade Chamber in developing international competitiveness and capacity to export in specific sectors; and
- Improve access to trade and market information and increase awareness of BiH's export potential among BiH intermediaries and the business community in BiH and internationally.

- Quick Impact Facility (QIF)

The initiative of the European Commission (EC) addresses the issue of sustainable return of refugees through support to local economic development and job creation. It provides grants and consulting/training to SMEs in key return areas, strengthening the network of business service providers; assistance to local authorities to improve the business environment and development of public-private partnerships.

- EU Programme for Enterprise Revitalisation (EUPER)

The programme aims to revitalise about 40 medium-sized companies through turn-around management and restructuring support, facilitation of access to finance, development of markets (domestic and foreign), mitigation of the social costs of restructuring, particularly vocational training and support for start-ups.

- Department for International Development (DFID) - Post-Privatisation Enterprise Restructuring Project (PPERP)

The Project provides restructuring support to about 80 SMEs to secure viability and profitability. It assures assistance to the unemployed following restructuring and disseminates best practice from the process of restructuring.

1.4 Financing

The majority of programmes and projects supporting development of innovation infrastructure is financed by (in alphabetical order):

- Centre for Promotion of Imports Developing Countries (CBI - Netherlands);
- European Bank for Reconstruction and Development (EBRD);
- European Commission (EC);
- Federal Ministry of Foreign Affairs Republic of Austria;
- Gesellschaft für Technische Zusammenarbeit (GTZ);
- Government of Germany, Netherlands and France;
- SDC (DEZA) Swiss Agency for Development and Cooperation Projects;
- SPARK (formerly ATA);
- UK Department for International Development (DFID);
- UNDP (SUTRA project);
- U.S. Agency for International Development (USAID);
- World Bank; and
- others.

Many donor programmes (EU EXPRO, EU CIC, USAID CCA, CBI-Centre for Promotion of Import from Developing Countries, LEBID Neighbourhood Programme) are focused on export promotion, but only a small number of SMEs in strategic sectors actually benefit from them. Coordination of export promotion programmes is generally insufficient.

There is no guarantee fund operating nationally in Bosnia and Herzegovina, but there are design initiatives by some international donors, with some funds operating at the level of the entities (and in Brčko, in particular), and municipal projects such as in Mostar. Cross-entity projects are being developed as part of the EU-RED regional development scheme.

2 Existing Innovation Structures in BiH

2.1 Key Government Players

The Ministry of Foreign Trade and Economic Relations of BiH (MoFTER), MoFTER Department for Economic Development and Entrepreneurship (SME and RED Department) plays a crucial role in the SME development. There are also other BiH ministries, which are implementing SME related activities, e.g. Ministry of Finance and Treasury, Ministry of Justice, Ministry of Human Rights and Refugees and Ministry of Civil Affairs. Detailed description of each Ministries responsibility can be found in the Mapping and Analysis of Existing BiH - SME and RED Institutional Framework, issued in August 2006.

There is no fully operational national SME agency (or the equivalent) responsible for implementing SME policies which enjoy full political support in Bosnia and Herzegovina. There is the Republic Agency for Development of Small and Medium-sized Enterprises, which was created in 2004 in Republic of Srpska.

In Bosnia and Herzegovina, due to the complexity of the administrative structure and related governmental levels, several institutions are responsible for SME policy. Already indicated, the SME and RED Department is responsible for state level policy co-ordination with the entities and Brčko District. Co-operation is still limited, but a future agreement on the state level SME strategy and agency could lead to improvements in co-ordination. In the Republika Srpska there is a Department for SME and production craftsmanship in the framework of the Ministry of Economy, Energy and Development, which is responsible for SME policy elaboration, along with the operational Republic Agency for Development of SME, which is responsible for SME policy implementation. In the Federation of BiH (FBiH) and the Brčko District there are relevant departments for SME development within the Ministries, but no established leading institution in charge of SME policy elaboration (OECD and EC 2007).

As stated in the report of Pohl Consulting&Associates, published in 2004, the institutional framework to support SMEs is complex and under-developed but is improving over time mainly due to the efforts of international community. Since the situation differs dramatically, the following discussion differentiates between the BiH State (BiH), Federation of BiH (FBiH), Republic of Srpska (RS) and District of Brčko (DB) whenever possible (Pohl Consulting&Associates 2004).

Name:	Ministry of Foreign Trade and Economic Relations of BiH (MoFTER), MoFTER Department for Economic Development and Entrepreneurship (SME and RED Department)
Contact:	Musala 9, 71000 Sarajevo, Bosnia and Herzegovina
Email:	Not established yet
Website:	http://test.mvteo.gov.ba/ (only testing website)

Ministry of Foreign Trade and Economic Relations of BiH (MoFTER) is in charge of:

- Foreign trade policy and customs-tariffs policy;
- Drafting contracts, agreements and similar acts related to economic relations and trade with other countries;
- Drafting bilateral and multilateral agreements related to reconstruction of BiH;
- Relations with International organizations and institutions in the area of foreign trade and economic relations;
- Elaboration of macro-economic documents in the area of economic relations;
- Business environment, single economic space;
- Development and promotion of entrepreneurship;
- Controlling trade of goods and services subject to a special regime for exporting/importing;
- Consumer protection and competition; and
- Coordination of international economic aid programs, excluding EU aid programmes and Veterinary.

MoFTER is also in charge of the coordination of policies and plans of entities' bodies and international institutions in the areas of agriculture, energy, environment protection and natural resources and tourism.

According to the Mapping and Analysis of Existing BiH -SME and RED Institutional Framework, published in August 2006, the MoFTER Department for Economic Development and Entrepreneurship (SME and RED Department) main areas of responsibility are related to the determination of development policies in economic fields, macroeconomic analysis and forecasts, analysis and information for BiH institutions, proposing economic measures in cooperation with entities, following the effects of the economic policies and their socio-economic impacts. The work includes: legal and regulatory activities, analytical and operational work, provision of information and documentation, administrative and technical work. In the area of SMEs: cooperation with state and entity level institutions to improve the business environment for SMEs, cooperation with international and domestic (State, Entity and District Brčko levels) institutions that are related to SME development, in order to improve their operation, get financial support for SMEs, promotion of SMEs, development of a database of SMEs.

Name:	Federal Ministry for the Development of Entrepreneurship and Craftsmanship
Contact:	Stjepana Radića 33, Mostar, (Zgrada „Projektant“), Bosnia and Herzegovina
Email:	fmrpo@tel.net.ba
Website:	http://www.fmrpo.gov.ba/

The Federal Ministry for the Development of Entrepreneurship and Craftsmanship is responsible for developing the SME sector. This is in recognition of the importance of the SME sector and the necessity for effective co-ordination in the Federation of BiH (FBiH). The FBiH lacks an SME strategy at present.

Administrative, expert and other tasks as defined by the laws related to jurisdiction of the FBiH in the following areas:

- Stimulation of development, entrepreneurship and crafts;
- Support to application of innovations and introduction of modern technologies in the area of entrepreneurship and crafts;
- Increase of entrepreneurship and crafts share in the economy;
- Organizing of institutions for entrepreneurship and entrepreneurial infrastructure in the economy; and
- Training of entrepreneurs and craftsmen through regular and supplemental courses, as well as other tasks established by law.

Name:	RS (Republic of Srpska Government) Ministry of Economy, Energy and Development
Contact:	Vuka Karadžića 4, 78000 Banja Luka, Republic of Srpska
Email:	mper@mper.vladars.net
Website:	http://www.vladars.net/en/min/mer.html

The Ministry of Economy, Energy and Development has established a Department of Private Entrepreneurship, which has prepared and adopted an SME strategy (Programme of Development of SMEs 2002 - 2005) in 2001. The strategy defines SMEs using a similar definition to that of the EC. Furthermore, an Agency for SMEs was created in 2003 to implement the SME strategy. Although it was expected to have a budget of EUR 75,000 in 2003, it was not yet established due to a lack of sufficient state funds. The same applies to the Fund for SME Development. Both Agency and Fund were planned to be implemented as they were key parts of the economic policy of RS Government in 2004 (Pohl Consulting&Associates 2004).

Name:	Agency for Development of Small and Medium-sized Enterprises SME Development in Republic of Srpska
Contact:	Slavka Radica 4, 78 000 Banja Luka, Republic of Srpska
Email:	rars-msp@blic.net
Website:	http://www.rars-msp.org

The Agency for Development of Small and Medium-sized Enterprises SME Development in Republic of Srpska was established in 2004 and is founded in compliance with the Law on Support to Development of Small and Medium-Size Enterprises. The Agency works as a non-profit organisation.

The mission of the Agency is to support founding and development of small and medium-size enterprises and entrepreneurship in Republic of Srpska via following goals:

- Enhancement of participating of SMEs in the economy of Republic of Srpska;
- Enhancement of technological development, competitiveness and openness of new market for SMEs;
- Education for entrepreneurship; and
- Enhancing the number of business subject and new-employed workers in SMEs.

The Agency for Development of Small and Medium-sized Enterprises SME Development in Republic of Srpska fulfil following tasks:

- Elaboration of the strategy and development of a policy of SMEs in Republic Srpska;
- Defining policy for directing development funds;
- Following the realization of the development programme of SMEs (developed by Ministry of Industry in cooperation with various stakeholders);
- Stimulating the establishment, work and development of SMEs;
- Analyzing the position and development, and supporting investments into SMEs;
- Coordinating activities in the field of proving and using funds for financing the programmes, projects related to SMEs;
- Selling or giving for lease or use the real estates and other infrastructure premises owned by RS, which are given to the Agency to manage on the basis of a Program under commercial or improved conditions, including allocation without compensation;
- Providing support for the increase of employment, professional training;
- Giving support for participation in international fairs, exhibitions and promotion of entrepreneurship;
- Provision of assistance in realization of direct local and foreign investments in SMEs and providing support for innovatory activities;
- Giving approval to the act of establishment of local agencies and local funds;
- Organization, collection and processing of legal and other information of interest to the SMEs, local and foreign market research;

- Establishment of a single information system for statistical data and information;
- Monitoring, analysing and reporting on the results of stimulating measures; and
- Cooperation with international institutions in the SME sector.

Name:	The Department of Economy of the Government of Brčko District (DB)
Contact:	Miroslava Krleze 1, Brčko District
Email:	Not available
Website:	http://www.bdcentral.net

The Department of Economy of the Government of Brčko District (DB) deals with SME development. Since 2001, the key focus has been on establishing the Regional Development Agency (RDA) of Brčko District as the implementing agent, targeted by the framework provided by the approved Regional Development Strategy (2002 - 2006). The RDA has developed a “one-stop-shop” for business registration; delivers business support services; deals with trade and investment promotion, etc.

2.2 Key Innovation Infrastructures

The following section gives an overview on the main existing innovation infrastructures in Bosnia and Herzegovina (clusters, technology and innovation centres, technological and science parks, Business-start-up centres/ Technology Incubators and some further related organizations).

A) Clusters

Bosnia and Herzegovina benefits from two main cluster development programmes supported by international donors (USAID and GTZ). USAID provides technical assistance through the Cluster Competitiveness Activity (USAID CCA), amounting to USD 16 million (July 2004 - July 2008) and GTZ supports a growing automotive component cluster, comprising companies from throughout the country. Further assistance is provided to local cluster initiatives through the EU RED programme and within the regional programming documents. As stated in the Report on the Implementation of the European Charter for Small Enterprises in the Western Balkans (EC 2007, OECD 2007), despite this policy framework and support provided by donors, there is a lack of government financial support and of integration of participating companies in joint initiatives for the creation of value chains that could improve the quality of products and services.

Apart from operating Automotive, Wood and Tourism Clusters, analyses of possibilities for establishing of metal processing cluster in Central BiH region were maintained. Additionally another cluster for knitwear is being planned in Srbac.

As stated in the OECD publication from 2007, two of the industry's heavyweights, Mittal Steel and Aluminij Mostar, even plan to build cross-border clusters (OECD 2007).

Name of initiative:	Automotive Cluster Bosnia and Herzegovina (AC-BiH)
Contact person:	Kruno Rasić
Email:	kruno.rasic@ac-bih.ba
Website:	http://www.ac-bih.ba/

The main objective of the Automotive Cluster Bosnia and Herzegovina (AC-BiH) is to increase the competitiveness of its members, which are companies active in the field of the automotive (supplier) industry. The AC-BiH brings together the competences of its members along the supply chain and acts as a platform and motor for technological innovations, national and international co-operations, marketing and distribution. The realisation of the objectives is done, in particular, through the following measures:

- Representation of the members' interests with respect to economic and other associations as well as administrative bodies;
- Support with the development of recommendations and strategies also in the field of international co-operation projects e.g. in the areas of market entry, research & development for the automotive sector;
- Exchange of ideas and information as well as continuous contact with relevant national and international stakeholders;
- Organisation of seminars, workshops and conferences on subjects of interest to the members and to promote exchange of know how and experiences between entrepreneurs, politicians and scientists;
- Setting up and moderating of horizontal networks, i.e. promoting co-operation between companies from the same level in the value chain in joint projects, such as distribution, production, purchasing and R&D projects;
- Setting up and moderating of vertical networks, i.e. promoting co-operation between companies from different levels in the value chain (R&D, production, marketing) in joint projects to effectively build up module competence;
- Offering of consulting and other services in the framework of the cluster objectives aimed at increasing the competitiveness of the members;
- Implementing general measures to increase the renown of the member companies and of BiH as an automotive region with potential for investments for international companies from the automotive supplier sector.

Industry/Sector (technology area): Automotive industry

International activities: Major financier is German Gesellschaft für Technische Zusammenarbeit (GTZ).

Name of initiative:	Wood Processing and Forestry Cluster (WP&F Cluster)
Contact person:	Lukša Šoljan (Cluster Team Leader)
Email:	lsoljan@usaidcca.ba
Website:	http://www.usaidcca.ba/

The establishment of the Wood Processing and Forestry Cluster (WP&F Cluster) was one of the 10 priority projects of Regional Economic Development Strategy is undertaken in partnership with USAID Cluster Competitiveness Activity (USAID CCA). Official presentation of the Project was conducted in January 2005 presenting experiences of developed countries and countries in the region in relation to process of competitiveness improvement through cluster establishment.

First meeting of Cluster group was held in February 2005, where the problems in wood processing sector were defined. Problems were categorized, ranked and target markets were defined for each category of wood processing sector. Action teams were established in March 2005 and within each team major activities were defined and ranked.

Current Cluster activities are supported and organized by USAID CCA:

- Development of agents and representatives network in EU;
- Support in marketing activities (catalogues, trade fairs, B2B);
- Promotional activities in attracting investments;
- Development of studies and analyses to contribute to sector and cluster growth;
- Support to universities, Academy of Industrial design, Mechanical faculties, Secondary vocational schools,
- Activities on establishment of Technological Excellence Center in BiH;
- Support to development of QMS in firms, forestry sector, partners;
- Activities to ensure adequate access to capital and to establish timber supply system; and
- Activities in development of Forestry (certification, benchmarking, communications, image improvement).

Industry/Sector (technology area): Wood and forest products

International activities: From the beginning of its activities, the WP&F Cluster has been promoting inter-cluster cooperation especially with WP&F clusters from Southeast Europe and other countries of Central Europe. Austria and Slovenia are countries which long ago recognized the clustering benefits and are major cooperating partners (Holzcluster Styria and Lesarski Grozd-Pivka).

Name of initiative:	Tourism Cluster “Institute for Collaboration” (IFC)
Contact person:	Snjezana Derviskadić (Cluster Team Leader)
Email:	sderviskadic@usaidcca.ba
Website:	http://www.usaidcca.ba/

The USAID Cluster Competitiveness Activity (CCA) functions as the “Institute for Collaboration” (IFC) of the BiH Tourism Cluster. It has taken the initiative to bring together stakeholders from the cluster in three regions of BiH (Herzegovina, Krajina, and Sarajevo) and has facilitated the formation of working groups to deal with key competitiveness challenges in tourism. As the cluster’s IFC, CCA provides support to many joint action initiatives that improve BiH tourism products and expand markets. All of CCA’s activities are on behalf of the cluster. Eventually, CCA will pass its responsibilities on to a local institution that will become the BiH Tourism cluster’s permanent IFC. The project’s headquarters is in Sarajevo with offices in Banja Luka and Mostar.

There are 3 regional tourism sub-clusters in Sarajevo, Krajina and Herzegovina at the moment.

Industry/Sector (technology area): Tourism

International activities: Extensive participation in major tourism trade fairs and promotion of BiH country image.

B) Technology/Innovation Centres

In Bosnia and Herzegovina co-operation between universities and large companies is generally at a very low level in terms of technology innovations and transfer. Efforts have been made at entity level to try to change this situation. The most advanced entity is the Republika Srpska, where there is organised support for innovation, co-ordinated by the Republic Ministry of Science and Technology. With Ministry support the recently formed Centre for Technology Transfer and Centre for Quality are now operational. In the Federation of Bosnia and Herzegovina (FBiH) plans for the establishment of technological parks in Zenica, Sarajevo and Tuzla are being progressed. No initiatives are being undertaken by the Brčko District. Few initiatives are being taken at state level to co-ordinate actions in this area.

Technology transfer mechanisms are limited to initial work on clusters. However, in the district of Brčko, an ambitious innovation and technology triangle Brčko-Bijeljina-Tuzla is part of the district’s 2002 - 20306 economic development strategy. It would link the educational infrastructure of the three towns to their industrial sectors. The project has nonetheless so far not been implemented (European Commission 2006).

Name of initiative:	Research Innovative Technology Center (RITC)
Contact person:	Mediha Zukić
Email:	Not available
Website:	More information available via the Regional Development Agency for Central BiH Region: http://www.rez.ba

As stated in presentation of Maja Kišić - Regional Development Agency for Central BiH Region (REZ) in February 2007, there is a plan of the Agency to create Research Innovative Technology Center (RITC) with the following objectives to:

- improve the competitiveness of SMEs in processing industry;
- enhance collaboration between private sector, universities and research institutes; and
- promote and support research and development activities.

When finalizing the report, no more information available.

Industry/Sector (technology area): Not available

International activities: Not available

Name of initiative:	Entrepreneurship and Innovation Centre at the University of Zenica
Contact person:	Darko Perković
Email:	dpetkovic@mf.unze.ba
Website:	Not available

As indicated in the list of List of Tempus CARDS Joint European Projects selected by the European Commission in 2006, the partners of the project aiming at establishment of the Entrepreneurship and Innovation Centre at the University of Zenica are:

- Ministry of Civil Affairs of Bosnia and Herzegovina - Sarajevo (BA);
- University Incubator Primorska Ltd. - Koper (Slovenia); and
- World University Service Bosnia and Herzegovina (SUS BiH) - Sarajevo (BA).

No more information available when finalizing the report.

Industry/Sector (technology area): Not available

International activities: Not available

Name of initiative:	Innovation Center Banja Luka (ICBL)
Contact person:	Zoran Gajić (General Manager of EXIT Centre)
Email:	zoran.gajic@exitcentre.org
Website:	Not available

The Innovation Centre Banja Luka (ICBL) will be a base of innovation in Republic of Srpska, providing relevant incubation and business development services, as well as market-oriented and professional consulting, training and conference facilities. The driving force and central goal behind the ICBL is the paramount need for creation of future-oriented jobs, especially based on knowledge and technology, and to assist entrepreneurs in creating successful companies.

Within the implementation process, the preliminary study report with basic plan of content was carried out (September 2007). The Centre will be open at the end of 2008.

The Centre shall be organized as a foundation owned by Republic of Srpska, City of Banja Luka, University of Banja Luka and The Norwegian institution appointed by Norwegian authorities. The EXIT Group will assist in the management of the centre and provide in-house and external consulting services on business terms. The ICBL will combine incubation, consulting and training departments, including conference facilities. The centre will offer 30 start-up and 15 plain offices, laboratories, meeting rooms, classrooms for training, amphitheatre with 150 seats, copy/print centre and other services.

The incubator will help to develop business ideas and create jobs. It will provide an entrepreneurial and learning environment, ready access to mentors and investors, and visibility in market place for app. 30 tenants, offering a mix of office and meeting room space to ensure that units of different sizes are available to suit tenants at different stages of growth.

A professional and independent consulting element, offering business consulting services in-house and to the general market is a necessary part of the centre. Consulting services will cover wide range of business areas, including project construction and project management, financing, organizing, marketing, innovation, networking, business planning and technology consulting. The training element of the centre will be combined with conference facilities, offering opportunities for organization of seminars and conferences on local, regional, national as well as on international level.

Industry/Sector (technology area): Knowledge-based economy (with focus on Information and Communication Technologies, Agricultural and food production, Processing industry, Biotechnology, Pharmaceutical and cosmetics industries, Tourism, Organic production and certification, etc).

International activities: Co-operation with Norwegian Authorities and SIVA (The Industrial Development Corporation of Norway).

C) Technological and Science Parks

No Technological and Science Parks have been implemented in BiH but there is a plan to establish a Science and Technology Park in Zenica based on the infrastructure and the skilled and educated workers of “Kemal Kapetanović” (metallurgy institute). This institute was a distinguished scientific research institute, linked to the steel factory in Zenica (the biggest in the former Yugoslav Republic) and the Faculties of Metallurgy and Machinery. There also appears to be scope for establishing technology parks in university towns such as Sarajevo, Banja Luka, Mostar and Tuzla, however, much more research and analysis is required before this becomes a reality (Pohl Consulting&Associates 2004).

As indicated in one of the presentation of Ismar Alagić and Maja Kišić from REZ Agency, the future task of REZ Agency related to above mentioned Science and Technology Park Zenica is to assure that the Park will:

- improve the competitiveness of SMEs in processing industry;
- enhance collaboration between private sector, universities and research institutes; and
- promote and support research and development activities (Alagić and Kišić 2007).

D) Business-start-up Centres/ Technology Incubators

In Bosnia and Herzegovina incubators are mostly supported by donor countries, with in co-operation by local government. More than six pilot incubators operate throughout the country, but their main purpose is job creation. In BiH, while public initiatives and strategies take time to be elaborated and implemented and are still under discussion, a significant number of SMEs have indicated a preference for private service providers.

The Active Business Incubators in BiH are based in Gradačac (formed in 1998), Modrica-Tarevci (2002) and Mostar (2003). Two projects have been approved by the EU Quick Impact Facilities 2 (EC programme) in Zenica and Žepce at the end of 2003. Each project received EUR 40.000 worth of support to help establish the incubators using exist infrastructure and buildings. During 2003, feasibility studies were undertaken to create incubators with an Information Communication Technology focus in Bugojno and Sarajevo.

As stated in the SME Sector in the CARDS countries: A Panorama at Country and Regional Level, there is a lack of policy with respect to business incubators in BiH; the responsibility for implementation is unclear; and the national and international resources to promote them effectively are missing. More generally, there is still a lack of awareness of what they are on the part of entrepreneurs, ministries, business associations, etc (Pohl Consulting&Associates 2004).

BiH with its Business Start-Up Centre Zenica (BSC Zenica) participates in the **Southeast European Network of Business Start-up Centers and Incubators (SENSI)**. The network was set up under the auspices of the SPARK in Tuzla (BiH) on October 20, 2006, and is a regional network of business start-up centres and incubators with more than 20 members through the whole region of Southeast region (from Slovenia to Macedonia).

By bringing together the different local backgrounds, shared experiences, forces and know-how of business start-up centres and incubators in 8 countries (Slovenia, Croatia, Macedonia, Serbia, Kosovo, Montenegro, Bosnia & Herzegovina and the Netherlands), SENSI members aim to improve their support and business services to young entrepreneurs and start-ups.

In cooperation with Universities from South East Europe, local governmental institutions and local business communities, SENSI enhances the capacity of entrepreneurship in South East Europe.

For more details concerning the SENSI network, its members, and contact lists, please visit the web-site: <http://www.sensi.biz/>

Name of initiative:	Business Start-Up Centre Zenica (BSC Zenica)
Contact person:	Nino Serdarević (BSC Project Coordinator)
Email:	n.serdarevic@bsczenica.org
Website:	http://www.bsczenica.org

The Business Start-Up Centre Zenica as a part of a wider regional network of Business Start-up Centers and Incubators in South Eastern Europe (BSC Network - covering Serbia, Montenegro, UNMIK/Kosovo, Macedonia and BIH) was established on May 8, 2007. The Memorandum of Understanding was officially signed and Business Start-Up center was opened.

The Centre is supported by SPARK (formerly ATA - The Academic Training Association) through a grant of the Dutch Government and also local partners provide contributions in kind. The BSC Zenica offers young entrepreneurs up to the age of 35 training, consultancy, working space and access to micro-credit which will lead to the establishment of new and innovative small and medium enterprises. Services provided by Business Start-Up Centre Zenica are: trainings, micro credits, incubation space and consultancy works.

Industry/Sector (technology area): All technology sectors, special emphasis on young population 18-35 of age, and innovative businesses.

International activities: As a part of the BSC Network cooperating with Macedonia, Montenegro, UNMIK/Kosovo, Serbia.

Name of initiative:	Business Start-Up Centre University of Tuzla
Contact person:	Sanja Hajdukov (Project coordinator)
Email:	sanja.hajdukov@untz.ba
Website:	http://www.bsc.untz.ba/indexeng.html

The Business Start-Up Centre is located at rectorate of Tuzla University. The centre is financially supported by Federal Ministry of Foreign Affairs Republic of Austria and local NGO Taldi Tuzla.

The Center's aim is to promote and develop the idea of entrepreneurship among students of all faculties at Tuzla University. The project provides the additional education from this field, trainings and consultancy services with the aim to encourage students to start up their own business.

Target groups of the Business Start-Up Centre University of Tuzla are:

- Graduate students of all Faculties from Tuzla University;
- Young people who recently completed the studies and didn't find employment still and who want to get the entrepreneur skills; and
- Post graduate students.

The Business Start-Up Center has a team of consultants, who are giving lectures, consultancies and examples from their expert's experiences. The education in the Center covers the following themes: Product/Development of the product; Market and Competition; Organization and the management of SMEs; Marketing; Financial plan/Finances/Resources and Legal framework for the registration of SMEs.

Industry/Sector (technology area): All technology sectors with a special focus on students and young people.

International activities: Participation in the network of business centres and incubators in South-Eastern Europe.

Name of initiative:	Business Innovation and Technology Centre Tuzla (BIT Centre)
Contact person:	Robert Martić (Incubator Manager)
Email:	info@bit.ba
Website:	http://www.bit.ba

The Business Innovation and Technology Centre Tuzla (BIT Center) project has a main goal to provide opportunity for young prospective experts and entrepreneurs to start and develop their businesses. Individuals who have idea or project, young

established companies or well established companies that want to expand their markets can apply to the BIT Centre.

The BIT Incubator was established, as part of the BIT Center Tuzla, in October 2005. The purpose of the Incubator is to assist and speed up business development processes in companies located in the BIT Center Tuzla.

Industry/Sector (technology area): ICT

International activities: Not available

Name of initiative:	Business Incubator in Gradačac
Contact person:	Not available
Email:	Not available
Website:	Not available

The Business Incubator in Gradačac was created in 1998.

Industry/Sector (technology area): Not available

International activities: Not available

Name of initiative:	Business Incubator in Modrica-Tarevci
Contact person:	Not available
Email:	Not available
Website:	Not available

The Business Incubator in Modrica-Tarevci was created in 2002.

Industry/Sector (technology area): Not available

International activities: Not available

Name of initiative:	Business Incubator in Mostar
Contact person:	Not available
Email:	Not available
Website:	Not available

The Business Incubator in Mostar was created in 2003.

Industry/Sector (technology area): Not available

International activities: Not available

Name of initiative:	Business Incubator in Zenica
Contact person:	Not available
Email:	Not available
Website:	Not available

The Business Incubator in Zenica was created in 2003.

Industry/Sector (technology area): Not available

International activities: Not available

Name of initiative:	Business Incubator in Žepce
Contact person:	Not available
Email:	Not available
Website:	Not available

The Business Incubator in Žepce was created in 2003.

Industry/Sector (technology area): Not available

International activities: Not available

E) Others, related Organisations

Name of initiative:	Foreign Investment Promotion Agency of Bosnia and Herzegovina (FIPA)
Contact person:	Haris Bašić (Director)
Email:	fipa@fipa.gov.ba
Website:	http://www.fipa.gov.ba/

The Foreign Investment Promotion Agency (FIPA) of Bosnia and Herzegovina (BiH) was established by the Council of Ministers of BiH in August 1998, but effectively

started operating at the end of 1999. The Steering Board of FIPA consists predominantly of representatives from the private sector and foreign investors.

The Agency is a State Agency established with the mission to:

- attract and maximize the flow of foreign direct investment into Bosnia and Herzegovina, and encourage existing foreign investors to further expand and develop their businesses in BiH;
- facilitate the interaction between public and private sectors, and have an active role in policy advocacy in order to contribute to continually improving environment for business investment and economic development; and
- promote a positive image of Bosnia and Herzegovina as a country that is attractive to foreign investors.

The Government of BiH has mandated the Foreign Investment Promotion Agency to facilitate and support foreign direct investment. The Agency offers practical assistance in dealing with government institutions, by working directly with investors and, more structurally, by assisting the government in improving the legal framework for foreign investments. FIPA will also assist investors to develop contacts with the public and private sector.

The fact-sheets with investment-related indicators, matchmaking and sector studies, elaborated by FIPA's experts and independent consultants, ensure that investors are fully aware of the opportunities that BiH presents. Moreover, FIPA works alongside the embassies and diplomatic missions of BiH that can also help you explore investment opportunities in our country.

FIPA provides data, information, analysis and advice on the business and investment environment, including the legal framework for foreign direct investment; investment incentives; and economic and business trends.

FIPA identifies and presents available investment opportunities:

- Investment projects in the development-phase or ready for implementation;
- Companies in the process of privatisation; and
- Local companies seeking foreign partners.

Key players in the development on innovation infrastructure in the BiH are also **Regional Development Agencies (RDAs) and also Business Support Centres (BSCs)**. As stated in the Mapping and Analysis of Existing BiH - SME and RED Institutional Framework (August 2006), they were first set up to assist regions undergoing economic crisis to identify new economic opportunities. RDAs act as the catalyst, and driving force of the regional development process. In the broadest sense, RDAs have a wide remit which encompasses developing a strategic framework, establishing mechanisms for consultation with partners in the region, coordinating and representing partners' views, managing and implementing projects and providing or identifying sources of matching funding for projects.

There is no universal model or structure for the ideal RDA, each country has its own concept. RDAs can be funded in different ways, but are usually established and supported significantly by national governments and /or municipalities.

The more common activities RDAs engage in include:

- Regional Strategic Planning;
- SME Development;
- Training;
- Regional Marketing and Promotion;
- Development of Business Parks, Enterprise Zones, Business Incubators; Innovation Centres and Technology Parks;
- Rural development and Tourism;
- Attracting Direct Foreign Investment; and
- Participating in EU funded programmes and pilot projects.

RDAs are one of the key players in initiating and co-ordinating regional development strategies, which is normally a requirement before EU funds are dispersed within a region. By harnessing all economic forces and assets, RDAs are central to promoting dynamic regional development and securing positive change, through new development projects, that impact directly on the overall social and economic fabric of a region.

In 2003, there was a network of 5 Regional Development Agencies (RDAs) established under the framework of Regional Development Project supported by EC, covering the whole territory of BiH:

- North East BiH (NERDA);
- Herzegovina (HERDA);
- Sarajevo (SERDA);
- Central BiH (REZ-RDA); and
- North-West BiH (ARDA).

3 Conclusions/Recommendations

Bosnia and Herzegovina (BiH) lacks a SME strategy and there is no fully operational national SME agency (or the equivalent), which would have full political support across the country. The situation differs dramatically between the BiH State (BiH) and its entities Federation of BiH (FBiH), Republic of Srpska (RS) and District of Brčko (DB). Only the Republic Agency for Development of Small and Medium-sized Enterprises exists, which was created in 2004 in Republic of Srpska.

BiH appears to lag behind significantly in the entire business establishment process, due in particular to problems of agreement and co-ordination between different levels of Government. The development of an institutional framework to support SMEs and enterprise development is still at the beginning and its development is constrained by the complex constitutional structure of BiH. Therefore, the major recommendations for BiH will primarily focus on defining and approving a SME strategy, establishing National Agency for SME development, assigning clearly organisational responsibility for the development of SME policy and assuring communication and consultation across the country.

The country benefits from two main cluster development programmes supported by international donors (USAID Cluster Competitiveness Activity - CCA and GTZ) and there are three clusters operating (Automotive, Wood Processing and Forestry and Tourism Cluster). Analyses for establishing of Metal Processing cluster in Central BiH region and cluster for Knitwear in Srbac were maintained.

The co-operation between universities and large companies in the country is generally at a very low level in terms of technology innovations and transfer. The most advanced entity is the Republika Srpska.

No Technological and Science Parks have been implemented in BiH, but there is a plan to establish Science and Technology Parks in Zenica, Sarajevo and Tuzla.

There is a lack of policy with respect to business incubators in the country; the responsibility for implementation is unclear; and the national and international resources to promote them effectively are missing. The incubators are mostly supported by donor countries, in co-operation with local governments. At the moment, there are 8 incubators or business start-up centres operating, but in most of the cases, on-line information is not available.

The following recommendations can be given:

- **Approve SME strategy and establish National Agency for SME development** (co-ordination of SME policy and strategy at state level is necessary);
- **Assign clearly organisational responsibility** for the development of SME policy;

- **Prioritise the support to SMEs through national policy** by focusing on subsidised business support services, **especially targeting start-ups**;
- **Develop a policy** with respect to **business incubators** including responsibility for implementation and securing commensurate national and international resources in order to promote business incubators effectively;
- **Reduce complexity and ensure coherency and consistency** in policy, laws, regulations, procedures and support programmes, particularly between fiscal and developmental policies;
- **Establish policies and instruments** to facilitate the development of technology and its intake by companies;
- **Improve the coordination of export promotion programmes**;
- **Assure communication and consultation** effectively with SMEs throughout the country (regular and effective two-way dialogue between the Government and the business community);
- **Guarantee adequate and sustainable financial support** for created structures;
- **Assure better co-ordination of activities** of the various bodies working to support SME development;
- Significantly **improve co-ordination** of SMEs' projects and initiatives at the **international institution/donor level**;
- **Disseminate information and promote the role of business incubators**;
- **Develop better systems for business data collection and processing**;
- **Develop of web sites** for the key SME institutions and **assure better quality of information and services**.

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6 List of Acronyms / Definitions

AC-BiH - Automotive Cluster Bosnia and Herzegovina
ALDI - Agency for Local Development Initiatives
ATA - Academic Training Association
BAC - Business/Environment Adjustment Credit
BAS - Business Advisory Service Programme BiH
BDDA - Brčko District Regional Development Agency
BDP - Business Development Programme
BiH - Bosnia and Herzegovina
BIT Centre - Business Innovation and Technology Centre Tuzla
BSC Zenica - Business Start-Up Centre Zenica
BSCs - Business Support Centres
CARDS - Community Assistance Reconstruction Development Strategy
CeBeda - Central Bosnian Economic Development Agency
CEI - Central European Initiative
DB - District of Brčko
DEZA - Swiss Agency for Development Cooperation
DFID - The UK Department for International Development
EAR - European Agency for Reconstruction
EBRD - European Bank for Reconstruction and Development
EDEP - Enterprise Development and Entrepreneurship Programme
EC - European Commission
EFSE - European Fund for Southeast Europe
ERA - European Research Area
EU - European Union
EUR - Euro, currency
FBiH - Federation of BiH
FDI - Foreign direct investment
FIPA - Foreign Investment Promotion Agency of Bosnia and Herzegovina
FTC - Foreign Trade Chamber
GDP - Gross domestic product
GTZ - Deutsche Gesellschaft für Technische Zusammenarbeit
IBRD - International Bank for Reconstruction and Development
ICBL - Innovation Centre Banja Luka
ICT - Information and Communications Technology
IFC - International Finance Corporation
IFC - “Institute for Collaboration”
IPA - Pre-Accession Assistance
MoFTER - Ministry of Foreign Trade and External Relations
NIS - National Innovation Strategies
OECD - Organisation for Economic Cooperation and Development
PBs - partner banks
PEP-SE - Private Enterprise Partnership for Southeast Europe
PHARE - “Poland and Hungary: Aid for Restructuring of the Economies”
PLCs - partner leasing companies
PPERP - Post-Privatisation Enterprise Restructuring Project

PRSP - Poverty Reduction Strategy Programme
QIF - Quick Impact Facility
RDAs - Regional Development Agencies
RED - Regional Economic Development
REZ - Regional Development Agency for Central BiH Region
RITC - Research Innovative Technology Centre
RS - Republic of Srpska
RTD - Research and Technological Development
RTDI - Research, Technological Development and Innovation
R&D - Research and Development
SAA - Stabilisation and Association Agreement
SBRA - Serbian Business Register Agency
SDC - Swiss Agency for development and Cooperation projects
SEED - Southeast Europe Enterprise Development
S.E.N.S.I. Network - the Southeast European Network of Business Start-up Centres and Incubators
SIVA - Norwegian Development Corporation
SMEs - Small and Medium Size Enterprises
SPARK (formerly ATA - The Academic Training Association)
SPICE Group - Science Parks and Innovation Centres Experts Group
SPIRA - Streamlining Permits and Inspection Regimes Activity
SPS - sanitary and phytosanitary
STI - Science, Technology and Innovation
BUS BiH - World University Service Bosnia and Herzegovina
S&T - Science and Technology
TA - Technical Assistance
TALDI - Tuzla Agency for Local Development Initiatives
TC - Technical Cooperation
UNDP - United Nations Development Programme
UNIDO - United Nations Industrial Development Organisation
USAID - United States Agency for International Development
USAID CCA - USAID Cluster Competitiveness Activity
USD - U.S. Dollar, currency
WB - Western Balkans
WP&F Cluster - Wood Processing and Forestry Cluster
WTO - World Trade Organisation

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Croatia

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1 Introduction

This thematic report is produced by the “Information Office of the Steering Platform on Research for Western Balkan Countries” and reviews the situation of Innovation Infrastructures in Croatia.

The report is based upon desk research, interviews and questionnaires with main stakeholders.

The objective of this study is to enhance our understanding of the national innovation system in Croatia. An overview of the situation as regards “Innovation Infrastructures” such as clusters, technology and innovation centres, technological and science parks, business-start-up centres/ technology incubators and some further related organizations is given. The general environment is described as well as important strategic documents and the main programmes and instruments for support. The report concludes with a list and description of the main infrastructures.

The report was compiled in summer 2007.

1.1 General Environment for Setting Up Innovation Infrastructures

This first section deals with rules and regulations, describes the national framework and the specific funds available.

The science-industry and business environment in Croatia has significantly improved over past few years and as indicated in the World Bank report “Doing business 2006”, Croatia has become one of the top ten country reformers in the world.

