



**The European Union's CARDS Programme for
Croatia**

Improving Information to the Croatian Business Community

EuropeAid/121473/C/SV/HR

Inception Report

5th December 2007



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GLOSSARY OF ACRONYMS

Acquis	Acquis Communautaire
AA	Altair Asesores S.L.
BINS	Business Information Needs Survey
BIZImpact	Improving Information to the Croatian Business Community, EU CARDS 2004
CARDS	Community Assistance for Reconstruction, Development and Stabilisation
CC	Candidate Country
CFCU	Central Finance and Contracting Unit
EC	European Commission
ECD	European Commission Delegation
EIA	Economic Impact Assessment
EICC	Euro Information Correspondence Centre
EIR	EIR Development Partners
EU	European Union
EUR	Euro
FAQ	Frequently Asked Questions
GDP	Gross Domestic Product
GoC	Government of Croatia
HAMAG	Croatian Agency for SMEs (Hrvatska agencija za malo gospodarstvo)
HGK	Croatian Chamber of Economy (Hrvatska gospodarska komora)
HITROREZ	Croatian Regulatory Guillotine
HOK	Croatian Chamber of Trades and Crafts (Hrvatska obrtnička komora)
HQ	Headquarters
HUP	Croatian Employers' Association (Hrvatska udruga poslodavaca)
IA	Impact Assessment
IPA	Instrument for Pre-accession Assistance
KE	Key Expert
LIA	Legislative Impact Assessment
LTE	Long-Term Expert(s)
MAFWM	Ministry of Agriculture, Forestry and Water Management
MEPPC	Ministry of Environment, Physical Planning and Construction
MINGORP	Ministry of Economy, Labour and Entrepreneurship
MRA	Market Research Agency
OECD	Organisation for Economic Cooperation and Development
PCA	POHL CONSULTING & ASSOCIATES
PPD	Public-Private Dialogue
PSC	Project Steering Committee
RDA	Regional Development Agency
RIA	Regulatory Impact Analysis
ROP	Regional Operational Programme
SAA	Stabilisation and Association Agreement
SDURF	Central Office for Development Strategy and Coordination of EU Funds (also known as CODEF)
SEE	South-East Europe / Western Balkans (used interchangeably)
SME	Small and Medium-sized Enterprises
STE	Short-Term Expert(s)
TL	Team Leader
ToR	Terms of Reference
TTT	Train the Trainers
USAID	United States Agency for International Development
UK	United Kingdom
UNDP	United Nations Development Programme
UPUP	RIA Coordination Office (Ured za procjenu učinka propisa)

PROJECT SYNOPSIS

1. Project Title:	BIZimpact - Improving Information to the Croatian Business Community
2. Project Starting Date:	17 September 2007
3. Project End Date	16 September 2009
4. Project Duration:	24 months
5. Contract Number:	EuropeAid/121473/C/SV/HR
6. Country:	Croatia

Overall Objective

The overall objective of the Project is to improve the business environment in Croatia.

Project Purpose

The purpose of this contract is to strengthen the capacity for policy makers and business organisations to identify, analyse and communicate future impact of key regulatory areas for business in Croatia and to improve the awareness of the business community regarding eight legislative areas.

Results to be Achieved

The key results to be achieved are:

- The capacity for policy makers and business organisations to identify, analyse and communicate future impact of key regulatory areas for business in Croatia strengthened.
- Awareness of the business community in the eight key legislative fields improved.
- Measurable changes in quality of information and public-private communication achieved.

KRATAK PREGLED PROJEKTA

1. Naziv projekta:	BIZimpact - Poboljšavanje informiranosti hrvatske poslovne zajednice
2. Datum početka projekta:	17. rujna 2007.
3. Datum završetka projekta:	16. rujna 2009.
4. Trajanje projekta:	24 mjeseca
5. Broj ugovora:	EuropeAid/121473/C/SV/HR
6. Zemlja:	Hrvatska

Opći cilj

Opći cilj ovog projekta je poboljšati poslovnu klimu u Hrvatskoj.

Svrha projekta

Svrha ovog projekta je ojačati sposobnost donositelja odluka i poslovnih organizacija da prepoznaju buduće učinke ključnih zakonodavnih područja na poslovanje u Hrvatskoj, da ih analiziraju i da o njima informiraju javnost, te da podignu razinu svijesti poslovne zajednice u odnosu na osam zakonodavnih područja.

Rezultati koji se žele postići

Najvažnije rezultati koji se žele postići su:

- Jačanje sposobnosti donositelja odluka i poslovnih organizacija da prepoznaju buduće učinke ključnih zakonodavnih područja na poslovanje u Hrvatskoj, da ih analiziraju i da o njima informiraju javnost.
- Podizanje razine svijesti poslovne zajednice u odnosu na osam zakonodavnih područja.
- Osiguravanje mjerljivog napretka u kvaliteti informiranja i poticanju dijaloga između javnog i privatnog sektora.

EXECUTIVE SUMMARY

Scope of the Project and objectives

Preparation for accession to the European Union (EU) is resulting in many changes to legislation and related regulations which will have a significant impact on the business community. These changes are needed to ensure that Croatian businesses meet the requirements of EC Directives, standards, etc. and can compete both in the European internal market, as well as the wider global markets. Therefore, the CARDS 2004 Project “Improving Information to the Croatian Business Community” (or BIZImpact for short), seeks to improve the business environment in Croatia by developing tools to assess the impact of legislative changes on Croatian businesses and improve communication with firms about these changes and some of the likely impacts.

The BIZImpact Project will concentrate its activities on small and medium-sized enterprises (SMEs) and cover legislative changes in eight key areas, namely:

- Consumer protection.
- Environmental protection.
- Standards for agricultural products.
- Standards for industrial products.
- Public procurement.
- State aid.
- Competition policy.
- Intellectual property rights.

The principal beneficiaries of the Project are:

- Ministry of Economy, Labour and Entrepreneurship (MINGORP).
- Croatian Agency for SMEs (HAMAG).
- Croatian Chamber of Commerce (HGK).
- Croatian Chamber of Trades and Crafts (HOK).
- Croatian Employers' Association (HUP).

In addition, the BIZImpact Project will work with other relevant organisations involved in supporting SME development, not least the other governmental ministries / agencies connected with the above eight fields of legislation, the counties, regional development agencies, business development service providers, as well as donor-funded projects and international organisations active in related fields.

