Implementation of the European Charter for Small Enterprises

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The countries of the Western Balkans (Albania, Bosnia-Herzegovina, Croatia, former Yugoslav Republic of Macedonia, Serbia and Montenegro including Kosovo) endorsed the European Charter for Small Enterprises at the European Union-Western Balkans summit of Thessaloniki on 21 June 2003. Moldova joined this process in 2004. The current report therefore concerns the third reporting cycle for the countries and entities of the Western Balkans and the second for Moldova.

This report analyses the progress made in the different areas of the Charter by the different participating countries/entities between September 2004 and September 2005, and takes stock of the general state of play in the ten Charter areas. The European report is based on eight national reports of the participating countries or entities (Kosovo and Montenegro have a separate input into this process).

The Commission states that the Charter process is well under way in all countries and a regional network of national co-ordinators has been established.

The report details some of the benefits of the Charter:

- it has allowed SME policy makers in the region to let the issue of SME policies climb up the local political agenda. This is evident by the number of SME related measures that have been adopted, the extensive press coverage on the bilateral meetings and a significant increase of projects supported by EC funds in the framework of the CARDS programme;

- the Charter process has instigated two types of dialogue on SME policy which were, before the Thessaloniki Summit, virtually absent in this policy field. First of all, there is the dialogue within the country with policy stakeholders, which is one of the requirements of the Charter process. Secondly, a regional dialogue mechanism has come to fruition through the process. Many of the countries and entities now have a forum to meet, exchange ideas and “compare notes” in a regular and organised way. This regional forum is one of the features most cherished by the group and one of the main motivations behind the signing of the Belgrade Declaration;

- the Charter substance i.e. the ten policy guidelines enshrined in the Charter, has allowed the development of a more systematic approach to policy making as opposed to a piece meal approach often encouraged by the project ideas of donors and experts. The greatest advantage of the Charter lies simply in its existence and its use throughout Europe. Many countries and entities in the region have copied the principles into legislation and SME strategy in an effort to stop the debate on “what to do” on SMEs and move into a phase of “doing it”. It has provided the stakeholders with a clear, broadly defined and accepted reference framework within which to design and deliver policies.

There are clear signs that the peer-pressure mechanism is working and that the success of one country spurs on the others to accomplish similar results. The Commission cites the example of Charter area 2. This has allowed, over a period of three years, almost the entire region to make headway and modernise the company registration system. The development of other tools, such as guarantee funds, entrepreneurship education and initiatives to boost competitiveness are other examples. Two current examples can be mentioned where a country or entity clearly falls behind and will be moved onward through the pressure of the regional group. In Albania, the company registration system has now fallen behind the group and the new Albanian government is making the modernisation of company registration

a prime target for 2006. 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;

- lastly, the Charter process provides all the partners in the region the opportunity to feel part of an overall European process.

The Commission goes on to state that countries in the region are increasingly interested in good practice, policy advice and technical assistance from EU Member States in the areas covered by the Charter. Both the CARDS and TACIS programmes can be useful instruments to provide support to implementation of the targets set under the Charter process, subject to the regular planning procedures of both programmes. The Taiex/Twinning instruments can also be useful instruments.

The national co-ordinators of the Charter often need to rely on ad-hoc contributions for the Charter report from other ministries and stakeholders. A true "mainstreaming" of the Charter within the whole of the national administration is not yet sufficiently accomplished. Some coordinators are attempting to set up permanent multi-stakeholder working groups for the Charter and all countries and entities are advised to follow such examples.

A similar partnership challenge is faced outside of the Government administrations, in particular with regard to the business community on the one hand, and the donor community on the other. Both should be more closely involved in the annual Charter cycles – the business community in spelling out the needs of the SME sector, and the donor community in the design of support programmes to address these. The European Charter for Small Enterprises presents a very good opportunity to engage in a broader consultation with stakeholders and to provide more coherence in policy formulation and donor programme delivery. This challenge is not yet fully met.

In general, one can carefully conclude that Croatia and Serbia are currently leading the regional group in addressing the broad sweep of Charter areas in a systematic way, putting both policy strategies in place, replacing and renewing legislation and regulation and developing specific technical support mechanisms. The quality of managing the process (bilateral meetings and national reports) is also very good in both countries, perhaps in Serbia systematically so and in Croatia increasingly so. One would have expected the former Yugoslav Republic of Macedonia to be in this lead group, but slow progress of reform over the last three years in areas such as company registration, regulatory impact assessments, guarantee funds and others, would justify a place just behind the two leaders. The quality of the reports and the bilateral meetings is systematically very good.

A middle group is led by Montenegro and includes Albania and Moldova, which are countries with, on the substance, clear strengths in some areas but also clear weaknesses in others. The quality of reports and the bilateral meetings has, from the start, been good. Bilateral meetings and the process of contributing to the reporting exercise has increasingly become more inclusive in Albania and Moldova. In Montenegro, the small size of the country means that a relative small group of principal stakeholders can be seen to contribute to the process, but a push to widen the circle of contributors may be warranted.

Kosovo and Bosnia and Herzegovina remain problematic in the Charter process. In Kosovo the financial and organisational possibilities remain limited due to the political situation in the area. At the same time, Kosovo is amongst the staunchest supporters of the process and the bilateral meeting is characterised as a very large and inclusive process. The disappointing progress in Bosnia and Herzegovina is explained by its specific political situation, where the two constitutional entities and Brko are the prime movers in SME policies and the national co-ordinator acts as liaison officer to the

Commission, without any real policy instruments at his own disposal. The competencies of the national state in this field are insignificant and, to a large extent, frozen in the political process.

Overall, the process has been introduced and implemented in a very smooth manner and progress is clearly noted in a number of areas. By adopting the Belgrade Declaration in October 2005, the region has indicated a wish to continue this process. The European Commission has confirmed its intention to continue the process as the appropriate policy response to the Declaration and the success of the European Charter for Small Enterprises in the last three years.