Croatia has a clear and well-structured national strategy for comprehensive business support facilities, including incubation and strategies to improve the range and quality of business support services. Elsewhere, to a large extent, services are provided through donor projects or private sector initiatives and are fragmentary and often isolated from each other.

The joint report of EC and OECD on the implementation of the European Charter for Small Enterprises finds that Croatia has taken a general lead in the overall environment for SMEs and is ahead of the other Western Balkan economies in the dimensions associated with technological development, the promotion of competitiveness and gearing up business for work in the information society where online access and information portals offer new potential to reduce the burdens on entrepreneurs (OECD and EC, 2007).

Croatia has the most advanced and formalised business simplification strategies. The Government of Croatia launched the “Regulatory Guillotine initiative” HITROREZ, which began in September 2006 as a part of the hitro.hr programme. The initiative is

co-ordinated at the highest level, by the Prime Minister's Office and is already making a significant contribution to the improvement of Croatia's business environment. The project's first phase was finalized by July 1, 2007 and aims at the review, evaluation and analysis of current business regulations and procedures at the national level. In the second phase all other regulations and procedures will be assessed, and proposals will be made for their adequate elimination or simplification to the extent necessary.

As one of the measures aimed at removing administrative barriers for entrepreneurs and speeding up the process of development of SMEs, a WEB portal entitled „Business navigator” (only in Croatian: <http://www.business-navigator.biz/>) was launched in June 2006, comprising information subsystems credit guide, business network, investment in Croatia and business centres.

The projects to improve competitiveness in 2006 were designed with a view to achieving faster and more successful transformation of research results and technological innovation into internationally competitive products. The functioning of the Croatian innovation system is encouraged through a set of integral measures with a view to achieving the effects which are compliant with the guideline providing for the knowledge-based economy. It should be noted that Croatia boasts a well-branched business related infrastructure involving development agencies, entrepreneurship centres, entrepreneurship incubators, technological parks/technological centres, business zones. Such a framework for SMEs development provides a good-quality basis for further SMEs development which is expected to make a large contribution to value added generation and improved competitiveness of the Croatian economy (The Government of the Republic of Croatia, 2006a).

Croatia stands out for its development of e-government initiatives and has clearly moved from policy elaboration to the policy implementation phase. The e-Croatia programme was initiated to strengthen the use of modern technologies in communications between public authorities and citizens/the private sector. It is clearly leading to an overall reduction of private sector costs in relations with governmental bodies. The programme for 2007 has several parts: e-Administration, e- Justice, e-Education, e-Health Services and e-Business. The Central State Administrative Office for e-Croatia was established with the aim of co-ordinating all e-initiatives. A number of e-programmes (e.g. e-Land Registry, e-Cadaster, e-REGOS, e-VAT, e-Government) have significantly contributed to better business access to public authorities and regulations.

Croatia is the leading performer among the Western Balkan countries in innovation and technology (I&T) centres and cooperation. It has a good policy framework in place, supported by a consistent action plan and adequate budgetary resources. As already indicated in the Science and Technology Country Report Country – D7 Croatia (see.science.eu), pilot projects have been implemented (HITRA) with mixed results, and the lessons learned have been used in designing the new schemes operated by BICRO (Business Innovation Center of Croatia, see below). To achieve further progress, the new sub-programmes of the National Technology and Innovation System need to become fully operational and demonstrate their first concrete achievements. The performance of the country's four established

technology centres has not been ideal; there is a need for a performance review to focus attention on their role in facilitating collaboration between research and business in their respective territories (OECD and EC, 2007).

The Government of the Republic of Croatia has been pursuing a proactive policy directed towards promoting SMEs development on local and regional levels and through the activities of the Croatian Agency for Small Business, Agency for Exports and Investment Promotion and institutional support provided to the SMEs by chambers, associations, entrepreneurial centres, technological parks and incubators and development agencies.

Business policies of the financial institutions (mainly commercial banks) also play an important role in determining the dynamics and the quality of SMEs development. In 2005 and 2006, qualitative improvements were seen in the financial follow-up of SMEs strengthening programme, mostly through Croatian Bank for Reconstruction and Development but increasingly also through commercial banks. This is the result of a well designed framework for SMEs development as well as qualitative improvements in the sector. In the period 2007-2009, financial institutions can be expected to make an even greater contribution to further SMEs development, particularly in view of the high level of stability and development of the Croatian banking system and further financial system deepening. In the context of PHARE 2006 programme, a grant scheme project has been devised intended for the SMEs sector with the aim of increasing competitiveness and exports of the Croatian SMEs. This pilot project, whose launching was planned for mid-2007 will finance consulting services, promotion activities, market research, product development and participation at international fairs and events. The project also presents an opportunity for the adoption of the procedures and the establishment of institutional structures which would manage the grant scheme system in the pre-accession period, thus preparing the Republic of Croatia for the use of future structural funds (The Government of the Republic of Croatia, 2006a).

The Government sees the importance of ongoing support of the SME's and enhancing investment attraction; therefore a new office of the Investment Compact was opened in Zagreb on July 4, 2007. The office is supported by the Austrian Development Agency (ADA) and is housed in the Ministry of Economy, Labour and Entrepreneurship of the Republic of Croatia and aims to improve the investment climate and to encourage private sector development in Croatia.

1.2 Strategic Documents

Strategic documents reflecting National Innovation Strategies (NIS) have been already highlighted in Science and Technology Country Report Country – D7 Croatia (see.science.eu). To indicate other key documents, which have been formulated in order to set up the framework for innovation and technology development:

- 'Science and Technology Policy of the Republic of Croatia 2006 - 2010'

The strategic document was adopted by the Government of the Republic of Croatia in May 2006 and presents a vision of the development of the Science and Technology

sector in the Republic of Croatia, upon which the speedy development and qualitative changes enabling the transformation of Croatia into a society of knowledge are based.

The main challenge of science policy is to stimulate scientific excellence and enable the transfer of knowledge and results of scientific discoveries to industry and business in order to increase competitiveness and generate sustainable growth and productivity. In order to meet these requirements, the following key objectives of the science policy are identified:

- Increase funding for excellent science and technology champions - in order to meet the "3% of GDP for research investment" as laid out in the Lisbon Strategy of the EU to promote economic growth and job creation;
- Restructure publicly-funded research institutes and R&D centres - in order to re-orient their research towards national priority areas and industry needs;
- Encourage research partnerships and strengthen support schemes for quality young researchers - in order to facilitate mobility, interdisciplinary and cross-sector cooperation, and build a more flexible research and education system;
- Invest in science research infrastructure and knowledge transfer institutions - in order to build research capacity and provide access to business solutions;
- Introduce measures to promote commercialization of academic research - in order to encourage universities and research institutions to work more closely and effectively with business;
- Introduce measures to promote technological development and innovation - in order to attract people and capital into innovative business ventures; and
- Administer stimulatory and business-friendly legislation - including appropriate intellectual property laws and tax incentives for investment into priority area R&D in order to build a system that encourages innovation.

- 'Development strategy of the Republic of Croatia (Croatia in the 21st Century- Science)'

In June 2000, the Government of Croatia initiated a comprehensive project on strategy development of Croatia entitled "Croatia in the Twenty-First Century". A range of 19 separately elaborated and interrelated strategies have been formulated, including the strategy for science. "Croatia in the 21st Century- Science" is available only in Croatian language.

- 'Croatia's Strategic Development Framework for 2006 - 2013'

This integrated document sets the targets for Croatia in the next few years. A variety of policies are called for, involving the competence of different ministries and state bodies. A new role is defined for the state as facilitator of the growth process, through constant dialogue with the private sector and the social parties. Although the strategy is long-term, it is coupled with precise yearly SME action plans that include concrete actions and the assignment of funds, as well as the organizations in charge.

1.3 Specific Programmes and Instruments

Following national programmes supporting technology development are defined (in alphabetical order):

- Cluster Development Programme;
- Competitiveness Upgrading Programme (KonCro);
- Complex Technology Projects (STIRP);
- Education in Entrepreneurship Programme;
- JEZGRA Projects;
- Regulatory Guillotine Initiative (HITROREZ - hitro.hr programme);
- R&D Programme (IRCro);
- Seed Capital Programme (RAZUM);
- Stimulating Croatia's Entrepreneurial Activities and Technology Transfer in Education (CREATE);
- Stimulating Productivity and Introducing New Technologies and Products;
- Technology Infrastructure Development Programme (TehCro);
- Technology-Related Research and Development Programme (TEST); and
- Venture Capital Programme (VenCro).

- The **Technology-Related Research and Development Programme (TEST)** is administered by the Croatian Institute of Technology (CIT). The programme is targeted at academia and research institutions, and provides financial support to the development of new technologies, as well as complex projects for technological development such as prototype, pilot solution, accredited laboratories and intellectual products. Projects related to industry application are encouraged, as well as those leading to new approaches in fundamental and applied research.

Besides Technology Projects, further sub-categories of this programme are **Complex Technology Projects (STIRP)**, which are focusing on multidisciplinary, precommercial and cooperative research, and **JEZGRA Projects**, aiming at creating centres of excellence in research and technology, based on public-private partnerships.

- **Seed Capital Programme (RAZUM)**, which is administered by BICRO, aims to ensure a sustainable increase in the number of knowledge-based enterprises. It serves as a seed fund for development of knowledge-based private or largely private enterprises that are using traditional technology and/or are technology based companies, which can be expected to have a significant favourable impact on economic development. The programme's operation is based on public support and other sources of financing (such as the Croatian Bank for Reconstruction and Development – HBOR; the Ministry of the Economy, Labor and Entrepreneurship – MELE; the Fund for Development and Employment - FDE, and a World Bank loan), contributing 70% of project costs in the form of conditional grants, and the remaining 30% is contributed from the private sector. The programme is expected to combine EUR 86 million of financing, with EUR 20 million coming from the private sector.

- To enable the right technology infrastructure to support commercialization of research outputs and development and growth of knowledge-based enterprises, the Government has initiated, with support from the World Bank, the **Technology**

Infrastructure Development Programme (TehCro), administered by BICRO, which supports for creation of technology incubators, R&D centres and technology-business centres linked to research/ academic institutions and R&D-based industry. The Government shall commit EUR 6.5 million to the programme, and Croatian financial institutions, like HBOR are expected to contribute around EUR 2 million.

- The **Research and Development Programme (IRCro)**, administered by BICRO, is intended to encourage and stimulate demand for services of public research institutions, as well as to encourage SMEs to invest in R&D activities. The Programme envisages utilization of extensive facilities available within the universities and research institutions in the country. Projects under the IRCro Programme involve cooperation between an industrial firm and research/academic institutions and are jointly funded by the IRCro programme and the industrial company involving a 50/50 matching grant scheme. Thus, the private sector participates 50% in funding of R&D activities. A total of EUR 1.5 million has been secured in the state budget up until the end of 2009 for this programme.

- The **Business Competitiveness Upgrading Programme (KonCro)** assists SME's to become more competitive by increasing productivity, improving product quality, upgrading business organization by introducing ISO standards, helping in the patenting procedure, product design and environmental protection. A total of EUR 1.5 million will be made available from the state budget, for disbursement to firms as grants. Each individual grant to a service-consuming firm must be matched by an equal contribution from a private sector firm. The Programme is administered by BICRO too.

- In order to develop venture capital industry in Croatia, the new Act on Investment Funds that incorporates venture capital has been passed in December of 2005. The **Venture Capital Programme (VenCro)**, which is set up as a Government programme, is operated by BICRO to incentives the potential fund managers to start venture capital funds in Croatia. Under the VenCro programme, the Government will match up to 30% of other investors' capital up to EUR 4.6 million, which will be secured from the State budget under the World Bank STP loan (2007).

- To facilitate creation of partnerships between universities and business, particularly in the area of natural sciences, there is a TEMPUS Joint European Project for **Stimulating Croatia's Entrepreneurial Activities and Technology Transfer in Education – CREATE** in place for support of creation of three Entrepreneurship and Technology Transfer Offices, one at each of the universities in Zagreb, Rijeka and Split. The project has commenced in 2006, and is expected to be completed within 36 months; a total of EUR 500,000 has been secured for its implementation.

The Ministry of Economy, Labour and Entrepreneurship (MELE) administers programmes that are complimentary to the aims and objectives of the Ministry of Science, Education and Sports relating to technology and innovation, especially stimulating development and growth of technology-based SMEs. The MELE programmes are aimed at encouraging individuals to establish their own companies, as well as development of innovation clusters (**Cluster Development Programme**) to boost competitiveness. MELE also encourages development of Entrepreneurship

Centres and Regional Development Agencies by providing them with financial assistance. There are several operational programmes of financial assistance for **Stimulating Productivity and Introducing New Technologies and Products, and the Education in Entrepreneurship Programme** (The Government of the Republic of Croatia, 2006b).

1.4 Financing

The majority of programmes and projects supporting development of innovation infrastructure is financed by: World Bank, Croatian Bank for Reconstruction and Development (HBOR), Ministry of the Economy, Labour and Entrepreneurship (MELE), the Fund for Development and Employment (FDE), USAID and there is additional financing available from private sector (e.g. industrial companies).

2 Existing Innovation Structures in Croatia

As indicated in one of the key documents 'Science & Technology Policy of the Republic of Croatia 2006 – 2010' key players in implementation of development innovation programmes supporting clusters and other technology-based companies are:

- Government and its related ministries - MSES, MELE, MFIN;
- Intermediary bodies - BICRO, HIT, NFS; and
- Academia.

2.1 Key Government Players

Name:	Ministry of Science, Education and Sports (MSES)
Contact:	Trg hrvatskih velikana 6, 10000 Zagreb, Republic of Croatia
Email:	office@mzos.hr
Website:	http://www.mzos.hr/

The Ministry of Science, Education and Sports (MSES) is responsible administrative body for planning, funding and monitoring of the overall science and education system. It works closely with the National Science Council (NSC) and the National Council for Higher Education (NCHE) that are principal advisory bodies tasked with the development and quality of science and higher education in Croatia. MSES is also responsible for research-based technology development and communication and information (IT) activities. Its main mission regarding scientific research is to create and implement national scientific research policy as a framework for overall development science in Croatia. It takes decisions on the amount of investments into research and research organizations, creates and monitors legal ordinance for

science, technology and human resources and develop international scientific and technology cooperation. It also carries out necessary administrative activities.

The institutional infrastructure of the Croatian innovation system, which was initiated by the MSES, covers the following centres (Becic and Svarc, 2006):

- Business and Innovation Centre of Croatia (BICRO);
- Croatian Institute for Technology (HIT);
- Four technology and innovation centres:
 - Centre for Technology Transfer (CTT), Zagreb;
 - Technology Centre Split (TCS);
 - Centre for Innovative Technology Rijeka (TIC);
 - Technology and Innovation Centre, Osijek;
 - Centre for Manufacturing processes, Zagreb; and
- Research and Development Centre for Mariculture, Dubrovnik (RICM).

Name:	Ministry of Finance (MFIN)
Contact:	Katančičeva 5, 10000 Zagreb, Republic of Croatia
Email:	kabinet@mfin.hr
Website:	http://www.mfin.hr

The Ministry of Finance carries complete business affairs agenda as follows: budget preparation and consolidation, budget execution, state accounting, public debt management as well as the affairs of financial management of European Union aid funds through the National fund.

Name:	Ministry of Economy, Labour and Entrepreneurship (MELE) - Directorate for SMEs
Contact:	Ulica grada Vukovara 78, 10 000 Zagreb, Republic of Croatia
Email:	info@mingorp.hr
Website:	http://www.mingorp.hr/

The Ministry of Economy, Labour and Entrepreneurship (MELE) is responsible for an active employment policy and administrative and other work concerning industry.

The Ministry conducts work concerning:

- Promotion and systematic enhancement of crafts, cooperatives, except agricultural, small and medium entrepreneurship;
- Effects of economic system instruments and economic policies and measures on the development of crafts, cooperatives, small and medium entrepreneurship and business activities of craftsmen and entrepreneurs;
- Realisation of international cooperation; and

- Implementation of special programs of the Government of the Republic of Croatia in the area of crafts, cooperatives, small and medium entrepreneurship.

The Ministry administers programmes that are complimentary to the aims and objectives of the Ministry of Science, Education and Sports relating to technology and innovation, especially stimulating development and growth of technology-based SMEs. Those programmes are aimed at encouraging individuals to establish their own companies, as well as development of innovation clusters (Cluster Development Programme) to boost competitiveness. The development of Entrepreneurship Centres and Regional Development Agencies is also encouraged by the Ministry via providing them with financial assistance.

The institutional infrastructure of the Croatian innovation system initiated by the Ministry of Economy Labour and Entrepreneurship and local authorities covers the following centres (Becic and Svarc, 2006):

- 9 business incubators;
- 20 entrepreneurial centres;
- 10 development agencies;
- 14 free zones;
- 2 technology parks:
 - Technology park Zagreb; and
 - Technology park Varaždin.

Name:	Business Innovation Centre of Croatia (BICRO Ltd.)
Contact person:	Hrvoje Prpić (Director)
Email:	ured-bicro@bicro.hr
Website:	http://www.bicro.hr

The Business Innovation Centre of Croatia – BICRO Ltd. was created in 2006 when the international agreement between Republic of Croatia and World Bank was signed and additional cooperation with other partners agreed. The Centre manages five national development programmes supporting technology development (Support for Entrepreneurship Based on Innovation and New Technologies):

- Seed Capital Programme (RAZUM);
- Technology Infrastructure Development Programme (TehCro);
- Venture Capital Programme (VrnCro);
- R&D Programme (IRCro); and
- Competitiveness Upgrading Programme (KonCro).

Those programmes are implemented across the whole country and administered exclusively by BICRO.

The objectives of BICRO are: increase in commercialization of knowledge; raising awareness about the value of innovation; transfer of knowledge and technology solutions from science and business; establishment of knowledge and technology

based companies; development of adequate technology infrastructure; creation of venture capital industry; increase competitiveness and introduction of new products to the market; strengthening cooperation between science and business, and creation of public-private partnerships with the aim of jointly investing in innovation.

BICRO is financially and technically supporting its clients. For example, the Seed Capital Programme (RAZUM) provided support to 40 innovative start-ups and early stage companies (2002-2006). The other programmes have started recently (at the beginning of 2007) so its too early to indicate their impact, however the first hybrid (public-private) VC fund in Croatia will be established in 2007 through the VenCro Programme, 5 technology centres are in the process of upgrading their services and the first thematic technology incubator (for biotechnology) is being set up (TehCro Programme).

Industry/Sector (technology area): Technology incubators thematically focusing on e.g. biotechnology, ICT, new materials and other industry branches important to economic development of Croatia (e.g. maritime).

International activities: BICRO is an Associate Member of IASP (International Association of Science Parks), project partner in several TEMPUS projects involving innovation partners from Germany, Spain and Finland. BICRO cooperates within the project CARDS 2003 "IPR infrastructure for R&D sector in Croatia" with Human Technology Styria (Austria).

Name:	Agency for Small Business (HAMAG)
Contact:	Prilaz Gjure Deželića 7, 10000 Zagreb, Republic of Croatia
Email:	hamag@hamag.hr (currently not available)
Website:	http://www.hamag.hr/about_us.aspx

HAMAG is an institution for small business development and promotion, which was created in 2003. The Agency is funded by the state budget, international loan schemes and other sources.

HAMAG has traditionally been the implementing agency only for credit guarantee schemes, while the Ministry of Economy, Labour and Entrepreneurship (MELE) has directly implemented measures of a non-financial nature. In 2006 a gradual transfer of responsibility towards HAMAG began in regard to implementation of non-financial measures.

Within its activities, HAMAG encourages small business creation, growth and their investments; provides loans; issues guarantees for small business loans; provides financial support for loan cost reduction; subsidizes loan interests, employment generating activities and modern technology development. Additionally, HAMAG develops women and youth entrepreneurship further and subsidizes participation on international fairs and exhibitions. HAMAG has also developed an accreditation system for trainers, has started to implement a project for the Accreditation of

Business Consultants, based upon regular participation by Croatian consultants in tailored training programmes for business service providers.

Name:	Croatian Institute of Technology, Ltd. (CIT)
Contact:	Planinska 1, 10000 Zagreb, Republic of Croatia
Email:	info@hit.hr
Website:	http://hit.hitech.hr/Default.aspx?sec=39

The Croatian Institute of Technology (CIT) was founded by the Croatian Government in March 2006 and is under the competence of the Ministry of Science, Education and Sports (MSES). The role of CIT is coherent with the role of the future European Institute of Technology (EIT). Therefore, CIT is focused towards strengthening education, research and innovation (knowledge triangle).

Main task of the CIT is to support and improve the commercialization of the technological projects and to support the closer cooperation between scientific community and business. CIT administers one of the national programmes supporting technology development: Technology-Related Research and Development Programme (TEST).

The goals of CIT are to:

- stimulate research and development and technology-related activities;
- stimulate innovation;
- strengthen international cooperation;
- promote knowledge as developmental resource and foundational factor of the economical growth;
- connect educational institutions and industry;
- exchange of knowledge, skills and experiences;
- consult and participate in developing strategy of the technological development of Croatia;
- support and assist foundation of new companies that result from TEST Programme; and
- provide financial and legal support to the start-up companies that develop new technologies.

Name:	National Science Council (NSC)
Contact:	Trg hrvatskih velikana 6, 10000 Zagreb, Republic of Croatia
Email:	ured@mzos.hr
Website:	http://public.mzos.hr/default.aspx

The National Science Council (NSC) is a strategic and advisory body for developing and maintaining the quality of the overall scientific activity in Croatia, including research projects at higher education institutions. Its major functions are, as follows:

- discusses the issues important for improving scientific activity in Croatia;
- monitors quality and evaluates scientific organizations;
- determines scientific fields, areas and discipline, as well as interdisciplinary fields of science and arts;
- determines detailed requirements for appointment into science ranks;
- determines detailed requirements for attaining authority to conduct a procedure for appointment into science ranks;
- appoints members of the scientific field councils, art councils and peer review groups for evaluation scientific projects;
- proposes the proclamation of the scientific centres of excellence and monitors their quality; and
- provides its opinion on establishing technology and scientific parks.

The Council submits, in coordination with the National Council for Higher Education, the annual proposals on the allocation of budget resources for science and higher education to the Croatian Government.

In October 2005, the National Science Council adopted a new S&T policy document setting out short-term and long-term priorities, which are listed below:

- Short-term priorities (2006 - 2008) include: Environment, Health, Energy and materials and Croatian identity.
- Long-term priorities for years 2006 – 2010 are: Knowledge-driven basic research; Environmental protection and economic development of the Karst regions, Adriatic coast, sea and islands; Agriculture, biotechnology and food; Health; Information and communication technologies; Nanoscience, new materials, construction and new production processes; Energy, sources of alternative and renewable energy, transport, and security; Social and human sciences and Croatian identity; Social integration, learning and education, lifelong learning.

Name:	National Council for Competitiveness (NCC)
Contact:	Ul. P. Hatza 12, 10000 Zagreb, Republic of Croatia
Email:	mira.lenardic@hup.hr
Website:	http://nvk.multilink.hr/english/calendar1.asp

The National Competitiveness Council was founded at the beginning of 2002 as the initiative of the private business sector and the Croatian Employers' Association. Its formation was supported by a decision of the Government of the Republic of Croatia. The Council is now the highest forum, in which representatives of the Government and business community regularly meet to discuss the main challenges faced by the country's economy and propose ways to increase the competitiveness of the business sector.

The aim of the Council is continuous promotion and stimulation of growth of the competitiveness and productivity of the Croatian economy, which will, in the long-run, result in continuous sustainable growth of living standards in Croatia. The Council achieves this by supporting development policies, laws and other socially important processes that have an impact on creating and raising the competitiveness of the Croatian economy.

Name:	National Foundation for Science, Higher Education and Technological Development (NFS)
Contact:	Trg J. J. Strossmayera 4, 10000 Zagreb, Republic of Croatia
Email:	Not available
Website:	http://www.nzz.hr/en/index.php

The National Foundation for Science, Higher Education and Technological Development (NFS) presents the first government agency, which was established in 2001 and is responsible for funding scientific and developmental projects in addition to the MSES which used to be the single financier for R&D in Croatia.

The mission of the Foundation is to promote science, higher education and technological development in Republic of Croatia, in order to enhance development and employment opportunities. NFS gives support to scientific, higher education and technological programs and projects, and also promotes mobility in the field of higher education. Support can be given to scientific programs of special interest, in basic, applied and development research. NFS specially supports higher education programs which results in innovations and patents, gives grants to talented students and especially to young and prominent scientists and experts from industry, scientific and higher education institutions in Republic of Croatia.

The Foundation plans to introduce new programs like “Start-up” aiming at enabling post-doctoral students to launch their own independent research projects and “Employed” for financing doctoral studies for employed persons.

2.2 Key Innovation Infrastructures

The following section gives an overview on the main existing innovation infrastructures in Croatia (clusters, technology and innovation centres, technological and science parks, Business-start-up centres/ Technology Incubators and some further related organizations).

A) Clusters

The development of clusters is the crucial moment in stimulating greater progress of small and medium enterprises. For that reason, the Croatian Government welcomes all the initiatives in the local government units, entrepreneurial associations which, together with entrepreneurs, are the main promoters of the cluster development. Croatian economic and regional policy supports formation and development of clusters with the stimulation of necessary infrastructure.

Clusters are networks of enterprises that complete each other. They are mostly formed out of a mixture of three types of enterprises that mutually complete:

- Enterprises with a special market and technological power working on the international level;
- Contractors or manufacturers, mostly small and medium enterprises; and
- Innovative and dynamic professional associations based on the new cognitions (like: research institutes, professional training institutions, etc.).

In year 2006, the development of 18 clusters in six sectors (wood and metal processing, food, textiles, printing and publishing and tourism), with the inclusion of 401 business subjects, was supported by the Ministry of Economy, Labour and Entrepreneurship (5.5 million kunas = EUR 755 627). In the year 2005, ten clusters were supported amounting to 1.6 million kunas (EUR 219 819).

For years the Ministry of Economy, Labour and Entrepreneurship has been cooperating with the German Technical Cooperation Association (GTZ – Deutsche Gesellschaft für Technische Zusammenarbeit) on different projects concerning small and medium entrepreneurship. One of the most important projects they cooperate on is the education of cluster managers that has started in 2005. Major task of cluster development is training of the key factors for efficacious cluster management. The Ministry of Economy, Labour and Entrepreneurship presented the “Cluster management - hand-book for professional work” on December 4, 2006. The handbook was prepared the cooperation with GTZ and was written on the basis of collected experience of clusters in the EU. It is intended to serve as an important source of information for cluster managers, and to all the readers interested in cluster issue and cluster management. It is divided into two parts:

- Survey that shows the basic principles of cluster management; and
- Collection with all the material and instruments necessary for cluster managers.

(The Government of the Republic of Croatia, 2007).

Despite government support, evidence suggests that clusters are still struggling – with a lack of integration of participating companies, and inadequate relations with R&D centres and top service providers. Achieving excellence would require a better articulated range of cluster support measures to produce joint initiatives for creating value chains and thus improve the quality of products and services (OECD and EC, 2007).

Prof. Mirjana Dragičević from the Faculty of Economics, University of Zagreb, an expert on clusters in Croatia, summarised the situation with cluster development at the beginning of 2007 in one of her articles as follows: 'Regional clusters became the strategic development tool in achieving the Lisbon agenda in Europe. The same is the case in most post-transition economies. The situation in Croatia is different, because the institutional prerequisites for the cluster development are not completely developed. Croatia is still not divided into the regions, according to the EU standards and regional statistical accounts are not realised yet and there is no relevant basis to comparative regional statistics. There is a low level of communication and coordination between national, counties and local authorities. Adequate microeconomic policies that support cluster development are missing, such as educational policy and incentive policy to foreign direct investment.

On the national level the Regional development strategy is built up, the same as the regional operational plans in most counties. Regional development agencies also exist in most counties and they are mostly engaged on the SMEs projects and other actions dealing with competitiveness building. In different counties, the various types of business integrations are created, such as districts, business zones etc. Regional clusters are foreseen as the future goals in many documents, but only one internationally recognised cluster in Croatia exists (Dragičević and Obadić, 2006).

As indicated at the international conference 'Clusters – Connecting Possibilities in South East Europe, which was held in Opatija, Croatia on April 20 – 21, 2007, there are several clusters, which will be financially supported by the Government, namely: Croatian Furniture Cluster, Croatian Agriculture Equipment Cluster, Croatian Yachting Cluster and Croatian Machine Tools Cluster. A number of cluster initiatives (e.g. Croatian Shipbuilding Cluster, ICT Cluster, Automobile Cluster, Textile Cluster), has started to operate just recently. For example, the ICT Cluster Varaždin, which is financially supported by the USAID, was officially opened on July 6, 2007.

Name of initiative:	Croatian Employers' Association (CEA) - National Centre for Clusters
Contact person:	Vladimir Kovačević (Director)
Email:	hup@hup.hr
Website:	http://www.hup.hr/default.asp?ru=20&sid=&jezik=2

The Croatian Employers' Association is an independent, voluntary association of private entrepreneurs and employers founded during the period of Croatian transition to market economy in 1993. The CEA's mission is to improve entrepreneurial and investment climate in order to strengthen Croatian economy competitiveness. In the process of strengthening Croatian economy competitiveness CEA proactively works with the trade unions and the Government.

CEA represents its members' interests in many international organizations such as: Union des Industries de la Communauté européenne (UNICE), International

Employers' Organizations (IOE) and International Labour Organization (ILO). It also successfully cooperates with employers' organizations from other European countries. In addition, CEA provides support to newly – founded employers' organizations in the South Eastern Europe.

One of the strategic projects of 2007 CEAs' activities is the creation of **National Centre for Clusters**. The project objective is to create material, organizational and intellectual conditions and prerequisites for more dynamic growth of industry and industry related activities. The main goal of the clusterization project is to increase exports' revenues of companies in the region/industry, reduce costs per product unit in the region/industry, preserve open and create new jobs in the region/industry, increase the number of developed and adopted new products of high added value in the region/industry and increase by 20% the share of domestic product in the final exported product.

The CEA National Centre for Clusters is one of the partners in **the CEE-ClusterNetwork** - Central & Eastern European Cluster and Network Area project. The FP6 project is oriented towards furthering trans-regional cooperation in creation and maintenance of clusters in Central and Eastern Europe.

Name of initiative:	BIOS Printing and Publishing Cluster
Contact:	J. J. Strossmayera 341, 31000 Osijek, Republic of Croatia
Email:	bios@osijek.hr
Website:	http://cluster.inkubator.hr/en/index.php

The idea behind the printing and publishing cluster initiative originated in summer 2004 by four companies within Business Incubator BIOS operating in complementary areas of graphic and web design industry in the eastern part of Croatia. An informal cluster of these four businesses accompanied by one external partner company was initiated with the main goal of sharing their technology and expertise in order to enable them to offer a wider range of quality products and services with competitive prices on local markets.

At the moment of writing the report, the BIOS Printing and Publishing cluster has 10 members with Business Incubator BIOS coordinating and managing joint market efforts.

The Clusters' products and services offered are: corporate identity development; web design and development; business web applications development; custom-design wall, table and pocket calendars; promotional materials; binding, screen printing, gold printing; two-colour offset printing (books, magazines, science papers, reports, etc.); full colour digital printing (event tickets, invitations, diplomas, etc); continuous form printing (payment forms and orders); 360° spatial indoor and outdoor visualization; business card CDs; promotional CD/DVD recording and editing (textual,

photographic, audio and video materials, animations, multicolour CD/DVD printing); large format laminating (B1); outdoor advertising; prismavision advertisement panels; rotapanel trivision scrolling posters; poster panels with internal illumination and parking meter advertising panels.

Industry/Sector (technology area): Printing and Publishing

International activities: BIOS Cluster is participating in the Competitiveness Institute's network and cooperates with GTZ (Deutsche Gesellschaft für Technische Zusammenarbeit GmbH), Germany.

Name of initiative:	Biotech Cluster
Contact:	County of Varaždin
Email:	Not available
Website:	Not available

The Biotech Cluster (based in Varaždin) presents one of the most significant green field investments as indicated by Trade and Investment Promotion Agency and is strongly supported by Biotehnoški Park Varaždin d.o.o. and the City of Varaždin. The partnership contract was signed on November 25, 2005.

The major objective of the Biotech Cluster is a creation of an internationally recognized destination for major national and multi-national organizations developing innovative applications in various industrial fields, in environmental protection and in agri-business.

Industry/Sector (technology area): Biotechnology, Pharmaceuticals, Agriculture and High Tech **International activities:** Not available

Name of initiative:	Wood Cluster of Western Croatia (Lika and Gorski kotar)
Contact:	Janka Polića Kamova 19, 51000 Rijeka, Republic of Croatia
Email:	info@wood-center.com
Website:	http://www.wood-cluster.com/eng/drvniclusteri.asp

The Wood cluster of Western Croatia (Lika and Gorski kotar) was created in 2002 and gathers different producers oriented on wood processing in this mountain part of Croatia. The cluster has its economic justification through presence of natural raw material resources, competent and specialized workforce, participation and development of local suppliers and contractors and through recognizable technical

infrastructure. It has started social processes as a result of initiating start-up projects and stimulating local companies on cooperation.

Industry/Sector (technology area): Forest-based and related industries, Furniture and Wood products production, Agriculture

International activities: The Cluster is participating in the Competitiveness Institute's network.

One of the most active counties, where the cluster development is high priority, is the Varaždin County. The county established in cooperation with the Croatian Chamber of Economy - Varaždin County Chamber the following clusters:

- Wood industry cluster of the North-Western Croatia;
- Croatian textile industry cluster;
- Croatian shoe cluster; and
- Metallurgic cluster.

In this way, the Croatian Chamber of Economy - Varaždin County Chamber stimulates close cooperation between the members of the clusters, aiming to strengthen their position on the market (Čehok, 2006)

Name of initiative:	Wood Cluster of Northwestern Croatia (Varaždin county)
Contact person:	Sandra Hižak (Cluster Manager)
Email:	info@drvni-cluster.com ; shizak@drvni-cluster.com
Website:	http://www.drvni-cluster.com

At the end of 2005, the Wood Cluster of Northwester Croatia was established by the Varaždin County Chamber in order to improve, develop and raise the level of competitiveness of the wood industry in Northwestern Croatia.

The Wood Cluster comprises of:

- 13 companies employing 3.000 people (sawmills, carpentry products, furniture producers);
- 3 Regional Chambers of Commerce; and
- College for Technology and Design in Varaždin.

The Cluster strategy covers implementation of new technologies; design and product certification; lower the input costs; maximize the use of raw material leftovers and economical use of energy.

The base of Cluster activities represents very close cooperation with all companies and industries included in the value added chain together with R&D institutions and local and national authorities.

The vision for the near future of the Cluster is to act as a:

- Center of expertise for wood product businesses with the main accent on R&D projects; and
- Significant part of economic development for Northwestern Croatia.

Industry/Sector (technology area): Forest-based and related industries

International activities: Not available

Name of initiative:	Textile Industry Cluster (Varaždin county)
Contact person:	Zoran Košćec (Director, VARTEKS d.d.)
Email:	nvnucec@varteks.com
Website:	http://www.varteks.com/english/

One of the central companies in the cluster, indicated by Chamber of Commerce Varaždin, is VARTEKS d.d., the leading fashion company in Croatia and one of the leading companies in the south-east part of Europe. The main activities of VARTEKS are manufacturing and sales of fabrics and garments and trading with cloths, garments and accessories, and the auxiliary activities are publishing, printing and forwarding activities.

Industry/Sector (technology area): Textile and clothing industry

International activities: Not available

Name of initiative:	Shoe Cluster (Varaždin county)
Contact person:	Josip Kovac (Borovo Kožna obuća d.d, Vukovar)
Email:	info@borovoko.hr
Website:	http://www.borovoko.hr/default.aspx?lang=en&menuID=1

One of the leading companies in the cluster, indicated by Chamber of Commerce Varaždin, is Borovo Kožna obuća d.d, which was established on the ground of world-known producer Borovo. The production of leather footwear at Borovo started in 1931 (by Jan Baťa) and factory became the leading footwear producer and trader in this part of Europe.

The production was stopped during the war in 1991. In 1998 the production has started again, and Borovo begins its development route - from the reconstruction of the building and production to the new conquest of the market.

Industry/Sector (technology area): Footwear

International activities: Not available

Name of initiative:	Metallurgic Cluster (Varaždin county)
Contact person:	Tomislav Cvetko (Oprema-uređaji d.d., Ludbreg)
Email:	tcvetko@oprema-uredjaji.com
Website:	http://www.oprema-uredjaji.com/?L=e&

The company Oprema-uređaji d.d. is a limited company located in the town of Ludbreg in the north-west of Croatia. Forerunner of the company Oprema-uređaji d.d. was established in 1948 and the name Oprema was accepted in 1963. The production of catering equipment started in summer of 1976, when the production line of beer cooling units was assembled. In the year 1989 the company became an independent business subject, and in 1992 was 100 % privatized.

Industry/Sector (technology area): Metallurgic industry

International activities: Not available

Name of initiative:	ICT Cluster (Varaždin county)
Contact person:	Not available
Email:	Not available
Website:	http://www.tp-vz.hr/hr/33/ict-klaster-predstavljen-javnosti/

The ICT cluster was officially presented for the first time at City Council of the Varaždin on July 6, 2007. The major goal of the ICT Cluster is to increase the competition of national software producers, connect economy to science-research institutions and prepare project applications for European funds.

ICT Cluster in Varaždin was established by the Development Agency North (Razvojna agencija Sjever - DAN) and is in line with the activities of USAID initiative and initiatives for establishing national cluster. The cluster covers total technological process of development of information systems and is not directly oriented to one area of actual technologies. The Cluster consists of 10 informatics companies of different sizes (in total more than 120 employees), Faculty of Organization and Informatics and Technology Park in Varaždin.

Industry/Sector (technology area): ICT, High-Tech

International activities: Not available

Name of initiative:	Shipbuilding Cluster
Contact person:	Via Croatian Shipbuilding Corporation (JADRANBROD)
Email:	hb@hb.hr
Website:	http://www.hb.hr/introduction.htm

The Croatian Shipbuilding Company Ltd. (CSC) was established in 1994 by decision of the Government of Croatia and the company merged with the former Association JADRANBROD in 1997 founding HRVATSKA BRODOGRADNJA - JADRANBROD d.d., CROATIAN SHIPBUILDING CORPORATION – JADRANBROD. This is a joint Company of five major Croatian Shipyards, where the Croatian Government holds a majority of shares.

Croatia has a long history of shipbuilding and shipping. Its shipbuilding industry operates on the international market and export orientation is the dominant feature. Contracts, supported with guarantees either of Croatian Bank of Reconstruction and Development (HBOR) or Croatian commercial banks, which are accepted by first class European banks, are providing full security to the owners.

Industry/Sector (technology area): Shipbuilding, Transport

International activities: Not available

Name of initiative:	Automobile Cluster
Contact person:	not available
Email:	not available
Website:	not available

Industry/Sector (technology area): Automotive industry

International activities: Not available

B) Technology/Innovation Centres

Generally, the centres are supported via Technology Infrastructure Development Programme (TehCro), which was initiated by the Government with support from the World Bank. The programme is administered by BICRO.