The BIZImpact Project is based upon four activities with the overall objective of improving information, communication and Impact Assessment in Croatia.

Activity 1 involves initial training in the eight legislative fields and is designed to strengthen the capacity of partner institutions and enable them to play a more pro-active role in identifying the legislative changes impacting on businesses, so that information flows can be improved.

Activity 2 focuses on “Training the Trainers” in legislative Impact Assessment. This activity will lead to the preparation of a manual on Impact Assessment, “Training of Trainers” in Impact Assessment, visits to two EU countries to study their Impact Assessment methodologies and carrying out a minimum of five “live” Impact Assessments for the business sectors most affected by the previously mentioned legislative areas.

Activity 3 will focus on carrying out a large scale panel survey covering a sample of some 2,000 firms. The baseline or “Before” Business Information Needs Survey (BINS) will identify the information sources, needs and gaps experienced by small businesses in Croatia in relation to the eight legislative fields covered by the BIZImpact Project. It will also develop policy recommendations for improving information, communication and consultation between Government, business associations and small businesses. An “After” BINS survey will be conducted towards the end of the

BIZimpact Project to assess the extent to which small enterprises' information needs are being met in Croatia.

In **Activity 4**, the Consultant will focus on developing more effective communication with the Croatian business community through a range of activities designed to improve the flow of information to businesses, based on the information needs identified in the BINS survey. Specific activities will include: organising an awareness-raising campaign, organising a series of visibility events and information days throughout Croatia, stimulating dialogue, producing publications, CDs, website, answers to Frequently Asked Questions (FAQs), mini guides for each of the eight legislative areas and training for information officers.

Project implementation

The Project officially started on 17th September 2007 when the Technical Assistance Team (TAT) commenced work. The Inception Reporting phase lasted 2 months.

Following the Inception Phase, the main proposed **changes to the ToR** include:

- Under Section 4.1.3 (Target Group), in addition to MINGORP, HGK and HUP, the Croatian Agency for SMEs (HAMAG) is a key player in the SME development scene and will participate as a beneficiary of the Project, including becoming a member of the Project Steering Committee.
- Under Section 4.1.3 (Target Group), in addition to MINGORP, HGK and HUP, the Croatian Chamber of Trades and Crafts (HOK) is a key national business association with 105,000 members and a county level network. Consequently, it will participate as a beneficiary of the Project, including becoming a member of the Project Steering Committee.
- Under Section 4.2 (Inception Phase) instead of organising "at least one larger event," the Consultant organised one internal launch event for the beneficiaries, governmental ministries and agencies. Although the Consultant planned a public launch involving, among others, "academia, business community and members of the international donor community," this was rescheduled following discussions with ECD and the beneficiaries. The Zagreb launch of the "Before" BINS results will now be the public launch of the Project.
- Under Component/Activity 1 (Training in Eight Fields), since the Project is largely confined to five beneficiaries (MINGORP, HAMAG, HGK, HOK and HUP) "the institutional assessment and training" needs are largely self-evident and the Consultant will restrict this activity to the essentials.
- Under Component/Activity 1 (Training in Eight Fields), as suggested by the ToR, the Consultant will "combine some modules into joint seminars," for example competition and state aid policy. Moreover, where mini guides on any of the eight legislative fields already exist, these will not be replicated unless there are sound reasons for doing so, such as the need to revise and up-date content. The Consultant will use the relevant governmental institutions to deliver the training and prepare the mini guides. Where this is not possible, suitably qualified STEs will be deployed.
- Under Component/Activity 2 (Methodology and Training), the Consultant will work with the beneficiaries in selecting suitably-qualified persons for the Train the Trainer (TTT) course. A requirement for the selection of the trainers is that "they will participate in the TTT programme, the study tours and a minimum of two IA studies, as well as set out their plan for the delivery of IA training to their respective institutions, including county networks."
- Under Component/Activity 2 (Methodology and Training) and in relation to the minimum of five IA studies, the requirement is that the trained trainers "will lead in the process of conducting the IA studies and the Consultant will support the process with suitably qualified STEs."
- Under Component/Activity 3 (Business Information Needs Survey (BINS)) in order to assess the impact of the business awareness raising activities, the time gap between the points when the "Before" and "After" BINS surveys are carried out should be maximised. This is more likely to be around 15 rather than 12 months.
- Under Component/Activity 4 (Information to Businesses), instead of "20" local information officers, at least "21" will be involved in the Project, since there are 21 counties. The "local information officers" to be trained will also include relevant national and regional bodies.
- Under Section 6.5 (Incidental Budget), the allotment of 260,000 EUR has not been modified but the way that the budget is allocated has been slightly adjusted, taking into consideration the issues identified during the Inception Phase (*Annex 1*) as specified in the ToR of the Project.

- Under Section 6.5 (Incidental Budget), the ECD has recommended that the National per diem rates be applied for the two study tours and the Incidentals Budget has been prepared accordingly.

The first Project Steering Committee met on 3rd December 2007 to discuss and approve this Inception Report. At this point the Inception Phase ended and the Implementation of the four activities highlighted in this report officially began.

KRATAK SADRŽAJ

Djelokrug i ciljevi projekta

Pripreme za ulazak u Europsku uniju (EU) rezultiraju mnogobrojnim zakonskim promjenama te promjenama pripadajućih propisa koji će imati značajan učinak na poslovnu zajednicu. Ove su promjene neophodne kako bi hrvatsko gospodarstvo zadovoljilo zahtjeve propisane direktivama Europske unije, normama, itd., te postalo konkurentno na unutarnjem europskom tržištu kao i na širem globalnom tržištu. Stoga Projekt CARDS 2004 „Poboljšavanje informiranosti hrvatske poslovne zajednice” (skraćeno: *BIZimpact*) nastoji unaprijediti poslovnu klimu u Hrvatskoj razvijanjem alata za procjenu učinaka zakonskih promjena na hrvatsko poslovanje te poboljšati komunikaciju s tvrtkama u svezi tih promjena i njihovih vjerojatnih učinaka.

BIZimpact projekt će se usredotočiti na aktivnosti koje se odnose na malo i srednje poduzetništvo, te će obuhvatiti zakonske promjene u osam zakonodavnih područja, kao što slijedi:

- Zaštita potrošača,
- Zaštita okoliša,
- Norme za poljoprivredne proizvode,
- Norme za industrijske proizvode,
- Javna nabava,
- Državne potpore,
- Tržišno natjecanje,
- Prava intelektualnog vlasništva.