The mission of the technology transfer centres is to utilize the resources of universities and institutes in the development and revitalization of industry and

business. They provide effective support to research and development projects connecting research institutions with industries and SMEs (United Nations, 2001).

As stated in the report on the implementation of the European Charter for Small Enterprises, the performance of the country's four established technology centres has not been ideal; there is a need for a performance review to focus attention on their role in facilitating collaboration between research and business in their respective territories (OECD and EC, 2007).

Name of initiative:	Centre for Technology Transfer (CTT), Zagreb
Contact:	I. Lučića 5, 10 000 Zagreb, Republic of Croatia
Email:	ctt@fsb.hr
Website:	http://www.ctt.hr/index_en.asp

The Centre for Technology Transfer (CTT) is the first technology centre in Republic of Croatia founded with a goal of initiating and implementing projects that will link scientific and research recourses based in Higher Education Institutions and Scientific Institutes with economic and industry sectors. The Centre is independent, market oriented company, which was founded by Faculty for Mechanical Engineering and Navel Architecture, University of Zagreb with a support of Ministry of Science and Technology in 1996.

Since 1996, CTT has realized 88 projects that included high-tech projects in entrepreneurial sector, technology transfer, and knowledge transfer, consulting services, SME's support and development, by using domestic and foreign institutions as well as outsourced experts.

Industry/Sector (technology area): ICT, High-Tech

International activities: International activities of CTT include realization of international projects and organization of international conferences, seminars and workshops. CTT is offering support to companies and scientific institution to apply to international programs and it is offering support in connecting domestic institutions with foreign ones to enable exchange of ideas, projects, scientists and associates.

Name of initiative:	Technology Innovation Centre Rijeka Ltd. (TIC)
Contact person:	Davor Begonja (Director)
Email:	ticri@ri.htnet.hr
Website:	http://www.ticri.hr/en/index_hr.htm

Technology Innovation Centre Rijeka, Ltd. (TIC) is a scientific-technological incubator, which assists young entrepreneurs in establishing of their company (SMEs) for development of products or services based on higher or high technology and enables their growth and development. TIC enables technology transfer from university to small and medium enterprises, and influences the restructuring of big companies, improvement of technology level and economic development of the region. TIC is financial supported by the Ministry of Science, Education and Sports with additional revenues from renting the premises and extra revenues from some approved projects.

The idea to create innovation centre was born in the University of Rijeka in 1994, following a model of technological centres in Europe. Two years later the premises were purchased through the merit of Ministry of Science and Technology and County Primorsko-Goranska. The animation of the founders took one year. The company was registered in November 1997 (year of creation) and started to operate in 1998. University is TIC's major owner and TIC is in constant relation with university and big industry companies.

Services provided by TIC include:

- Infrastructure and consulting services;
- Premises at very favourable price;
- Monitoring;
- Contacts; and
- Transfer of technology.

Industry/Sector (technology area): Electronic and industrial automation; Informatics and multimedia systems; Chemistry and Biochemistry; Shipbuilding industry.

International activities: TIC is the member of several European associations of technological centres (TII and EBN). TIC also cooperates with similar institutions and companies - an agreement on cooperation has been signed with Tehnološki park Ljubljana and Štajerski tehnološki park (both Slovenia). TIC has been actively involved in TEC-PARK.NET project. Program TEC PARK NET (Science and Technology Park Co-operation) is a project resulting from the program INTERREG IIIB and sub-program CADSES.

Name of initiative:	Technology Centre Split (TCS)
Contact person:	Sven Gotovac
Email:	sven.gotovac@fesb.hr
Website:	http://www.tcs.hr/

Technology Centre Split was established in 1997 as a limited liability company with the support of former Ministry of Science and Technology (MOST). Major partners are: Telecommunication centre in Split, County of Splitsko-Dalmatinska, and University of Split. TCS promotes new technologies, innovations, and

entrepreneurship. Its objective is to provide support to SMEs in order to develop innovation, know-how, technology, prototypes and to market preliminary products in as short a time span as possible.

Industry/Sector (technology area): High-Tech, ICT, Telecommunication

International activities: Not available

Name of initiative:	Technology Development Centre Osijek Ltd. (TDCO)
Contact:	Trg Ljudevita Gaja 6, 31000 Osijek, Republic of Croatia
Email:	ured@tera.hr
Website:	http://www.tera.hr/tera/en/home/about.html

The Technology Development Centre Osijek Ltd. (TDCO) was established in 2002 as a result of an initiative of the Josip Juraj Strossmayer University of Osijek, the City of Osijek and Osijek-Baranja County. The activities of the Technology Development Centre Osijek are to promote new technology, invention and entrepreneurship especially focusing on the correlation of science and economy and the creation of infrastructural, financial and counselling support to inventive and technology projects.

The Josip Juraj Strossmayera University of Osijek, the Ministry of Science Education and Sports and the local government are the main supporters of efforts to create favourable conditions to fast and successful transformation of research results and inventions into new competitive products and international technology transfer in small and medium enterprise.

Business incubation of technology-based enterprise, counselling and monitoring in regional economy are the main instruments of the implementation of TDCO's task.

Industry/Sector (technology area): Biotechnology, Ecology, Computer science, Regional development projects

International activities: Not available

Name of initiative:	Research and Development Centre for Mariculture, University of Dubrovnik (RICM)
Contact:	Branitelja Dubrovnika 29, 20000 Dubrovnik, Republic of Croatia
Email:	Not available
Website:	http://www.unidu.hr/eng/ric.php

The University of Dubrovnik is youngest of six Croatian universities and first which is fully organized according to Bologna Convention and new trends in higher education. The Department for Aquaculture was established to execute education activities and

RTD projects in the field of aquaculture and coastal zone management. Beside this, University is co-founder (67% ownership) of the Research and Development Center for Mariculture in Ston, famous for ancient shellfish culture activity. The University is also owner (100%) of „Dalmacijabilje maricultura” limited company producing fish and shellfish in own farms. Through this established system, University cooperates with all levels of aquaculture, through fundamental research, education, RTD and business, in Croatia and abroad.

The Research and Development Centre for Mariculture (RICM) is an integral part of the University and deals with following projects:

- TAL-2 and STP – development and work on the project “MARIBIC – Business and Innovation Centre for Mariculture”. The final draft of the Business Plan for MARIBIC came as a result of work during 2003, with participation of its Director and selected consultants. A considerable part of the grant was spent on participation in the project (meetings in Zagreb with PMU and the World Bank) and on the Business Plan.
- Preparation of the initial strategy for business-incubation cooperation with entrepreneurs in Croatian mariculture. RICM spread its basic work on development and research to incubation and cooperation with entrepreneurs in mariculture after the new Contract of cooperation in 2003. The classical form of incubation was not possible due to the lack of production infrastructure, but it was replaced, for a start, with cooperation with the shell fish farmers from the bay of Mali Ston and fish farmers in Dalmatia.
- The project “Development of new products based on mussels from Ston and new strategies for their marketing” was successfully completed with the funds from the Ministry of Agriculture and Forestry.
- The project “Farming of different kinds of fish in the river Neretva delta”

RICM gets support for its work from the Ministry of Science, Education and Sport through the Contract for cooperation and a single grant for the construction and refurbishing of the infrastructure.

Fruitful cooperation between RICM and the Dubrovnik-Neretva County and a number of local municipalities in this field resulted in signing of a contract in 2003 for financing of two projects by the County and Kula Norinska municipality. The project “Mali Ston oyster public reserve” financed by the Dubrovnik-Neretva County includes RICM, as well as the department of Aquaculture of the University of Dubrovnik and the local fish-farmers.

Industry/Sector (technology area): Maritime, Hatchery technology

International activities: Cooperation with several international partners, e.g. Hellenic Marine Research Institute (Athens, Greece), INTECHMER, Cherbourg and IFREMER (France), University of Trondheim (Trondheim, Norway)

C) Technological and Science Parks

There are many definitions of Technology and Science Parks, but in Croatian environment they could be described as a property based initiative, where scientists and entrepreneurs aiming to realize their economical goals based on new technologies, are connected. The Parks give emphasis on development and science-research activities and they are established in the nearness of higher education institutions and research centres. The parks attract top-level professionals, but also young talents, who improve and educate themselves there. Technological parks are unique incubators, in which the concentration of knowledge, high technologies, education and connection to the national and international educational institutions is ensured.

Name of initiative:	Technology Park Zagreb (Zagrebački holding) - TPZ
Contact person:	Marijan Ožanić (Manager)
Email:	m.ozanic@tehnopark.hr ; info@tehnopark.hr
Website:	http://www.tehnopark.com.hr/

The Technology Park Zagreb (TPZ) is the first technology park, the entrepreneurial incubator for high technology in Croatia, founded in 1994 in the framework of KONČAR concern. After the summer of 1998 it was conveyed to the City of Zagreb with the objective to stimulate entrepreneurship and private initiative in the area of development and high technologies within the framework of Programme for Stimulating the Development of Crafts, Small and Medium-sized Businesses in the City of Zagreb. Since January 2007, the TPZ operates within company entitled 'Zagrebački holding'.

The Park aims to stimulate entrepreneurship and private initiative in the area of development and high technologies; provide technical and management trainings; improve the innovativeness; develop technical and business sense of self-confidence within entrepreneurs and to improve competitiveness of domestic hi-tech oriented companies.

Major parts of the TPZ financing are created by subventions from City of Zagreb and Ministry of Economy, Labour and Entrepreneurship (approximately 60%), and remaining 40% is covered by projects and services on the market.

Within its services, TPZ offers its clients: reduced renting costs (subsidized by the City of Zagreb); necessary infrastructure; advising and business consultancy; marketing assistance (appearance on exhibitions and fairs, mutual web site, brochures, articles, TV); ISO 9000 project - mutual team work (subsidized again by the City of Zagreb); donations - using donations awarded to TPZ (Microsoft licenses, computers, etc); innovation support; mutual projects and "clusters"; business

education and system synergy - stimulating, working, developing, innovative environment.

Industry/Sector (technology area): Electronics, ICT technologies

International activities: TPZ is project partner within several EU projects (TEC-PARK.NET and InServNet). The clients and tenants entrepreneurs in Technology park embody excellent results, top quality innovative products, and export in 15 countries (e.g. Great Britain, Pakistan, Chile, Germany to Taiwan.).

Name of initiative:	Technological Park Kutina - Impulsni Centar
Contact person:	Not available
Email:	Not available
Website:	http://www.kutina.hr/

No information in English available at the time of writing the thematic report.

Industry/Sector (technology area): Not available

International activities: Not available

Name of initiative:	Technological Park - Impulsni Centar, Varaždin
Contact person:	Andrija Petrović
Email:	andrija.petrovic@vels.hr
Website:	http://www.tp-vz.hr/

Technological Park - Impulsni centar is situated in Varaždin, in the district, where critical mass of high professional knowledge and resources needed for the development of economical activities based on new technologies, exists. The biggest concentration of knowledge in the region is located within faculties in Varaždin, where more than 100 doctors of science, masters and graduated engineers officiate:

- Geotechnical Faculty of University of Zagreb;
- Textile Technological Faculty of University of Zagreb;
- Electro technical Faculty Varaždin and Electro engineering Faculty Varaždin; Engineering and Transport School Varaždin;
- Mining Chemistry School Varaždin, and
- School of Design and Textile Varaždin.

The Park's area can accommodate 10 economical subjects with 50 employees and it is planned that there will be a new site build (more than 1500 m²) in the future exclusively for the needs of the Park.

Industry/Sector (technology area): Elektrotechnology, Biotechnology, Pharmaceuticals and High Technology overall

International activities: Not available

D) Business-start-up Centres/ Technology Incubators

Business incubators and technology centres contribute to a better entrepreneurial climate in the surrounding area and give the impulse for everybody to start a business, to keep the business alive and to create new jobs, which is very important for the community.

The objectives of the business incubation and technology centres are to (United Nations, 2001):

- support new technology based companies;
- create future-oriented jobs for qualified employees;
- support commercialization of the innovations;
- promote national technology, products and services;
- attract FDI and joint ventures;
- support the clustering processes;
- support regional development;
- strengthen national competitiveness; and
- enhance international networking.

The report on the implementation of the European Charter for Small Enterprises stated that Croatia has the most advanced business incubator programmes. There is a national network of business incubators, as well as a national programme to support their operation and to establish new ones. In most cases, however, the focus is not on innovation and high-quality services are not always available. The scope of some incubators is limited to providing subsidised workspace in regions where finding suitable industrial premises is still a problem. Tenant exit strategies differ from case to case, but few business incubators show a dynamic rate of turnover; one of the main problems remains the relative difficulty of finding alternative locations at affordable prices on the open market (OECD and EC, 2007).

First incubators appeared in Croatia in mid 90', when the oldest incubator in Rijeka 'Porin' was opened (in 1996). All incubators are established as limited liability companies and are mainly in public ownership. Initial funding for incubators in most of the cases was coming from local or international project financing. Nowadays, the major financial instrument for incubators is the TehCro programme (Technology Infrastructure Development Programme), which was initiated by the Government and enables the right technology infrastructure to support commercialization of research outputs and development and growth of knowledge-based enterprises.

According to the Policy Performance Assessment, 15 fully operational Business Incubators out of 20 registered could be identified (status – April 2004). However, there are also several incubators operating under the remit of some of the Centres for Entrepreneurship or Technology Centres (for instance in Pakrac, Samobor or Split). Most of the Business Incubators are located in less developed regions such as

Slavonija, Banovina and Lika. They also exist in the more economically developed regions such as Istria, Primorsko in Bjelovarsko-bilogorska County and Podravina. In most of the business incubators, the premises and services are partially and sometimes to a large extent subsidised by the municipalities. The duration of tenancy tends to be five years (OECD and EBRD, 2005).

Name of initiative:	Business Incubator PINS Skrad Ltd.
Contact person:	Danijel Bertović (counsellor for SMEs)
Email:	pins@ri.t-com.hr
Website:	http://www.pins-skrad.hr/

The Business Incubator PINS Skrad Ltd. represents one of the incubators established under the auspices of local authorities in 1996. The major objectives are: business assistance, promoting new technologies, establishing network among firms and providing different kind of training for SME's.

The Incubator provides mainly administrative services; business planning; networks entrepreneurs; provides financial support and helps with creation of development plans. Additionally, telecenter will be newly offered within next few months (second half of 2007).

There are no official agreements between partners; their work is based on specific projects. The incubator is financed via different projects' sources coming from the Ministry, County, municipalities, but also from EU funds.

Industry/Sector (technology area): Forest-based and related industries, Agriculture
International activities: The Incubator cooperates with Informest from Italia on two EU project (INTERREG and PHARE) and with Development centre Kočevje - Ribnica from Slovenia (CARDS project).

Name of initiative:	PINHK d.o.o.- Entrepreneurial Incubator, Hrvatska Kostajnica (Sisak - Moslavina County)
Contact:	R. Djetelica 70, 44 430 Hrvatska Kostajnica, Republic of Croatia
Email:	poduzetnicki.inkubator.hrvatska.kostajnica@sk.htnet.hr
Website:	http://www.smz.hr/investvodic/kostajnica.htm

PINHK d.o.o. was founded in 1999 in order to improve entrepreneurship in general and especially to institutionally support and help the development of the incubator system of entrepreneurship. The Incubator intended to support the founding and the

development of small and medium size companies and crafts in the area of Hrvatsko Pounje.

Advantages for the users are the following: help with the creation of a business plan and with the founding of a company, rent-free business facilities for the first year (then reasonable rents offered), favourable use of administrative and technical equipment of the incubator (telephones, faxes, copy machines of the incubator), services of a business secretary, advising, etc.

Industry/Sector (technology area): Not available

International activities: Not available

Name of initiative:	Business Incubator BIOS Ltd. Osijek
Contact person:	Igor Medić (Director)
Email:	imedic@inet.hr
Website:	http://www.inkubator.hr/

The target markets for the Business Incubator BIOS are start-up entrepreneurs and small and new businesses up to one year old involved in production or production based services. The use of the premises is limited to 3 to 5 years depending on the type of industry. The office space and production facilities are free in the first year of tenancy, while later payment of limited fees is expected.

The goals of the incubator are following:

- Participating in the regional economic development;
- Promoting local SMEs and providing assistance in the new businesses development;
- Increasing the number of businesses that survive on the market;
- Decreasing the probability of start-up enterprises market failure;
- Decreasing the business setup and growth time and making these processes more cost efficient; and
- Providing business consulting, educational, technical assistance and other services to its tenants and other small and medium sized enterprises in our region

The services offered by BIOS to tenant firms cover office and workshop space at preferential rates; use of office, computer and communication equipment; use of meeting facilities and park space; and other support services, such as consulting services and conference hall usage.

The Incubator is active in promoting new SME networking initiatives, such as clusters in the graphical industry. Partners are: The City of Osijek (establisher and owner), Centre for the Entrepreneurship, Ministry of Economy, Labour and Entrepreneurship,

Osijek-baranja County, Technology Park Zagreb, Technology - innovation centre Rijeka.

Industry/Sector (technology area): Not available

International activities: Not available

Name of initiative:	Entrepreneurship Incubator "Challenge"
Contact person:	IDA d.o.o. Istarska razvojna agencija, Mletačka 12/IV 52100 Pula; Republic of Croatia
Email:	boris.sabatti@ida.hr
Website:	http://www.ida.hr/index.php?id=113

Aiming at stimulating small entrepreneurs and guided by the wish to make starting their own businesses easier for them, Istarian Development Agency (IDA) Ltd. established the Pula-based entrepreneurship incubator "Challenge" in 2005. In the project framework young, educated persons just starting their businesses are provided with initial business premises and advisory assistance, and they are also given the opportunity to obtain financing through a guarantee fund.

The procedure is conceived in such a manner that newly established companies can apply for subsidized business premises, which they may use from three months to three years. There is no rent to be paid in the first three months, during the remaining nine months of the first year they must pay 25%, during the second year 50%. During the third year 75% of the set rent sum is being paid. The contract for the use of business space in the entrepreneurship incubator expires after three years.

In 2005, five companies moved into IDA's entrepreneurship incubator "Challenge":

- Eurokonzalting (Pula);
- Sedam i pol Ltd. (Pula);
- Association Uzpiro Cro (Pula);
- Klimax Ltd. (a branch of the Infobip company from Vodnjan); and
- Enterprising Croatia (regional centre for the counties of Istria, Primorsko-Goranska and Ličko-Senjska).

In the course of 2006, another five companies joined the entrepreneurship incubator:

- Foundation for the Promotion of Civil Society Partnership and Development (Pula);
- Prosper (Pula);
- Microedukacija Ltd. (Split, Pula branch office);
- IGD Ltd. (Pula); and
- L.O.D.E. Regione Veneto - Point of Pula.

Industry/Sector (technology area): Focusing on young, educated persons starting their businesses.

International activities: Not available

Name of initiative:	PORIN d.o.o. Rijeka - "Rijeka Entrepreneurial Incubator"
Contact person:	Not available
Email:	rraporin@porin.hr ; doris.sosic@porin.hr ; darko.jardas@porin.hr
Website:	http://www.rijeka.hr/Default.aspx?art=184

PORIN d.o.o. Rijeka, in full called the "Rijeka Entrepreneurial Incubator" is a trading company dealing in research, development and other business activities involved in developing entrepreneurial incubator systems, foremostly in Rijeka, and if required, on a larger scale on the County level and throughout Croatia. The founders of Porin d.o.o. are: the Town of Rijeka, with a capital share of 61,50% the Riadria bank d.d. Rijeka, with a capital share of 32,25% the County of the Coast and Gorski Kotar, with a capital share of 6,25%.

The goal behind the founding the Incubator is to form a significant number of new, small and medium sized enterprises, with a view to first providing subsistence to those entrepreneurs with sound production programs, and then creating conditions for their unhindered development until the time these enterprises will have grown strong enough with a clear concept of development and a firm management to expand to new markets.

The "Rijeka Entrepreneurial Incubator" provides its entrepreneurs foremostly with premises, administrative and business support, while the Town of Rijeka provides financial support in the form of specified-purpose entrepreneurial loans for the acquisition of fixed assets required for the production of their products. All the members of the entrepreneurial incubator have been granted favourable interest-free long-term loans. The incubator members do not need to set aside funds for purchasing telephones, faxes, PC-s or similar office equipment, as this equipment, as well as a secretary, is at their disposal at the incubator head offices at a fee for services rendered.

The basic criteria applied in choosing tenants for the incubators are as follows:

- a development oriented production program or a service trades program connected with production; and
- the carrier of the program should be an entrepreneur-beginner or an entrepreneur not previously independently engaged in production.

Industry/Sector (technology area): Not available

International activities: Participation in INTERREG, CARDS projects, several institutional partnerships, for more information please consult: <http://porin.willevolve.com/index.php/hr/page/16>.

Name of initiative:	Entrepreneurship Incubator Zadar
Contact person:	Not available
Email:	Not available
Website:	http://www.poduzetnicki-inkubator.hr/

Industry/Sector (technology area): Not available

International activities: Not available

Name of initiative:	Entrepreneurship Incubator OSVIT - Donji Miholjac
Contact:	Trg A. Starčevića, Donji Miholjac, Republic of Croatia
Email:	Not available
Website:	http://www.mpc-miholjac.hr/

The Incubator runs under the Business Centre Miholjac, which is a local development agency, founded in order to create local conditions for economical development, employment and competitive business sector and to attract of foreign investment and creating of productive business climate.

The founders are: Osječko-baranjska county, the town Donji Miholjac and community Magadenovac.

Activities implemented in the Business Centre:

- Creating programmes for regional and local self-government;
- Providing information about projects and programmes in entrepreneurship
- Creating and managing business zones;
- Coordination and help in applying for projects for EU funds;
- Writing EU funds' project proposals;
- Attracting of foreign direct investment (FDI); and
- Coordination of business activities in local area.

Industry/Sector (technology area): Not available

International activities: Not available

Name of initiative:	Entrepreneurship Incubator SENJAK Knin
Contact person:	IV gardijske brigade b.b., 22 300 Knin, Republic of Croatia
Email:	czp-knin@si.t-com.hr
Website:	http://www.czp-knin.hr/

The Entrepreneurship Incubator Knin was founded in compliance with Programme for Supporting of Development of Trade, Small and Medium-sized Entrepreneurship of Knin and Šibensko-kninska county on September 28, 2001. It began with its work in November 2001.

The founder of the Incubator is the city of Knin.

Activities provided by the Incubator are:

- Re-establishment and organisation of entrepreneurship infrastructure (business incubators and zones);
- Market and public opinion research;
- Real estate business; and
- Publishing catalogues about small and medium-size entrepreneurship.

Industry/Sector (technology area): Not available

International activities: Not available

Name of initiative:	Entrepreneurship Incubator BRODIN
Contact:	Mile Budaka 1, 35000 Slavonski Brod, Republic of Croatia
Email:	info@pi-brodin.hr
Website:	http://www.pi-brodin.hr/

Industry/Sector (technology area): Not available

International activities: Not available

Name of initiative:	Entrepreneurial Incubator Labin
Contact person:	Not available
Email:	Not available
Website:	Not available

The entrepreneur incubator in Labin launched its projects in 1998.

Industry/Sector (technology area): Not available

International activities: Not available

E) Others, related Organisations

Name of initiative:	Agency for Investment and Trade Promotion (APIU)
Contact person:	Slobodan Mikac (Managing Director)
Email:	slobodan.mikac@croinvest.org ; sanja.kucera@croinvest.org
Website:	http://www.apiu.hr/

The Agency for Investment and Trade Promotion (APIU) is a Government agency provides full service to investors during and after the implementation of their investment projects. The Agency offers services to foreign investors already operating in the country, and suggests to the Government the improvement of the existing legal framework which would stimulate further investments and the promotion of the investment and business environment.

The major activities are:

- Investment projects;
- Economic and legal framework for investments;
- Free zones and technological parks; and
- Real-estate available for investors.

Name of initiative:	Croatian Financial Agency (FINA)
Contact:	Koturaška 43, 10 000 Zagreb, Republic of Croatia
Email:	info@fina.hr
Website:	http://www.fina.hr/

The Financial Agency (FINA) is the leading Croatian company in the sphere of financial mediation. The national coverage, the information technology system tested in the most demanding operations of national importance, and high professional level of expert teams, are the major advantages of FINA. The Agency is owned by the State, but operates exclusively on the market principle. FINA successfully does business with Croatian commercial banks, the Croatian National Bank, numerous business systems, and other entities in the business environment.

FINA has been operating under this name since January 2002. However, its background is a half-century business tradition. It is a successor of the Institute for Payment Transactions, and/or the even older Social Accounting Service. The Social Accounting Service, which enjoyed the exclusive right in the former state to perform payment transactions within the country, was transformed into the Institute for Payment Transactions in the year 1993. The Institute developed its potential in technological and organisational aspects, keeping the monopoly in the sphere of payment transactions until the year 2002. Over 500,000 transactions processed daily in real time, an exceptionally high degree of satisfaction of the clients, and strikingly favourable evaluations by Croatian and non-Croatian institutions contributed to the Institute's gaining an excellent reputation on the financial market. At the beginning of the year 2002, the Law on Financial Agency was promulgated. The institution, owned by the State, has inherited rights, obligations and assets of the former Institute for Payment Transaction, continuing to create its business policy in the market environment, without a monopoly position.

Name of initiative:	Croatian Association of Entrepreneurship and Supporting Institutions (UHIPP)
Contact person:	Not available
Email:	Not available
Website:	http://www.uhipp.hr (not available)

The Association of Croatian Institutions Promoting Entrepreneurship (UHIPP) was established at the end of 2000 and its membership in 2003 included 39 organisations ranging from entrepreneurship centres, business incubators, technology parks and development agencies. At the time of writing of this report, no information on UHIPP was available.

3 Conclusions / Recommendations

Croatia is the leading performer among the Western Balkan countries in the overall environment for SMEs, in innovation and technology centres and cooperation. The country has a clear and well-structured national strategy for comprehensive business support facilities, including incubation and strategies to improve the range and quality of business support services. The policy framework is supported by a consistent action plan and adequate budgetary resources. Services are provided through donor projects or private sector initiatives and are often isolated from each other; therefore the country should ensure more effective coordination, collaboration and information exchange between financiers.

Croatian Government sees the development of clusters as crucial moment in stimulating greater progress of small and medium enterprises; therefore Croatian economic and regional policy supports formation and development of clusters via special programmes. In 2006, the development of 18 clusters in six sectors (wood and metal processing, food, textiles, printing and publishing and tourism) was supported.

Technology/Innovation Centres are generally supported via the Technology Infrastructure Development Programme (TehCro), which was initiated by the Government with support from the World Bank. Unfortunately, the performance of four established technology centres has not been ideal and there is a need for a performance review to focus attention on their role in facilitating collaboration between research and business.

There are three Technology and Science parks operating: in Zagreb (established as the first park in Croatia), in Varaždin and in Kutina.

Croatia also has the most advanced business incubator programmes. There is a national network of business incubators, as well as a national programme to support their operation and to establish new ones. Even though there is a history of existence of business incubators in Croatia (the first ones appeared in the mid 90's), they are not always focusing on innovation and high-quality services.

In Croatia, there is still a need for strong co-ordination of the whole agenda of technological cooperation, intellectual property rights, business incubators, cluster development, and skills development. This requires a high level of co-ordination among government institutions, particularly among Ministries of Economy, Education and Science, the private sector, universities and research institutes. As in the case of competitiveness, governments should create the institutional setting to ensure that information exchange and inter-agency co-ordination are regular and effective (OECD and EC, 2007).

The national innovation system of Croatia is underdeveloped in comparison with all member states of the European Union. Croatia is lagging behind in knowledge based

factors of growth that commonly shape the new techno-economic paradigm - knowledge economy such as: qualification structure of the labour force, technology capabilities of companies, research capacity in industry, computerisation. Croatia is competitive to EU countries only in research intensity that reflects the present orientation of innovation policy primarily towards supply side in terms of number of researchers and investments in R&D in public sector. Therefore, science and innovation policy is primarily focused on public science separate from production and entrepreneurship. Innovation policy is a part of science policy that is centralized and dominated by MSES as the main financier and consumer of R&D. (Becic and Svarc, 2006)

The following recommendations can be given:

- **Improve policy planning and enhance cooperation, coordination and communication** between local authorities and ministries (improved linkages between ministries);
- **Support better understanding of the innovation process** by key players, such as policy makers;
- **Create interactions and linkages** between different kinds of knowledge: science, technology, and production;
- **Provide effective transfer of good and bad practices;**
- **Apply better identification of strengths and weaknesses** (SWOT analysis defining e.g. which technologies are the economic driving forces; which of them could effectively benefit from cluster organisation and how these could be supported);
- **Provide adequate and sustainable financial support** (the financial instruments are not always attractive for start-ups, there is a clear need for risk/seed capital which could be invested in tenant companies);
- **Undertake innovative (new) ways** of thinking and of acting between all stakeholders;
- **Review the performance of technology centres** (with a focus on their role in facilitating collaboration between research and business);
- **Strengthen linkages** between **private industry and science communities;**
- **Ensure more effective coordination, collaboration and information exchange** between financiers;
- **Build the knowledge capacity through training facilities;**

- **Monitor and evaluate the performance and impact** on the SMEs development; and
- **Provide accurate and up to date information** about the operation of incubators, parks, and innovation centres.

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6 List of Acronyms / Definitions

ADA - Austrian Development Agency
APIU - Agency for Investment and Trade Promotion
BICRO - Business and Innovation Centre of Croatia
CARDS - Community Assistance for Reconstruction, Development and Stabilisation
CCA - Cluster Competitiveness Activity
CEA - Croatian Employers' Association
CEE - Central and Eastern Europe
CEI - Central European Initiative
CIT - Croatian Institute of Technology Ltd.
CREATE - Stimulating Croatia's Entrepreneurial Activities and Technology Transfer in Education
CSC - Croatian Shipbuilding Company
CTT - Centre for Technology Transfer, Zagreb
DAN - Development Agency North (Razvojna agencija Sjever)
EBRD - European Bank for Reconstruction and Development
EC - European Commission
EIT - European Institute of Technology
ERA-NET - European Research Area Network
EU - European Union
FDE - Fund for Development and Employment
FINA - Croatian Financial Agency
GTZ - Deutsche Gesellschaft für Technische Zusammenarbeit
HAMAG - Croatian Agency for Small Business
HBOR - Croatian Bank for Reconstruction and Development (Hrvatska Banka za Obnovu i Razvoj)
HIT - Croatian Institute of Technology
HITRA - Croatian Innovation Technology Development Programme
HITROREZ - hitro.hr Programme, Regulatory Guillotine Initiative
HUP-NCK - Croatian Employers' Association - National Center for Clusters
IASP - International Association of Science Parks
IDA d.o.o. - Istarian Development Agency Ltd. (Istarska razvojna agencija)
ILO - International Labour Organisation
INTERREG - European Community Initiative
IOE - International Employers' Organizations
IRCro - R&D Programme
I&T - Innovation and Technology
KonCro - Croatian Business Competitiveness Upgrading Programme
MELE - Ministry of Economy, Labour and Entrepreneurship
MFIN - Ministry for Finance
MOST - former Ministry of Science and Technology
MSES - Ministry for Science, Education and Sports of Croatia
NBOK - Croatian Bank for Reconstruction and Development
NCC - National Council for Competitiveness
NCHE - National Council for Higher Education
NECC - National Entrepreneurship and Competitiveness Council

NFS - National Foundation for Science, Higher Education and Technological Development
NIS - National Innovation Strategies
NIS - National Innovation System
NRDP - National R&D Programmes
NSC - National Science Council
OECD - Organisation for Economic Co-operation and Development
PINHK d.o.o.- Entrepreneurial incubator, Hrvatska Kostajnica (Sisak-Moslavina County)
PHARE - “Poland and Hungary: Aid for Restructuring of the Economies”
RAZUM - Seed Capital Programme
RIA - Regulatory impact analysis
RICM - Research and Development Centre for Mariculture, University of Dubrovnik
R&D - Research and Development
SEE - South-Eastern Europe
SMEs - Small and Medium Size Enterprises
STIRP - Complex Technology Projects
S&T - Science and Technology
TCS - Technology Center Split
TDCO - Technology Development Centre Osijek Ltd
TehCro - Technology Infrastructure Development Programme
TEMPUS - Trans-European Mobility Scheme for University Studies
TEST - Technology-Related Research and Development Programme
TIC - Technology Innovation Centre Rijeka Ltd.
TPZ - Technology Park Zabreb (Zagrebacki holding)
UHIPP - Croatian Association of Entrepreneurship and Supporting Institutions
UNDP - United Nations Development Programme
UNESCO - United Nations Educational, Scientific and Cultural Organisation
USAID - U.S. Agency for International Development
VenCro - Venture Capital Programme
WB - Western Balkans
WBC - Western Balkan countries

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THEMATIC REPORT on Innovation Infrastructures in the Western Balkan Countries

The Former Yugoslav Republic of MACEDONIA D10

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1 Introduction

This thematic report is produced by the “Information Office of the Steering Platform on Research for Western Balkan Countries” and reviews the situation of Innovation Infrastructures in the Former Yugoslav Republic of Macedonia.

The report is based upon desk research, interviews and questionnaires with main stakeholders.

The objective of this study is to enhance our understanding of the national innovation system in the Former Yugoslav Republic (FYR) of Macedonia. An overview of the situation as regards “Innovation Infrastructures” such as clusters, technology and innovation centres, technological and science parks, business-start-up centres/ technology incubators and some further related organizations is given. The general environment is described as well as important strategic documents and the main programmes and instruments for support. The report concludes with a list and description of the main infrastructures.

The report was compiled in summer 2007.

1.1 General Environment for Setting Up Innovation Infrastructures

This first section deals with rules and regulations, describes the national framework and the specific funds available.

Science, Technology and Innovation (STI), key driving forces for competitive knowledge-based economies have been marginalised with an insignificant amount of GDP being devoted to STI in FYR of Macedonia (e.g. The percentage of Gross Domestic Product (GDP) devoted to the R&D in Macedonia was 0.44% of GDP in 2000, 0.32% in 2001, 0.26% in 2002, 0.22% in 2003 and 0.25% in 2004). The innovation capacity of SMEs in the country is very limited and insufficient resources are invested to use and exploit technologies by SMEs. Linkages between universities and the business sector are weak, there is a lack of awareness about the benefits of STI and the absorptive capacity of SMEs is low. There is no venture capital available for innovation activities of entrepreneurs. There are no financial stimuli or incentives for investments in new technologies and innovations, and the institutions (innovation centres, technology transfer agencies, research centres, labs, etc.) that are supporting SMEs in the area of new technologies and innovations are on the early stages of development or do not exist.

As indicated in the National Development Strategy for Small and Medium-Sized Enterprises (2002 – 2013), by way of promotional activities the awareness of SMEs of STI-related issues will be increased, contributing to a higher absorptive capacity. Increased resources will be provided through innovation-oriented programmes and projects and the science-business interface will be strengthened. The legal environment will be further enhanced to explicitly influence the environment for

innovation. Activities regarding strengthening the existing clusters will continue, as well as the establishment of new ones in order to increase the competitiveness of SMEs. The awareness in regard to participating in clusters will be raised on the national and local level in order to achieve competitive production and increased exports.

According to the strategy, following measures and activities shall be implemented (Ministry of Economy 2007):

- Encourage the private sector to increase the value of investments made for research and development;
- Establish research and development institutions for technology transfer, for new technologies and innovation;
- Support technological development of SMEs;
- Introduce tax incentives for SME sector for investments in research and development - financial stimulations;
- Raise awareness for the importance of R&D on the regular meetings, conferences, etc organised by the network of business associations;
- Determine relevant indicators to follow the development made in science, technology and innovation in accordance to the best practices from EU (Innovation scoreboard);
- Increase the number of enterprises - users of the resources for the development, as well as increase the value of these resources that the state is providing for this purpose; and
- Strengthen the existing clusters and create interest for the establishment of new clusters.

Some positive aspects about Macedonian government's initiative to bring foreign experts appeared in the interview with the World Bank analyst, Simeon Djankov, which was held in September 2006 and where the data from the Western Balkans in the latest World Bank Doing Business Report were analyzed: "I think we are going to see some tremendous improvement in Macedonia in the area of business environment over the next one or two years, I should note that even last year there were very significant improvements, and that there is a good reform program in place to continue and I think it is the right way to bring some people around the world and say what happened in the other countries that are successful and how can we do it there, so I think actually that it's a great move." (SEETV 2006).

The skills and performance of SMEs are currently not adequately supported by the institutions that provide support to SMEs in the form of business development services (BDS). SMEs do not have easy access to business services, and there is a lack of information regarding the potential benefits of external counselling assistance. The capacity of the existing institutions that provide business services to SMEs will be strengthened, and new institutions will be established in the municipalities where such institutions do not exist. The voucher system for consulting services will be strengthened and this will improve the quality of these services via the establishment and implementation of international standards.

Following measures and activities shall be implemented (Ministry of Economy 2007):

- Strengthen the capacity of existing and opening of new business centres;
- Develop an effective market for business services;
- Ease the access to the information for consulting services and advisory support to SMEs;
- Continual education for entrepreneurship and business;
- Promote technological parks, entrepreneurial zones, incubators and other organisations for business support;
- Introduce quality standards in business services;
- Continue with the voucher related activities for consulting services;
- Promote innovation and information technology;
- Organise campaigns for raising awareness of entrepreneurs; and
- Establish a National Certification Body for consultants.

The establishment of a sector for economic reforms within the General Secretariat of the Government strengthened the country's administrative capacity for enterprise and industrial policy. It will provide institutional support for the Government's co-ordinating body for economic reforms, develop a methodology for regulatory impact assessment and strengthen communication with the private sector, specifically the business sector. A new unit for industrial policy in the Ministry of Economy is preparing a study on competitiveness indicators. This set of indicators will be used to develop the industrial strategy. In June 2006, the country has adopted the new Law on Vocational Education and Science, which introduced entrepreneurship learning as an integral part of secondary education. Some progress has been made with the promotion of on-line access for entrepreneurs. An e-tax system was launched in July 2006. It allows on-line filing of tax forms, but is currently only used for larger tax payers.

In 2006, the first Innovation Relay Centre has begun operating in the country. However, the Former Yugoslav Republic of Macedonia still lacks an industrial strategy, as well as a national technology and innovation strategy. Regulatory impact assessments will have to be introduced. It is necessary to make better use of ICT technologies to facilitate communication with the business sector, to strengthen the national Agency for Promotion of Entrepreneurship of the Republic of Macedonia (APPRM) and to enhance transparency and the influence of the SME community in the context of the dialogue within the National Entrepreneurship and Competitiveness Council (NECC). Preparations in this area are moderately advanced. No particular developments can be reported in the areas of enterprise and industrial policy instruments and sector policies. Preparations in this area are at an early stage (European Commission 2006).