Glavni korisnici ovog projekta su:

- Ministarstvo gospodarstva, rada i poduzetništva (MINGORP),
- Hrvatska gospodarska komora (HGK),
- Hrvatska obrtnička komora (HOK),
- Hrvatska udruga poslodavaca (HUP),
- Hrvatska agencija za malo gospodarstvo (HAMAG).

Povrh toga, projekt će surađivati s ostalim relevantnim organizacijama koje se bave razvojem malog i srednjeg poduzetništva, raznim vladinim ministarstvima, uredima i agencijama vezanim uz osam već spomenutih zakonodavnih područja, zatim sa županijama, regionalnim razvojnim agencijama, pružateljima usluga za razvoj poslovanja, a također i s drugim projektima financiranih od stranih donatora, te međunarodnim organizacijama aktivnim u spomenutim područjima.

BIZimpact projekt se temelji na četiri glavne aktivnosti sa sveukupnim ciljem poboljšavanja informiranosti, komunikacije i procjene učinaka u Hrvatskoj.

Aktivnost 1 uključuje početnu obuku u svakom od osam zakonodavnih područja, te je osmišljena u svrhu jačanja sposobnosti partnerskih institucija da preuzmu što aktivniju ulogu kod prepoznavanja učinaka zakonskih promjena i njihovog utjecaja na poslovanje, što bi također omogućilo i poboljšavanje protoka informacija.

Aktivnost 2 obuhvaća „obuku instruktora” u području procjene učinaka zakonodavstva. Ova će aktivnost rezultirati pripremom priručnika za procjenu učinaka, „obukom instruktora” za procjenu učinaka, posjetima dvjema zemljama Europske unije u svrhu upoznavanja i proučavanja njihovih metodologija procjene učinaka, te izradu minimalno pet „stvarnih” procjena učinaka za poslovne sektore unutar već spomenutih zakonodavnih područja.

Aktivnost 3 će se usredotočiti na provođenje istraživanja na velikom uzorku ispitanika od otprilike 2000 tvrtki. „Početno” istraživanje potreba za poslovnim informacijama (*BINS*) utvrdit će postojeće izvore informacija malog poduzetništva u Hrvatskoj, te potrebe za informiranjem i praznine unutar procesa informiranja koje se odnose na osam zakonodavnih područja kojima se bavi *BIZimpact* projekt. Istraživanje će također ponuditi preporuke za poboljšavanje informiranja, komunikacije i

konzultacijskog procesa između Vlade, poslovnih udruga i malog poduzetništva. Pri kraju projekta provest će se „završno“ BINS istraživanje kako bi se procijenilo u kojoj su se mjeri poboljšale potrebe za informiranjem malog poduzetništva.

Aktivnosti 4 se odnosi na rad konzultanta koji će se usredotočiti na razvoj djelotvornije komunikacije s hrvatskom poslovnom zajednicom kroz skup aktivnosti posebno pripremljenih u svrhu poboljšanja protoka informacija prema proslavnom sektoru, a temeljenih na potrebama za poslovnim informacijama koje su utvrđene BINS istraživanjima. Posebne aktivnosti su sljedeće: organizacija kampanje za informiranje javnosti, organizacija niza medijski popraćenih prezentacija i info dana po cijeloj Hrvatskoj, poticanje dijaloga, izrada publikacija, CD-a, kreiranje web stranice, itd., pružanje odgovora na Često postavljena pitanja (FAQ), izrada minivodiča za svako od osam zakonodavnih područja te obuka službenika zaduženih za odnose s javnošću.

Implementacija projekta

Projekt je službeno započeo 17. rujna 2007. kada je tim za tehničku podršku (TAT) započeo s radom. Početna faza projekta trajala je 2 mjeseca.

Kao što je utvrđeno u početnoj fazi projekta, glavne predložene **promjene opisa posla** su:

- U Dijelu 4.1.3 (Ciljana skupina), uz MINGORP, HGK i HUP, Hrvatska agencija za malo gospodarstvo (HAMAG) navodi se kao jedan od ključnik čimbenika razvoja malog i srednjeg poduzetništva, te će se uključiti kao korisnik projekta, što također znači da će postati član Upravnog odbora projekta.
- U Dijelu 4.1.3 (Ciljana skupina), uz MINGORP, HGK i HUP, Hrvatska obrtnička komora (HOK) se navodi kao ključno nacionalno poslovno udruženje koje broji 105,000 članova, te je umrežena na županijskoj razini. Stoga će se HOK uključiti kao korisnik projekta, što također znači da će postati član Upravnog odbora projekta.
- U Dijelu 4.2 (Početna faza) umjesto održavanja „najmanje jednog velikog događaja“, konzultant je organizirao interno predstavljanje projekta na koje su bili pozvani korisnici projekta, vladina ministarstva i agencije. Iako je konzultant prvotno planirao organizirati javno predstavljanje projekta u koje bi se između ostalih uključili „akademska zajednica, poslovna zajednica i članovi međunarodne donatorske zajednice,“ nakon razgovora s Delegacijom Europske Komisije u Republici Hrvatskoj i korisnicima projekta došlo je promjene u smislu da je javno predstavljanje odgođeno. Stoga će predstavljanje početnog istraživanja potreba za poslovnim informacijama (BINS) u Zagrebu biti prilika za pozivanje i okupljanje i drugih sudionika.
- Pod komponentom/aktivnosti 1 (Obuka u osam zakonodavnih područja), a budući da projekt najvećim dijelom okuplja pet korisnika (MINGORP, HAMAG, HGK, HOK i HUP), očito je da su potrebe za „institucionalnom procjenom i obukom“ razumljive same po sebi, te će konzultant svesti ovu aktivnost na njene osnovne elemente.
- Pod komponentom/aktivnosti 1 (Obuka u osam zakonodavnih područja), a u skladu s opisom posla, konzultant će „objedinit nekoliko modula u zajednički seminar“, kao na primjer tržišno natjecanje i državne potpore. Osim toga, ako za neke od osam zakonodavnih područja mini vodiči već postoje, oni se neće ponovo pripremati osim ako za to postoji valjan razlog, kao na primjer potreba za revizijom i ažuriranjem materijala. Konzultant će uz podršku relevantnih vladinih institucija organizirati obuku i pripremiti mini vodiče. U slučajevima gdje to ne bude moguće, kratkoročno će se angažirati vanjski stručnjak.
- Pod komponentom/aktivnosti 2 (Metodologija i obuka), konzultant će blisko surađivati s korisnicima projekta pri selekciji osoba koje posjeduju odgovarajuće kvalifikacije za vođenje obuke za instruktore. Zahtjev koji se postavlja pri selekciji instruktora je taj da „oni sudjeluju u programu obuke instruktora, studijskim putovanjima i pripremama najmanje dvije studije o procjeni učinaka, te da kreiraju plan za pružanje obuke o procjeni učinaka namijenjene njihovim matičnim institucijama, uključujući i mrežu županija.“
- Pod komponentom/aktivnosti 2 (Metodologija i obuka), a u svezi (najmanje) pet studija procjene učinaka, zahtjeva se da instruktori koji su prošli obuku „vode proces provođenja studija procjene učinaka, dok će konzultant osigurati potporu u smislu kratkoročnog angažmana stručnjaka s odgovarajućim kvalifikacijama.“
- Pod komponentom/aktivnosti 3 (Istraživanje potreba za poslovnim informacijama (BINS)), a u svezi procjene učinaka aktivnosti za informiranje poslovne zajednice, potrebno je da se