1.2 Strategic Documents

Strategic documents reflecting National Innovation Strategies (NIS) have been already highlighted in Science and Technology Country Report Country – D8 FYROM (see.science.eu). Generally, the support to small and medium-sized enterprises in FYR of Macedonia is ruled by the following documents:

- 'National Development Strategy for Small and Medium Enterprises' (2002 - 2013);

- 'Programme for the Development of Entrepreneurship, Competitiveness and Innovation of Small and Medium-sized Enterprises' (2007-2010);
- 'Programme on Measures and Activities for the Promotion of Entrepreneurship and Creation of Competitiveness of the Small and Medium-sized Enterprises in the Republic of Macedonia';
- 'Programme for Stimulating Investment in the Republic of Macedonia (2007 – 2010)' and
- 'European Charter for Small Enterprises - National Report Republic of Macedonia'.

The SME Strategy defines the general direction within SME Development in country; the SME Programme rules the implementation of the SME Strategy, while the SME EU Charter sets the priorities necessary to achieve EU Accession.

'National Development Strategy for Small and Medium-Sized Enterprises (2002-2013)'

The Strategy provides for the general direction towards achieving the vision, objectives and priorities in the area of entrepreneurship and SMEs in the longer period of time. Within the strategy constraints and issues are defined and guidance and measures for their solution provided. Medium-term programmes aim at implementing the strategy setting out specific objectives and measures as well as the financial resources required for their implementation. In 2002, the Ministry of Economy (MoE) published the SME strategy, covering the period from 2002 to 2012 as well as a Programme of Measures and Activities to Support the Development of Entrepreneurship and Competitiveness of Small Businesses for the Period 2003 to 2006. In March 2007, a new **Programme for the Development of Entrepreneurship, Competitiveness and Innovation of Small and Medium-sized Enterprises (2007- 2010)** was adopted. Four years passed since the adoption of the strategy, a period during which several significant achievements have been made regarding SME development. However, at the same time several changes occurred that impose the need for revising and updating the SME Strategy 2002 - 2012 and extending the planning horizon to 2013 (Ministry of Economy 2007).

'Programme for Stimulating Investment in the Republic of Macedonia (2007 - 2010)'

The Ministry of Economy has prepared the Programme for Stimulating Investments in the Republic of Macedonia 2007 - 2010, which was adopted by the Government on June 3, 2007. The Programme contents recommendations and directions for reducing the remainder barriers, which limit investments and recommendations for harmonization of regulations with international accepted standards.

The document has been framed with the assistance of the EAR Project "Technical Assistance to the Ministry of Economy for Improvement of the Investment Climate."

The programme was prepared by an international consultant, Mr. Ricardo Pinto, with significant assistance from the Investment Policy Unit within the Ministry of Economy. Feedback was received from various governmental Ministries, Agencies, Bureaus, etc. as well as donors such as UNDP, GTZ and USAID, which is incorporated into the programme. The overall programme has been based on the OECD's Investment Reform Index (2006) framework. Finally, the 'Programme for Stimulating Investments

in the Republic of Macedonia' has undergone a thorough consultation process, which resulted in revisions and improvements, prior to receiving Government approval.

1.3 Specific Programmes and Instruments

The FYR of Macedonia has gained candidate country status for accession to the European Union (EU), which has major implications for the SME strategy and programme in regard to accelerating the harmonization of national with EU legislation and the need to implement the revised European Charter for Small Enterprises. Moreover, new initiatives such as the **Instrument for Pre-Accession Assistance (IPA)** and the **EU Competitiveness and Innovation Framework Programme 2007-2013 (CIP)** present new challenges in relation to science, technology and innovation (STI) as well as information and communications technology (ICT) as means of enhancing the competitiveness of SMEs. The Government of FYR of Macedonia with its Programme (2006 - 2010) placed strong emphasis on the development of SMEs. The focus is on increasing the competitiveness of local companies and on domestic and foreign direct investment (FDI) as well as on improving the capacity of public institutions to implement reforms.

Special programmes/projects supporting innovation infrastructure by international offices can be indicated, e.g.:

- USAID Macedonia's Competitiveness Activity (MCA) with the goal of the 'Macedonia Competitiveness Activity' to provide assistance to the Macedonian enterprises to shape their vision and actions, which would eventually result in higher competitiveness on the domestic, regional and international markets. This project involves enterprises of all sizes, and helps them to produce and market complex products and services. Five clusters were created through this project (tourism, IT, lamb and cheese, wine and apparel).
- GTZ's technology transfer is to Programme to encourage technology transfer with the creation of a network of specialist agencies, a technology park and facilitated links between SMEs and both of the country's universities (and with German universities) to support innovation development and technology transfer.
- ICE (the Italian Office for Trade Promotion) promotes Macedonian and Italian products in each others countries. This Office also provides for the 'matchmaking' of companies from both countries, organising fairs, making contacts and organising meetings between the companies, etc.
- SINTEF Macedonia (the office for Norwegian - Macedonian cooperation). Through the 'matchmaking' programme, this office links Macedonian and Norwegian companies. Macedonian companies need assistance in how to enter foreign markets. The type of cooperation is not limited so it could be import deals, joint investments, joint performance on third markets (partnering on international tenders), etc.
- SIPPO (the office of the Swiss embassy). The goal of the office is to promote Macedonian products in Switzerland and other EU countries.
- DIHK (the German Chamber of Commerce for International Cooperation). A project of the German Chamber of Commerce, whose goal is to increase

cooperation between Macedonian and German companies, by means of organising fairs, is implemented.

- IFC/PEP Southeast Europe (is part of International Finance Corporation – IFC, World Bank Group). The programme operates in Albania, Bosnia and Hercegovina, the FYR Macedonia, Serbia and Montenegro and was formally launched in July 2005 and has been established for an initial period of five years. PEP-SE's private sector development programmes are co-financed by following countries: Austria, Canada, IFC, Netherlands, Norway, Slovenia, and Switzerland. For more information, please visit: <http://www.ifc.org/pepse>.

1.4 Financing

There are a number of international donor initiatives: CARDS, European Bank for Reconstruction and Development, USAID, World Bank. Significant financial support is also coming from Government of the Netherlands (Ministry of foreign Affairs of the Netherlands), Austria, Canada, and Slovenia, Deutsche Gesellschaft für Technische Zusammenarbeit (GTZ), BAS Programme, TEMPUS Programme, SINTEF Macedonia (Norway), and Foundation - Open Society Macedonia donation, etc.

2 Existing Innovation Structures in the Former Yugoslav Republic of Macedonia

2.1 Key Government Players

Name:	Ministry of Economy (MoE)
Contact:	"Jurij Gagarin" No.15, (BETON A.D. building), 1000 Skopje, FYR of Macedonia
Email:	Not available
Website:	http://www.economy.gov.mk/

The Ministry of Economy (MoE) is responsible for the preparation of the national policy for the development of entrepreneurship and small and medium-sized enterprises. Priorities of the Ministry to be fulfilled:

- Development of the institutions to support entrepreneurship and competitiveness;
- Optimisation of the business environment to encourage start-up businesses;
- Promotion of entrepreneurship and delivery of support to entrepreneurs; and
- Maximisation of SMEs' access to financial support.

The Ministry of Economy has prepared the Programme for Stimulating Investments in the Republic of Macedonia 2007 - 2010, which was adopted by the Government on June 3, 2007. The Programme contents recommendations and directions for reducing the remainder barriers, which limit investments and recommendations for harmonization of regulations with international accepted standards.

Name:	Ministry of Education and Science (MoES)
Contact person:	Dimitrie Cupovski no. 9, 1000 Skopje, FYR of Macedonia
Email:	Not available
Website:	http://www.mon.gov.mk

The Ministry of Education and Science (MoES) performs the activities referring to:

- Upbringing and education of all kinds and degrees;
- Organization, financing, development and promotion of upbringing, education and science;
- Upbringing and education of children of workers, temporary working and residing abroad;
- Verification of vocations and profiles in education;
- Student standard;
- Technological development, informatics and technical culture;
- Information system;
- International scientific-technical cooperation;
- Supervision within its competencies; and
- R&D projects.

The MoES is responsible for policy development and monitoring of implementation of activities relating to science and R&D, however, it is evident that it has failed to assist the Government of Macedonia to recognize that science and R&D as being among the key strategy priorities essential for to long-term economic development of the country.

The MoES's activities are currently largely restricted to co-financing activities such as (Polenakovik and Pinto 2007):

- Developmental and innovation projects (up to 30% of total cost);
- 45 scientific journals per year;
- Publication of cca 200 scientific books per year;
- Participation in cca 50 domestic scientific conferences;
- Participation in international conferences and seminars (500 participants);
- International study visits for cca 100 young scientists; and
- Approximately 300 research projects in 2003 and some 186 projects in 2004.

The effects of these scientific and R&D related activities on the national economy are not clear since there is no direct relationship between investment and economic impacts, hence the reason for independent evaluation.

Name:	National Entrepreneurship and Competitiveness Council (NECC)
Contact:	Not indicated
Email:	info@nspk.org.mk
Website:	http://www.nspk.org.mk/index_en.htm

The National Entrepreneurship and Competitiveness Council (NECC) is a tripartite public-private-civil body comprising leaders from the private, government and civil society sectors advocating and leading the implementation of policy changes crucial to the development of more competitive Macedonian businesses. The Council has been set up in early 2003. The mission of the Council is to raise the dialogue of the private, civil and public sectors to the level of a strategic and long-term partnership to make major contribution in the building of the economic prosperity of the FYR of Macedonia.

The primary task of the NECC members is to work together on the development of national strategies aimed at improving the conditions for doing business that would help Macedonian companies, clusters and other active business associations to develop, promote and export their high value products and services and thus create higher and growing incomes for the average citizen of Macedonia.

The NECC carries out its programme's activities through the following organizational bodies: Assembly, Management Board, Supervisory Board, Advisory Group and 6 internal committees - working groups for Competitiveness, Clustering, Technological Development, Education and Human Resources, Local Economy Development Regulations and Budgets and cooperation with donor organizations.

Name:	Agency for Promotion of Entrepreneurship of the Republic of Macedonia (APERM)
Contact:	Nikola Vapcarov 7, 1000 Skopje, FYR of Macedonia
Email:	apprm@apprm.org.mk
Website:	http://www.apprm.org.mk/

The Agency for Promotion of Entrepreneurship of the Republic of Macedonia (APERM) was established in accordance with the Law in December 2003, and represents a central state institution for support of the entrepreneurship and development of small business in the FYR of Macedonia. The Agency acts as a legal entity and is independent in its activities.

Its mission is:

- Creating favourable economic environment and legislation;

- Creating and developing institutional infrastructure for support and development of entrepreneurship and competitiveness in small business;
- Implementation and coordination of state and international support for micro, small and middle businesses;
- Promoting entrepreneurship through financial and non-financial forms of support; and
- Implementing the Programme on measurements and activities for support of entrepreneurship and creating competitiveness in the small business of the Republic of Macedonia.

The Agency is implementing its activities through the regional centres: Foundations for the development of SMEs (in Veleš, Skopje, Kumanovo, Bitola and Strumica); enterprise support agencies (in Tetovo, Gostivar and Ohrid); Prilep Regional Enterprise Development Agency (PREDA); Roma Business Centre in Skopje; seven business incubators in Ohrid, Delčevo, Makedonska Kamenica, Štip, Prilep, Strumica and Veleš; three Centres for Technological Transfer at the Mechanical and Agricultural Faculty in Skopje, as well as the Technical Faculty in Bitola; Ss. Cyril and Methodius University Business Start-Up Centre in Skopje, etc.

Name:	Macedonian Academy of Sciences and Arts (MANU)
Contact:	bul. Krste Misirkov , num.2, P.O.Box 428, 1000 Skopje, FYR of Macedonia
Email:	makakad@manu.edu.mk
Website:	http://www.manu.edu.mk/

The Macedonian Academy of Sciences and Arts (MANU) is the primary national institution to promote the development of science, research, innovation and new technologies, both in the country and internationally. However, MANU is facing serious problems such as lack of funding, low level of human capital, outdated equipment, etc. with the consequence that it is not in a position to fulfil its role satisfactorily.

MANU implements its activities through five departments (Linguistic and Literary Sciences; Social Sciences; Mathematical and Technical Sciences; Biological and Medical Sciences; and Arts) and five research centres (Research Centre for Genetic Engineering and Biotechnology, Research Centre for Energy, Informatics and Materials, Centre for Strategic Research, Centre for Linguistics and the Lexicographical Centre).

The first two centres are internationally recognised for their research, but there is an overlap in the focus of the other three centres and other scientific institutions such as the Institute of Economics, Institute for Sociological, Political and Juridical Research, Institute for Macedonian Language and Institute for Macedonian Literature. MANU's difficulties are compounded by the fact that researchers and scientists are not always allowed to apply for MoES research projects (Polenakovik and Pinto 2007).

2.2 Key Innovation Infrastructures

The following section gives an overview on the main existing innovation infrastructures in the Former Republic of Macedonia (clusters, technology and innovation centres, technological and science parks, Business-start-up centres/ Technology Incubators and some further related organizations).

A) Clusters

Clusters are inter-related firms and other institutions that drive the competitiveness of a given industry. Clusters consist of private enterprises of various sizes, including producers, suppliers and buyers, plus representatives of labour, government, professional associations and academic, research or training institutes.

In the Former Yugoslav Republic of Macedonia clusters are supported by a number of donor initiatives. Additionally, there is a donor financed programme to facilitate technology transfer. The National Council for Entrepreneurship and Competitiveness, established with the help of USAID, has functioned over the last three years as a focus for these activities. Financial and organisational support is donor based; at the end of the period of donor funding, merging of activities with the recently established SME national consultative arrangements is planned (OECD and EC 2007).

It is essential for the linkages between FDI and local businesses to be strengthened, thus reaping spill-over effects such as transfers of technology and know-how, and contributing to the development of SMEs and their competitiveness. Through the SME Programme (2007- 2010), the Government of the FYR of Macedonia intends to continue to develop SME linkages and cluster development programmes. The following clusters already exist: lamb and cheese, tourism, information technology, wine, apparel and wood industry. Further clusters are planned: fruit and vegetable processing, automotive industry and construction. If there is an interest for new business activities from companies, new clusters will be established. A USAID-funded project will support the development of the clusters and networks. These clusters will be connected at the regional and local levels (Ministry of Economy 2007).

As mentioned previously, the major actor in clusters' establishment in the FYR of Macedonia is the USAID with the 'Macedonia's Competitiveness Activity' (MCA). Their project helped in the development of five clusters – in tourism, textile, information technologies, wine, lamb and cheese.

The mission of USAID 'Macedonia's Competitiveness Activity' (MCA) is to build the prosperity of the average citizen of FYR of Macedonia by helping local enterprises generate the vision and initiatives that will result in their increased competitiveness in domestic, regional and international markets. USAID MCA works with Macedonian enterprises of all sizes, helping them to develop and market complex products and services to command higher prices from demanding customers around the world.

Name of initiative:	Lamb and Cheese Cluster
Contact:	Not available
Email:	Not available
Website:	http://www.mca.org.mk/index_en.htm

The Lamb and Cheese Cluster's goal is to continue follow up on customer demand and to further strengthen its position at the global markets by products' adjustments, implementing quality standards and applying newly acquired marketing techniques. Demonstrating strong evidence of leadership and commitment, strategic potential as well as high economic impact on FYR of Macedonia, the Lamb and Cheese Cluster was the first cluster to receive focused technical support from USAID's Macedonia Competitiveness Activity Project.

Entrepreneurs in the Lamb and Cheese Cluster are turning the sector around and creating new opportunities for the industry. More than 70 participants are working together to make the operational improvements required to successfully penetrate regional and global markets. Several shipments have been successfully exported to the Australian, Albanian and the US markets.

Industry/Sector (technology area): Food, Agricultural products

International activities: Lamb producers united in the cluster work on the implementation of the lamb test market program in Greece, which should enable direct sales of lamb meat to the supermarkets.

Name of initiative:	Tourism Cluster
Contact:	Not available
Email:	Not available
Website:	http://www.mca.org.mk/index_en.htm

The Tourism Cluster's vision is to foster high and raising standard of living for Macedonian citizens. Established in April 2003, the cluster is addressing the challenge of inbound tourism by offering unique tourism experiences meeting the needs of demanding customers. Since its establishment, MCA coached, guided and provided technical assistance to help the Tourism Cluster move closer to self-sustainability. The Hotel Association of Macedonia (HOTAM) has taken over the leadership in continuing the work of the Tourism Cluster. Both, HOTAM and the National Entrepreneurship & Competitiveness Council are the focal points for the Tourism Cluster.

Cluster members and MCA staff took part in the launch of the tourism portal <http://www.exploringmacedonia.com> in January 2005. The Cluster assisted with research, contacts, preparation, content and overall development of the portal, which was developed by e-BIZ project and a local IT company. The portal serves as a one-stop-shop for booking tourist experiences in FYR of Macedonia.

Industry/Sector (technology area): Tourism

International activities: Not available

Name of initiative:	IT Cluster
Contact:	Not available
Email:	Not available
Website:	http://www.mca.org.mk/index_en.htm

The IT Cluster is working on positioning FYR of Macedonia as an outsourcing destination for software development, with special emphasis on the European market, utilizing its competitive advantages - extremely high skill base, short time span for product development and delivery to any European country. The establishment of two consortia (MacedoniaIT and ITSM Group) was an important milestone in the Cluster's work. Within this framework, more than 100 people were trained in business-to-business telemarketing skills and more than 80 meetings with prospective clients in Vienna, Zurich and London were held.

Eight cluster members formed 'MacedoniaIT' to focus on software for the services sector, such as banking. Following in their footsteps, 'ITSM Group' with five members was formed around document management applications.

With MCA assistance, the consortia established policies for joint marketing, decision making and sharing contracts and eventually hired sales representatives. They received "cold call" training and learned how to do more effective follow up with potential clients.

Industry/Sector (technology area): ICT, High-Tech

International activities: Not available

Name of initiative:	Digital Technology Cluster (Sub-group of the IT Cluster)
Contact:	Not available
Email:	Not available
Website:	http://www.mca.org.mk/index_en.htm

The USAID/MCA's work with digital media began with one company. This was a deviation from MCA's cluster approach to competitiveness to use a "lead company" model, the theory being that the success of a motivated lead company would inspire others in a sector. In early 2004, MCA began working with the company to define, promote and brand the industry.

Initially focused on digital animation and special effects for the entertainment industry, the Digital Media Focus Group of the IT Cluster included 10 production and post-production companies (June 2004). Later it expanded to include companies offering pre-production, production and post-production services. With MCA assistance, a new industry association, the Macedonia Association of Digital Entertainment (MADE) was formed (in early 2005).

Industry/Sector (technology area): ICT, High-Tech, Entertainment industry
International activities: Not available

Name of initiative:	Wine Cluster
Contact:	Not available
Email:	Not available
Website:	http://www.mca.org.mk/index_en.htm ; www.winemk.com

The Wine Cluster was established in April 2004. The Cluster's major objectives are to improve Macedonian wines' quality and to help shift exports from bulk wine into higher value bottled wines. Strong emphasis is being put on the promotion, new marketing techniques and a specialized export test market programme and as part of these efforts in September 2005 five small and medium size wineries formed a consortium 'The Macedonian Fine Wines Export Group' and presented their wines of excellent quality, flavour and consistency in the UK market.

In keeping with the overarching goal to move up the value chain by selling higher value-added products to more demanding customers, the Wine Cluster supported by the USAID's Macedonia Competitiveness Activity (MCA) Project has focused on quality and marketing improvements to facilitate increased sales of the country's high-end specialty wines in Europe.

Realizing the strategic potential and the importance of applied information technology tools in the wine industry development, the wine cluster committed to develop a 'Macedonia Wine Portal' (mid 2006). The portal <http://www.winemk.com> contains industry information, wineries description and wine selection.

Industry/Sector (technology area): Beverages
International activities: Not available

Name of initiative:	Apparel Cluster (AC)
Contact:	Not available
Email:	Not available
Website:	http://www.mca.org.mk/index_en.htm

The Apparel Cluster (AC) is focusing on pulling out of the CMT (Cut, Make&Trim) System of operation by improving the flexibility of their own production, restoring the local production of fabrics, developing Macedonian proprietary designs and brands, and attracting foreign direct investments. Apparel Cluster's members are working together to build a competitive advantage for the industry based on improving its manufacturing capability (i.e. moving from CM to CMT and "Full Package" and "own-design" exports), increasing the flexibility of its manufacturing capability, creating proprietary designs, and developing strong Macedonian brands to allow Macedonian apparel to compete and win against lower cost competitors from Asia.

The Apparel Cluster Leadership Council (CLC) made the first step toward Cluster sustainability with the merger of the Textile Trade Association (TTA) and the Apparel Cluster (AC). Discussion of the Cluster's sustainability began at the CLC's instigation, not MCA's. In December 2005, some 120 industry representatives attended a meeting, where the Apparel CLC announced the merger and presented a 2006 work plan. The new organization aims to establish itself as a self-sustainable and professional trade association for the industry, with annual membership fees (100 € per year per member).

Many of the cluster activities have already contributed to the industry and TTA-AC self-sustainability. Thus, through the National Entrepreneurship & Competitiveness Council, the cluster successfully lobbied to have a customs law changed that taxed imported inputs used for exported finished goods. Cluster members took part in seminars to learn how the new law would affect them and worked with Customs officials on a pilot to test the new system that would be in place in 2006.

Industry/Sector (technology area): Textile industry

International activities: MCA connected the Cluster with CBI, the Dutch Agency for Promotion of Imports from developing countries.

As stated in the 'Report on the implementation of the programme for promotion of entrepreneurship and competitiveness in the small business sector of the Republic of Macedonia' (2006), the Agency for Promotion of Entrepreneurship of the Republic of Macedonia (APERM), made initial analysis with domestic and foreign experts to investigate the possibilities for establishment of the **Agro-Cluster and the Cluster for Construction Materials and Equipment**. According to the studies done, the definitive establishment and operation of the Agro-Cluster is more realistic than the cluster for construction materials and equipment.

B) Technology/Innovation Centres

In the year 2002, the Ministry of Education and Science allocated funds for the establishment of technological nuclei at the following institutions:

- The Faculty of Natural Sciences and Mathematics - Skopje;
- The Faculty of Mechanical Engineering - Skopje;
- The Faculty of Electrical Engineering - Skopje; and
- The Faculty of Medicine - Skopje.

With the financial support of the TEMPUS Programme, as well as of the German Programme for Technical Cooperation (GTZ), besides four above-mentioned technological nuclei, five other technology transfer centres were established:

- Centre for Research, Development and Continuing Education at the Faculty of Mechanical Engineering - Skopje;
- Technology Transfer Centre at the Faculty of Electrical Engineering and Information Technologies (FEEIT) - Skopje;
- Centre for Applied Research and Continuing Education in the Field of Agriculture at the Faculty of Agriculture - Skopje;
- Euro-Regional Technological Centre at the Faculty of Technical Studies - Bitola (ETC Bitola); and
- Technology Transfer Centre for Chemical and Textile Engineering at the Faculty of Technology and Metallurgy - Skopje.

Both, the Faculty of Biotechnical Sciences in Bitola and the Faculty of Agriculture and Food in Skopje, participate in the work of the Regional Centre for Technology Transfer in the Field of Biotechnology and Applied Sciences for the Countries of Central and Eastern Europe, established at the University of Zagreb, Croatia.

In the period from 1996 to 2004, the TEMPUS Programme has made a substantial impact on the development of the Macedonian capacities for participation in the EU research and development programmes. Three TEMPUS projects resulted in the establishment of technology transfer structures at the Faculty of Electrical Engineering, the Faculty of Technology and Metallurgy and at the Faculty of Agriculture, within the Ss. Cyril and Methodius University of Skopje. The objectives of the TEMPUS projects were aimed at upgrading knowledge and skills, as well as at procuring modern laboratories for education and training and for research and development projects (The Government of FYR of Macedonia 2005).

Name of initiative:	Technology Transfer Centre for Chemical and Textile Engineering at the Faculty of Technology and Metallurgy, Ss. Cyril and Methodius University, Skopje
Contact:	Ruger Bosković 16, 1000 Skopje, FYR of Macedonia
Email:	Not available
Website:	http://www.tmf.ukim.edu.mk/index.php?id=108

A Technology Transfer Centre in chemical and textile engineering was established at the Faculty of Technology and Metallurgy of the University “Ss. Cyril and Methodius”, providing opportunities for benefiting from different forms of life-long learning courses.

Industry/Sector (technology area): Chemical and textile engineering

International activities: Not available

Name of initiative:	Technology Transfer Centre at the Faculty of Electrical Engineering and Information Technologies (FEEIT), Ss. Cyril and Methodius University, Skopje
Contact:	Karpos 2, PO Box 574, 1000 Skopje, FYR of Macedonia
Email:	webadmin@feit.ukim.edu.mk
Website:	http://w3.etf.ukim.edu.mk/en/homepage.html

The Faculty of Electrical Engineering and Information Technologies (FEEIT) of the University “Ss. Cyril and Methodius” developed a model for offices for international technology transfer.

Industry/Sector (technology area): Not available

International activities: Not available

Name of initiative:	Centre for Research, Development and Continuing Education (CIRKO) at the Faculty of Mechanical Engineering (FME), Skopje
Contact:	Zvonimir Kostik
Email:	info@mf.edu.mk
Website:	http://www.mf.ukim.edu.mk/mfs.php?idMeni=1&nivo=1&idJazik=2

The Centre for Research, Development and Continuous Education (CIRKO) was founded by the Faculty of Mechanical Engineering (FME) in 2002. It is created mostly, to intense the activities of the FME in the Republic of Macedonia, as well as outside of it. Main activities of the organization are:

- Research and development (research and development projects are mainly in the direction of increasing the organizational, technical and technological level of the companies);
- Continuous education for the graduated engineers who have a life-long need for learning (i.e. to master a newly created knowledge through different kind of seminars, courses, workshops, forums); and
- Certifications and expertise (for all different kind of technical systems, management systems).

Mission of the CIRKO covers:

- Giving a pace of the technology transfer in economy in order to increase its competitiveness in the region and broader; and
- Increasing the level of knowledge and overall intellectual capital in the country through the systematic continuous education of the staff.

Industry/Sector (technology area): Technology and know-how transfer in areas of Mechanical Engineering, Industrial Engineering, Production Engineering, Automotive Industry, Energy Sector, Welding and new materials, Hydraulics, Automation, Thermodynamics, Mechatronics, Transport and Logistics.

International activities: USAID sponsored projects (MES CIRKO - Ebiz Project - Centre for Advanced Mechanical Engineering Systems; Supply Chain Management Project). UNIDO financially supported the project 'Centre for Cleaner Production'. Norway financially contributed to the project 'Centre for Energy Efficiency' and 'Centre for climate changes.'

Name of initiative:	Centre for Applied Research and Continuing Education in the Field of Agriculture at the Faculty of Agriculture, Skopje
Contact:	Bul "Krstev Petkov Misirkov " bb, 1000 Skopje, FYR of Macedonia
Email:	Not available
Website:	http://www.fznh.ukim.edu.mk/

Industry/Sector (technology area): Not available

International activities: Not available

Name of initiative:	Euro - Regional Technological Centre at the Faculty of Technical Studies - Bitola (ETC Bitola)
Contact:	"Ivo Lola Ribar" bb (Tehnički fakultet), 7000 Bitola, FYR of Macedonia
Email:	contact@etc.org.mk
Website:	http://www.etc.org.mk

The Euro - Regional Technology Center is a foundation established on July 31, 2003 by the Faculty of Technical Sciences - Bitola and the Council of Municipality Bitola, with support from GTZ (German Technical Cooperation) through their Project for Technology Transfer.

ETC Bitola has been founded on the basis of analyses conducted by experts from the Faculty of Technical Sciences - Bitola and Municipality Bitola, and the actual needs for efficient long-term canalization of expert knowledge from regional higher education institutions towards SMEs, which would provide the latter the ability to

market products that satisfy European quality standards. ETC acts in the field of technological brokerage and facilitation of the transfer of technology, technology information and knowledge between research centers and private enterprises, primarily SMEs, in order to “pave” their way towards reaching their common goal - becoming competitive on EU markets.

ETC supports and helps research institutes sustain and enhance their research activities, and stimulates technology - oriented entrepreneurship initiatives in the region, provided that they comply with regional technology requirements. This leads towards accomplishing the aim for which ETC has been established – creation of a regional system of innovation which would be the future driving force of regional development.

Industry/Sector (technology area): Technology transfer, ICT, Hydrotechnics, Process industry, Energy and environmental protection, Mechanical constructions, Industrial engineering, Agricultural engineering and food processing, Electroenergetics and electronics, Traffic and transportation, Printing technique and technology.

International activities: Cooperation with German GTZ (Technology Transfer Project)

According to the internet source (<http://www.vlada.mk/english/News/March2007/ei27-3-2007f.htm>), the Ss. Cyril and Methodius University, Economic Chamber of Macedonia, Management and Industrial Research Foundation (MIR) and the Agency for Promotion of Entrepreneurship of the Republic of Macedonia (APERM) signed on March 27, 2007 in Skopje an agreement on opening a **European Information and Innovation Center**. The Center should facilitate an access to the European Union's Competitiveness and Innovation Framework Programme (CIP), which is to be launched on **January 1, 2008**.

C) Technological and Science Parks

The creation of technology and entrepreneurship support infrastructures in FYR of Macedonia is in the core of the research and technology development strategy of the country. Especially, the Bitola region has significant resources that the current economic condition have left underutilized. It is necessary to create a mechanism that will foster innovation and entrepreneurship. The Bitola greater region has a significant share of the total national activity with specific share strong industrial sub-sectors, as well as knowledge-creating and research institutes.

The Bitola Technology Park (BTP) is in the core of the strategy to achieve the targets. When compiling the thematic report on Innovation Infrastructures in FYR of Macedonia, the feasibility study of the Bitola Technology Park was concluded. The Park is not in operation yet.

Name of initiative:	Bitola Technology Park (BTP)
Contact:	Not available
Email:	Not available
Website:	Not available

The feasibility study for the creation of the Bitola Technology Park (BTP) has been completed in October 2003. All the important regional players were participating in the work of the project Steering Committee, including: The Faculty of Technical Sciences - Bitola, the Municipality of Bitola, the Regional Enterprise Support Centre - Bitola, the Regional Chamber of Commerce - Bitola, the European Agency for Reconstruction, the Central Government. Other important players were contacted in a continuous basis so that this continuous technology development project eventually results in the Bitola Technology Park.

The BTP will provide a wide range of services for researchers, entrepreneurs and companies in the greatest region of Bitola. The BTP will:

- Support the identification of funding sources for the researchers of the University of Bitola;
- Promote the participation of researches in wide research networks of international scale;
- Facilitate the linkage of research activity in the region with the companies to address their technology needs and to exploit research results;
- Provide technology transfer to the companies in the region;
- Provide quality infrastructure for the establishment of new high technology based companies and provide support services;
- Organize research and technology focused events, seminars to facilitate exchange of knowledge; and
- Provide technological information and access to updated technology sources.

BTP will attempt to cooperate and not compete with existing support structures, mechanisms, agencies and companies in order to multiply the use and exploitation of services. The ultimate goal will be to structure a regional system of innovation that will be the engine for development of the region in the future.

Industry/Sector (technology area): High-Tech

International activities: Not available

D) Business-start-up Centres/ Technology Incubators

The objective of business incubators is to foster the creation of new companies in innovative sectors. However, in many SEE countries and FYR of Macedonia is not an exception, incubators are still limited in number and resources, and they are more focused on employment creation rather than on innovation. The services offered in incubators should be extended beyond physical infrastructure towards high value added services. As with business advisory services, examples include:

- Business planning / feasibility studies;
- Marketing;
- Access to finance;
- Quality standards; and
- Mentoring/business angels.

In moving towards a knowledge-based economy, incubators should be linked with universities, research institutions and innovative sectors in order to become an engine for growth and productivity (OECD 2005).

In FYR of Macedonia, several successful business incubators were established six to ten years ago under a World Bank financed programme which targeted recently privatized businesses with surplus premises as partners. Since that time, no new incubators had been established or funds allocated for this purpose until the recent establishment of the YES incubator (on a project basis, with donor support). There is no strategy for business incubators and no funds have been allocated for them. There is a new programme for 2007 - 2010, but it does not foresee either further support for existing incubators or the establishment of new ones (OECD and EC 2007).

There are five Regional Enterprise Support Centres (RESCs) in the country, three Enterprise Support Agencies (ESAs), seven business incubators (with a further one under preparation), and the Prilep Region Enterprise Development Agency (PREDA).

The RESCs were founded in 1999 by the EU PHARE Programme. They received financial support until the end of 2002. After 2002, these centres continued functioning and were financed by revenue received in providing services to enterprises, as in the past, but on a fee basis. In 2004, APERM (Agency for Promotion of Entrepreneurship of the Republic of Macedonia) provided budget support to these centres, in the form of support for specific project work. Presently, these centres are part of the APERM network.

The goal of the ESAs is to support and promote entrepreneurship. These agencies were founded by DFID (UK Government) in 1999. Like the RESCs, they became self-sustainable in 2002, earning income from the services they provide to enterprises. The ESAs offer a larger number of services to clients, and recently they have started organising seminars and training on the adoption international standards. They receive financial support from the APERM, based upon the implementation of APERM projects.

The Prilep Region Enterprise Development Agency (PREDA) is an entrepreneurship support agency for the region of Prilep and was founded by the Swiss government.

Unlike the other centres, PREDA is still financially supported by the Swiss International Development Agency (Ministry of Economy 2005).

There are seven business incubators active at the moment: the Incubator Delčevo, the Incubator “Turtel” Štip, the Incubator “Biljana” Prilep, the Incubator Saša, the Deni Incubator Veleš, the Giča Incubator Ohrid, and the Inkubator Strumica. Those incubators were established by the World Bank in 1997 with a purpose to support the start-up of businesses.

Another incubator, Business Start-up Center Bitola was formed with financial and experts assistance from SPARK (formerly ATA - the Academic Training Association - Amsterdam, Netherlands - further information is provided below) and another business incubator is in a phase of being created - the Youth Entrepreneurial Service – Business Incubator which is being attained with SOROS Foundation - Open Society Macedonia donation.

The FYR of Macedonia with its Business Start-up Centre Bitola actively participates in the **Southeast European Network of Business Start-up Centers and Incubators (SENSI)**. The network was set up under the auspices of the SPARK in Tuzla (Bosnia and Herzegovina) on October 20, 2006, and is a regional network of business start-up centres and incubators with more than 20 members trough the whole region of Southeast region (from Slovenia to Macedonia).

By bringing together the different local backgrounds, shared experiences, forces and know-how of business starts-up centres and incubators in 8 countries (Slovenia, Croatia, Macedonia, Serbia, Kosovo, Montenegro, Bosnia & Herzegovina and the Netherlands), SENSI members aim to improve their support and business services to young entrepreneurs and start-ups.

In cooperation with Universities from South East Europe, local governmental institutions and local business communities, SENSI enhances the capacity of entrepreneurship in South East Europe.

For more details concerning the SENSI network, its members, and contact lists, please visit the web-site: <http://www.sensi.biz/>

Name of initiative:	Business Start-Up Centre Bitola (BSC Bitola)
Contact person:	Rozita Talevska - Hristovska (BSC Coordinator)
Email:	r.hristovska@bscbitola.org
Website:	http://www.bscbitola.org

The Business Start-Up Centre Bitola supports students, young graduates and young entrepreneurs (up to 35 years) to start their own small and medium enterprises in FYR of Macedonia. The project is financed by the Ministry of Foreign Affairs of the

Netherlands, and co-owned by local stakeholders represented in the Coordination Committee of the centre.

BSC Bitola is a project of 5 local partners covering: Municipality of Bitola, University "St.Kliment Ohridski"-Bitola, Regional Chamber of Commerce-Bitola, Regional Enterprise Support Center and Faculty for Technical Science-Bitola

The centre is supported by SPARK (formerly ATA - the Academic Training Association) through a grant of the Dutch Government.

Industry/Sector (technology area): Not available

International activities: BSC Bitola is part of a big regional network of Business Start-up Centres and Incubators in South Eastern Europe (the Southeast European Network of Business Start-up Centers and Incubators (SENSI)).

Name of initiative:	Ss. Cyril and Methodius University Business Start-Up Centre (UKIM - BSC)
Contact person:	Radmil Polenakovik (Manager)
Email:	radepole@mf.edu.mk
Website:	http://www.bsc.ukim.edu.mk/en

The Ss. Cyril and Methodius Business Start-Up Centre (UKIM - BSC) was established in April 2006 as a result of Austrian Development Agency (ADA) funded two years project. Main objectives of UKIM-BSC are to:

- become a Business Start-Up Centre at the University Ss. Cyril and Methodius, that will serve as a creative incubator of innovative technology based and service oriented solutions;
- improve the entrepreneurial spirit among students, recent graduates and UKIM-staff through entrepreneurial training, and to increase the practical business skills of the students and graduates in order to run their own businesses;
- improve and strengthen the entrepreneurial knowledge and experimental methods in most of the curricula at UKIM (cross curricular approaches); and
- foster economic development through networking activities among new established companies, focusing on SEE regional Private Sector Development cooperation and EU economic integration.

UKIM - BSC offers the following services: entrepreneurial and small business management training; assists students and recent graduates to start their own small and medium enterprises (SMEs); increases impact of the Entrepreneurial issues to UKIM regular curriculum and courses, through UKIM staff training; implements a Micro Credit structure for financing start-ups.

UKIM - BSC still is not separate legal entity. It is using administration support of the Faculty of Mechanical Engineering. With other partners there are signed memorandums of understandings.

By summer 2007, the Centre founded five new companies, all of them led by young entrepreneurs (students or recent graduates) and all meeting basic criteria of innovative, profitable and businesses based on knowledge. More than 150 young people successfully finished ten days training "How to run my own business" and 33 of them applied with the Business plan to the competition organized by UKIM - BSC. Additionally, UKIM - BSC is providing two-month entrepreneurial training for the officers that are leaving Ministry of Defense and Army of the FYR of Macedonia

Industry/Sector (technology area): All academic fields since the Centre is University based.

International activities: WUS (Austria); University of Leoben (Austria); Herbert, Pock and Partners (Austria); Innofinanz (Austria); members of SENSI Network, SPICE (Science Parks and Innovation Centers Experts) Group.

Name of initiative:	DENI INCUBATOR Veleš
Contact person:	Iskra Danailova
Email:	inkubatorveles@mt.net.mk
Website:	Not available

Industry/Sector (technology area): Not available

International activities: Not available

Name of initiative:	GICA Incubator Ohrid
Contact person:	Ljupčo Ivanovski (CEO)
Email:	gica@mt.net.mk
Website:	http://www.gica.com.mk/gicainkubatoreng.htm

The Gica Inkubator, an incubator for supporting small businesses in Ohrid region, was founded in February 2001, followed by the activities on reconstruction and adapting the ruined buildings. The first four pioneer-companies with sufficient courage and entrepreneurial spirit joined the incubator and started their business in October 2001, but their number has since considerably increased.