vremenski razmak između razdoblja određenog za provođenje „početnog“ istraživanja i onog određenog za provođenje „završnog“ istraživanja produlji što je više moguće.

- Pod komponentom/aktivnosti 4 (Informiranje poslovnih subjekata), umjesto „20“ službenika zaduženih za odnose s javnošću, u rad projekta ćemo uključiti barem „21-og“ u skladu s brojem hrvatskih županija. „Službenici zaduženi za odnose s javnošću“ za koje će se pripremiti obuka uključivat će također službenike relevantnih nacionalnih i regionalnih tijela.
- U Dijelu 6.5 (Proračun za nepredviđene troškove), iako dodjela 260,000 EUR nije promijenjena, neznatno se promijenio način na koji se određuje proračun, jer se u obzir uzimaju stavke identificirane tokom početne faze projekta (*Dodatak 1*) a u skladu s opisom posla.
- U Dijelu 6.5 (Proračun za nepredviđene troškove), Delegacija Europske Komisije u Republici Hrvatskoj predlaže da se način obračuna nacionalne dnevnice za dva studijska putovanja i za Proračun za nepredviđene troškove pripremi u skladu s nacionalnim propisima.

Prvi sastanak Upravnog odbora projekta održan je dana 3. prosinca 2007. u svrhu razmatranja Početnog izvješća koje je tada i odobreno. Tako je ujedno završena početna faza projekta, a službeno započeta faza implementacije četiriju aktivnosti koje su opisane u ovom izvješću.

1 IMPLEMENTATION FRAMEWORK

1.1 Institutional set-up and overall Project organisation

Croatia signed the Stabilisation and Association Agreement (SAA) in 2003 and became a European Union (EU) candidate country (CC) in June 2004. In doing so, Croatia is obliged to adjust and adopt EU norms, as embodied in the *Acquis Communautaire*. This represents a complex process of economic, administrative and legislative reforms, many of which have significant implications for the business community in Croatia, especially the Small and Medium-sized Enterprises (SMEs or small businesses) which make up 99% of registered firms. Substantial progress has been made in the area of macroeconomic policy and performance; however, the Croatian economy still needs to confront key structural and institutional reforms, develop the institutions, capacities and know-how to communicate effectively with the business community and generally adopt the culture necessary for the successful development of an attractive business environment, thus stimulating entrepreneurship and competitiveness.

An analysis of the SME sector in Croatia was presented in the Technical Proposal submitted by the Consultant. Furthermore, an up-to-date and extensive analysis of the SME sector is available in the Regional Competitiveness Operational Programme (2007-2009) prepared by the Government of Croatia (GoC) in September 2007. The nature of the SME sector will not be repeated here, since the focus of the Inception Report is on the implementation of the BIZimpact Project.

Turning to the institutional set-up, the **Ministry of Economy, Labour and Entrepreneurship (MINGORP)**, (www.mingorp.hr) and, in particular, the Entrepreneurship Directorate at MINGORP represents a key pillar of the business institutional framework. It is responsible for developing and implementing SME policy through the Government Development Programme for Small Entrepreneurship (2004-2008). The SMEs and Cooperatives Division promotes entrepreneurship through promotion, training, technical assistance, financing, institutional capacity building, etc. It also undertakes the harmonisation of the legal framework with EU regulations, measures for international cooperation and export and investment promotion. In performing these tasks, the SMEs and Cooperatives Division cooperates with other governmental bodies, regional and local self-government units, institutions and associations of entrepreneurs in preparing and implementing measures related to entrepreneurial support. The SMEs Division makes proposals for laws and regulations and monitors their implementation and execution. Ex ante and ex post evaluation of legislation is not yet a standard part of the activities of the SMEs Division.

The SMEs Division has a complex role to perform in supporting SMEs and MINGORP recognises that it has to play a new role in future in relation to legislative Impact Assessment such as:

- Ensuring that stakeholders are engaged in the Economic Impact Assessment (EIA) approach, since this is the responsibility of MINGORP and a draft methodology has been prepared.
- Ensuring that information dissemination to SMEs becomes more effective.
- Ensuring that business associations are engaged in effective public-private dialogue.

The eight legislative fields covered by this Project, as well as the main relevant government institutions are highlighted below:

- Consumer protection: MINGORP and State Inspectorate.
- Environmental protection: Ministry of Environmental Protection, Physical Planning and Construction (MEPPC) and Croatian Environment Agency.
- Standards for agricultural products: Ministry of Agriculture, Forestry and Water Management (MAFWM) and Croatian Standards Institute.
- Standards for industrial products: MINGORP and Croatian Standards Institute.
- Public procurement: Public Procurement Office.
- State aid / Competition policy: MINGORP and Croatian Competition Agency.
- Intellectual property rights: MINGORP, Ministry of Science, Education and Sports and Intellectual Property Office.