The Incubator is run by incubator manager and project manager with strong support from the staff at the mother company, GICA DOO. The Incubator provides following

services: business premises at affordable fees; conference room; services at privileged prices; import and export documents; training programs; loans for the incubators members; cooperation with the founder including engaging the members in execution of works for the founder and finding them new business partners. The supported businesses are located within the Incubator and have local, national, and several companies, international outreach. The supported businesses have in average 2 - 20 employees.

Industry/Sector (technology area): The following branches of business and industry are supported: companies for design and production of furniture, cardboard boxes and plastic containers, irony objects, woodworking, shoes, aluminous doors and windows, textile and electronic, as well as civic associations of the organic food producers.

International activities: Active cooperation with companies from Italy, Germany and Greece.

Name of initiative:	Inkubator Strumica
Contact person:	Nikola Trendov
Email:	Not available
Website:	Not available

Industry/Sector (technology area): Not available

International activities: Not available

Name of initiative:	Biljana Incubator Prilep
Contact person:	Sašo Murgoski
Email:	Not available
Website:	Not available

Industry/Sector (technology area): Not available

International activities: Not available

Name of initiative:	Incubator Delčevo
Contact person:	Metodi Novoselski
Email:	metoinku@mt.net.mk ; mnovoselski@mt.net.mk
Website:	Not available

Industry/Sector (technology area): Not available
International activities: Not available

Name of initiative:	Turtel Incubator Štip
Contact person:	Snežana Basovska
Email:	tink@mt.net.mk
Website:	Not available

Industry/Sector (technology area): Not available
International activities: Not available

Name of initiative:	Incubator Saša Makedonska Kamenica
Contact person:	Trajanka Veselinovska
Email:	Not available
Website:	Not available

Industry/Sector (technology area): Not available
International activities: Not available

E) Others, related Organisations

Name:	Agency for Foreign Investments of the Republic of Macedonia
Contact:	Nikola Vapcarov 7, 1000 Skopje, FYR of Macedonia
Email:	fdi@investinmacedonia.com
Website:	http://www.investinmacedonia.com/

3 Conclusions / Recommendations

The Former Yugoslav Republic (FYR) of Macedonia has made recently very important steps ahead in the SMEs development and can be soon joining Croatia in leading the Western Balkan countries' group in this field. The Macedonian SME Strategy is in place and defining the general direction within SME Development in the country till 2013. The SME Programme rules the implementation of the SME Strategy, and the SME EU Charter sets the priorities necessary to achieve EU Accession.

Clusters are supported by a number of donor initiatives and additionally there is a donor financed programme to facilitate technology transfer. The major cluster financier in the country is USAID with the 'Macedonia's Competitiveness Activity' (MCA). This project helped to develop five clusters (in tourism, textile, information technologies, wine, as well as lamb and cheese industries).

Five technology transfer centres were established and are operating with support of the TEMPUS Programme and the German Programme for Technical Cooperation (GTZ). There is an agreement between the Ss. Cyril and Methodius University, the 'Economic Chamber of Macedonia', the 'Management and Industrial Research Foundation' (MIR) and the 'Agency for Promotion of Entrepreneurship of the Republic of Macedonia' (APERM) to establish the European Information and Innovation Center. The Center should facilitate an access to the European Union's Competitiveness and Innovation Framework Programme (CIP).

The creation of technology and entrepreneurship support infrastructures in FYR of Macedonia is in the core of the research and technology development strategy of the country. At the moment, there is no technology park operating in the country but the feasibility study of the Bitola Technology Park was already concluded.

There is no strategy for business incubators and no funds have been allocated for them. The new programme for stimulating investment for 2007 – 2010 was created and approved, but it does not foresee either further support for existing incubators or the establishment of new ones. At the moment, there are seven business incubators in operation (created with support of the World Bank in 1997) and two business start-up centers created in 2006 and 2007.

According to the Revised National Development Strategy for Small and Medium-Sized Enterprises (2002 – 2013), the coordination of cross-cutting policy issues between ministries is inadequate and an SME Task Force is missing that would ensure coherence and continuity. On the other hand, also coordination among the donors and between the donors and the Government does not focus sufficiently on achieving the common goal - SME development. Consultation mechanisms with the private sector (like for instance the SME Forum) have not matured. Newly established support institutions are still in the phase of development. Due to these circumstances, SME policy should be fully integrated into the overall economic planning process to ensure synergy rather than overlap. Effective stakeholder coordination mechanisms (ministries, agencies, other governmental bodies, donors,

private sector) are necessary to be established to jointly reach the goals of the SME strategy. This will be supported by a unified and harmonised definition of SMEs and the clear formulation of intervention criteria for SME support. The implementation of the revised SME strategy will be undertaken by SME programmes (medium-term and annual).

The legal environment and business climate do not sufficiently support entrepreneurship development. In spite of the one-stop-system, the business registration process remains complex, the “silence is consent” principle only applies to the registration of crafts, while their registration is not integrated with that of trade companies. For some SMEs, market entry is further constrained by cumbersome and costly licensing procedures. The lack of formal and systematic regulatory impact assessment (RIA) precludes a clear understanding of the positive and negative impacts on SMEs, while relevant EU Directives are not fully transposed to national legislation (Ministry of Economy 2007).

The following recommendations can be given:

- **Ensure effective coordination** between national level (Ministry, SME Agency) and local level (regional development agencies);
- **Consult policies** with business sector at all stages of the process;
- **Exchange good practice** between the Former Yugoslav Republic of Macedonia and European countries in conducting the research policy with the aim to establish a knowledge-based society;
- **Strengthen linkages** between the private industry and science communities **and strengthen the science-business interface**;
- **Assure sustainability on innovation infrastructure** in FYR of Macedonia (continuous public funding);
- **Create a strategy for business incubators and allocate funds** for them;
- **Establish technology and science parks**;
- **Increase investment in R&D**;
- **Promote technological co-operation** between SMEs;
- **Facilitate the access** of Macedonian research institutions **to research data bases**;
- **Consider using targeted incentives** for investments in new technologies;
- **Increase awareness of benefits of innovation infrastructure**;

- **Enhance technology dissemination;**
- **Empower use of ICT** (also in order to ease the communication);
- **Offer accurate and up to date information** about the operation of incubators, parks, centres (improved information dissemination on the internet).

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6 List of Acronyms / Definitions

AC - Apparel Cluster
ADA - Austrian Development Agency
APPRM - Agency for Promotion of Entrepreneurship of the Republic of Macedonia
ASE - Agency to Support Entrepreneurship
ATA - Academic Training Association
BAS Programme - Business Advisory Service Programme
BDS - Business development services
BSC Bitola - Business Start-Up Centre Bitola
BSCs - Business Support Centers
BTP - Bitola Technology Park
CARDS - Community Assistance Reconstruction Development Strategy
CBI - Dutch Agency for Promotion of Imports from developing countries
CEC - Council for Entrepreneurship and Competitiveness
CEI - Central European Initiative
CIP - EU Competitiveness and Innovation Framework Programme 2007 - 2013
CIRKO - Centre for Research, Development and Continuous Education
CLC - Apparel Cluster Leadership Council
CMT System - Cut, Make&Trim System
COST - 'Co-operation in Science and Technology' Programme
DFID - Department for International Development, UK Government
DIHK - German Chamber of Commerce for International Cooperation
EAR - European Agency for Reconstruction
EBRD - European Bank for Reconstruction and Development
EC - European Commission
ERA - European Research Area
ESAs - Enterprise Support Agencies
ETC Bitola - Euro-Regional Technology Transfer Center Bitola
ETF - European Training Foundation
EU - European Union
EUR - Euro, currency
FDI - Foreign Direct Investment
FEEIT - Technology Transfer Centre at the Faculty of Electrical Engineering and Information Technologies, Skopje
FME - Faculty of Mechanical Engineering
FP6 - Sixth EU Framework Programme for R&D
FP7 - Seventh EU Framework Programme for R&D
FYRoM - Former Yugoslav Republic of Macedonia
GDP - Gross Domestic Product
GTZ - Deutsche Gesellschaft für Technische Zusammenarbeit
HOTAM - Hotel Association of Macedonia
IBRD - International Bank for Reconstruction and Development
ICE - Italian Office for Trade Promotion
ICT - Information and Communications Technology
IFC - International Finance Corporation
IPA - Pre-Accession Assistance
MANU - Macedonian Academy of Sciences and Arts

MARNET - Macedonian Academic Research Network
MBRC - Macedonian Business Resource Center
MCA - USAID Macedonia's Competitiveness Activity
MIR - Management and Industrial Research Foundation
MoE - Ministry of Economy
NECC - National Entrepreneurship and Competitiveness Council
NEPA - National Enterprise Promotion Agency
NGO - Non Governmental Organization
NIS - National Innovation Strategies
NTH - Norwegian Institute of Technology
OECD - Organisation for Economic Cooperation and Development
PHARE - "Poland and Hungary: Aid for Restructuring of the Economies"
PREDA - Prilep Regional Enterprise Development Agency
RESCs - Regional Enterprise Support Centers
RTD - Research and Technological Development
RTDI - Research, Technological Development and Innovation
R&D - Research and Development
SAA - Stabilisation and Association Agreement
SBDC - Small Business Development Center, Ljubljana, Slovenia
SEE - South East Europe
SEED - Southeast Europe Enterprise Development
SEE-SCIENCE.EU - FP6 project "Information Office of the Steering Platform on Research for Western Balkan Countries"
S.E.N.S.I. Network - the Southeast European Network of Business Start-up Centers and Incubators
SINTEF - The Foundation for Scientific and Industrial Research at the NTH
SIPPO - The Office of the Swiss Embassy
SIU - Norwegian Center for International Cooperation in Higher Education
SMEs - Small and Medium Size Enterprises
SOROS - Open Society Macedonia Donation
SPICE Group - Science Parks and Innovation Centers Experts Group
SPARK (formerly ATA - The Academic Training Association)
STI - Science, Technology and Innovation
S&T - Science and Technology
TEMPUS Programme - EC programme, Trans-European mobility scheme for university studies
TTA - Textile Trade Association
UKIM - BSC - Ss. Cyril and Methodius University Business Start-Up Centre
UNDP - United Nations Development Programme
UNIDO - United Nations Industrial Development Organisation
USAID - United States Agency for International Development
WB - Western Balkans
WUS - World University Service

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THEMATIC REPORT

on Innovation Infrastructures in the Western Balkan Countries

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1 Introduction

This thematic report is produced by the “Information Office of the Steering Platform on Research for Western Balkan Countries” and reviews the situation of Innovation Infrastructures in Montenegro.

The report is based upon desk research, interviews and questionnaires with main stakeholders.

The objective of this study is to enhance our understanding of the national innovation system in Montenegro. An overview of the situation as regards “Innovation Infrastructures” such as clusters, technology and innovation centres, technological and science parks, business-start-up centres/ technology incubators and some further related organizations is given. The general environment is described as well as important strategic documents and the main programmes and instruments for support. The report concludes with a list and description of the main infrastructures.

The report was compiled in summer 2007.

1.1 General Environment for Setting Up Innovation Infrastructures

The business environment in Montenegro has significantly improved over the past few years. Ninety one laws have been adopted which have been harmonized with the EU standards in their greatest part and which have created a solid institutional set-up for encouraging investments and implementing the economic policy embodied in the strategic document of the Government of the Republic of Montenegro – Economic Reform Agenda. The most notable laws adopted in the past period are: the Law on Business Organizations, Lien Law, Law on Business Organization Insolvency, Law on Amendments to the Law on Company Insolvency, Law on Fiduciary Transfer of Property Right, Law on Value Added Tax, Law on Accounting, Foreign Trade Law, Customs Law (and Law on Amendments to the Law on customs), Law on Free Zones, Competition Protection Law and further laws. Also, over the past few years Montenegro has implemented substantial institutional reform in the key sectors such as: the fiscal system, financial sectors, payment system, pension system, privatization and restructuring of enterprises.

In February 2007, the Government adopted the Annual Work Programme, which is based on the strategic documents for certain sector policies, measures of Economic policy for the current year and the European Partnership Implementation Action Plan. The programme defines the commitment to draft and adopt 143 laws, out of which 31 relate to the area of political system, internal and foreign policy, 61 to the area of economic policy and 51 relate to the area of financial system and public expenditures.

Even though the business environment in Montenegro has significantly improved recently, the environment entrepreneurs are operating in is still a challenging one,

given the rather complicated legal and regulatory framework, the large and insufficiently transparent system of public administration and the poor judiciary structure in Montenegro. Therefore, some of the basic challenges Montenegro is faced with in the creation of an entrepreneurial society are the harmonization of the legal and regulatory framework for business operation, simplification and reform of the procedures in all aspects of business operation, consistent implementation of positive legal solutions and predictable business environment (Belada 2007).

As indicated in the EC Report on the implementation of the European Charter for Small Enterprises in Moldova and the countries in the western Balkans, Montenegro is behind the group where the development of sophisticated business support systems (incubators, clusters, technology parks) is concerned and has now put in place a strategy to address this .

OECD Investment compact, European Commission (DG Enterprise and Industry), European Bank for Reconstruction and Development and European Training Foundation developed the SMEs policy index in 2006, according to which measures of implementation of Charter for Small enterprises are being assessed. According to the report from 2007 (Enterprise policy development in Western Balkans – Report on the implementation of European Charter for Small enterprises in Western Balkans, 2007) Montenegro has been assessed above average for 6 out of 10 chapters included in the Charter, while it was altogether ranked second, behind Croatia, according to defined criteria.

This peer pressure is working now and is impelling the region, as a whole, to move forward in various charter areas and that is one of the important values of the process, which, in the second phase of the process, should be harvested in an even more explicit manner through the production of precise performance indicators and yardsticks per charter field and the production of league tables and score boards as and when appropriate. The charter is therefore playing a constructive role, allowing governments to take stock of national policies, to discuss and amend these with stakeholders and to plan new policies and to set new objectives in an annual, cyclical process (European Commission 2006).

Montenegro has made appreciable progress on company registration, exports and tax policy. Introduction of the statistical Business Register is very important, since it serves as a framework for sample for all statistical surveys and provides bases containing updated data necessary for statistical surveys. This register is being applied starting from the beginning of 2007. Harmonisation of surveys with EU standards in the area of short-term business statistics and structural business statistics has been initiated. Draft versions of the questionnaire have been prepared and this year, some pilot surveys are being carried out in order to include them in regular statistical surveys in the next year. As regards foreign trade statistics, the Agreement on Cooperation has been signed with the Customs Administration of the Montenegro. The Agreement defines obligations of institutions regarding the method of submitting and announcing data. Preparations for introduction of HS 2007 Nomenclature are under way in Monstat, while through the regional CARDS project, a new version of EUROTRACE, as a European standard, is being prepared. As a result, submission of data on Montenegro's foreign trade to EUROSTAT and international institutions will be simplified.

A Master Plan for Developing and Harmonizing the Official Statistics of Montenegro for 2006 – 2008 has been prepared, stating Monstat's priorities and obligations, while new organisation and systematisation act of Monstat is under preparation, in accordance with the aforementioned Master Plan, with obligations which Monstat has in the process of integration into the European statistical system (methodology, classification, standards), as well as with obligations of Montenegro as an independent state.

Montenegro has established a well-structured and well-funded SME agency (Directorate for Development of Small and Medium-sized Enterprises - SMEDA), but lags behind on improving the regulatory environment, particularly in relation to the role of local administrations and human resource development dimensions. Human capacity building is carried out following an analysis on realization of the public administration reform. The newly established Human Resource Management Administration and the Project "strengthening capacities for human resources management - PARiM CB" organise trainings for civil servants and employees who work in public administration.

Cooperation with representatives of more international institutions is intensified: European Agency for Reconstruction (EAR), Organization for European Security and Cooperation (OEBS), World Bank, Foundation Institute for Open Society (office in Podgorica), United Nation Development Programme (UNDP), Konrad-Adenauer Stiftung, the Embassy of the Republic of Greece, Ecole Nationale d'Administration (ENA), USAID/CHECCHI Company Consulting Inc. There is also an intensive cooperation with prestigious French school for public administration (ENA) and a portugese institute for public administration (INA), Administrative Academy of the Republic of Slovenia, Human Resources Management Agency of the Republic of Serbia, with whom the exchange of practice and experiences from the area of managing and functioning of public administration is being capitalized. Human Resources Management Authority signed a Protocol on cooperation in creating a Regional School for Public Administration (ReSPA) (representatives from Serbia, FYR of Macedonia, Croatia, Bosnia and Herzegovina, Albania, Kosovo/UNMIK and Montenegro) with a view of improving the regional cooperation in field of public administration as well as strengthening administrative capacities in countries of the Western Balkans.

Montenegro's period of implementing the 2002-06 SME strategy recently ended. It saw considerable implementation in areas such as institutional support and enhancement of domestic enterprises' competitiveness. A new strategy has been adopted for 2007-10, the budget is in place and the main pillars include ten clearly defined strategic goals, such as regulating the system for statistical reporting on the SME sector and strengthening financial support for SME development. Discussions with private sector representatives on the scope of the strategy are ongoing.

The Government of Montenegro (GoM) and the private sector (business associations) have collaborated to create a policy framework fostering competitiveness and export growth. SME competitiveness programmes fall under the export promotion programmes of Directorate for Development of Small and Medium-sized Enterprises (SMEDA). Collaborating with the Montenegrin Business

Association (MBA) and the Ministry of International Economic Relations and European Integration, SMEDA provides a range of specific services tailored to the individual needs of exporting enterprises and designed to enhance their international competitiveness. In collaboration with USAID, cluster based approaches within this framework are being developed to help enhance competitiveness (OECD and EC 2007).

The Directorate for the Development of SMEs (SMEDA) has, in cooperation with Deutsche Gesellschaft für Technische Zusammenarbeit (GTZ), prepared the planned (but delayed) strategy for the opening of business incubators, technology parks and innovation centres, with which Montenegro is not well endowed. The strategy was adopted (December 2005) and the short-term objectives included the development of at least one business incubator and at least one technology park. However, a lack of funds disables the implementation of the strategy and the short-term objectives (European Commission 2006).

Concerning innovation and technology (I&T) centres and co-operation, Montenegro is still in the policy elaboration phase, but has started to implement pilot projects. In Montenegro, an initiative to establish the University Centre for Design and Development, based at the University of Montenegro, is being put in place. Once established, the Centre will focus on the need to service SMEs in the field of design and development, linking them with relevant members of the design and technology faculties (OECD and EC 2007).

1.2 Strategic Documents

Strategic documents reflecting National Innovation Strategies (NIS) have been already highlighted in Science and Technology Country Report Country – D9b Montenegro (see.science.eu).

Generally, the following policy strategies to support the development of small and medium sized enterprises are:

- Economic Reform Agenda for Montenegro 2002 - 2007;
- Strategy of development of small and medium sized enterprises 2007 - 2010;
- Multi-annual Indicative Planning Document (MIPD) 2007 - 2009 for Montenegro;
- Montenegrin agriculture and EU - Agriculture and Rural Development Strategy; and
- formerly: Policy strategy for support to the development of small and medium sized enterprises 2002 - 2006.

- 'Economic Reform Agenda for Montenegro 2002 - 2007'

The goal of the Economic Reform Agenda is to set forth a series of discrete but interconnected tasks which if completed, will transform the Montenegrin economy. The Agenda consist of sixteen individual sections each dedicated to a particular aspect of economic reform. Central themes in the Agenda are: entrepreneurship, investment, formalization of the grey economy, competition and competitiveness. In this strategic document attraction of foreign investments is marked as one of the

primary goals, having in mind the positive effect they have on speeding up the production process and creation of new employment, through the opening of new enterprises, i.e. companies.

The Economic Reform Agenda for Montenegro presents a list of obligations that need to be realized in a defined timeframe. The activities herein are interconnected with activities presented e.g. in the Strategy for Reform of the Administration of Montenegro, the Strategy for introducing ICT in the education system of Montenegro, Strategic Plan for Reform of Education. The Agenda is dynamic in character, and is linked with activities for the reduction of poverty, incentives for developing entrepreneurial employment, sustainable development of Montenegro as an Ecological State and other social programs.

The document Economic Reform Agenda for Montenegro 2002 - 2007 is a further development of the Economic Reform Agenda for Montenegro 2002 - 2006, adopted by the Government in March, 2003. As indicated in the revised Agenda emerged in December, 2004, two years after the implementation of the Agenda, the need for analysing what had been done in the previous two years had arisen, particularly in order to learn lessons from experiences for the next period of EU accession. Also, success in the implementation of the Agenda in the past two years encouraged the need for new activities and updating of the original document.

- 'Policy strategy for support to the development of small and medium sized enterprises 2002 -2006'

The Strategy was consistent with the objectives of the 'Economic Development Strategy for 2002 -2005' of the Government of the Republic of Montenegro. The aims of the strategy were to:

- increase the number of registered private sector SMEs operating in the formal economy;
- achieve a greater diversity and integration of economic activity, increasing the proportion of SMEs based in production and non-trade services;
- significantly increase the proportion of small and medium sized enterprises relative to micro-enterprises in the total enterprise population;
- increase competitive SME activity in economic sectors where the Republic of Montenegro is reliant on imported goods and services and increase the contribution of SMEs to export earnings;
- increase the participation of domestic SMEs in foreign strategic alliances and joint ventures;
- increase the contribution of SMEs to GDP; and
- increase the share of SMEs in total employment.

- 'Strategy of development of small and medium sized enterprises 2007 - 2010'

The Strategy includes policy measures focused on business education and promoting/supporting small and medium enterprises. The Strategy was not available in English language, when finalizing the report. For further details, please consult: <http://www.nasme.cg.yu/eng/documents.htm>.

- 'Multi-annual Indicative Planning Document (MIPD) 2007 - 2009 for Montenegro'

This multi-annual indicative planning document is the strategic document for the Instrument for Pre-Accession Assistance (IPA), which main objective is to help the country to face the challenges of European integration, to implement the reforms needed to fulfil EU requirements and progress in the Stabilisation and Association Process and to lay the foundations for fulfilling the Copenhagen criteria for EU membership. The MIPD is established for a three year rolling period, with annual reviews. It follows the Multi-annual Indicative Financial Framework (MIFF), which indicatively allocates funds per beneficiary and per component. It draws on the pre-established IPA components. The priorities set out in the MIPD components will serve as a basis for the annual programming of EU funds in 2007, 2008, and 2009.

The present MIPD builds on results from projects implemented under the CARDS programme, as well as on the findings of the various assessments of Montenegro performed by the European Commission, in particular the annual progress report, and on the findings of other international organisations and experts working under multi-beneficiary and regional programmes.

The Montenegrin authorities have provided a contribution to the establishment of the present document. A national coordination mechanism for the Pre-Accession Instrument was introduced by the Montenegrin government in July 2006.

- 'Montenegrin agriculture and EU – Agriculture and Rural Development Strategy'

The new strategy, entitled and adopted in mid 2006, creates the basis for reforms in agriculture (Final report of the EU funded project is available on <http://www.gom.cg.yu/files/1181052687.pdf>). In the field of agriculture policy, measures - programmes for assistance in agriculture development are being adjusted to new reforms of CAP, particularly rural development policy, which represents the largest part of budgetary allocation for agriculture assistance. Significant changes have been introduced in the area of agricultural statistics, in cooperation with a SIDA project. Those changes primarily relate to introduction of new monitoring of crop production; harmonisation with EU standards in the area of cattle breeding; creation of conditions, primarily by engaging new highly skilled employees, for preparing economic accounts for agriculture; and preparation of IPA project related to agricultural census, in cooperation with the Ministry of Agriculture.

1.3 Specific Programmes and Instruments

- Development funds

Funds such as the Development Fund of the Republic of Montenegro are common instruments of state support to entrepreneurship. Such funds may operate using the state budget funds, privatization proceeds, donations, foreign financial support, etc. Development Fund earns its income primarily by selling shares from its portfolio, collecting dividend from profitable companies and interest from loans approved to SMEs, which means that whole income is of non-budgetary type.

In its future activities, priorities of the Fund will be the following:

- Financing of SMEs investment projects (focus is on growing micro enterprises and SMEs), which is in accordance with the Government's policy and Economic Reforms Agenda;
- Support of agriculture projects and food production;
- Support of tourism projects;
- Short-term support of SMEs;
- Full appreciation of regional component in development of the Republic of Montenegro (the priority in financing will be given to projects from northern part of the Republic); and
- Financing the infrastructure and ecology projects (public companies, local government and private companies).

As indicated in the Business Policy 2007 (Development Fund of the Republic of Montenegro), in the period 2002 - November 2006, through the continuous competition of the Development Fund, a total of 301 projects of SME's have been financed, with the pre-calculated value of EUR 118,4 million, whereas the participation of the Fund was EUR 21,46 million. With the implementation of these projects there have been 2.254 new jobs created. The credit assets were placed through the commercial banks, at the interest rates of 5-10% annually, repayment period of 4 years and grace period of 12 - 18 months.

According to the Ljiljana Belada (May 2007), financial support to the SME sector provided by the Directorate for Development of Small and Medium-sized Enterprises (SMEDA) in the period 2002 - November 2006, was provided through the **development projects:**

- **“Increasing the competitive capacity of local enterprises”**
- **“Youth in business”**
- **“Incentives for entrepreneurship“**

The programme envisaged the unification of financial support through the banking sector, in cooperation with the Employment Agency, SMEDA and the Development Fund. The basic purpose of this programme is to enable SMEs and entrepreneurs to obtain, under more favourable conditions than in commercial banks, the credit funds, in order to be able to operate in a stable manner, increase the pace of their growth and development, employ new workers and thus contribute to the overall economic development of Montenegro.

- Diaspora Fund

The project of the Diaspora Fund involves preparation of the program of business cooperation with the Montenegrin Diaspora, which will be based on mutual economic interest and creation of favourable conditions for return of the immigrants, and for the economic development of Montenegro through new investments, as well as for the involvement of the Montenegrin Diaspora in the economic activities in Montenegro.

The founders of the Diaspora Fund are the Government of Montenegro - Directorate for development of Small and Medium-sized Enterprises and the bank (Crnogorska Komercijalna Banka) with equal participation in the structure of assets of the Fund. Operations of the Fund are planned and based on the principle of credit provision,

according to the defined pace of creation and placement of funds. The credit line for the implementation of the project has been called for on March 31, 2006.

- Funds of the Federal Ministry for Economic Cooperation and Development, Germany (BMZ)

The BMZ is one of the principal donors in Montenegro and cooperates with the country since 1999. During this time, the country has received around EUR 53 million from Germany (EUR 10 million came from Stability Pact funds).

The priority areas of cooperation between Montenegro and Germany are laid down in government negotiations. Cooperation currently concentrates on enhancing public infrastructure, supporting the banking sector in setting up programmes for SMEs and providing advice on economic policy.

At the most recent government negotiations, the following priority areas were agreed with Montenegro:

- Promotion of public infrastructure;
- Promotion of small and medium-sized enterprises via the banking sector; and
- Provision of advice on economic policy.

Small and medium-sized enterprises (SMEs) play an important role in the creation of jobs. However, in Montenegro they have so far had hardly any opportunity to finance their investments through loans. This has severely limited their room for manoeuvre. The BMZ, together with Switzerland, Austria and the European Agency for Reconstruction, has developed the **European Fund for Southeast Europe (EFSE)**, which is active in the entire region. The purpose of the fund is to make small and micro loans available to SMEs at preferential rates through local partner institutions. It is a revolving fund, which means that repaid loans are used to grant new loans. Thus, the fund will stay in existence over the long term and will be able to promote SMEs until such time as appropriate structures have been established. Simultaneously, training is being given to bank employees.

As Ljiljana Belada stated in her article focusing on financing SMEs in Montenegro, the strategic goals and measures for period 2007 - 2010 concerns strengthening of the financial support to the SMEs' development. Despite efforts made by financial institutions and public sector for this gap to be closed, SMEs continue to face difficulties in providing for finances. Improvement of the access for finances for SMEs is particularly important to strengthen entrepreneurship, competitiveness, innovation and growth in economy.

Activities that should be undertaken are:

- **Establishment of the Guarantee Fund.**

The Guarantee Fund would represent a favourable option for financing, and would represent significant benefits in terms of easier access to credits, more favourable lending terms and conditions, reduction of risk of banks for fund recovery, reduce requirements for mortgages. The Fund would be a support for financing of the start up of the entrepreneurs and enterprises in the start up phase as well. The new Law on Banks is currently being developed, which will regulate the issuing of credit guarantees.

- **Establishment of public institutions for micro-lending.**

The network of micro credit institutions would be established with the basic intent to provide interest for low interest loans and to provide micro credits and credits for small business to existing and start up enterprises as well as to individuals with low income which would like to start and expand the business.
- **Development of credit line to support entrepreneurship in rural areas, innovation projects, development of special credit lines.**

Rural areas are particularly important for the establishment of sustainable development and could have a key role to reduce disparity among regions. Design integral approach for the development of rural areas by merging financial resources of local institutions, commercial banks and international donors and provide favourable loans. This form of financing would enhance economic development in rural areas, enable creation of sustainable small business in agriculture and tourism and increase employment.

The Fund for support of innovation projects would enable for favourable financial assets for development of research and innovation, cooperation of small and medium sized business with university with mutual project and would lead to creation of new projects and processes and introduction of new technologies.

 - **Development of special credit lines to support strategically important activities** Establishment of support for the special credit lines for agriculture (viticulture), tourism (agro tourism and rural tourism), wood processing and other priority activities.
 - **Diaspora Fund**
 - **Implementation of the credit line for the increase in energy efficiency of SME** The project should enable SMEs to identify, in relatively short timeframe, inefficient and ecologically damaging use of resources, undertake measures for the improvement of energy efficiency and introduction of renewable energy and to reduce cost of business in that way.

In April 2007, within the programme “Competition and export encouragement” (<http://www.nasme.cg.yu/eng/infocus.php>) the Directorate for Development of Small and Medium-sized Enterprises (SMEDA) announced two credit lines, the one intended for competition encouragement, through product and service quality improvement and assortment widening and the other for export encouragement, with the aim of encouraging product and service positioning of Montenegrin enterprises in foreign markets. In addition, the Public Invitation „Grant schemes for expense reimbursement” intended for present and potential exporters to finance export marketing activities, has been announced. It is planned to finance these activities with the sum of EUR 4.000.000, 50% of which is provided by SMEDA and the other 50 % is provided by commercial banks.

- **Development of untraditional financial instruments (venture capital, angel investor capital, franchising, leasing).**

Venture capital is provided with the aim to support entrepreneurship, financing development of start-ups.



- **Improve connections with pre-accession funds primarily with IPA** (Instrument for Pre-accession Assistance) through development of domestic capacities for management of EU funds. With the aim to support necessary reforms, which are required by the EU membership, EU financial support represents the part of pre-accession strategy.
- **Cooperate with foreign partners and international credit institutions** that have express intent to open new credit lines in Montenegro.
- **Facilitate access to finances for SMEs through legislative measures.**
- **Financial support.**
Financial support is planned through grant schemes for cost sharing and insurance of export loans in order to resolve the problem of lack of financing for export enterprises. Grant schemes for cost sharing will have as a basic goal developing incentives for competitiveness at the level of individual company and primarily will relate to the quality management and certification, improvement of productivity and development of products. Insurance of export loans relates to financial benefits for security/insurance of transactions. It will enable enterprises to have access to financing under attractive/ competitive terms (Belada 2007).

- **IFC/PEP Southeast Europe** is part of IFC (International Finance Corporation), World Bank Group. The programme operates in Albania, Bosnia and Hercegovina, the FYR Macedonia, Serbia and Montenegro and was formally launched in July 2005 and has been established for an initial period of five years. The Private Enterprise Partnership for Southeast Europe (PEP-SE) is catalyzing private sector development from a platform of four operational programs:

- Alternative Dispute Resolution;
- Corporate Governance;
- International Technical Standards and Regulations; and
- Recycling Linkages.

PEP-SE's private sector development programmes are co-financed by following countries: Austria, Canada, IFC, Netherlands, Norway, Slovenia, and Switzerland. For more information, please visit: <http://www.ifc.org/pepse>.

1.4 Financing

There is a number of international donor initiatives: CARDS, European Bank for Reconstruction and Development, USAID (Firm Level Assistance Group), World Bank, European Agency for Reconstruction (EAR), Urban Institute, and the Centre for Entrepreneurship and Economic Development. Significant financial support is also coming from Federal Ministry for Economic Cooperation and Development, Germany (BMZ), Government of the Netherlands (Ministry of foreign Affairs of the Netherlands), Deutsche Gesellschaft für Technische Zusammenarbeit (GTZ), and Switzerland, Austria.



2 Existing Innovation Structures in Montenegro

2.1 Key Government Players

Name:	Ministry of Economy Development
Contact:	Rimski trg 46, 81000 Podgorica, Montenegro
Email:	minprivrede@mn.yu
Website:	http://www.vlada.cg.yu/eng/minekon/

Name:	Directorate for Development of Small and Medium-sized Enterprises (SMEDA) - formerly National Agency for Development of Small and Medium-sized Enterprises
Contact:	Bulevar Revolucije br. 2, 81000 Podgorica, Montenegro
Email:	zarko.djuranovic@euroinfo.cg.yu
Website:	http://www.nasme.cg.yu

The Directorate for Development of Small and Medium-sized Enterprises is responsible for SME policy elaboration. The Agency prepared the Strategy for development of small and medium enterprises in the course of 2006, which is in Governmental procedure.

Government of the Republic of Montenegro (GoM), on the session held on December 1, 2000 brought a Regulation about the annex of the Regulation on Organization and Way of Working of the State Administration, which predicts the establishment Agency for Development of Small and Medium-sized Enterprises. Based on this Bylaw, the Agency for development of small and medium-sized enterprises was renamed into Directorate for Development of Small and Medium-sized Enterprises.

Tasks of the Directorate for Development of Small and Medium-sized Enterprises are the following:

- Defining the strategy for SMEs development;
- Preparing the implementation of SMEs support programs and projects;
- Coordinating the programs, measures and activities related to SMEs development;
- Observing realization of financial support programs for SMEs development including financial support from abroad;
- Providing and expert assistance and participating in definition of rules related to SMEs development, especially in purpose of realization of the aims prescribed by European Union for SMEs development;

- Examining the impact of legal and other acts on small and medium sized enterprises development;
- Preparing educational programs for entrepreneurs;
- Making projects and care about organization of regional and local centres for SMEs development; and
- Proposing and providing realization of special programs for stimulation of SMEs development (franchising, leasing, venture capital, technological parks, incubators, etc.).

Institutional support to SMEs and entrepreneurship development; Elaboration and improvement of systematic preconditions, having an impact on faster SMEs and entrepreneurship development; Creation of development and researching projects, which will enable recognition of further strategic directions for SMEs and entrepreneurship development; Education and knowledge acquirement support as one of the main factors for economy development and Promotion of the importance of SME and entrepreneurship development represent the mission of the Agency.

During 2007, the work on Life-long Entrepreneurship Learning Strategy, which is coordinated by SMEDA and elaborated by Ministry of Education and Science, Employment Agency, Faculty of Economy, Union of Employers and Centre for NVO development, will be completed.

The Directorate for Development of Small and Medium-sized Enterprises (SMEDA) is implementing following Institutional support projects, but no information when compiling the report was available:

- Establishing local/regional business centres;
- Forming business incubators; and
- Forming cluster.

In order to fulfil successfully all the requirements form the Strategy on incentive of export stimulation in the area, the implementation of which is assigned to the Directorate, the document “Competition and export encouragement” – strategic and operational plan” has been prepared. The document includes measures and activities aimed to promoting and encouraging exports of Montenegrin enterprises. Within the project „Entrepreneurship encouragement”, which was carried out from February to December 2006, the Directorate in cooperation with commercial banks, approved 92 projects altogether, which amount to EUR 3.056.900.

Name:	Ministry of Education and Science (MoES)
Contact:	Rimski trg 46, 81000 Podgorica, Montenegro
Email:	mpin@cg.yu
Website:	http://www.vlada.cg.yu/eng/minprosv/

The Ministry of Education and Science (MoES) is the main research funding body in Montenegro. It follows the Republic of Montenegro’s long-term requirements for

development, transfer and application of scientific and technological achievements, especially from the point of view of greater valorisation of natural and man-made resources of the country. MoES creates the strategy for scientific and technological development, establishing a base for further development of knowledge and creativity. Furthermore, it takes account of the results and problems of science and technology application, the effects of public investments into scientific and technological development, and the quality and use of research infrastructure. It closely monitors status, problems and trends in the development of the research system of the country, especially in the field of scientific research priorities (biotechnology, marine biology, tourism, energy efficiency, telecommunications, computerisation and research on environmental protection, materials-related technologies, health care etc.), as well as speed, range and depth of diffusion of new technologies to the national economy and the obstacles faced in the process.

2.2 Key Innovation Infrastructures

The following section gives an overview on the main existing innovation infrastructures in the Republic of Montenegro (clusters, technology and innovation centres, technological and science parks, Business-start-up centres/ Technology Incubators and some further related organizations).

A) Clusters

In Montenegro so far, only a detailed analysis of the **meat processing** sector has been carried out as a basis for developing a **cluster programme**. A development plan for activities is in place to achieve all the necessary reconditions for establishing clusters, with the objective of influencing stakeholders' level of confidence and better co-operation, presenting common problems, and improving overall competitiveness. The Chamber of Commerce of Montenegro is making an effort to establish clusters within certain industries. It has organised and carried out relevant training and education programmes for entrepreneurs (OECD and EC 2007).

According to the Business Policy - 2007 of the Development Fund, there are activities planned in order to involve the Development Fund in the process of forming the entrepreneurial incubators and clusters on the territory of Montenegro in cooperation with other relevant domestic and foreign institutions.

As stated by one of the key players in Montenegro, activities aiming to develop enterprise clusters and networks have been started. The intended clusters to be formatted will focus mainly on food processing industry (production of prosciutto) and wood industry.

According to the internet, the Austian Holzcluster Steiermark GmbH intend to support Montenegro in establishment of wood cluster. No more information available at the moment. (<http://holzcluster-steiermark.at/desktopdefault.aspx/tabid-985/> from October 2006).



B) Technology/Innovation Centres

When finalizing report, there were no Technology/Innovation Centres operating within the country.

C) Technological and Science Parks

No technology parks, science or business parks exist in Montenegro at present. Deutsche Gesellschaft für Technische Zusammenarbeit (GTZ) is working on a survey in order to identify the levels of knowledge among the SME stakeholders of technology parks and similar. A proper strategy covering this type of infrastructure is still lacking.

D) Business-start-up Centres/ Technology Incubators

As stated in the report on the implementation of the European Charter for Small Enterprises (OECD and EC 2007), in the remaining West Balkan economies, strategies for business incubators are still in their infancy. The need for more sophisticated business services is recognised by both public and private actors serving SMEs in Montenegro.