Significant progress has been made by MINGORP and other Ministries / Agencies with negotiations on various chapters of the *Acquis Communautaire* in relation to the eight fields covered by the BIZimpact Project. Laws have been revised, transposed and harmonised; EC Directives have been scrutinised; standards and norms have been translated and transposed, etc. However, discussions during the Inception Phase (see *Annex 2* for a list of organisations met) reveal consistently the fact that a “gap” exists between these developments by the various institutions covered by the BIZimpact Project and the actual implementation of those laws, regulations, norms, standards, etc. by Croatian firms, especially small businesses. One of the key reasons for this implementation gap is the urgent need to improve the information flows to businesses, especially the small businesses. At the same time, the communication and consultation mechanisms need to be enhanced.

This is the reason why, in addition to MINGORP, the other main beneficiary institutions for the BIZimpact Project are two business associations, namely:

- **Croatian Chamber of Economy (HGK):** This is an independent business organisation established in 1852 based on the “continental” model of compulsory membership, which means that all companies registered with the Commercial Court are automatically members of HGK. HGK is headquartered in Zagreb and has 20 county chambers. HGK has eight departments dealing with various branches of the economy and includes 40 professional associations. HGK has five business centres, including the Euro Info Correspondence Centre Zagreb (EICC Zagreb) which supports Croatian companies to overcome the barriers on the road to EU integration by informing, assisting and advising companies on European issues. EIC Relay Centres have also been established in Osijek, Pula, Rijeka and Split since 2005. HGK employs 650 people, including 200 in HQ. Meetings during the Inception Phase confirmed the urgent need for better legislative Impact Assessment, consultation and communication and dissemination vis-à-vis SMEs. Other than its website (www.hgk.hr), HGK’s main communication tools are the weekly newspaper, *Privredni Vjesnik* (Economic News), which has a print run of 100,000, as well as its training and seminar programme.
- **Croatian Employers’ Association (HUP):** This is an independent, voluntary association of private entrepreneurs and employers founded in 1993. It aims to improve the entrepreneurial and investment climate in order to strengthen Croatia’s competitiveness, working with trade unions and the Government of Croatia. Having been appointed as the employers’ representative in the National Economic and Social Council, HUP seeks to influence economic policy as a partner in the tripartite dialogue with trade unions and Government representatives. HUP focuses its activities on adjustment of the Croatian private sector to EU standards by contributing to the strengthening of the market economy and implementing standards and best business practices. It has 23 sectoral associations and regional offices in Split, Osijek and Rijeka to support members at the local level. HGK employs 35 people and has 6,000 active members. Meetings confirm the need for legislative Impact Assessment, consultation and communication / dissemination of information to its members. Other than the website (www.hup.hr), its main communication tools are the monthly *Ekonomist* magazine, which is circulated to some 10,000 addresses, an eNewsletter and a training and seminar programme.

Following agreement with the above three beneficiaries, BIZimpact will also work closely with two other institutions:

- **Croatian Chamber of Trades and Crafts (HOK):** There are some 105,000 registered crafts in Croatia, mainly in the services and production economic sectors. All crafts are members of HOK (www.hok.hr), which is a compulsory national body. HOK has some 150 staff members, ca. 50 of which are based in Zagreb. There are a further 20 networks covering the counties and a representative office exists in Brussels. HOK recognises the importance of the BIZimpact Project and stresses that although only 10% of crafts are likely to fall within the direct scope of the Project, the issue of Impact Assessment and communication with businesses are of major importance to HOK. Its main communication tools are its website and the newspaper *Obrtničke Novine*, which is circulated to all its members on a monthly basis.

- **Croatian SME Agency (HAMAG):** promotes the development of small businesses and seeks to enhance their role in the economy by creating a stimulating environment, developing support infrastructure at the state, regional and local levels, providing financial incentives, implementing and developing technologies, upgrading quality, strengthening competitiveness, securing market access and generating employment through cooperation and networking of SME entrepreneurs, institutions and support infrastructure. Consequently, HAMAG (www.hamaq.hr) is the fifth key institutional player in the SME field and has an important role to play in communication and dialogue with the SME sector, as well as Impact Assessment of regulations / legislation on the small business sector. It has 27 staff, 10 of which are in the Guarantee Division and a further 10 in the Entrepreneurship Division, with the remainder allocated to EU projects and management. HAMAG has a network of ca. 60 business consultants and cooperates with ca. 100 SME institutions such as business centres and Regional Development Agencies. It acknowledges the importance of improving communications and information dissemination in relation to the SME sector, especially with firms themselves.

The Government of Croatia, through MINGORP, has made efforts to encourage and promote improvements in the business environment in Croatia by attempting to remove some of the administrative barriers identified, such as through the introduction of silent consent. However, whilst some progress has been made in certain legislative areas, much more work is required to streamline legislation, regulation, administrative procedures, etc. thus improving the business environment. This is part of the reason, combined with the imperatives of the *Acquis Communautaire*, why the Government of Croatia is increasingly turning to issues such as better regulation and regulatory reform, embodied in the Regulatory Guillotine (HITROREZ) process, as well as the recent effort to develop a Regulatory Impact Assessment (RIA) system to be supervised by the RIA Coordination Office.

The above represents the main body of stakeholders for the BIZimpact Project. Care will be exercised to ensure coherence, coordination and progress with implementation of the BIZimpact activities. Strategic coordination and direction will be provided by the Project Steering Committee (PSC), which will include HAMAG and HOK, as agreed with the CFCU and the Project beneficiaries during the Inception Phase.

1.2 Staff and qualifications

The Contracting Authority for the Project is the CFCU, which has been empowered by the European Commission to approve Project reports, invoices and other requests related to implementation of the Contract. The ECD has a monitoring role in relation to Project implementation and is one of the members of the Project Steering Committee.

The main Project partners are MINGORP's SME Directorate (Ms Jasminka Keser), as well as HUP (Ms Andrea Dokić) and HGK (Ms Vesna Torbarina). It has been agreed with the ECD, CFCU and Project beneficiaries that HOK and HAMAG will also become Project beneficiaries and will participate in the Project Steering Committee. Indirect partners include: ministries and agencies in the eight fields, the 21 counties and business development service providers, such as RDAs, business centres/incubators, etc.

The Project is based in the premises of MINGORP in Zagreb, with activities such as visibility events undertaken throughout Croatia.

The Consultant (a Consortium comprising PCA, EIR and Altair) will provide an experienced team of international and national long-term and short-term experts, able to provide their relevant expertise for the support of the Project.