During 2006, the Development Fund of the Republic of Montenegro has provided an active support incubators development in Montenegro. Implementation of the first business incubator was in its final phase and the first incubator was introducing as a new type of support for economic development on Montenegrin market in 2007. It is expected, that the Fund will further support activities in the process of forming the entrepreneurial incubators and clusters on the territory of Montenegro in cooperation with other relevant domestic and foreign institutions.

Montenegro with its Business Start-Up Centre Bar (BSC Bar) actively participates in the **Southeast European Network of Business Start-up Centers and Incubators (SENSI)**. The network was set up under the auspices of the SPARK in Tuzla (Bosnia and Herzegovina) on October 20, 2006, and is a regional network of business start-up centres and incubators with more than 20 members trough the whole region of Southeast region (from Slovenia to Macedonia).

By bringing together the different local backgrounds, shared experiences, forces and know-how of business starts-up centres and incubators in 8 countries (Slovenia, Croatia, Macedonia, Serbia, Kosovo, Montenegro, Bosnia & Herzegovina and the Netherlands), SENSI members aim to improve their support and business services to young entrepreneurs and start-ups.

In cooperation with Universities from South East Europe, local governmental institutions and local business communities, SENSI enhances the capacity of entrepreneurship in South East Europe.

For more details concerning the SENSI network, its members, and contact lists, please visit the web-site: <http://www.sensi.biz/>.

Name of initiative:	Business Start-Up Centre Bar (BSC Bar)
Contact person:	Ivana Tomašević (BSC Coordinator)
Email:	i.tomasevic@bscbar.org ; m.pavlovic@bscbar.org ; j.bibezic@bsc.bar.org
Website:	http://www.bscbar.org

The Business Start-Up Centre Bar (created in spring 2007) supports students, young graduates and young potential entrepreneurs up to the age of 35 to start their own small and medium enterprises (SMEs) in Montenegro. The project is financed by the Ministry of Foreign Affairs of the Netherlands, and co-owned by local stakeholders represented in the Coordination Committee of the centre.

The objectives of the BSC Bar are to:

- Reduce poverty levels under youth, women and vulnerable groups in Bar by creating jobs at existing companies and through establishing new Small and Medium Enterprises (SMEs);
- Contribute to the capacity building of Project Partners by the implementation of new ICT Systems and training of staff (based on needs assessment);
- Remove bureaucratic & political obstacles in doing business that have been identified during the first two years of the project on regional, national and international level, and reduce the remaining obstacles or have them on the political agenda; and
- Establish a regional BSC Network, together with BSCs throughout Montenegro, Serbia, Croatia, Slovenia, Bosnia and Macedonia.

Initially, the BSC Bar is a project of SPARK (formerly the Academic Training Association ATA: www.academictraining.org) and the following project partners: Bar Municipality, Faculty of Tourism Hotel management and Trade, Economic School, Montenegro Business Alliance, Association of Olive Producers, Cultural Center, Forum of Unemployed Women, Association of Entrepreneurs and Agricultural Association. All project partners have signed the Memorandum of Understanding.

The BSC Bar offers young entrepreneurs following services:

- Business Skills Training – 4/5 day training sessions on topics like marketing, financial management, management skills, legal and tax issues, exporting to the EU, product development and innovation etc.
- Business Plan Competition (BPC) - young potential entrepreneurs are supported to write a professional business plan in 2 phases (business concept – business plan)
- Business Support Services (BSS) - the best business plans/entrepreneurs resulting from the BPC are supported through personal coaching, consultancy, micro-loans, incubation space&services and free registration of their business training, consultancy, working space and access to micro-credit which will lead to the establishment of new and innovative small and medium enterprises.

The Netherlands Ministry of Foreign Affairs is the donor of this 4-year project (SPARK is the recipient), and it is expected, that the BSC Bar will be fully independent, locally owned organization (a limit liability company or NGO) after 4 years of existence (in 2010). Local partners contribute 'in kind' to the BSC Bar by offering office space, incubator space, training space and promotional/PR services (total value of in kind support is 50% of the total 4-year project budget (Bar Municipality is the main partner and contributor).

Industry/Sector (technology area): It is mainly focusing on reducing poverty levels by creating small and medium enterprises. However it is not technology specific – SMEs can be formed in various industries depending on local characteristics of Economy in Bar and Montenegro.

International activities: BSC Bar is part of a big regional network of Business Start-up Centres and Incubators in South Eastern Europe (the Southeast European Network of Business Start-up Centers and Incubators (SENSI).

Name of initiative:	Business Incubator Podgorica
Contact person:	Not available
Email:	Not available
Website:	Not available

As indicated in the presentation of A. Porter (March 2007), the Municipality of Podgorica is the major sponsor of newly created business incubator, which was scheduled to launch on April 24, 2007 jointly with incubator in Bar. The business incubator will play an important role in the process of founding companies, intensifying the transfer of know-how and creating highly qualified personnel.

Partners of the Directorate for Development of Small and Medium-sized Enterprises (SMEDA) in the project are: University and Municipality of Podgorica, with the assistance of the European Agency for Reconstruction, European Bank for Reconstruction and Development and TAM/BAS.

Entrepreneurs with feasible projects joining the incubator will be offered specialized menu of support resources and services, e.g.:

- physical space;
- management coaching;
- support in creating an effective business plan;
- administrative services;
- technical support;
- business networking;
- advice on intellectual property; and
- sources of financing.

Industry/Sector (technology area): Not available

International activities: Not available

Name of initiative:	Network of Regional and Local Business Centres (BSCs)
Contact person:	Ljiljana Božović (Senior adviser for institutional support, SMEDA)
Email:	ljiljana.bozovic@nasme.cg.yu
Website:	http://www.nasme.cg.yu/eng/projects/isupport/is1.php

In Montenegro, a network of **regional and local business centres (BSCs)** has been developed (six regional centres and three local ones), providing a number of subsidised services for businesses. In partnership with donors (such as EAR and GTZ), SMEDA has created:

- 4 regional agencies/centres (Podgorica, Bar, Rozaje and Bijelo Polje).
- 7 local sub-centres.
- 1 Euro Information Correspondence Centre.

More than 70% of the territory of Montenegro is now covered by these regional centres, which provide support to entrepreneurs during the various phases of their operation, expansion and development. The services include:

- Consulting;
- Business plan development;
- Internet support; and
- Marketing.

A number of other organisations are active in Montenegro, such as GTZ. In addition, private bookkeepers, lawyers and auditors have also become established in Montenegro. Most BSCs have developed on an adhoc basis, with different donors and international organisations typically taking the lead in developing their own models and approaches. None of them have achieved financial sustainability and are not likely to do so in the near future (OECD and EC 2007).

As indicated on the webpage of the Directorate for Development of Small and Medium-sized Enterprises, establishment of regional and local business centres is one of the priorities of the Agency and is organizing institutional support for their development local / regional level. The main project objective is SMEs development support through establishing institutional network at local and regional level - and providing support for citizens in place where they live. The sub-objective would be lightening regional differences through adequate SME development support at local and regional level, but also getting needful information for better defining the Government policy and strategy in this area. The strategic development destination of this economic segment has been defined through this system, at all regional levels, which the Commune covers. Therefore, it is needed to provide the development decentralization.

The main project task of "institutional support for small and medium-sized enterprises" is establishing business centers at local level, which will afford certain services:

- a) Develop - analytical

- Defining strategy development at local-regional level, suggesting measures and activities;
- Preparing developing projects and implementing concrete projects;
- Elaborating business ideas and researching;
- Affirming the priority development of the region-municipal; and
- Analyzing development at local level and statistics.

b) Business

- How to set up a business and how to find financial sources;
- Preparing feasibility studies (idea application) and business plans;
- Providing training and market analyses;
- Connecting with consulting agencies;
- Recording business ideas;
- How to perform and make a contact with the Government in order to expose problems and their solutions and how to surpass business problems; and
- Permanent control in credit using.

For the purpose of this thematic report focusing on research and innovation infrastructure, we are not concentrating on regional and local business centres (BSCs).

More information, materials and contact details to individual BSCs can be downloaded at: <http://www.nasme.cg.yu/eng/projects/isupport/is1.php>.

E) Others, related Organisations

Name:	Montenegrin Investment Promotion Agency (MIPA)
Contact:	Jovana Tomaševića bb, 81000 Podgorica, Montenegro
Email:	info@mipa.cg.yu
Website:	http://www.mipa.cg.yu

The Montenegrin Investment Promotion Agency (MIPA) is a national investment agency set up by the Government of Montenegro in 2005 in order to promote foreign investments in Montenegro and to facilitate the economic development of Montenegro.

The mission of MIPA is to partner with foreign and domestic investors, the public and private sector, and international groups and individuals to increase investments in Montenegro and help bring accelerated economic development, dynamic growth and prosperity for all Montenegrin citizens. It promotes specific projects to foreign investors and has a publicity function in bringing such projects to the attention of the international public. MIPA advances Montenegro as a competitive investment destination by actively facilitating investment projects in the country.

MIPA's activities offered to foreign investors are:

- Being a business partner and actively facilitating business needs;
- Providing with relevant information on the investment climate, institutional framework and related legal issues;
- Assisting in obtaining permits and licenses on national and local levels of authority;
- Developing specific strategies for concrete sectors and countries;
- Helping to locate green field and brown field site options according to specific requirements;
- Giving initiatives and supporting cooperation with domestic supplier companies and other local partners;
- Maintaining an investment database;
- Identifying eventual "red tape" obstacles to doing business in Montenegro and providing recommendations to the Government for its systematic removal; and
- Advertising projects with an aim to create a relationship between Montenegrin companies and people and foreign investors.

Name:	Agency of Montenegro for Economic Restructuring and Foreign Investments
Contact:	Jovana Tomaševića bb, 81000 Podgorica, Montenegro
Email:	gordab@mn.yu ; lidijaj@mn.yu
Website:	http://www.agencijacg.org

The Agency of Montenegro for Economic Restructuring and Foreign Investments was established by the Law on the Agency of Montenegro for Economic Restructuring and Foreign Investments, passed at the Assembly of the Republic of Montenegro, dated July 11, 1990.

The Agency was created in order to cope with the problems of economic transformation and privatization on one hand, and with the need to attract foreign investors on the other. The Agency activities related to foreign investment, principally concern legal and financial consultation and promotion. Since it was founded, all initiatives, contacts and foreign investment business operations in Montenegro, have been handled by the agency.

Agency of Montenegro for Economic Restructuring and Foreign Investments is organized in two centres:

- Transformation and Privatization Center; and
- Foreign Investment Center.

Transformation and Privatization Center

Transformation and Privatization Center deals with enterprises transformation problems (estimation, transformation and privatization programs - The Property and Management Transformation Law "Official Gazette of the Republic of Montenegro", no. 2/92 and 27/94, identification and valorization of the Republic area potentials,

data processing in the field of transformation and privatization, privatization control and expertise consulting activities for the Privatization Council's requirements - Law on Privatization "Official Gazette of the Republic of Montenegro", no. 23/96 and 6/99).

Foreign Investment Center

Foreign Investment Center deals with the record keeping, financial, economic, legal consulting and promotion activities in the field of foreign investments.

Name:	Center for Entrepreneurship and Economic Development (CEED)
Contact:	Kralja Nikole 27a/4, Business Center " Čelebić ", 81000 Podgorica, Montenegro
Email:	ceed@cg.yu
Website:	http://www.visit-ceed.org

Center for Entrepreneurship and Economic Development (CEED), the Montenegro's leading consulting company, helping clients improve their business operations, further develop and perfect both their service and product, seize opportunities, and meet the need of their customers. CEED offers a wide range of consulting services focusing on business consulting, market research and training. With more than 200 clients in Montenegro and references with international organizations, CEED has developed an image as a reliable partner.

CEED activities are:

- Business consulting (CEED's core activity is ongoing consulting followed by reorganization and company restructuring, financial analysis, due diligence, development of investment, marketing and business plans and ISO pre-certification. Gradually CEED is moving towards a regional market as a member of a regional network.);
- Service to foreign investors (CEED is offering representation to foreign investors and tailor-made cooperation based on specific demand as well as connections with domestic companies and institutions.);
- Market Researches (These services include market research, market analysis, feasibility studies and public opinion polls.);
- Policy analysis and Advocacy (CEED is constantly monitoring major business legislation and its implementation, and offers changes that aim to improve the business environment in Montenegro. CEED played an important role in drafting Company Law, Accounting Law, the Law on Participation of the Private Sector in Public Services, and reduction of the gray economy in Montenegro.); and
- Publication (CEED's regular publications are widely read by the Government, private sector and the donor community. These publications include Montenegro Business Outlook, Barriers to Doing Business, and Sector Analysis.).

Name:	Agency for International Scientific, Educational, Cultural and Technical Co-operation of Montenegro
Contact person:	Dervis Selhanović (Director)
Email:	zamtes@mn.yu
Website:	http://www.vlada.cg.yu/eng/zamtes/

The Agency for International Scientific, Educational, Cultural and Technical Co-operation of Montenegro is an institution of the Government of Montenegro which was established some 30 years ago. The Department for International Scientific and Technical Co-operation performs the following duties:

- Preparation, co-ordination and implementation of the S&T programs and projects of scientific and technical nature;
- Initiation and co-ordination of the establishment of immediate collaboration between Montenegro and foreign institutions and industrial organisations;
- Participation in the preparation of multilateral and bilateral programs on the basis of which RTD projects in Montenegro are being realized; and
- Professional training abroad within multilateral and bilateral programs, organization of international conferences, gatherings and seminars.

The Agency of International Scientific, Educational, Cultural and Technical Cooperation consist of the following organizational units:

- Department for International Scientific, Educational, Cultural and Technical Cooperation; and
- Department for General and Financial Issues.

Within the Department for International Scientific, Educational, Cultural and Technical Cooperation there are two sub-departments:

- International Scientific and Technical Cooperation /first sub-department/; and
- International Educational and Cultural Cooperation /second sub-department/.

Name:	Development Fund of the Republic of Montenegro
Contact:	Bulevar revolucije 9, 81000 Podgorica, Montenegro
Email:	fzrcg@cg.yu
Website:	http://www.fzrcg.cg.yu/English.htm

Development Fund of the Republic of Montenegro was founded in 1995 during the process of proprietary and managerial transformation of economy in Montenegro.

The mission of the Fund has been integrated in the incentives for economic development of Montenegro through the following:

- Development of private business and promotion of entrepreneurship;

- Proprietary and managerial restructuring of companies and the national economy as a whole; and
- Development of capital market and corporate management culture.

Development funds such as the Development Fund of the Republic of Montenegro are common instrument of state support to entrepreneurship. Such funds may operate using the state budget funds, privatization proceeds, donations and foreign financial support. Development Fund earns its income primarily by selling shares from its portfolio, collecting dividend from profitable companies and interest from loans approved to SMEs, which means that whole income is of non-budgetary type.

In its future activities, priorities of the Fund will be the following:

- Financing of SMEs investment projects (focus is on growing micro enterprises and SMEs), which is in accordance with the Government's policy and Economic Reforms Agenda;
- Support of agriculture and food production projects and support of tourism projects;
- Short-term support of SMEs;
- Full appreciation of regional component in development of the Republic of Montenegro (the priority in financing will have the projects from northern part of the Republic); and
- Financing the infrastructure and ecology projects (public companies, local government and private companies).

Basic goals of the Fund are as follows:

- Privatization of economy in Montenegro;
- Achievement of higher level of efficiency in company operating;
- Creation of favourable environment for investments of both foreign and domestic investors;
- Integration in international economic and financial institutions; and
- Increase of national income and living standard of citizens in Montenegro.

From 1995 to the end of 2006, the Development Fund of Montenegro financed 642 investment projects with the estimated value of EUR 180.15 million, where the share of Development Fund of Montenegro was EUR 36.03 million. Realizing these investment programmes, the precondition for employment of cca 7,452 persons was created. Apart from the above-mentioned, in 2006 the Fund has begun with financing the infrastructure and environmental projects of local self-governments and public enterprises. Thus, the Government through the Fund tries to solve the urgent infrastructure and environmental issues of local self-governments.

Name:	Montenegro Business Alliance (MBA)
Contact:	Kralja Nikole 27a/4, Poslovni centar "Čelebić", Sahat kula, Podgorica, Montenegro
Email:	mbapq@cg.yu
Website:	http://www.visit-mba.org/cg/index.php

MBA is a business association, informal group of owners and directors of some private companies. This group turned into an Initiative board in May 2001. The Initiative Board accepted a document named "The Basis of Work of the Initiative Board for Forming Private Business Association", which was prepared by Mr. Petar Ivanović, director of Centre for Entrepreneurship and Economical Development (CEED). After a few meetings held in different towns of Montenegro, Montenegro Business Alliance was established in Podgorica on September 17, 2001.

The Montenegro Business Alliance is a business association, which gathers entrepreneurs, local and foreign investors. It promotes development of a private sector and shows the problems in existent legislative regulation in order to contribute removing the barriers and improving the business atmosphere in Montenegro. Montenegro Business Alliance gathers more than 500 most successful companies in Montenegro.

The mission of MBA is to give concrete proposals and through them to:

- improve conditions for making business in Montenegro;
- cooperate with public and private sector, international organisations and individual experts; and
- contribute to the development, investment growth and economical prosperity of Montenegro.

3 Conclusions / Recommendations

Even though the business environment in Montenegro has significantly improved over the past few years, the country is still behind the leading Western Balkan group (i.e. Croatia, Serbia and FYR of Macedonia), concerning the development of sophisticated business support systems (e.g. incubators, clusters, technology parks). No clusters, technology/innovation centres, technology parks, and science or business parks are in operation yet. The establishment of a well-structured and well-funded SME agency (Directorate for Development of Small and Medium-sized Enterprises – SMEDA) and adoption of a new strategy for 2007 - 2010 can be seen as a very important step forward.

The Chamber of Commerce of Montenegro and also the Development Fund are developing further activities in order to strengthen the process of forming the entrepreneurial incubators and clusters in the country. Several analyses have been carried and the intended clusters to be established should focus mainly on food processing (production of prosciutto) and wood industry.

A proper strategy covering development of technology/innovation centres, technology parks, and science or business parks is lacking. There are no such initiatives in the country. Some of the international donors (e.g. Deutsche Gesellschaft für Technische Zusammenarbeit) are already working on a survey in order to identify the levels of knowledge among the SME stakeholders of technology parks.

The development of business incubators in Montenegro is in its initial phase with a support of the Development Fund of the Republic of Montenegro. It is expected, that the Fund will further support activities in the process of forming the entrepreneurial incubators and clusters in cooperation with other relevant domestic and foreign institutions. In spring 2007, the Business Start-Up Centre Bar was created with financial support of the Ministry of Foreign Affairs of the Netherlands.

The following recommendations can be given:

- **Consult policies** with business sector at all stages of the process;
- **Formulate a proper strategy covering establishment of technology/innovation centres, technology and science parks and business parks;**
- **Improve communication and information exchange** between the respective authorities (There is a lack of co-operation between institutions responsible for collecting SME data - Employment Fund, Pension Fund, Commercial Court and Public Revenue Office);
- **Prioritise capacity building and ensure institutional sustainability;**

- **Develop culture of entrepreneurship** through campaigns, education and vocational training at all levels (including schools, competitions, etc);
- **Establish technology/innovation centres, technology and science parks and business parks** in the country;
- **Exchange of good practice** between Montenegro and other European countries in conducting the research policy with the aim to establish a knowledge-based society;
- **Strengthen linkages** between the **private industry and science communities**;
- Significantly **improve the ICT usage** (the use of portals is very rare and only some specific information can be found);
- **Secure** effectiveness and sustainability of the **network of business support centres**;
- **Undertake necessary decisions and actions** (at the level of State and University) for efficient inter-institutional, international and inter-disciplinary use of infrastructure;
- **Improve support of the development of effective strategies** in relation to specific aspects of SME development such as: business incubators, technological parks, industrial zones, high-tech corridors, and clusters;
- **Consider** using **targeted incentives** for investments in new technologies;
- **Establish** appropriate **business statistical information and systematic data collection** (including data sharing between the relevant institutions);
- **Focus on financing of research of ICT** infrastructure;
- **Offer accurate and up to date information** about the operation of incubators, parks, centres (improved information dissemination on the internet).

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6 List of Acronyms/Definitions

BMZ - Federal Ministry for Economic Cooperation and Development, Germany
BPC - Business Plan Competition
BSC Bar - Business Start-Up Centre Bar
BSCs - Business Support Centers
BSS - Business Support Services
CARDS - Community Assistance Reconstruction Development Strategy
CEI - Central European Initiative
EAR - European Agency for Reconstruction
EBRD - European Bank for Reconstruction and Development
EC - European Commission
EFSE - European Fund for Southeast Europe
ENA - Ecole Nationale d'Administration
ERA - European Research Area
ETF - European Training Foundation
EU - European Union
EUR - Euro, currency
FDI - Foreign direct investment
GDP - Gross domestic product
GoM - Government of the Republic of Montenegro
GTZ - Deutsche Gesellschaft für Technische Zusammenarbeit
IBRD - International Bank for Reconstruction and Development
ICT - Information and Communications Technology
INA - Institute for Public Administration, Portugal
IPA - Instrument for Pre-Accession Assistance
MBA - Montenegro Business Alliance
MED - Ministry of Economic Development
MIFF - Multi-annual Indicative Financial Framework
MIPA - Montenegrin Investment Promotion Agency
MIPD - Multi-annual Indicative Planning Document
MoES - Ministry of Education and Science
NGO - Non Governmental Organization
NIS - National Innovation Strategies
OEBS - Organization for European Security and Cooperation
OECD - Organisation for Economic Cooperation and Development
PEP-SE - Private Enterprise Partnership for Southeast Europe
PHARE - Poland Hungary Aid for the Reconstruction of the Economy
ReSPA - Regional School for Public Administration
RTD - Research and Technological Development
RTDI - Research, Technological Development and Innovation
R&D - Research and Development
SAA - Stabilisation and Association Agreement
SEE - South East Europe
S.E.N.S.I. Network - the Southeast European Network of Business Start-up Centers and Incubators

SMEDA - Directorate for Development of Small and Medium-sized Enterprises
(formerly National Agency for Development of Small and Medium-sized Enterprises)

SMEs - Small and Medium Size Enterprises

SPARK - formerly ATA (the Academic Training Association)

SPICE Group - Science Parks and Innovation Centers Experts Group

STI - Science, Technology and Innovation

S&T - Science and Technology

UN - United Nations

UNDP - United Nations Development Programme

UNECE - UN Economic Commission for Europe

UNIDO - United Nations Industrial Development Organisation

USAID - United States Agency for International Development

WB - Western Balkans

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THEMATIC REPORT

on Innovation Infrastructures in the Western Balkan Countries

Serbia

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Information compiled by:
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1 Introduction

This thematic report is produced by the “Information Office of the Steering Platform on Research for Western Balkan Countries” and reviews the situation of Innovation Infrastructures in Serbia.

The report is based upon desk research, interviews and questionnaires with main stakeholders.

The objective of this study is to enhance our understanding of the national innovation system in Serbia. An overview of the situation as regards “Innovation Infrastructures” such as clusters, technology and innovation centres, technological and science parks, business-start-up centres/ technology incubators and some further related organizations is given. The general environment is described as well as important strategic documents and the main programmes and instruments for support. The report concludes with a list and description of the main infrastructures.

The report was compiled in summer 2007.

1.1 General Environment for Setting Up Innovation Infrastructures

This first section deals with rules and regulations, describes the national framework and the specific funds available.

Serbian economy is slowly improving since the defeat of Slobodan Milosevic’s government in 2000, years of conflict, international sanctions and economic mismanagement. Inflation has decreased and the foreign exchange reserves of the central bank have increased. As well, significant progress has been made in the areas of fiscal and money policy. The privatization created many opportunities for developing small and medium enterprises.

Clearly, some countries or entities have generic local/regional support centres, but lack some of the more sophisticated support institutions. Serbia, with a first incubator in 2005, three clusters in fairly traditional industrial fields and no business/technology parks despite long standing policy intentions to develop these, should also move ahead in a more determined way in this area (European Commission, 2006).

Over the past five years of extensive political and economic reforms, Serbia has developed into a stable democratic country with a fast growing market economy. Western-oriented, democratic political parties have a strong majority among citizens and the Government is shaping an attractive environment for business activities, while legislative activities are intensely bringing the legal framework in line with the EU regulations. As a member of the International Monetary Fund, Serbia exercises a sound and consistent economic policy resulting in a strong economic growth, state budget surplus, and rapid export expansion. The country’s progress is fully supported

by leading international development institutions, such as the World Bank and the European Bank for Reconstruction and Development, while the processes of the European Union and the World Trade Organization accession are under way.

In 2005, Serbia received wide international recognition for economic and legislative reforms and improvement of business climate. The last year's (2006) highlights related to the country's overall progress were the following (SIEPA, 2006):

- A positive Feasibility Report by the EU and the start of negotiations on the Stabilization and Association Agreement (SAA);
- Successful completion of a 3-year financial agreement with the IMF;
- The World Bank's guide Doing Business in 2006 naming Serbia the top global reformer;
- Highly graded structural reform progress in Central and Eastern Europe by the European Bank for Reconstruction and Development (EBDR);
- Upgrading of Serbia's credit rating by Standard & Poor's and Fitch;
- Serbia proclaimed as a winner by the OECD Investor of the Year award for the biggest foreign Greenfield investment in South East Europe in 2004 and 2005.

Serbia has adopted a medium-term approach to SME development. It has established a solid policy framework and implemented reforms in the company registration and tax policy areas. Serbia systematically applies Regulatory Impact Analysis (RIA) to new legislation and regulations. It is developing a pro-active profile on innovation policy. With respect to the remaining dimensions, it is working steadily on the policy-building blocks.

The Government of Serbia has a policy targeted at removing barriers to foreign investment. It effectively improves the overall business climate and benefits small businesses, but no particular policy attention is given to the needs of small businesses (OECD and EC, 2007).

The Law on Innovation Activity (Official Gazette of the Republic of Serbia, no. 110\05), which was adopted in December 2005, defines the business-technology incubators as a commercial company whose main activity is to provide and rent available office space, administrative, technical and other services to newly started commercial companies or innovation organisations. In Article 21, incubators are defined as organisations providing infrastructure support to the innovation activity.

Concerning innovation and technology (I&T) centres and co-operation - Serbia has established a policy framework and has active programmes to foster technological co-operation.

On the other hand, UNMIK/Kosovo has not yet developed significant initiatives to encourage technology transfer. In UNMIK/Kosovo the SME strategy is being drafted as part of a National Development Plan. The national development planning process is in the phase of identifying projects and budget resources. The strategy has not yet been approved. A short-term strategy compiled and approved by the Ministry of Economy in September 2005 has not yet reached the implementation stage due to budget limitations (OECD and EC, 2007).

1.2 Strategic Documents

Strategic documents reflecting National Innovation Strategies (NIS) have been already highlighted in Science and Technology Country Report Country – D9a Serbia (see.science.eu). To indicate other key documents, which have been formulated in order to set up the framework for innovation and technology development:

- **‘National Strategy for the Economic Development of Serbia, 2006-2012’**

The Government of Serbia adopted the National Strategy in November 2006, and this Programme relies on the economic analyses and recommendations presented in the document.

- **‘National Programme for Business Incubators and Clusters Development in the Republic of Serbia 2007- 2010’**

The objective of the Programme is to generate new jobs, new enterprises and increase competitiveness through development of entrepreneurs, enterprises and institutions for support to the sector of small and medium-sized enterprises in the Republic of Serbia. The Programme was adopted by the Council for Small and Medium-sized Enterprises and Entrepreneurship in December 2006 and implements the ‘Strategy for the Development of Small and Medium-sized Enterprises and Entrepreneurship 2003-2008’ and the ‘Plan of the Government of the Republic of Serbia for Stimulating Small and Medium-sized Enterprises and Entrepreneurship Development, 2005-2007’. The Programme has been jointly prepared by the Ministry of Economy, Serbian Agency for the Development of Small and Medium-sized Enterprises and Entrepreneurship (RASME) and the ENTRANSE\SINTEF Project Team with financial support from the Serbian and Norwegian governments.

The Government of the Republic of Serbia anticipates establishment of the permanent small and medium-sized enterprises and entrepreneurial infrastructure, by strengthening institutions on the local and regional levels, establishing business incubators and parks, promoting business-to-business networking, clusters and other innovation activities. Financial resources provided from the State Budget within above mentioned programme, demonstrate the willingness of the Government of Serbia to support small and medium-sized enterprises and entrepreneurship infrastructure development.

According to Ana Žegarac presentation ‘Business Incubators in Serbia’ (2007), these are the results of the programme:

- Expected results 2007-2010 one generation of residents: 225 established enterprises and 1200 jobs created in 15 business incubators; and
- Expected results 2007-2016 three generations of residents: total of 675 established enterprises and 3600 jobs created in 15 business incubators.

- **‘Strategy for the Development of Small and Medium-sized Enterprises and Entrepreneurship 2003-2008’**

The priority objective of the Strategy for the Development of Small and Medium-sized Enterprises and Entrepreneurship in the Republic of Serbia is to create a framework for the development of a sustainable, internationally competitive and export oriented SME sector in the following five years and subsequently to secure economic and social growth in the Republic of Serbia, which will be reflected in:

- increase in the standard of living and a reduction in the gap between average incomes in Serbia and EU member states;
- significant employment increase;
- stronger and steadier regional development;
- strengthening of international trading links, especially with EU member states; and
- increase in available resources for other sectors, such as education, health and pension funds.

The Government has set two priority targets for development of the SME sector by the end of 2007:

- increase the total number of SMEs (sole traders and limited companies) from 270 000 (2002 total) to 400 000; and
- creation of over one million net new jobs in the SME sector.

- 'Plan of the Government of the Republic of Serbia for Stimulating Small and Medium-sized Enterprises and Entrepreneurship Development, 2005-2007'

The Programme defines necessary steps to improve the favourable SMEE (Small and Medium Size Enterprises and Entrepreneurship) environment that relates to:

- Creation of an institutional and legal environment that will support entrepreneurs' interests;
- Raising the level of knowledge and skills within the entrepreneurship sector in order to support new educational profiles with larger mobility and flexibility in overcoming different requirements of the labour force market;
- Building institutions for non-financial support to the SMEE sector, as well as development of non-financial services through providing information, consultancy services, mentoring and training in different business areas;
- Financing and financial measures to support the SMEE;
- Innovations and modern technology application to support the SMEE; and
- Donors and development assistance.

- 'National Development Plan of UNMIK/Kosovo'

At the time of writing the thematic report, the National Development Plan was not available. Nevertheless some information could be downloaded from internet. According to <http://www.unmikonline.org/pub/focuskos/aug04/focuskeco3.htm>, a 'Kosovo Development Plan' would have to consist of the following three stages:

- (i) A full and realistic assessment of the strategic development requirements of an economy moving towards EU integration;
- (ii) Design and costing of detailed and coherent ministerial strategies to remove barriers to faster growth, focused on investment needs in the key areas of human resources, physical infrastructure, and carefully targeted aid to stimulate the productive sectors of the economy;
- (iii) Rigorous ex-ante assessments of the likely consequences of such a development programme in terms of generating sustainable accelerated growth and convergence towards EU standards of living.

As stated in the ESPIG Policy Paper issued in 2004 – '*Towards a Kosovo Development Plan. The state of the economy Kosovo and possible ways forward*', the implementation of the National Development Plan takes place at ministerial level. It should be vital to regard the drawing up of all the different ministerial strategy

documents as a series of closely interconnected and interrelated processes. It was one of the most urgent tasks of any future government to establish a robust system of inter-ministerial co-ordination for the coming years if the ambitious goal of drawing up a National Development Plan is to be achieved.

The development of economic strategies for the key sectoral “engines of growth” requires close co-ordination between the Ministries of Agriculture, Forestry and Rural Development and the Ministry of Trade and Industry. The other ministerial strategies must be viewed as supporting the goal of industrial and rural development by providing inputs that are absolutely vital to success. Ensuring that Kosovo’s future work force has the educational qualifications to be able to compete in the emerging European and global economy will be central and will almost certainly require significantly more resources to be allocated to this sector than is happening at present.

1.3 Specific Programmes and Instruments

Following national programmes supporting technology development are defined (in alphabetical order):

- Business Innovation Programmes (BIP);
- Enterprise Development and Entrepreneurship Programme (EDEP);
- “ENTRANSE 2007” Project - Programme to support the growth and job creation by supporting SME and entrepreneurship development in the Republic of Serbia;
- IFC/PEP Southeast Europe;
- Joint Project of Institution Building of Ministry of International Economic Relations (Joint Project);
- National Investment Programme (business incubators);
- Serbian Enterprise Development Project programme (SEDP);
- Vojvodina Investment Promotion Fund (Joint Fund for Building Business Incubators in Vojvodina – BBI and Supportive Infrastructure Fund - SIF);
- USAID/MEGA (Municipal Economic Growth Activity); and
- USAID/Community Revitalisation through Democratic Action (CRDA) programme.

- Business Innovation Programs (BIP)

During 2005, through the support from the Ministry of Education and Sport, the implementation of two extracurricular programmes for the development of entrepreneurial abilities for Secondary Vocational School pupils has continued. The Business Innovation Programmes (BIP) from Norway, in cooperation with the NGO “Civil Initiatives”, is implementing the project “Youth Entrepreneurship” in 10 Secondary Schools. This Project aims to encourage the entrepreneurial spirit of secondary school pupils through the establishment of pupils’ enterprises as a component of this programme. During this period, 70 pupil’s enterprises were founded; the Second Fair of Youth Entrepreneurship and the parallel Conference “Youth Entrepreneurship as a National Interest” was held, where recommendations were made for further development of youth entrepreneurship.

- Enterprise Development and Entrepreneurship Programme (EDEP)

The 'Support to Enterprise Development and Entrepreneurship Programme' commenced in December 2004 and operated for a period of two years until December 2006. The overall objective of the project was to assist in the creation of a framework for the development of a sustainable, internationally competitive and export oriented small and medium-sized enterprise (SME) sector in Serbia through improvements in the effectiveness of government policies and instruments aimed at stimulating and enhancing private sector enterprise.

The main project partner was the Ministry of Economy (MoE), specifically the Department for SME Development and the Department for Private Entrepreneurship. The other main project partners were the Republic Agency for the Development of SMEs and Entrepreneurship (RASME). Other project partners include the Ministry of Science (MoS, former Ministry of Science and Environmental Protection), the network of Regional SME Agencies. The contract was being implemented by a consortium led by ECORYS Nederland BV (NL) in partnership with Enterprise plc (UK) and FACET BV (NL).

According to the 'Enterprise Policy Development in the Western Balkans: a report on the implementation of the European Charter for Small Enterprises', even though strategic documents for SMEs development were elaborated, there is a lack of an adequate budget for implementation. Therefore it was envisaged that many SME projects would be funded by the Government's National Investment Plan of September 2006 (An EU-funded Support to Enterprise Development and Entrepreneurship Programme operated between December 2004 and December 2006).

- "ENTRANSE 2007" Project - Programme to support the growth and job creation by supporting SME and entrepreneurship development in the Republic of Serbia

The ENTRANSE Project development started in cooperation with the Ministry of Economy and Republic Agency for the Development Small and Medium-Sized Enterprises and Entrepreneurship (RASME). It has been approved by the Norwegian Ministry of Foreign Affairs in December 2004 and soon after, its implementation started. During the first two years, the project supported the establishment and development of the Pilot Business Incubator Centre Niš, preparation and implementation of the Training Programme for Pre-incubation, incubation and post-incubation period, preparation of the Programme for Business Incubators and Cluster Development.

The Ministry of Economy is the National Lead Partner and the project owner. SINTEF Technology and Society is the International Lead Partner and Serbian Agency for SME Development is the National Implementing Partner. Inter-ministerial Steering Committee has been established with a specific Terms of Reference to supervise ENTRANSE Project. In addition, local service providers were engaged for the Project activities implemented at local level.

The main goal of "ENTRANSE 2007" Project is to generate new jobs and new enterprises through development of entrepreneurs, enterprises and SME institutions in the Republic of Serbia. Target groups are institutions for SME development,

entrepreneurs with sound business ideas and SMEs. “ENTRANSE 2007” Project defines the following objectives:

- a) Support to business incubators;
- b) Institutional building of institutions responsible for SME development;
- c) Support business and innovation networking activities (Clusters, IRC); and
- d) Ensure knowledge transfer, monitoring and evaluation.

Within the programme, following results have been achieved: BIC Niš, Business Incubator Zrenjanin, Business Incubator Subotica were created in partnership with AP Vojvodina Council; the field market research “Entranse on Tour” was compiled; the Entranse training package prepared; procedures and tools developed (e.g. legal tools, contracting system, criteria and procedures for selection the potential tenants, etc) and the National Programme concept developed and approved.

- **IFC/PEP Southeast Europe** is part of IFC (International Finance Corporation), World Bank Group. The programme operates in Albania, Bosnia and Hercegovina, the FYR Macedonia, Serbia and Montenegro and was formally launched in July 2005 and has been established for an initial period of five years.

The Private Enterprise Partnership for Southeast Europe (PEP-SE) is catalyzing private sector development from a platform of four operational programs:

- Alternative Dispute Resolution;
- Corporate Governance;
- International Technical Standards and Regulations; and
- Recycling Linkages.

PEP-SE's private sector development programmes are co-financed by following countries: Austria, Canada, IFC, Netherlands, Norway, Slovenia, and Switzerland. For more information, please visit: <http://www.ifc.org/pepse>.

- Joint Project of Institution Building of Ministry of International Economic Relations (Joint Project)

The project is funded by the British and Swedish governments. Through strengthening capacities of the Ministry of Economy and the Republic Agency for the Development Small and Medium-Sized Enterprises and Entrepreneurship, the project will strengthen sectorial institutional capacities and operational capacities for the purpose of facilitating development and coordinating administrative sector structures with the aim of planning and managing external funds in the line ministries.

- Serbian Enterprise Development Project (SEDP) programme

In this Programme, industry experts provide targeted technical assistance to individual firms and clusters in industries such as Fruit and Fruit Juice, ICT, Tourism, Textiles and Wood Furniture – focusing on productivity enhancement, export development, industry competitiveness, adding value to product portfolios and linking firms to international markets and suppliers. Final results will include greater incomes for firms and individuals along the marketing chain, increases in productivity, job creation, higher output of export and import substitution products and, ultimately, higher revenues for the Government of Serbia. A corollary result will be expanded ties with other countries of Southeast Europe through direct linkages among clusters.

- Vojvodina Investment Promotion Fund (VIP Fund)

The Vojvodina Investment Promotion Fund was founded by the Parliament of the Autonomous Province of Vojvodina, as an official regional investment promotion agency with a mandate to provide support to foreign investors and facilitate their business in Vojvodina. The VIP Fund became fully operational in December, 2004.