The Project Director holds overall responsibility for the smooth implementation of all Project activities and the efficient utilisation of the Project funds.

The two Key Experts have the role of coordinating the implementation of the Contract.

One of those Key Experts, Dr. Ricardo Pinto, is the Team Leader. The Team Leader is resident in Zagreb (up to 20% of the time outside Croatia) with the task of coordinating and managing all Project activities on a day-to-day basis and building relationships with the Project partners and other relevant stakeholders. 440 working days have been allocated to the Team Leader.

The second long-term Key Expert acts as the Deputy Team Leader. Although Mr Chris McLean is primary responsible for the awareness-raising activities, he will support the Team Leader in each of the four main Project activities. Likewise, this Key Expert is resident in Zagreb (up to 20% of the time outside Croatia), with 350 days allocated in the Project.

Two full-time Project staff have been recruited by the Consultant:

- Mr Damir Azenić is responsible for administrative, bookkeeping and IT matters.
- Ms Ana Ilijčić is responsible for interpreting, translations and Communication/PR matters.

In addition to the two Key Experts, 460 days of input from Short-Term Experts have been planned. The Key Experts will prepare specific the ToR for each task, specifying:

- The objectives, expected results, activities, duration and timing of the assignment.
- Tasks of each expert.
- The required skills and experience of the experts, and more specifically their professional qualifications, language skills and work experience.

Each prepared ToR will be approved by the main beneficiary and the Contracting Authority. The Consortium will then identify and select a qualified and available expert for each position and present his/her CV to the Contracting Authority for approval. Following his/her approval and endorsement the expert will be mobilised. The recruitment process from writing of ToR to mobilisation of the expert will typically require between 2 and 4 weeks.

1.3 Monitoring and coordination arrangements

PCA will lead the project management and coordination of the Project on behalf of the Consortium. The coordination activities will be supported by in-country experts and will comprise of the provision of administrative support in-country; technical and logistical support; monitoring of management and administrative systems, management of the Incidental Budget expenditure; and providing other assistance to the Project such as organisation of study tours and capacity building.

The administration function, in coordination with the Team Leader, other Key Expert, local and international short-term and long-term experts, will be responsible for providing monthly, six-monthly activity and progress reports, as well as the Final Report to the Project Steering Committee, which will supervise the Project implementation.

The Project Kick Off meeting took place on 17 September 2007 (*Annex 3*). The purpose of the meeting was to present the Project rationale to the main stakeholders of the Project and discuss the main Project priorities from the beneficiaries' perspective. Other meetings also took place with the beneficiaries, ECD and CFCU to clarify aspects of the ToR.

There are a few projects financed by the EU, World Bank and USAID dealing directly or indirectly with business information / communication / Impact Assessment issues in Croatia. The team held a number of meetings with the project leaders/members of other EU financed or bilateral projects in order to understand the latest developments in the field, to exchange experiences and know-how with other project leaders and project beneficiaries and to develop linkages with those projects where appropriate (see *Annex 2* for a list of meetings). An overview of these projects, together with a brief assessment of their relevance, is presented below.

Ongoing projects

Project 1. Capacity building of the SME Support Structure and Alignment of Policy and Actions to the SME Charter and Acquis Communautaire, EU PHARE 2005

This project is managed jointly by MINGORP and HAMAG. The project focuses on preparing the MINGORP and HAMAG for accession to the EU by ensuring that they are able to implement the Enterprise and Industrial Chapter of the *Acquis Communautaire*, as well as the main requirements of the EU Charter for Small Enterprises, to which Croatia is a signatory.

This project briefly touches upon two aspects of importance to the BIZImpact Project, namely: the development of a mechanism for public-private dialogue for the SME sector, as well as a small amount of capacity building for RIA purposes. Meetings were held during the Inception Phase to ensure coordination of these activities.

Project 2. Enhancing SME Performance, USA, USAID

This project supports the economic growth and development of regions through investment attraction and facilitation. The project has four main components: access to finance (guarantee funds), tourism support, investment promotion and support with products and standards. The project works with local and regional economic development agencies, business and industrial zones, technology and industrial parks and SMEs interested in strategic alliances with potential foreign partners.

This project has supported aspects of Impact Assessment (IA) such as developing the structure of the HITROREZ office. The project is expected to end in June 2008 and the only remaining activity of relevance is a limited amount of IA training for the RIA Coordination Office. As such, there are no overlaps with the activities of this Project.

Other projects connect with aspects of the eight fields of legislation associated with this Project. Examples include:

Project 3. Strengthening of Capacity to Manage and Enforce the EU Competition and State Aid Policies, Croatian Competition Agency, EU Twinning

Project 4. Further Capacity Building in the Area of Consumer Protection, MINGORP, EU Twinning

The above projects deal with specific aspects of the *Acquis Communautaire*, including some elements of information provision and awareness-raising for the business community with respect to consumer protection and state aid / competition policy. Meetings have been held in order to coordinate activities, where relevant, and avoid overlaps.

Project 5. Development of Regulatory Impact Assessment, IPA 2007, EU

This project will assist the introduction of the RIA methodology as part of the national policy making strategy, thus enabling system level RIA-based policy making through the development and implementation of a web-based e-RIA platform. It also includes capacity building for the RIA Coordination Office, regulatory institutions and stakeholders, as well as raising awareness of the wider public and private sector about the introduction of the RIA system. The delivery of the technical assistance associated with this project is expected to start in late 2008 / early 2009.

Since this forthcoming project will deliver assistance in relation to the RIA system, the ECD clarified the focus of the BIZImpact Project's IA activities to the Project team and beneficiaries. The BIZImpact Project will refrain from engaging in aspects of the RIA system that touch upon the economic sphere, such as supporting MINGORP to develop the Economic Impact Assessment methodology or delivering capacity building for the regulatory bodies which are connected with the eight legislative fields..

2 OVERALL WORK PLAN (ENTIRE PROJECT DURATION)

2.1 Objectives to be achieved

The overall **objective** of the Project is to improve the business environment in Croatia.

The **purpose** of this contract is to strengthen the capacity for policy makers and business organisations to identify, analyse and communicate future impact of key regulatory areas for business in Croatia and to improve the awareness of the business community regarding the eight key areas.