The specific goal of the VIP Fund is to facilitate FDI inflow into the region through activities such as location marketing, investment climate benchmarking, provision of assistance to potential investors with concrete investment projects and co-operation with institutions specialized in the FDI promotion world-wide. VIP services to potential and existing investors are free of charge. The VIP comprises two operational units: the Vojvodina Investment Promotion Agency (VIP) and the Supportive Infrastructure Fund (SIF).

Activities of the VIP Agency include:

- Advisory services assisting foreign investors in analyzing investment decisions and establishing a business;
- 'Aftercare' services for existing investors;
- Location marketing; and
- Policy advocacy to improve FDI regulatory framework.

Supportive Infrastructure Fund (SIF):

- Inward investment cost-sharing scheme (Infrastructure incentive scheme); and
- Development of business incubators and technology parks (inclusive of business centres for foreign investors)

The project of establishment of three business incubators in AP Vojvodina was initiated by the Executive Council of the AP Vojvodina, and the Vojvodina Investment Promotion Fund is in charge of the project implementation. The goal of creating business incubators in AP Vojvodina is development of small and medium enterprises, which will improve competitiveness of local start-up companies, strengthen cooperation among entrepreneurs and science/research institutions, and create local capacities oriented toward more practical and innovative business models. Certainly, the plans include development of self-employment through development of business incubators, with support from institutions which will give necessary expertise.

As part of the **Integrated Regional Development Plan (IRDP)**, the **BBI project (Building Business Incubators)** was created to establish and manage business incubators in the region of Vojvodina with an aim to significantly support the socio-economic development process in the region, considering the development of new businesses as a key factor for future economic growth in the region.

The BBI project is supported by the Serbian Agency for the Development of SMEs and Entrepreneurship and therefore in line with the Serbian Government's policy on SMEs development and promotes following policy measures under the IRDP:

- Development of SMEs;
- Enhancing the R&D and business co-operation.

- USAID/MEGA (Municipal Economic Growth Activity) Project

The purpose of the MEGA (Municipal Economic Growth Activity) Project is to develop the skills of local governments and local business groups to foster economic growth and job creation, assist them to put these concepts and skills into practice, and to create a business friendly environment where the private sector can flourish.

The goal of the MEGA Project is to help local governments (160+ local governments in Serbia) to create new jobs; establish new businesses; attract investments; and establish Private-Public-Partnerships.

The MEGA Program Strategy includes:

- Promote the adoption of policies which promote a positive business environment;
- Create institutional capacities for local government to support economic development;
- In partnership with private sector, develop and implement realistic and comprehensive Local Economic development (LED) strategic plans; and
- Provide support for municipal LED efforts.

- USAID/Community Revitalisation through Democratic Action (CRDA) Programme

The Programme provides support in economic development activities along with civic participation, environmental management and infrastructure (\$200 million over 5 years).

1.4 Financing

The vast majority of programmes and projects supporting development of innovation infrastructure are financed by: European Commission (IPA - Instrument for Pre-accession), World Bank, USAID (MEGA Project), GTZ (Germany), SPARK, Ministry of Foreign Affairs of the Netherlands (Business Start-up Center Kragujevac, BSC Kosovo), Swedish International Development Cooperation Agency (SIDA Sweden), SINTEF Norway, ADA (Austria), Swiss Development Corporation (Switzerland), Stabilisation and Association Process; CARDS Programme, the Stability Pact for South Eastern Europe, the European Investment Bank, European Fund for South East Europe (EFSE), and the European Bank for Reconstruction and Development. UN agencies, such as UNESCO, UNIDO, UNDP, UNECE, OSCE are also very active.

Having a closer look at some of the major donor, following activities were supported:

- Serbian and Norwegian governments is financing via ENTRANSE\SINTEF Project Team the Business Incubator Center Niš;
- USAID funded legal framework support and several projects working on cluster development and competitiveness; several project implemented e.g. MEGA Project supported establishment of Business Incubator Subotica (BIS);
- GTZ funded e.g. establishment of enterprise development centres in Novi Sad and Subotica and business linkages support;

- SPARK (formerly ATA - The Academic Training Association) is financing BSC Kragujevac and BSC Kosovo under a four-year grant of the Dutch Government;
- Swiss Development Corporation was funding e.g. the establishment of an enterprise development centre in Novi Pazar;
- SEED (part of IFC) funded business development services;
- EBRD funded legal framework support;
- World Bank funded Export Credit Agency which will provide export credit insurance, working capital loans and guarantees and exporter performance insurance;
- Previously the EDEP was also one of the main supporters of the SME development. The project was implemented by ECORYS Nederland BV (NL) in partnership with Enterprise plc. (UK) and FACET BV (NL).

The major donor of the SME development and entrepreneurial support in UNMIK/Kosovo are: European Agency for Reconstruction (EAR), UNDP, GTZ (Germany), European Fund for South East Europe (EFSE), SOROS, SĚIS-Corporation, SPARK (formerly ATA), USAID-CKBS, AGEF, KFĚ, EBRD, Department for International Development (DFID) (United Kingdom), Organization for Security and Co-operation in Europe (OSCE).

2 Existing Innovation Infrastructures in Serbia

2.1 Key Government Players

2.1.1. Key Government Players in Serbia

Name:	Ministry of Economy and Regional Development (MERD)
Contact:	Bulevar Kralja Aleksandra 15, 11000 Belgrade, Serbia
Email:	Not available
Website:	http://www.mpriv.sr.gov.yu/

The Ministry of Economy and Regional Development has a leading role in SMEs and entrepreneurship.

According to the 'Enterprise Policy Development in the Western Balkans: a report on the implementation of the European Charter for Small Enterprises (2007)', the SME Department within the Ministry of Economy has a clear co-ordination structure and an inter-ministerial SME-Council was recently established. Nevertheless, there is relatively limited co-ordination between the Ministry of Economy and the Government's SME implementing entity, the Republic Agency for the Development Small and Medium-Sized Enterprises and Entrepreneurship (RASME).

As indicated in the National Programme for Business Incubators and Clusters Development in the Republic of Serbia 2007- 2010, the specific objectives for the upcoming period are:

- Strengthened public-private partnership;
- Minimum 15 business incubators established and operational;
- Minimum one park established;
- Serbian Association of Business Incubators established;
- Innovation Relay Centre established; and
- Minimum 10 operative clusters established.

Bearing in mind the comprehensiveness of the Programme, which includes activities of forming infrastructure, strengthening national and local institutions, as well as development of business activities, the estimated total investment for the full Programme implementation is € 23 million (Ministry of Economy, 2006).

Name:	Republic Agency for the Development Small and Medium-Sized Enterprises and Entrepreneurship (RASME)
Contact:	Topličin venac br. 19, Beograd, Serbia
Email:	office@sme.sr.gov.yu
Website:	http://www.sme.sr.gov.yu/

The Republic Agency for the Development Small and Medium-Sized Enterprises and Entrepreneurship (RASME) was founded by the Law on Agency for a Development of Small and Medium-Sized Companies (Službeni glasnik RS, n. 65, from 23.11.2001). The Agency is divided into three key sectors: International Co-operation; Support to SMEs; and Common Affairs.

The basic aim of the RASME is to support (aid, advise, assist, and protect) the development and interests of the SMEs, in:

- Invigoration of the regional economic development and change of the economic structure;
- Solving unemployment problems more efficiently;
- Substitution of import and intensifying SMEs competitiveness;
- Stimulating various forms of cooperation with big enterprises;
- Introducing modern technologies and enhancing innovations (entrepreneurs' incubators, innovative centres, etc);
- Utilizing business premises and equipment more economically; and
- Quality upgrading; automation and computerization etc.

RASME has predominantly been active in providing legal and financial consulting, as well as training in co-operation with the National Employment Service. The Agency helps SMEs in adapting new technologies in the form of advisory support to their innovative activity.

Activities of RASME in 2006:

- Mentoring for existing and planned SMEs: 82 SMEs (20 mentor-hours for single SME);
- Consultancy services organized for 1560 SMEs;
- Trainings and seminars: 208 implemented for more than 2000 participants;
- Education, trainings and seminars focusing on different topics related to SME development: 56 seminars for 1323 participants;
- Monitoring of SMEs supported by RASME;
- Development of business incubators (programme supported by the Government of Norway);
- Training for entrepreneurs in tourism sector (programme supported by the GTZ, Germany);
- Organization of international fair “Business Base 2006” (Belgrade, 29.11.-02.12.2006);
- Participation and support to entrepreneurial fairs on regional and local level;
- Promotional campaigns in cooperation with the regional network of agencies for support of SMEs;
- Publication: “SMEs News” (12 issues, 2 000 000 copies);
- Following projects implemented:
 - “Territorial marketing: key players, strategies and instruments for planning regional development” (project with Bologna province, Italy);
 - “Support for enterprise and entrepreneurship development in Serbia” (project with European Agency for Reconstruction);
 - “Development of private sector” (project with ATA, Netherlands);
 - “Building capacities of RASME” (joint project with Government of Japan);
 - “Internationalization of cluster in Toscana toward Serbia” (project with Toscana, Italy);
 - “Technical assistance for RASME” (financed by the Government of Spain);
 - “Programme for development of SMEs in Serbia” (in cooperation with the Government of Greece); and
 - “Local economic development in Balkan area” (financed by the Government of Denmark).

Main activity of RASME in 2007 is launching of the new programme, defined as support for start-up of new companies. In total 2507 applications has filled and 1507 start-up loans are approved. RASME will continue with similar programmes in 2008.

Websites of regional and local agencies of RASME: Belgrade: <http://www.mspbg.co.yu>; Kragujevac: <http://www.smerakg.co.yu>; Kruševac: <http://www.mspsks.co.yu>; Niš: <http://www.ranmsp.co.yu>; Zrenjanin: <http://www.rcrbanat.co.yu>; Zaječar: <http://www.msp-timok.co.yu>; Novi Sad: <http://www.almamons.co.yu>; Novi Pazar: <http://www.seda.org.yu>; Subotica: <http://www.smer.subotica.info>; Užice: <http://www.mspue.co.yu>; Sombor: <http://www.sora.co.yu>; Leskovac: not available; Vranje: <http://www.aimcentar.com>; Šabac: not available.

Name:	Business Incubator Support Centre
Contact:	Not available
Email:	Not available
Website:	http://www.sme.sr.gov.yu/

The Business Incubator Support Centre, which was established within the RASME (Republic Agency for the Development of SMEs and Entrepreneurship) in September 2006, provides strong institutional framework and support to the already established business incubators or to ones yet to be established in Serbia. The Centre is based in Belgrade and its capacities are strengthened via the ENTRANSE Project. The Centre is staffed by the ENTRANSE and Serbian SME Agency experts and is equipped, operational, engaged to implement the National Program.

The support is provided via:

- Technical assistance and coordination of existing business incubators and other Business Incubator (BI) initiatives in different stages of development;
- Education and training programmes;
- Technical assistance, mediation and coordination of programmes for financial support to BIs and BI tenants; and
- Promotional activities.

The objectives of the Business Incubator Support Centre for 2007 are:

- Stabilization and sustainability of the existing incubators;
- Full implementation of the incubation training for the running incubators;
- Donor harmonization and opening of at least 2 new functioning business incubators;
- Development of the post-incubation training for entrepreneurs (coaching and mentoring);
- Create a system that will measure efficiency and results of the Serbian Business Incubator network; and
- Promote/enhance the start-up capital opportunities for SMEs.

2.1.2. Key Government Players in UNMIK/Kosovo as defined by UNSC Resolution 1244 of 10 June 1999

Name:	Ministry of Education, Science, and Technology of UNMIK/Kosovo (MEST)
Contact:	Loc. Dardania Building - III, St. Musine Kokollari No. 18, 10 000 Prishtina, UNMIK/Kosovo
Email:	masht@ks-gov.net
Website:	http://www.ks-gov.net/masht

In UNMIK/Kosovo, the Ministry of Education, Science and Technology in Prishtina supposedly develops both scientific research and the higher education system, as well as promoting a market for innovation and technological development, although no research fund exists (Dall, 2006). The Ministry is also responsible for the formulation of an overall strategy for the development of education, science and technology in Kosovo and the promotion of a single, unified, non-discriminatory and inclusive education system (MEST Kosovo, 2002).

Name:	Ministry of Trade and Industry of UNMIK/Kosovo (MTI), Department of Private Sector Development (DPSD)
Contact:	Ul.«Agim Ramadani» b.b., Nova zgrada Ekonomskog fakulteta, UNMIK/Kosovo
Email:	Not available
Website:	http://www.mti-ks.org/?cid=2,1

Unit of the Private Sector Development (PSD) was established in the first quarter of year 2000, as the main unit (at that time) of Department of Trade and Industry (DTI), while the other unit was dedicated to commercialism of the Social Enterprises (SE). In September, 2000, an international co-director of PSD was recruited, while a Kosovar co-director was appointed in the beginning of October. Since the beginning of 2001, five international employees of business development have started their work in each of five regions of UNMIK/Kosovo.

Local staff recruitment of PSD has started in May, 2001 and it was completed for the Central Unit of PSD in September of 2001. After the first Parliamentary election, held in November, 2001, the Constitutional Framework created the 'Provisional Institutions of Self-Government of Kosovo' (PISG), where the Ministry of Trade and Industry was created taking the responsibilities transferred from former DTI.

Department of Private Sector Development (DPSD) within Ministry of Trade and Industry of UNMIK/Kosovo (MTI) and Government are the only mechanisms which institutionally support:

- Promoting a friendly environment and effective system in supporting SME-s in UNMIK/Kosovo;
- Harmonization of politics (legislation and regulations) with those of the EU;
- Long-term growth and stabile SME development from the aspect of their contribution towards the national gross production and creation of new jobs;
- Establishment of dialogue-cooperation between all governmental and institutional sectors which directly or indirectly deal with SME;
- SME Advisory organ;
- Research for SME sector;
- SME strategies and action plan;
- Programs database for SME support;
- SME's observation points (providing annual observatory reports);
- Drafting of new schemes for SME support;

- Communication campaign for SME issues;
- Environmental physical regulation for SME support;
- Development of training capacities for business advisors; and
- Service providing for SME support.

Domestic-local partners of the Ministry are: SME' s supporters network in UNMIK/Kosovo, different sectors within the Kosovo Government structure, especially Department of Labour in the Ministry of Labour and Social Welfare (MPMS) and Education Department of the Adults in Ministry of Education, Science and Technology (MEST), Enterprises Regional Agencies (ARN), Economic Chamber of Kosovo (OEK), Union of Independent Kosovo Syndicates (BSPK), Euro-Info Kosovo Center (EICC), Kosovo Women Network in Business, Group of New Economists (GER), RINVEST, as well as different business associations.

Foreign Partners are represented by: Albanian SME' s Agency, Tetova Regional Agency, ARBD (Agency for Development of Brčko's District), SBDC-Slovenian Center for Small Businesses Development, Directorate for Small and Medium Enterprises Development of Montenegro, and NEPA of FYR of Macedonia.

Pillars of institutional support for private sector development in Kosovo cover the following:

- Legal issues;
- SME's stabile financing;
- Coherent education and training along with philosophy of market driven economy; and
- Business authentic physical Infrastructure.

Under the forth pillar the Programme development of working spaces covers creation of Business incubators; Business parks; Industrial zones; Industrial lands; Export processing zones; and Special economic zones etc.

Name:	SME Support Agency – UNMIK/Kosovo
Contact:	Not available
Email:	Not available
Website:	http://www.sme-ks.org/?cid=2,1

The SME Support Agency of UNMIK/Kosovo was established as an Executive Agency under administration of Ministry of Trade and Industry, regulated by the Law on SME Support No. 02/L-5, article 8 in December, 2006.

The Agency aspires to become an intelligence-gathering and co-ordinating hub in the multi-stakeholder environment of SME policy, to be a leading and dynamic National Agency that supports and further develops a vibrant, competitive and growing Small and Medium Enterprise sector in Kosovo. Its mission is to contribute to the further realization of a market economy in Kosovo by helping to build an enterprise society in which SMEs thrive and achieve their potential, with an increase in the number of

people considering going into business, an improvement in the overall productivity and competitiveness of SMEs, more enterprises in disadvantaged communities and under-represented groups and by becoming a key mechanism for ensuring stronger and more effective SME representation.

The overall objectives of the Agency is to oversee the implementation of the SME Development Strategy, with Government mandate to substantially increase the contribution of SMEs to GDP and GDP growth; and to substantially contribute to reduce unemployment.

The specific objectives are:

- Creating better regulatory environment and policy for SMEs; Improving access to financial sources; Improving institutional support framework and business support services;
- Building an enterprise culture and promoting entrepreneurship;
- Stimulating creation of new businesses and a more dynamic start-up market;
- Enhancing competitiveness of existing companies by supporting better management, innovation and technological development, thus also improving export-friendly environment and SMEs export performance; and
- Creating conditions for a balanced SME development at regional level, in disadvantaged areas and under-represented groups (ethnic minorities and women).

2.2 Key Innovation Infrastructures

The following section gives an overview on the main existing innovation infrastructures in Serbia and UNMIK/Kosovo (clusters, technology and innovation centres, technological and science parks, Business-start-up centres/Technology Incubators and some further related organizations).

A1) Clusters in Serbia

As indicated in 'National Programme for Business Incubators and Clusters Development in the Republic of Serbia 2007- 2010', through its Department for Competitiveness and Cooperation with International Institutions, the Ministry of Economy and Regional Development supported establishment of the following clusters through the pilot project financed from the National Budget of the Republic of Serbia in 2005:

- Automotive Cluster;
- Rubber and Plastic Cluster;
- Wood Processing; and
- Small Agricultural Machinery Cluster.

All four clusters have their own permanent offices, established organization and Cluster Advisory Board. Cluster offices are based in Belgrade, except for the rubber and plastic cluster, which established an office in Subotica. Furthermore, there are

initiatives for establishing textile clusters in Bor, Niš and the Zaječar district, a software cluster in Belgrade (companies from Belgrade, Novi Sad and Niš) and a construction cluster in Niš (Ministry of Economy, 2006).

Serbia has made the most progress in implementing pilot projects, relying mostly on donor support. The Serbian Government has approved funds under the National Investment Plan to support cluster development. However, the cluster policy is insufficiently developed, extending to only three clusters which could be considered as pilot programmes. In December 2006, after the cut-off date for assessments in the current report, the Government adopted the Programme for Business Incubators and Clusters in the Republic of Serbia 2007-2010 which, with the financial and technical assistance of the Foundation for Scientific and Industrial Research at the Norwegian Institute of Technology (SINTEF), envisages a fully fledged programme to support a national network of both clusters and business incubators. In the near future, therefore, Serbia can expect to score higher for this indicator. (OECD and EC, 2007).

Name of initiative:	Automotive Cluster (Autoklaster Srbije)
Contact person:	Not available
Email:	Not available
Website:	Not available

The Automotive Cluster consists of 15 members (11 companies and 4 R&D organisations). Companies are located in Becej, Novi Sad, Belgrade, Kragujevac and Surdulica. This cluster offers training service for its members and works on introduction of business standards.

Industry/Sector (technology area): Automotive industry

International activities: Cooperation with automotive clusters in Slovenia and Bosnia & Herzegovina has been established. The Cluster is participating in the project 'SENAI – South-East European Network of Automotive Industry' managed by ACStyria Autocluster GmbH funded through the Austrian CIR-CE programme.

Name of initiative:	Rubber and Plastic Cluster
Contact person:	Not available
Email:	Not available
Website:	Not available

The Rubber and Plastic Cluster with its office in Subotica consist also of 15 Members (11 companies, 4 R&D organisations). Companies are mainly located in Vojvodina.

This Cluster is working on waste management and development of special software tools, which will be available to all members.

Industry/Sector (technology area): Waste management

International activities: Cooperation with a similar cluster in Hungary has been established.

Name of initiative:	Wood Processing Cluster
Contact person:	Not available
Email:	Not available
Website:	Not available

Wood Processing Cluster is one of the biggest regarding members – it units 66 members in total, covering 63 companies and 3 R&D organizations. The companies are located in central and west Serbia. This cluster develops joint market activities, establishing a design award among students and apprentices in specialised vocational schools, etc.

Industry/Sector (technology area): Forest industry, wood

International activities: Not indicated

Name of initiative:	South Serbia Alco-Cluster
Contact person:	Vladimir Bojović
Email:	vladimir.bojovic@komora.net
Website:	Not available

The South Serbia Alco-Cluster was established in June 2006. The Project "Formation and Development of South Serbia Alco-Cluster in the Function of regional Economic Development Strengthening" is financed by the European Union (EU) and realized by the European Agency for Reconstruction (EAR).

The project goal is strengthening regional economic development through strengthening the developmental position of small and medium-sized companies, cooperatives associations and individual producers in the field of production, processing and marketing of alcoholic drinks. The user of the grant is Cooperatives Association Union of Jablanica and Pčinj County, and the partners are Regional Economic Chamber (REC) - Leskovac and the South Serbia Consumers' Association (SSCA) - Niš.

Major activities of the project are:

- Preparation activities for forming Alco-Clusters;
- Founding and constituting clusters;
- Educating personnel for cluster association and business operations;
- Innovation of technology for producing raw materials and final products;
- Marketing activities; and
- Final summit of the project.

Industry/Sector (technology area): Beverage

International activities: Not indicated

Name of initiative:	Small Agricultural Machinery Cluster
Contact person:	Not available
Email:	Not available
Website:	Not available

The Small Agricultural Machinery Cluster has 14 Members (11 companies and 3 R&D organizations and develops joint market support aimed at export into Russia.

Industry/Sector (technology area): Agriculture

International activities: Close cooperation with Russian market.

There are several other activities in order to create cluster in **textile industry** (textile clusters in **Bor, Niš and the Zaječar** district), **IT software cluster in Belgrade** (companies from Belgrade, Novi Sad and Niš) and **construction cluster in Niš**. At the time of compiling the thematic report, no more information was available.

A2) Clusters in UNMIK/Kosovo as defined by UNSC Resolution 1244 of 10 June 1999

As stated in the Report on the Implementation of the European Charter for Small Enterprises in the Western Balkans (OECD and EC, 2007) - a USAID initiative in UNMIK/Kosovo promotes **three clusters: construction, milk production and meat processing**. Further information on the clusters was not available. No government policy on clusters has been adopted, and there is no structured involvement by the Government in this issue.

B1) Technology/Innovation Centres in Serbia

Name of initiative:	Technology Transfer Centre at the University of Novi Sad (TTC)
Contact person:	Boris Antić (head of the TTC staff)
Email:	antic@uns.ns.ac.yu
Website:	http://www.nosic.ns.ac.yu/TTC.html

The Technology Transfer Centre (TTC) is located at the University of Novi Sad (at the Faculty of Engineering) and was established as a result of the Tempus project UM_JEP-16090-2001 USP. The specific objective of the Project was to develop legislative and organizational framework for the University Science Parks in former Yugoslavia and to establish pilot university unit - Technology Transfer Centre (TTC) - at the University of Novi Sad in order to develop strategies and tools aiming at the intensification of cooperation of Yugoslav partner universities with external bodies, especially with enterprises, chambers of commerce, regional development institutions and local authorities.

Strategic aims of the planned Technology Transfer Centre at the University of Novi Sad are:

- Initiating innovative forms of collaboration between universities and external bodies;
- Strengthening collaborative links and increasing efficiency of this collaboration;
- Harmonization of tasks and duties of university units supporting collaboration with external bodies; and
- Promoting international collaboration in the field of entrepreneurship.

The TTC interfaces the University and their immediate environment, represented by various economic and social partners. Its main responsibilities should be in maintaining a complex communication process between two profoundly different worlds: university and industry. These two worlds have different systems of codified objectives and rationality as well as different management approaches, values and interests. The solution will not be to make one system to adopt the rules and rationality of the other but to organise appropriate communication and interaction processes, which ensure that advantages of the different rationalities are utilised to achieve commonly agreed objectives of mutual benefit.

Products, activities and services provided by TTC:

- Analyses of internal and external university environment and systematic insight into R&D activities;
- Identification of Serbian about potential partners and collecting data about them;
- Developing contacts with external bodies and collecting information about national and international educational and research programme;

- Assisting in partner search for new projects and project partners for the University;
- Promotion to external bodies of UNS as a partner for collaboration;
- Supporting dissemination of research results and transfer of new technologies applicable in number of fields of engineering science etc;
- Preparation of strategic technology assessments - interactive, expert oriented technology assessments in fields of emerging importance; carried out in co-operation with other research institutions, enterprises, with local, regional and national authorities;
- Supporting university units/institutes in preparation of project applications and project management; and
- Organisation of a variety of meetings and events.

The main benefits for the universities resulting from the TTC include mainly increased number of research and educational projects; improved level of education and research at universities resulting from the continuous exchange of latest know-how and experience with external partners and improved financial situation of the universities resulting from grants awarded for projects and other donations.

The synergy between University's units created for enhancement of collaboration with external bodies is enhanced, redundancy in research topics at the University is reduced and there is increased interest of postgraduates in entrepreneurship. On the other side, the exploitation of the research potential of the universities results in implementation of advanced technologies in the enterprises and in their increased competitiveness on the market.

There are several resourced used for financing the operation of the TTC: contribution of the University budget (premises, electricity, phone, internet etc.); grants (financial support from the State Fund of Science and Education, Chamber of Commerce of Voivodina and others) (staff costs, administrative costs, purchase of equipment, travel expenses); and contribution from R&D projects performed by universities' researchers (promoting materials, printing, additional staff costs, travel expenses, maintenance).

Industry/Sector (technology area): Technology transfer

International activities: Cooperation with University of Belgrade, University of Banja Luka (Bosnia and Herzegovina), Chamber of Commerce, Autonomous Province of Voivodina. Several EU partners took a part in the project and were covering following countries: Austria, Sweden, Netherlands, United Kingdom, Greece, Germany and Portugal.

Name of initiative:	Innovation Centre of Mechanical Faculty Belgrade
Contact person:	Aleksandar Sedmak (General Manager)
Email:	asedmak@mas.bg.ac.yu
Website:	http://www.inovacionicentar.com

The major target of the Innovation centre of Mechanical Faculty Belgrade is application of scientific, technical and technological knowledge and invention in order to create and release new and improved products, processes or services. Due modern demands, the Centre provides cutting edge equipment, laboratories and other means for their experts and specialists to use.

The activities include realisation of various projects, as well as consulting related to quality control, expertise, certification of products etc. In the future, The Innovation Centre reckon upon constant training and specialisation of teams, acquisition of new equipment allowing further development of laboratory centers, extension of all aspects of cooperation and participation in national projects and programs of international cooperation. The plan also includes faster training of scientists, which will be able to participate in scientific and development research. The knowledge base has been continually improved, focusing on acquire and use of the latest scientific results and technologies. Realisation of research in the Innovation Center will allow direct influence of knowledge in faster industry development and creation of innovative and attractive products, leading to improvement of quality and competitiveness of domestic products and services on the international market, as well as development of infrastructural systems in Serbia.

Industry/Sector (technology area): Mechanical industry and software design; Materials and chemical technologies; IT; Biotechnology and Energetics.

International activities: Not available.

Name of initiative:	Novi Sad Innovation Centre (NOSIC)
Contact person:	Vojin Senk (Tempus project coordinator)
Email:	ram_senk@uns.ns.ac.yu
Website:	http://www.nosic.ns.ac.yu/

The Novi Sad Innovation Centre (NOSIC) was established as the seed of a future Science & Technology Park, and a joint venture of Vojvodina Investment Promotion Fund (VIP Fund - a regional investment promotion agency), the University of Novi Sad (comprised of 13 faculties); the Novi Sad Free Zone, by the decision of the City Authorities and Alma Mons Regional Agency for SME Development Ltd. The Innovation Centre was established in 1986 at the University level with the aid of the former Ministry of Science, Technology and Development.

One of the first aims of (NOSIC) was the establishment of the entrepreneurial culture i.e. an infrastructure aimed at facilitating entrepreneurship and a pool of people possessing an enterprising mentality as opposed to an "employee" mentality. In many respects business incubator promotes creating of that culture. In a transitional economy, the establishing and promotion of a business incubator concept contribute to changing an intrinsically negative attitude toward personal initiative, innovation and risk-taking by promoting a positive image of entrepreneurship.

The task of the NOSIC project, which was funded by GTZ, was to establish a project team/small incubator with one entrepreneurial professor, one established entrepreneur with scientific/engineering background and a group of project assistants.

The team was to support:

- Faculty of Engineering (FTN) institutes to develop a SWOT analysis of Core Competences and to start incubation projects;
- existing old spin-offs around Faculty of Engineering to develop business cooperation as well as to develop management and planning documents (strategic plan, action plan) and business support tools (e. g. web based cooperation platform).

Industry/Sector (technology area): Variety of technology areas covered.

International activities: Cooperation with Timisoara University (Romania).

B2) Technology/Innovation Centres in UNMIK/Kosovo as defined by UNSC Resolution 1244 of 10 June 1999

According to information gathered for this report, there are no technology/innovation centres operating in UNMIK/Kosovo at the moment.

C1) Technological and Science Parks in Serbia

The Law on Innovation Activity defines a science and technology park as *commercial company, which, within designated space, provides infrastructural and professional services to higher education, innovation organisations, as well as to high- and medium-technology commercial companies in a particular scientific, research and development or production grouping for the purpose of connecting them in order to apply more rapidly new technologies, create and market new products and services.* (Article 23). Parks are defined as organisations providing infrastructure support to the innovation activity.

The Programme is operating in accordance with the Innovation Strategy (currently in preparation) and Law on Innovation Activity with the special focus on (Ministry of Economy, 2006):

- Industrial parks - the basic goal of developing the concept of industrial parks is generating new enterprises through providing integrated infrastructure on a certain location and with the necessary knowledge. They are usually close to different transport infrastructure and/or existing industrial plants.
- Science parks - often called a research or technology park, are areas set aside for businesses and institutions based on scientific research and development. Such parks are integrated with universities or technology/science centres and are aimed at bridging the gap between R&D institutions and enterprises.

As highlighted at the 1st IT STAR Workshop on R&D in ICT, which was held in November 11, 2006, in Bratislava: There are several Techno-Parks as well as innovation centres, which are only in a setting-up procedure (feasibility studies, expression of interests etc.) and only some of them have started to operate recently. Most of them are still not in the operation.

Recognized, planned, sites are (JISA, 2006):

- Belgrade – Mihajlo Pupin Institute;
- Belgrade – Institute Vinča;
- Belgrade – University of Belgrade -Technical faculties;
- Belgrade – Institute for Chemistry, Technology and Metallurgy;
- Novi Sad – Technical University;
- Niš – University of Niš;
- Kraljevo; and
- Technological Park in the Region Podrinje-Kolubara.

Name of initiative:	“Mihajlo Pupin” Institute – Science and Technology Park (STP MPI)
Contact person:	Jovan Kon (Director)
Email:	Not available
Website:	http://www.imp.bg.ac.yu/

“Mihajlo Pupin” Institute – Science and Technology Park (STP MPI) was established as part of transformation process of one state-owned R&D institute into a network of new dynamic, highly profitable, efficient and highly qualified companies, integrated within STP MPI. These companies are a source of new small and medium sized (SME) incubating spin-of companies in the field of ICT.

The STP MPI was established December 20, 2006 and covers the City of Belgrade.

STP MPI, after the ongoing transformation of the MPI (Mihajlo Pupin Institute), will provide member companies, in economic terms, strengthening of entrepreneurial activities as well as enhancing the synergy between enterprise – university – research – governments.

Specific policy issues:

- Promotion of innovation policy: innovation activities and innovation culture;
- Promotion of development of ICT;
- Small business infrastructure development,
- Enterprise creation and new well-paid jobs, increment value of GDP;
- Support to existing companies (outreach services) within MPI;
- Taxes for the state,
- Improved productivity, quality and exports by diversification of technology-based products and services.

The long term objectives of STP MPI are to:

- create a powerful scientific, professional and business center within STP MPI;
- provide conditions for continuous, intensive professional advancement of all employees in their fields of interest;
- provide 100.000 Eur annual income per employee in the basic areas of work;
- create a respectable R&D institute in dedicated ICT areas;
- form a high-education ICT center on STP MPI premises;
- ensure an annual total income growth rate of no less than 15%, preferably 30%;
- reach the overall STP MPI's 50% share of product and service exports in the total income;
- form joint venture R&D centers with national and foreign R&D institutions;
- form companies with national and foreign companies; and
- form incubator to provide all required support to the establishment, development and marketing of SMEs .

“Mihailo Pupin” Institute (MPI) is a public, 100 % state owned company. Daughter companies are 100% owned by the “Mihailo Pupin” Institute, the mother company. Top governing body of “Mihailo Pupin” Institute is the Managing Board, appointed by the Government of Serbia - Ministry of Science, where 50% of the Board members are appointed from the Institute employees - members of the Scientific Board with PhD degrees. This Ministry is the founder of STP MPI.

The project of forming the Mihajlo Pupin Science and Technology Park will be financed as follows:

- 20% of the total investment will be provided by the Ministry of Science;
- 40% of the total investment will be financed by the Serbia's Development Fund through a credit (5% annual interest rate, 5-year repayment period, one-year grace period); and
- 40% of the total investment will be financed by commercial bank credit (6.5 annual interest rate, 5-year repayment period).

It is planned, that the STP MPI provides the following services to “hosted” companies:

- Infrastructure (Shared reception desk, Conference hall, Presentation equipment and space, Laboratories, Library, Photocopying, Maintenance and security, Ambulance, High-capacity Internet and Intranet, Parking and Restaurant);
- Consultancy (Marketing services and support to market research, Contacts with potential service/product buyers);
- Administrative-bookkeeping services (Legal services and advising on company establishment and management, Legal advice in project contracting, patenting and intellectual property rights protection, Creation of business plans and investment studies);
- Accounting and financial services (Financial analysis - internal and external, Financial planning, Financial auditing, Organization of finance function);
- Support to the introduction of quality management system and implementation of product quality instruments and standards (ISO standards);
- Translation services;

- Cooperation with banks and other financial institutions;
- Information required to apply for national and international research project competitions; Information on tendering procedures;
- Support to the preparation of applications and to finding partners for joint work and support to equipment and software purchase;
- Educational services (Cooperation with universities and technology parks worldwide through knowledge and innovation exchange and technology transfer; Postgraduate and specialist courses; Organization of professional training and seminars; e-learning).

Industry/Sector (technology area): ICT

International activities: Leading world companies such as BASF, Raytheon, NCR and Philips had benefited from Pupin's solutions and services. Therefore, the Institute uses all possible benefits due to competence and international linkages established within STP MPI activities.

Name of initiative:	Science & Technology Park Niš
Contact person:	Not available
Email:	Not available
Website:	http://ntpark.elfak.ni.ac.yu/ntpark/

The Science & Technology Park Niš is located in the area, which was converted from the existing army base into the S&T Park. The pre-feasibility study has already been completed in 1999/2000 by the Municipal Directorate for the Reconstruction of Niš.

The Mission of the Science & Technology Park Niš is to create stimulating environment for development of high-tech high-accumulative businesses and markets in the region by providing support for creation and development of high-tech companies capable to operate on the global market.

The Mission of the Park is addressed through the following goals:

- Providing environment that would attract big international high-tech companies to locate their R&D, education and business centres in the park.
- Creation of entrepreneurial spirit and successful high-tech start-ups within a new-economy business incubator, and
- Providing necessary infrastructure and services for all companies located in the park.

The Park will provide following functions: Facilitator of start-up of small to medium companies; focus for regional R&D institutes, centres of excellence and design offices; location of new light, high-tech manufacturing enterprises; centre for software development and services; facilitates easy access to the university; provision of affordable local residential area (384 apartments).

Industry/Sector (technology area): ICT, Software development and Outsourcing, Hardware development and Design, System Integration, Informatics for Bio, Chemical and Medical applications, Internet technologies and applications, Robotics and Mechatronics.

International activities: Not available

Name of initiative:	Science&Technology Park Novi Sad (STPNS)
Contact person:	Vojin Senk (Tempus project coordinator)
Email:	ram_senk@uns.ns.ac.yu
Website:	http://www.nosic.ns.ac.yu/

According to the webpage <http://www.nosic.ns.ac.yu/incubationCentre.html>, there is a project already implemented regarding the creation of the Science&Technology Park Novi Sad. It is supported by an EU Tempus grant, entitled "University Science Parks - Organizational Framework", which aims at defining the legal and organizational framework of the future park, as well as at establishing services of a sustainable Technology Transfer Centre, understood as a consultancy for researchers engaged in technology oriented projects willing to investigate market potentials of the developed products, intellectual property management etc.

To gather more details about the STPNS, please consult: <http://www.nosic.ns.ac.yu/>.

Industry/Sector (technology area): Not available

International activities: Not available

Name of initiative:	Institute Vinča - Belgrade
Contact:	"VINČA" Institute of Nuclear Sciences, P.O. Box 522, 11001 Belgrade, Serbia
Email:	office@vin.bg.ac.yu
Website:	http://www.vin.bg.ac.yu/en/about/

The Vinča Institute of Nuclear Sciences is the largest scientific institute in the Republic of Serbia. It is located 15 km from the centre of Belgrade. The Institute incorporates two nuclear reactors, one accelerator installation, one industrial scale irradiation unit, sixteen research laboratories, two research centres, a library, administration, and all the necessary technical services.

Founded in January, 1948 as the Institute for Physics it quickly attracted the attention of young talented university graduates of almost all fields of the natural and

engineering sciences. As it grew, its research activities diversified, and by 1953 it had already become a recognized nuclear sciences research centre. Its name underwent changes from: the Institute for Physics, to the Institute for the Investigation of the Structure of Matter (1950), to the "Boris Kidrič" Institute of Nuclear Sciences (1953), to arrive to its present name in January, 1992.

The foundation of the Institute was a reflection of the understanding that science is far too significant for a small developing country to be left to the care of universities alone. Consequently, with generous help from the Government, the growth of the Institute continued until the early sixties. By then, two research reactors, several well-equipped laboratories, and a rich library were put in operation.

Industry/Sector (technology area): Energy, Nuclear engineering, Radiation, Physics, Atomic and Molecular physics, Chemistry, Biology, Electronics, and Materials.

International activities: Not available

Name of initiative:	Technology Park Kraljevo
Contact person:	Not available
Email:	Not available
Website:	Not available

Industry/Sector (technology area): Not available

International activities: Not available

Name of initiative:	Technological Park in the Region Podrinje-Kolubara
Contact person:	Not available
Email:	Not available
Website:	Not available

Industry/Sector (technology area): Not available

International activities: Not available

C2) Technological and Science Parks in UNMIK/Kosovo as defined by UNSC Resolution 1244 of 10 June 1999

Name of initiative:	Industrial Park in Drenas (IPD) – UNMIK/Kosovo
Contact person:	Not available
Email:	Not available
Website:	http://www.sme-ks.org/?cid=2,196

The Industrial Park in Drenas (IPD) is a program component of the working spaces, which means ensuring a physical infrastructure for business. IPD includes an area of 24 ha and is divided in 76 units. The production and services businesses will be located there. The IPD started to be built in 2005 and up to the time of writing the report approximately 30% of the Park is built.