The key **results** to be achieved are:

- The capacity for policy makers and business organisations to identify, analyse and communicate future impact of key regulatory areas for business in Croatia strengthened.
- Awareness of the business community in eight legislative fields improved.
- Measurable changes in quality of information and public-private communication achieved.

The next section discusses in detail the objectives of each of the four activities associated with the BIZImpact Project. This is followed by an analysis of the tasks and sub-tasks associated with each of the four main activities.

2.2 Activity 1 - Initial Training in the Eight Legislative Fields

Objective

To improve the business climate in Croatia by building the knowledge base of the Project stakeholders around the following legislative areas:

1. Consumer protection.
2. Environmental protection.
3. Standards for agricultural products.
4. Standards for industrial products.
5. Public procurement.
6. State aid.
7. Competition policy.
8. Intellectual property rights.

Specific tasks

Tasks	Description
1.1.	Develop a plan for better Project positioning.
1.2.	Develop a training plan.
1.3.	Commission international / local experts.
1.4.	Prepare training materials / mini guides: covering the main characteristics of EU legislation / main changes in Croatian law.
1.5.	Deliver training in the eight fields: to be delivered in Zagreb.

Task 1.1. Develop a plan for better Project positioning

To ensure the Project is as effective as possible in strengthening the institutional set-up of the Project partners, the Consultant will prepare a Positioning Plan which will identify the key line ministries, government agencies and other indirect Project partners of relevance to the Project in the eight legislative fields and/or involved in communicating information to the business community.

One-to-one meetings are, therefore, being held with these organisations (most of these meetings have already taken place during the Inception phase – see *Annex 2*) to discuss the Project, the organisations' activities relevant to the Project and assess scope for cooperation.

An "internal" launch has been held (on 31 October 2007 – see *Annex 5*) to which the most important indirect Project partners were invited, to raise the visibility and awareness of the Project and ensure a clear understanding for ongoing cooperation (see *Annex 5*). A Project factsheet has also been produced in Croatian and English and distributed to all relevant organisations (see *Annex 6*).

Based on the information gathered during the above process, a Positioning Plan will be produced. This will describe the existing institutional set-up of both public and private sector institutions involved in activities and legislative fields relevant to the Project. It will also show how the Project fits into this set-up and ways in which the Project can enhance the cooperation / communication links between those institutions.

Sub-tasks

- 1.1.1. *Organise meetings with key Project partners to assess scope for collaboration.*
- 1.1.2. *Undertake an "internal" launch during Inception Phase.*
- 1.1.3. *Prepare a Positioning Plan and agree it with Project partners*

Task 1.2. Develop a Training Plan

In preparing training in the eight legislative fields for the Project partners, the Consultant will hold discussions with the partners to identify their most pressing training needs in each field and those individuals within each Project partner who will benefit most from receiving such training.

Each Project partner will accordingly be asked to nominate one or more individuals who will participate in the training. It is anticipated that individuals who are directly involved in communicating with SMEs, such as through answering their enquiries, will form the main target group for the training. Additionally, individuals working with specific economic sectors may be appropriate participants in the training for a legislative field of particular importance to their sector.

Sub-tasks

- 1.2.1. *Identify training needs and most appropriate training beneficiaries from the Project partners.*
- 1.2.2. *Prepare Training Plan and agree it with Project partners*

Task 1.3. Commission international / national experts where necessary

The eight legislative topics are technical in nature. In order to ensure that the training materials, draft mini guides and delivery of the training are done as effectively as possible, the experience of EU countries, as well as the current situation in Croatia will be incorporated. Consequently, a mixture of national and international Short Term Experts (STEs) will be used, where it makes sense to do so. This is in recognition of the fact that some of the partner institutions in the eight fields may be best placed to prepare and deliver the training modules. On the other hand, the preparation of some of the draft mini guides will require investment of time on the part of Project partners. Where capacity exists, the Consultant will ensure that they are involved in preparing both the draft mini guides and the training. Where this is not possible, the Consultant will commission suitably qualified international and national STEs. These will be selected on the basis of their technical expertise in the eight fields, as well as their capacity building experience.

Sub-tasks

- 1.3.1. *Liaise with Project partners to determine willingness to deliver training/guides.*
- 1.3.2. *Draft ToR for STEs.*
- 1.3.3. *Obtain approval of CVs from CFCU.*
- 1.3.4. *Commission and deploy STEs.*

Task 1.4. Prepare training materials / draft mini guides

In addition to preparing and delivering the training modules, the STEs (or the Project partners) will also prepare the mini-guides on the eight themes. In both cases, the Consultant will liaise closely with the Project partners in the eight legislative fields to ensure involvement, relevance and accuracy of the prepared materials. The key focus of the training and draft mini-guide will be the characteristics of EU and national legislation, from the perspective of small businesses generally (in Activity 4, these will be added to in terms of the Impact Assessment and sectoral implications). As set out in the ToR, modules will be combined where it make sense to do so. For example, it may be possible to combine industrial and agricultural standards, as well as competition policy and state aid. Moreover, draft mini guides will not be prepared where these already exist unless there is a sound rationale for doing so. The training materials / mini guides will be designed to be as practical as possible and seek to explain the:

- Characteristics of EU legislation, Acquis requirements, directives, etc. as relevant.
- Changes in Croatian law has/will take/n place.
- Implications for the SME sector in general.
- Key documents, information sources, contacts, etc.

Sub-tasks

- 1.4.1. *Determine and agree structure of each training module and draft mini-guide.*
- 1.4.2. *Liaise with key partners in preparing content of the training modules.*
- 1.4.3. *Liaise with key partners in preparing content of the draft mini-guides.*

Task 1.5. Deliver training in the eight legislative fields

The Training Plan will set out the mode for the most appropriate modes of delivery. The Project partners in the eight legislative fields will be present and will be encouraged to deliver parts (or entire) training modules. Where this is not possible, the commissioned STEs will lead the process, together with the relevant Project partners. It is envisaged that the training modules will be delivered in Zagreb in the form of special lectures and learning experiences to the staff of the five beneficiaries (and others, if this is deemed to be appropriate). It is essential to train the stakeholders, especially those liaising with the Croatian business sector, such as the business associations, etc. on the likely implications for small businesses, thus raising the business sector's awareness of the importance of these eight fields and to prepare for accession.