The major purpose of the Park establishment is:

- Creation of a physical and business environment, in which both the existing businesses and new micro, small and medium ones can be developed and prosper;
- Attraction of new investments (domestic and foreign);
- Gathering of businesses in a suitable place outside of urban zone; and
- Extension of the existing industry.

The Industrial Park is mainly based on the services internally provided to enterprises, e.g. foreign enterprises located in the Park:

- Legal support for company registration;
- Comprehensive assistance during company start-up phase;
- Contractual issues on purchasing of the workspace;
- Support services for permission and planning;
- Support during construction and establishment of the workspace;
- Research and selection of local partners;
- Selection and recruitment of local workforce;
- Assistance to resolve transport, customs, accounting, fiscal, juridical and technical issues;
- Access to local language and culture; and
- Preferential access local distribution, processed products, and raw materials.

Industry/Sector (technology area): Not available

International activities: Not available

D1) Business-start-up Centres/ Technology Incubators in Serbia

As world economies shift, the reliance on technological innovation to drive growth becomes more and more important. Development models suggest that one of the most effective methods of capturing and nurturing innovation into practical technologies is through the use of business and technology incubators. Incubators are often connected to research universities and are the natural link between academic research and its application in small and medium sized businesses.

Business incubators are especially attractive for the countries in transition because they diminish problems to businesses by associating know-how and reducing expenses. Business Incubators became important instruments for development (primarily regional development) in the European Union in the 90s. There are over 900 Business Incubators in EU now. In the countries in transition there are about 250 Business Incubators. The first Business Incubators were established in Europe at the beginning of the 80s in England and Germany (Business Technology Incubator of Technical Faculties Belgrade, 2007).

Serbian business incubators have proven themselves as an effective and efficient mechanism to SME development and a tool of local and regional economic diversification. The national business incubation programme has started in Serbia in 2005. The legal framework for establishing and running the incubator and incubator companies (tenants) and technology and science parks has been developed during the establishment and development of the Pilot Business Incubator in Niš.

As stated in the 'National Programme for Business Incubators and Clusters Development in the Republic of Serbia 2007-2010', which was adopted in December 2006 by the Council for SMEs and Entrepreneurship, in 2010 there should be 15 incubators established and operating. The establishment of the Serbian Association of Business Incubators (December 2006) is of crucial importance for mutual development and indicates extreme commitment of the Serbian Government to further development of innovation infrastructure in the country.

Business incubation is based on international experience, best practice examples, as well as the experience acquired during establishment and development of business incubators in Niš, Knjaževac, Bor and Zrenjanin within the period 2004-2006. The process that starts with recruitment of entrepreneurs with the most competitive business idea and their further development to economically sustainable entities is often termed as the incubation process.

The Programme component 'Business Incubation' consists of the following sub-components:

- Business incubator establishment and development;
- Legal framework for establishing and running the business incubator;
- Training for entrepreneurs and SMEs; and
- Industrial and science parks establishment and development.

Business incubators enable a business environment for new and young developing businesses by providing premises, infrastructure and a comprehensive range of

services and convenience that can improve their ability to run their operation during the early developmental period. The companies remain in the business incubator 2.5 - 3 years in average and pass through the following phases (Ministry of Economy, 2006):

- Pre-incubation period for company registration and establishment;
- Period for incubation development and growth inside the incubator; and
- Post-incubation period for follow-up and support to companies that left the incubator.

Serbia and UNMIK/Kosovo with its Business Start-Up Centre Kragujevac (BSC Kragujevac) and Business Start-Up Centre Kosovo (BSC Kosovo) actively participates in the **Southeast European Network of Business Start-up Centers and Incubators (SENSI)**. The network was set up under the auspices of the SPARK in Tuzla (Bosnia and Herzegovina) on October 20, 2006, and is a regional network of business start-up centres and incubators with more than 20 members trough the whole region of Southeast region (from Slovenia to Macedonia).

By bringing together the different local backgrounds, shared experiences, forces and know-how of business starts-up centres and incubators in 8 countries (Slovenia, Croatia, Macedonia, Serbia, Kosovo, Montenegro, Bosnia & Herzegovina and the Netherlands), SENSI members aim to improve their support and business services to young entrepreneurs and start-ups.

In cooperation with Universities from South East Europe, local governmental institutions and local business communities, SENSI enhances the capacity of entrepreneurship in South East Europe.

For more details concerning the SENSI network, its members, and contact lists, please visit the web-site: <http://www.sensi.biz/>

Name of initiative:	Business Start-Up Centre Kragujevac (BSC Kragujevac)
Contact person:	Nebojša Šimić (Project Coordinator)
Email:	n.simic@bsckragujevac.org
Website:	http://www.bsckragujevac.org/

The BSC Kragujevac as a part of a wider regional network of Business Start-up Centers and Incubators in South Eastern Europe (BSC Network) was established on May 1, 2007.

The Centre is supported by SPARK (formerly ATA - The Academic Training Association) through a grant of the Dutch Government. The BSC Kragujevac offers young entrepreneurs from the age 18 to 35 training, consultancy, working space and access to micro-credit which will lead to the establishment of new and innovative small and medium enterprises

The Business Start-Up Centre - Kragujevac (BSC-KG) is a project of 6 local partners:

- Municipality of Kragujevac;
- Regional Economic Development Agency for Sumadija and Pomoravlje region (REDASP);
- University of Kragujevac;
- Sumadita;
- SLOGA; and
- Chamber of Commerce and Industry Kragujevac.

As stated above, the Centre is financially supported via the project budget of SPARK and via financial as well as in kind contributions by all project's partners. There is a Coordination Committee represented by all partners and a project manager responsible for overall management of the Centre.

The objectives of the BSC Kragujevac are:

- Reduce poverty levels under youth, women and vulnerable groups in Kragujevac by creating jobs at existing companies and through establishing new Small and Medium Enterprises;
- Contribute to the capacity building of project partners by the implementation of new ICT systems and training of staff (based on needs assessment);
- Remove bureaucratic and political obstacles in doing business that have been identified during the first two years of the project on regional, national and international level, and reduce the remaining obstacles or have them on the political agenda; and
- Establish a regional BSC Network, together with BSC's throughout Montenegro, Serbia, Croatia, Slovenia, Bosnia and Herzegovina and FYR of Macedonia.

Industry/Sector (technology area): All technology sectors, special emphasis on young population 18-35 of age, and innovative businesses.

International activities: As a part of the BSC Network cooperating with FYR of Macedonia, Montenegro, UNMIK/Kosovo, Bosnia&Herzegovina.

Name of initiative:	ENTRANSE Business Incubator Centre Niš (BIC Niš)
Contact person:	Zoran Popović (Technical Manager)
Email:	info@bicnis.co.yu
Website:	http://www.bicnis.co.yu/

The ENTRANSE Business Incubator Centre Niš (BIC Niš) was officially opened on September 30, 2005 as a business incubator. BIC Niš is primarily targeted at business start-ups with a growth potential in the Niš region. The owners are the City of Niš (51%) and the Regional Center for Development of SMEs in Niš (49%). It is located in premises of Mechanical Industry Niš. Business Incubator Center Niš was established with the support of the Norwegian Government.

The mission of the Incubator is economic development and increase of employment rate in Niš region. The goal of the BIC Niš is to support small and medium sized enterprises development by providing them with office space and production facilities and other business-related services in the most critical development phases.

BIC Niš is available to companies in an early stage of their establishment which are in production or production-related services businesses. These businesses need to show the growth potential and prospects for new employment in the near future. BIC Niš offers space facility, office services, production equipment, and soft services, i.e. training programme, business idea analysis, market potential and access to financial resources. In the first year, BIC Niš is supporting tenants free of charge. As of second year the services are provided under non-commercial conditions.

During the year 2007, ENTRANSE project will support commercialisation phase of this pilot business Incubator (BIC Niš) and ensure its sustainability. Matchmaking activities between the tenant companies of the BIC Niš and the Norwegian companies have already been started. A representative from the Welding Center, a tenant company within BIC Niš, visited Indpro incubator and Vitec AS company in Norway in February 2007. On this occasion some concrete activities were proposed, such as sending to Norway welders from Welding Centre to be trained and certified as welding instructors.

Furthermore, another tenant, Blue Crane, which line of business is production of fishing hooks, visited Norway July 23, 2007 for more than a week, with a TV crew from Serbian National television where they were filming fishing on the Norwegian rivers with fishing hooks produced by Blue Crane. TV reportage will be on National TV late September, 2007. They also contacted potential distributors for Norwegian market.

The new tenants with expertise in IC technology products will be introduced until the end of 2007.

Industry/Sector (technology area): Specialized business incubator oriented for certain businesses

International activities: Cooperation with Norwegian companies

Name of initiative:	Business Incubator Knjaževac (BIC Knjaževac)
Contact person:	Dragan Milutinović (President of Advisory Board)
Email:	bicknjazevac@ptt.yu
Website:	Not available

The Knjaževac Business Incubator Centre (BIC Knjaževac) was established in May 19, 2005 as the first Business Incubator in Serbia with initial funding coming via ENTRANSE Project - CHF/USAID, and OSCE. The Incubator assists the creation and development of the SME sector in the municipality of Knjaževac. It is a non-profit initiative launched by the Knjaževac-based NGO Timok Klub and this model of

setting up business incubators can be used in other municipalities across Southeastern Serbia.

The objectives of the BIC Knjaževac are to:

- create new jobs and promote coalitions among business organizations, local governments and civil society;
- educate and support existing SMEs, create enterprise orientated environment and reduce business failure;
- support in general the development of the municipality and diversify the local economy;
- generate individual and local wealth and develop local business communities;
- support reforms and democratization of Serbia;
- assure the sustainable development and advance financial stability;
- create infrastructure for supporting self-employment;
- assure the competitiveness of the region;
- facilitate introduction of new technology and retraining of workers in entrepreneurial skills; and
- offer ongoing adult learning in business management.

The BIC Knjaževac is self-sustainable and all activities are financed from own incomes. The organizational structure consists of the Advisory board (9 representatives of stakeholders and founders); the director and the Mentorship Team (9 volunteers, managers of big companies and successful entrepreneurs who assist to BIC members in their operations).

The services offered by the Centre covers the following:

- assigned mentor to each new start-up for a period of 12 months;
- pre-incubation and development advice for business planning;
- providing the business space with all the necessary conditions for work, under favourable conditions on market;
- possibility of using space for meetings and presentations with all the equipment;
- possibility of using computers and other office materials;
- seminars on business management skills, business functions, procuring raw materials and exporting finished goods and seminars on setting up and managing an office plus internet access & training;
- assistance with bookkeeping (3 months free), personnel selection, training and development;
- assistance with engineering, modernization of technical equipment and marketing;
- consultant services for making a business plan;
- office leading, internet use, keeping and modernization of IT equipment seminars; and
- help in conducting marketing and public relations.

During the realization of the project good relations with Knjaževac municipality, Belgrade's municipalities Palilula, New Belgrade and City of Nis were established. Good cooperation with Regional Chamber of Commerce was built and the Memorandum of understanding with Entrepreneur's Association from Knjaževac was

signed. The Incubator is assisted in establishment of several business incubators in Serbia (Valjevo, Vranje, Medvedja, Bor, Prokuplje) and is now wide recognized as a model, not only for support to entrepreneurs, but also as a national model for business incubation.

Industry/Sector (technology area): Light industry (shoes, textiles, paper production etc.)

International activities: The BIC Knjaževac is a member of SENSI and cooperates in various fields with international institutions and organizations (CHF/USAID, OSCE, ENTRANSE, CIDA, Hamilton Incubation of Technology (Canada), Business Incubator Vidin (Bulgaria) etc).

Name of initiative:	Business Incubator Zrenjanin (BIZ) - Vojvodina
Contact person:	Bojan Ljutić (BIZ Manager)
Email:	inkubator@biz-zr.co.yu
Website:	http://www.biz-zr.co.yu/indexeng.html

The first business incubator in the Province of Vojvodina – unique in Serbia due to its conception directed solely towards information technologies – has been officially opened in December 2006. The Business incubator in Zrenjanin (BIZ) aims to assist entrepreneurs with enterprise start-ups and business development in the field of new software development in the city of Zrenjanin (Banat region) in Vojvodina. The target group for the business incubator is the software development professionals in Zrenjanin – a town with more than a hundred unemployed IT professionals, as well as approximately 100 IT graduates every year (“Mihajlo Pupin” Faculty), mostly without job opportunities.

The BIZ is owned by the municipality of Zrenjanin and Vojvodina Investment Promotion Fund and supported under the project: ‘Building Business Incubators’ as part of the Integrated Regional Development Plan of the Autonomous Province of Vojvodina by German Organization for Technical Co-operation (GTZ), ENTRANSE, OSCE, Serbian Agency for SMEs Development, IT Faculty in Zrenjanin, Regional Chamber of Commerce, Regional Development Agency – Banat, etc.

The incubation period is three years and linkages between the industry and academia are encouraged by the initiative.

The objectives of the BIZ are common also for the Business Incubator Subotica (BIS):

- Stimulate SMEs development process;
- Improve competitiveness of regional start-up businesses;
- Encourage industry-science links; and
- Create practical and business oriented local support capacities.

The Memorandum of Understanding (MoU) was signed between Vojvodina Investment Promotion (VIP) and the local government of Zrenjanin, which allowed the establishment of the BIZ Ltd. (limited liability company). The funding is provided mostly by the Regional Government of Vojvodina and the local governments of Zrenjanin. In addition, a number of donors are supporting the initiative both through financial and non-financial assistance.

Industry/Sector (technology area): ICT

International activities: Cooperation with GTZ, Norwegian government and OSCE.

Name of initiative:	Business Incubator Subotica (BIS) - Vojvodina
Contact person:	Ildiko Zedi (BIS Manager)
Email:	Not available
Website:	Not available

The Business Incubator in Subotica (BIS) was officially opened in December 2006 as the second business incubator in AP Vojvodina. The Incubator is supported under the project: 'Building Business Incubators' as part of the Integrated Regional Development Plan of the Autonomous Province of Vojvodina.

The BIS assists entrepreneurs with enterprise start-ups and support start ups to help establishment of sustainable businesses in the region. The business incubator in Subotica represents a separate legal entity managing the business incubator (limited liability company organizing activities, taking care of assets, trainings and advising, negotiating and contracting with stakeholders, suppliers, clients, etc).

The Incubator founders signed Ltd incorporation agreement and established the BIS Ltd.: local self-government of Subotica, Executive Council of AP Vojvodina, Subotica Technical Vocational High School, ATB Sever (foreign investor company), Subotica Regional SMEs Development Agency and the Serbian Agency for Development of SME and Entrepreneurship. This project is also supported by three international institutions – GTZ, ENTRANSE and USAID-MEGA.

Services provided to the tenant-companies are similar to the services of the Business Incubator Zrenjanin (BIZ):

- Quality office space;
- Small non-refundable grants for equipment;
- Entrepreneurial training;
- Business development advisory services (legal, marketing, finance, business planning, etc.); and
- Technical support (utilities, ICT infrastructure).

Industry/Sector (technology area): Multi-sector (manufacturing, services, textile, food production)

International activities: Cooperation with Business incubator BIOS Osijek (Croatia)

Name of initiative:	Business Incubator Bor
Contact person:	Suzana Kiridžić (Project Manager BIC Bor)
Email:	bicbor@yahoo.com
Website:	http://www.bicbor.biz/index_en.html

The Business Incubator Centre Bor is not-for-profit organization promoting economic development of our community, which was established in autumn 2006. The Centre Bor supports new and developing enterprises, providing wide spectre of business trainings, supporting programmes, flexible loans and office supplies rent.

The Mission of Business Incubator Centre Bor is to produce successful enterprises that will be able to leave the program capable of self-sustaining.

The formation of the Business Incubators is defined through Strategic Action Plan of Municipality of Bor as an instrument of local development support. Municipality of Bor has managed to come to an agreement on financing the realization of the project by the Municipal Support Programme Eastern Serbia (European Agency for Reconstruction) and USAID Programme. Municipality of Bor has also provided office space for Business Incubator Centre and has closed a Contract on lease for 10 years with private company "Industrosirovina" Knjaževac.

The Business Incubator Centre Bor provides following services:

- Tutorial monitoring for every new enterprise lasting for 12 months;
- Pre-incubation support, developing consult and assistance in creating business plan;
- Seminars on business managing techniques, accountancy, marketing and finances;
- Seminars on procurement techniques and finding market for goods, business operations, computers;
- Credit support and procurement on leasing, accountancy;
- Flexible facilities for manufacturing and offices and "all included" membership;
- Joint meeting hall for conferences and meetings; and
- Possibility of renting office supplies and joint postal service, shipping space, kitchen.

Industry/Sector (technology area): Manufacturing-serviced or mixed (advantages are ecological clean manufactures) without innovations.

International activities: Not available.

Name of initiative:	Business & Technology Incubator of the Technical Faculties of the University of Belgrade
Contact person:	Gordana Danilović Grković (Project Manager)
Email:	danilovic@ikomline.net ; danilovi@EUnet.yu
Website:	http://www.bitf.co.yu/

The Business & Technology Incubator has been established as a partnership between the four technical faculties of the University of Belgrade (Civil Engineering, Mechanical, Electrical and Technological/Metallurgical), the Municipality of Palilula and the Democratic Transition Initiative. The project has also received support from the Organization for Security and Cooperation in Europe (OSCE).

Establishment of the incubator is based on international experiences and best practices. It has the following goals:

- To encourage and support students in starting up their own businesses and keep student in Serbia;
- To develop a pool of young and well trained entrepreneurs who will in the future create a new business core of the city; and
- To create the conditions for practical application of the results obtained through science and research activities of university professors and their associates, by spinning-off private enterprises and transfer of knowledge and technologies.

The aim of the incubator is to give support in the early stages of business development in the form of subsidized overhead (office and research space and technological and telecommunication infrastructure), administrative assistance (legal, accounting, etc.), as well as business counselling (planning, management, marketing, etc.).

The first training programme at technical faculties in Belgrade, 'How to start own business' was organized by Business Technology Incubator, supported by OSCE December 4-8, 2006. 26 young people - potential entrepreneurs, students and graduated, from these faculties, were attending THE training. After the training, the management team of the incubator continues to help these young people, preparing the first students' business plans. As the result of this training, there is the registration of the first enterprise by people from Faculty of Technology and Metallurgy.

Industry/Sector (technology area): ITC

International activities: Supported by Organization for Security and Cooperation in Europe (OSCE) and Israeli Government.

Name of initiative:	BIC Kikinda - Vojvodina
Contact person:	Not available
Email:	Not available
Website:	Not available

Industry/Sector (technology area): Not available

International activities: Not available

Name of initiative:	Business Incubator Novi Sad
Contact person:	Not available
Email:	Not available
Website:	http://www.nosic.ns.ac.yu/incubationCentre.html

The objectives of incubation in Novi Sad are to provide all the resources that the technology or other entrepreneur needs to build a successful business. A total of 4000 square meters should be developed, with a tenant focus on high-tech companies but flexibly accepting other similar companies on a temporary basis if space is available.

The Novi Sad Incubation Centre will provide:

- Quality equipped building - new or an adapted one provided by the municipality of Novi Sad;
- Shared use of specialized scientific and business equipment and common building spaces;
- On-site staff and consultant management assistance in budgeting and cost control, personnel management, purchasing and marketing;
- Networking opportunities that will encourage the entrepreneur to interact with other companies inside and outside the incubator for experience sharing and problem solving;
- Assistance in obtaining financing for equipment and operations through preparation of business plans and linkages to seed and start-up venture funds, as well as to support from regional, state and European development funds.

The Business Incubator Novi Sad will play an essential role in the Novi Sad economic development cluster program. Without an incubator program, the natural spin-out of new high-tech companies from the University of Novi Sad would be retarded by an absence of a place for these companies to start and grow. Having Novi Sad Incubation Centre space and supporting services in the future will

dramatically increase the yield and make business start-ups an important part of the future Science and Technology Park.

To gather more details about the STPNS, please consult: <http://www.nosic.ns.ac.yu/>.

Industry/Sector (technology area): High-tech sector

International activities: Cross-border co-operation with Hungarian partners established.

Name of initiative:	Business Incubator Kruševac
Contact person:	Not available
Email:	Not available
Website:	Not available

Industry/Sector (technology area): Not available

International activities: Not available

Name of initiative:	Business Incubator Valjevo
Contact person:	Not available
Email:	Not available
Website:	Not available

The Business Incubator Centre acts as an incubator for the Roma Community.

Industry/Sector (technology area): Not available

International activities: Not available

Name of initiative:	Business Incubator Smederevska Palanka (Central Serbia)
Contact person:	Not available
Email:	Not available
Website:	Not available

Industry/Sector (technology area): Not available

International activities: Not available

Name of initiative:	Business Incubator Center Užice
Contact person:	Not available
Email:	Not available
Website:	Not available

The Regional Center for Development of Small and Medium Sized Enterprises and Entrepreneurship „Zlatibor“, initiated the start-up of the Business Incubator Center, one of priority programs of the Local Economic Development Strategy for Užice Municipality in the period from 2005 through 2010. The first phase of this activity was creation of a Virtual Business Incubator, which serves as an intermediate step toward establishing a business incubator to support business start-ups in Užice.

The services provided cover mainly assistance to businesses and entrepreneurs, legal and administrative support, technical assistance, mentoring, training seminars, and participation at promotion actions.

The project is supported through the USAID, who allocated \$15,000 for purchasing of the equipment. The Regional Center invested \$5,000.

The project is a part of the Community Revitalization through Democratic Action - Economic (CRDA-E) Programme, which is implemented in Western Serbia by International Relief and Development (IRD).

Industry/Sector (technology area): Not available

International activities: Not available

Name of initiative:	Business Incubator in South Serbia (Vranje, Bujanovac and Medvedja)
Contact person:	Not available
Email:	Not available
Website:	Not available

Industry/Sector (technology area): Not available

International activities: Not available

Name of initiative:	Business Incubator Belgrade (Rakovica, Novi Beograd, Palilula)
Contact person:	Not available
Email:	Not available
Website:	Not available

Industry/Sector (technology area): Not available

International activities: Not available

D2) Business-start-up Centres/ Technology Incubators in UNMIK/Kosovo as defined by UNSC Resolution 1244 of 10 June 1999

Name of initiative:	Business Start-Up Centre Kosovo (BSCK)
Contact person:	Belma Bajrami-Kastrati (Director)
Email:	b.bajrami@bsckosovo.org
Website:	http://www.bsckosovo.org/

The Business Start-up Centre Kosovo (BSCK) was successfully launched in UNMIK/Kosovo in 2006 as one of the first BSCs financed under a four-year grant of the Dutch government. The BSCK assists youth between ages 18-35 with special emphasis on students and young graduates of all faculties of all universities in UNMIK/ Kosovo in establishing SMEs. It offers practical training courses and consultancy as well as accessible micro-credits for the most promising business ideas.

The partners of the Business Start-up Centre Kosovo are:

- University of Prishtina (UP);
- Kosovo Chamber of Commerce (KCC);
- Ministry of Education, Science, and Technology (MEST);
- Ministry of Trade and Industry (MTI);
- Ministry of Youth, Sports and Culture; and
- Riinvest Institution.

The Center provides practical business training to young people throughout Kosovo on how to establish micro, small and medium sized enterprises (MSME) and also assists them through technical (free business consulting hours) and financial assistance (micro-credit) in starting up MSMEs . The ultimate goal of BSCK is to

establish 30 new MSMEs in Kosovo over the period of two years in order to give Kosovo youth necessary skills to be self-employed as well as create new jobs, stimulating local economies, providing an expanded local tax base, which in return contributes to the economical development of the region.

The newly created Centre works closely with university and Faculties to improve their curricula to better meet the demands of the local labour market and provide students with practical business skills.

Industry/Sector (technology area): All technology sectors, special emphasis on young population 18-35 of age, and innovative businesses.

International activities: As a part of the BSC Network cooperating with Macedonia, Montenegro, Serbia, Bosnia&Herzegovina and initiator and member of SENSI Network (Southeast European Network of Start up's and Incubators).

According to the SME Support Agency of Kosovo, which was established as an Executive Agency under administration of Ministry of Trade and Industry, and to their webpage <http://www.sme-ks.org/?cid=2,194>, there are three business incubators entering into operation at present, with others planned in the future. The **first three incubators are located in Decan, Gjilan, Shtime**.

The services, which are offered by Business Incubators, are:

- Low cost, centrally located and tenant-ready accommodation, with flexible rental periods – short and medium term (up to 3 years); Sliding scale rents; Easy access and parking facilities; Full security; Telephone and internet access; Direct utility charges.
- Logistics and support, including Marketing and Publicity about the BI and its Tenants; Provision of a communal meeting room and communications facility with computer, printer, and fax machine; Central administration and secretarial services (if required); Linkages to Municipal and other relevant business service providers.
- Management Services and training in Start up and growth strategies for business; Accounting, business planning, tax advice, and accessing finance; Marketing and PR, and developing business networks; Management and Human resources; Business registration and on-going legal advice; Maximising the use of IT.

Name of initiative:	Business Incubator Decan – UNMIK/Kosovo
Contact person:	Valbone Dushi
Email:	Valbone.Dushi@ks-gov.net
Website:	Not available

Industry/Sector (technology area): Not available

International activities: Not available

Name of initiative:	Business Incubator Gjilan – UNMIK/Kosovo
Contact person:	Valbone Dushi
Email:	Valbone.Dushi@ks-gov.net
Website:	Not available

Industry/Sector (technology area): Not available

International activities: Not available

Name of initiative:	Business Incubator Shtime – UNMIK/Kosovo
Contact person:	Valbone Dushi
Email:	Valbone.Dushi@ks-gov.net
Website:	Not available

Industry/Sector (technology area): Not available

International activities: Not available

E) Others, related Organisations

Name:	Serbian Business Registers Agency (SBRA)
Contact person:	Branislav Dobrosavljević (IT manager)
Email:	bdobrosavljevic@apr.sr.gov.yu
Website:	http://www1.apr.sr.gov.yu/

The Serbian Business Registers Agency (SBRA) was established by the Business Registers Agency Law to define its status, headquarters, activities, the means for the SBRA's foundation and work as well as its organs.

The Agency was established as the single institution in charge of coordinating business registers of importance for Serbia's overall economy. Running the registers as public electronic databases has paved the way to greater legal protection, increased investments and the creation of a more favourable business environment in Serbia.

The SBRA was founded with the aim of reducing administrative barriers to starting a business. This goal has been achieved rather efficiently through a quick and simple

registration procedure, reduced costs and shorter company registration procedures. Regulatory reforms have enabled SBRA to assist business entities in minimizing costs and administrative formalities in dissolution, liquidation or bankruptcy procedures. Beside, running business registers as public databases has created the conditions to increase business investments - through loan models such as financial leasing and pledges on movable property and rights. Banks too now enjoy far greater legal protection than they did before the reforms.

The main goals of the Agency are to:

- reduce administrative obstacles for starting up a business;
- cut costs and the amount of time needed to close down a business; and
- improve the legal safety in the areas of banking, financial leasing and pledges over movable properties and rights.

The SBRA runs three different types of registers: Register of Business Entities (consisting of Business Register, Register of Entrepreneurs, Register of Foreign Parties and Financial Reports); Register of Financial Leasing and Register of Pledges over Movable Property and Rights.

Name:	Serbia Investment and Export Promotion Agency (SIEPA)
Contact:	Vlajkovićeve 3/V, 11000 Belgrade, Serbia
Email:	office@siepa.sr.gov.yu
Website:	http://www.siepa.sr.gov.yu/site/en/home/

The Serbia Investment and Export Promotion Agency (SIEPA) is a government organization dedicated to effectively helping foreign investors and buyers, while raising Serbia's profile in the minds of international business decision-makers. Created five years ago by the Government of the Republic of Serbia, SIEPA's mission is to support foreign companies seeking to set up or expand in Serbia and Serbian companies when doing business worldwide.

Created as a one-stop-information-shop, SIEPA acts as a reliable partner for international companies throughout the investment project to ensure its best results. Key SIEPA services offered to prospective and existing investors are:

Pre-investment services:

- Information on FDI-related legislation;
- Macroeconomic data and profiles of specific industries;
- Operation costs analyses;
- Other information requested; and
- Business opportunities presentations.

Investment set-up services:

- Assistance with company establishment (registration, work permits, office space etc.);

- Identifying locations for Greenfield projects;
- Finding existing facilities for Brownfield investment;
- Organizing site visit and matchmaking with Joint Venture partners; and
- Facilitating contacts with national and local authorities.

Post-investment services:

- Assistance in dealing with bureaucracy at both national and local levels;
- Advise on business service providers (banks, leasing companies, consulting firms, law offices, real estate agencies etc.); and
- Linking with local suppliers.

Name:	Fund for Development
Contact:	Not available
Email:	Not available
Website:	Not available

As indicated in the article of E. Dejan published in the ERENET Profile, Issue Vol.II, No.2 in May 2007, the Fund for Development is also new, very important institution offering a number of services related to financial support to SME sector development. One may primarily, through the Fund, provide very favourable loans and start-up business loans. Conditions are quite favourable, usually with 3-4 years provided for debt servicing and a year of grace period and significantly lower interest rate than the one for commercial bank loans.

Name:	Investment Promotion Agency of UNMIK/Kosovo (IPAK)
Contact:	Not available
Email:	Not available
Website:	http://www.mti-ks.org/?cid=2,52

The Investment Promotion Agency of Kosovo (IPAK) was established on July 15, 2005. Its main activities are:

- Development of policy recommendations and regulatory proposals to create a favourable investment climate in UNMIK/Kosovo;
- Activities to promote Kosovo as an attractive investment location through a proactive marketing campaign, including the preparation of promotional materials and the organisation of events such as fairs, exhibitions, seminars and conferences;
- Support to initiatives which improve the investment climate, such as market research, feasibility studies, and participation in different governmental and non-governmental working groups;

- Provision of information and consultancy support to investors to overcome any barriers which they may face in making investments, establishing a business or making contacts;
- Participation in activities to promote the export of Kosovo products to external markets, identification of export opportunities, support to enterprises and associations of business which export, and provision of information on regulatory matters both within and outside Kosovo;
- Proposals for fiscal policy measures to reduce the tax burden on foreign investment in key sectors; and
- Engagement in other activities in the fields of investment and export promotion to improve the wellbeing of the population and to increase employment opportunities.

According to Business Registry data for March 2006, there are more than 1500 companies in foreign and mixed ownership in UNMIK/Kosovo. These investments originate from FYROM, Serbia and Montenegro, Turkey, Albania, China, India, Pakistan, Bangladesh, Germany, UK, Slovenia and Italy. More than 90% of foreign investment goes to enterprises with less than 10 employees.

The Government and UNMIK are working to improve the investment climate even more. Kosovo is now enjoying sustained economic growth. The vast potentials in mining, energy, agriculture and food processing sectors present opportunities for very attractive private investments.

3 Conclusions/Recommendations

Serbia established a solid policy framework for the development of SMEs and implemented reforms. The overall business climate is improved due to the policy targeted at removing barriers to foreign investment, but no particular policy attention is given to the needs of small businesses. The 'National Strategy for the Economic Development of Serbia 2006-2012' and the 'National Programme for Business Incubators and Clusters Development in the Republic of Serbia 2007-2010' was approved at the end of 2006 and both documents demonstrate the interest of the Serbian Government to improve the entrepreneurial and innovation infrastructure. Financial resources provided from the State Budget indicate the willingness of the Government to support small and medium-sized enterprises and entrepreneurship infrastructure development.

A policy framework for innovation and technology centres and co-operation was established and active programmes to foster technological co-operation launched.

The framework for establishment of clusters is indicated in the 'National Programme for Business Incubators and Clusters Development in the Republic of Serbia 2007-2010'. There are five clusters developed in the following industries: automotive, rubber and plastic, wood processing, agricultural machinery and beverage. Other activities in order to create clusters in textile industry, IT and construction were already undertaken.

There are several technology and science and innovation centres (e.g. Technology Transfer Centre at the University of Novi Sad, Innovation Centre of Mechanical Faculty Belgrade and Novi Sad Innovation Centre), which have started to operate recently or are in a setting-up procedure (feasibility studies, expression of interests).

The legal framework for establishing and running incubators has been developed and the national business incubation programme has started in 2005. There is a plan to establish and have 15 incubators in operation till 2010. The establishment of the Serbian Association of Business Incubators (December 2006) is of crucial importance for mutual development and indicates strong commitment of the Serbian Government to further development of innovation infrastructure in the country.

In UNMIK/Kosovo, the SME strategy is being drafted as part of a National Development Plan. The national development planning process is in the phase of identifying projects and budget resources. The strategy has not yet been approved. Significant initiatives to encourage technology transfer were not yet developed.

No government policy on clusters has been adopted in UNMIK/Kosovo, and there is no structured involvement by the Government in this issue. A USAID initiative in UNMIK/Kosovo promotes three clusters in the following industries: construction, milk production and meat processing.

Currently, no technology/innovation centres are operating in UNMIK/Kosovo, and first Industrial Park in Drenas (IPD) started to be built in 2005 (approximately one third of the Park is finished).

The following recommendations can be given:

- **Enhance competences and abilities** of Government and its institutions to precisely define the requirements and priorities in the development of the entrepreneur and SME sector;
- **Improve connection of the entire system of support** (non-financial and financial), there is a strong need for synoptic donor coordination and further harmonisation;
- **Allocate more financial resources** to the infrastructure (sustainability of the structures and their projects);
- **Create interactions and linkages** between different kinds of knowledge: science, technology, production;
- **Provide effective transfer of good and bad practices;**
- **Improve understanding of the innovation process** by key players, policy makers;
- **Support capacity building** (e.g. compulsory training programmes for employees of government administration, public services and inspection authorities);
- **Offer better coordination and implementation of the entrepreneurial training** to incubated companies;
- **Provide accurate and up-to-date information** about the operation of incubators, parks and innovation centres; and
- **Monitor and evaluate the performance and impact** on the SMEs development on time.

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6 List of Acronyms / Definitions

ADA - Austrian Development Agency
AER - European Agency for Reconstruction
ARBD - Agency for Development of Brčko's District, Croatia
ARN - Enterprises Regional Agencies
ATA - Academic Training Association
BBI - Building Business Incubators
BI - Business Incubator
BIC Knjaževac - Business Incubator Centre Knjaževac
BIC Niš - Business Incubator Centre Niš
BIP - Business Innovation Programs
BIS - Business Incubator Subotica
BIZ - Business Incubator Zrenjanin
BSC Kragujevac - Business Start-Up Centre Kragujevac
BSCK - Business Start-Up Centre Kosovo
BSC Network - Network of Business Start-Up Centres in BIH, Macedonia, Montenegro, Serbia and UMNİK/Kosovo
BSCs - Business start-up centres
BSPK - Union of Independent Kosovo Syndicates
CARDS - Community Assistance Reconstruction Development Strategy
CEI - Central European Initiative
CRDA-E - Community Revitalization through Democratic Action – Economic Programme
DFID - Department for International Development
DPSD - Department of Private Sector Development
DTI - Department of Trade and Industry
EAR - European Agency for Reconstruction
EBRD - European Bank for Reconstruction and Development
EC - European Commission
EDEP - Enterprise Development and Entrepreneurship Programme
EFSE - European Fund for South East Europe
EICC - Euro-Info Kosovo Center
ERA - European Research Area
EU - European Union
EUR - Euro, currency
FDI - Foreign Direct Investment
FTN - Faculty of Engineering
GDP - Gross Domestic Product
GER - Group of New Economists
GoS - Government of Serbia
GTZ - Deutsche Gesellschaft für Technische Zusammenarbeit
IBRD - International Bank for Reconstruction and Development
ICT - Information and Communications Technology
IFC - International Finance Corporation
IPA - Instrument for Pre-Accession Assistance
IPAK - Investment Promotion Agency of Kosovo
IPD - Industrial Park in Drenas – UMNİK/Kosovo
IRD - International Relief and Development

IRDP - Integrated Regional Development Plan
KCC - Kosovo Chamber of Commerce
MASHT - Education Department of the Adults in Ministry of Education, Science and Technology
MEGA - Municipal Economic Growth Activity
MERD - Ministry of Economy and Regional Development
MEST - Ministry of Education, Science, and Technology - UMNİK/Kosovo
MFA - Ministry of Foreign Affairs, Norway
MoE - Ministry of Economy
MoS - Ministry of Science
MoU - Memorandum of Understanding
MPI - Mihajlo Pupin” Institute
MPMS - Department of Labor in Ministry of Labor and Social Welfare
MSME - Small and Medium Sized Enterprise
MTI - Ministry of Trade and Industry - UMNİK/Kosovo
NGO - Non Governmental Organization
NIS - National Innovation Strategies
NOSIC - Novi Sad Innovation Centre
OECD - Organisation for Economic Cooperation and Development
OEK - Economic Chamber of Kosovo
OSCE - Organization for Security and Co-operation in Europe
PHARE - Poland Hungary Aid for the Reconstruction of the Economy
PISG - Provisional Institutions of Self-Government of Kosova
RASME - Republic Agency for the Development of SMEs and Entrepreneurship
REC - Regional Economic Chamber - Leskovac
RIA - Regulatory Impact Analysis
RTD - Research and Technological Development
RTDI - Research, Technological Development and Innovation
R&D - Research and Development
SAA - Stabilisation and Association Agreement
SBDC - Slovenian Center for Small Businesses Development
SBRA - Serbian Business Register Agency
SE - Social Enterprises
SEE - South East Europe
SEED - Southeast Europe Enterprise Development
SEDP - Serbian Enterprise Development Project programme
SENAI - South-East European Network of Automotive Industry
S.E.N.S.I. Network - the Southeast European Network of Business Start-up Centers and Incubators
SIDA - Swedish international Development Cooperation Agency
SIEPA - Serbia Investment and Export Promotion Agency
SIF - Supportive Infrastructure Fund
SINTEF - Foundation for Scientific and Industrial Research at the Norwegian Institute of Technology
SMEs - Small and Medium Size Enterprises
SMEE - Small and Medium Size Enterprises and Entrepreneurship
SPARK (formerly ATA - The Academic Training Association)
SPICE Group - Science Parks and Innovation Centers Experts Group
SSCA - South Serbia Consumers' Association - Niš

STI - Science, Technology and Innovation
STP MPI - "Mihajlo Pupin" Institute – Science and Technology Park
STPNS - Science&Technology Park Novi Sad
S&T - Science and Technology
TTC - Technology Transfer Centre at the University of Novi Sad
UNDP - United Nations Development Programme
UNECE - United Nations Economic Commission for Europe
UNESCO - United Nations Educational, Scientific and Cultural Organisation
UNIDO - United Nations Industrial Development Organisation
UNS - University of Novi Sad
UP - University of Prishtina
USAID - United States Agency for International Development
VIP - Vojvodina Investment Promotion
VIP Fund - Vojvodina Investment Promotion Fund
WB - Western Balkans