The focus on the training will not be gaps and weakness is legislation, but practical training on the basics of the directives/legislation/standards, etc. In terms of the audience, in addition to the information officers of the three business associations, their sectoral bodies will be invited to the training. Although this is not a requirement of the ToR, in order to maximise the value of the learning experience, training will be delivered in Croatian. As previously discussed, the draft mini guides will be generic at this stage of the Project. Where relevant, subsequently, the Impact Assessments and sectoral approach will be incorporated in Activity 4 of the Project.

Sub-tasks

- 1.5.1. *Deliver training on the eight topics in Zagreb, inviting relevant stakeholders.*
- 1.5.2. *Disseminate the draft mini guides, e.g. in the Project website.*

2.3 Activity 2 - Impact Assessment Methodology and Train the Trainers

Objective

There is currently little or no information circulation on potential impact of changes in the legal framework to businesses in Croatia. The EU accession process means that the volume of recent and forthcoming changes following implementation of legislative and administrative reforms is large, yet Croatian enterprises, especially small firms, are largely unprepared to deal with the consequences. A key reason for this state of affairs is the fact that knowledge of principles and methodology of legislative Impact Assessment are currently poor at best and nonexistent at worst. The problem to be addressed in this activity, in relation to the above mentioned eight legislative fields, includes a lack of methodology for measuring the impact that upcoming and existing legislation will have on business. Consequently, the Project will help to develop the methodology to enable legislative Impact Assessment of eight legislative fields to selected sectors or sub-sectors, based on international best practice, especially EU approaches. This will be supplemented with capacity building measures, such as train the trainers and study tours, as well as practical examples of 5+ legislative Impact Assessments in selected economic sectors or sub-sectors. This will help strengthen the internal capacity of the partner institutions (MINGORP, HAMAG, HGK, HUP and HOK) and result in the ability to undertake a more pro-active role in identification and highlighting of the key changes caused by legislation.

Specific tasks

Tasks	Description
2.1.	Prepare legislative IA Manual.
2.2.	Organise one-day presentation on the IA methodology and identify possible sector and sub/sectors for the IA studies.
2.3	Deliver one-week TTT on legislative IA.
2.4.	Undertake two Study Tours to EU countries.
2.5.	Support in performing 5+ impact analysis studies.
2.6.	Revise and publish IA Manual.
2.7	Cascade IA training.

Task 2.1. Prepare IA Manual

Impact Assessment (IA) has become an established policy tool in EU and OECD member countries and the Project places legislative Impact Assessment in relation to the eight legislative fields from the point of businesses at the forefront of what it is seeking to achieve. However, there is no need for Croatia to reinvent the wheel, as far as developing a methodology to undertake Impact Assessments in relation to the eight legislative fields to selected sectors or sub-sectors of business activity is concerned. Such methodologies have already been developed by OECD, EU and Candidate Countries (current and former) and they are broadly structured in a similar manner, regardless of the economic sector / sub-sector or legislative fields that is covered.

Therefore, the legislative Impact Assessment methodology that the Consortium will propose to the Project beneficiaries will be based on OECD/EU country methodologies, but customised to the local specificities. Of particular interest in developing the Manual will be the experience of countries such as United Kingdom and the Republic of Ireland, both of which have placed significant emphasis on

legislative Impact Assessment for the business sector, including guidance on transposition of EC Directives. The focus will be on the creation of a practical “how to” Manual, involving a step-by-step process, to assist MINGORP and the related beneficiaries to conduct legislative Impact Assessment. A STE will be selected to produce the legislative Impact Assessment methodology and Manual. This individual will not only have experience of Impact Assessment; they will also be an expert in enterprise development and have experience of sectoral studies.

Sub-tasks

- 2.1.1. *Commission STE to draft the legislative Impact Assessment methodology.*
- 2.1.2. *Present the draft methodology to Project beneficiaries (see 2.3.2 below).*
- 2.1.3. *Prepare first draft of the IA Manual in English.*
- 2.1.4. *Prepare first draft of the IA Manual in Croatia.*
- 2.1.5. *Disseminate first draft of the IA Manual to beneficiaries.*

Task 2.2. Organise one-day presentation

The methodology and Manual will be prepared by STEs commissioned by the Consortium. A key step in the process of developing the IA Manual will be to prepare the draft best practice based methodology, customise it for the particular situation in Croatia and present it to stakeholders at a one-day presentation to be held in Zagreb. The participants will include the beneficiaries and other interested parties. Based on the feedback obtained, the IA methodology will be finalised and the IA Manual will be produced. The one-day Presentation will also have an important secondary role. The participants will be invited to make suggestions for the priority sectors / sub-sectors to undertake the 5+ legislative IA studies (see below). The final 5+ studies will then be defined by the Consultant, in cooperation with the Project beneficiaries.

Sub-tasks

- 2.2.1. *Obtain feedback on the proposed IA methodology.*
- 2.2.2. *Obtain feedback on the possible 5+ RIA case studies*
- 2.2.3. *Obtain feedback on the priority sectors and sub-sectors.*

Task 2.3. Deliver one-week TTT on legislative IA

The preceding activities will lead to a one-week customised Train the Trainers (TTT) programme to ensure that the IA methodology and Manual are effectively transferred to the beneficiary institutions. The ToR suggests 10 participants; however, since 15 people are expected to take part in the study tours (see below), up to 15 participants could benefit from the TTT. The selected participants for the TTT must not only be appropriately qualified (such as having a legal/economic/research type of background), they must also have the time to commit to the associated activities on behalf of their respective organisations. The Consultant will thus liaise closely with the beneficiaries in the selection of the TTTs. Furthermore, the participants will be required to commit to participating in the study tours and at least 2 of the proposed Impact Assessments (see below). Finally, since TTT implies a need to cascade the knowledge to the rest of their respective organisations, an indication will be required as to how this will be done by the beneficiaries (see Task 2.7).

The TTT will involve a mixture of lectures, individual and group exercises, etc. to maximise the learning opportunity. For quality and continuity reasons, the international and STEs responsible for developing the methodology and the IA Manual will undertake the one-week training for the TTT. They will also revise the draft IA Manual based on the experience of the TTT.

Sub-tasks

- 2.3.1. *Identify appropriately qualified persons for TTT from the partner organisations.*
- 2.3.2. *Obtain commitment that TTTs will participate in the study tours/case studies.*
- 2.3.3. *Obtain indication how the TTT will cascade the IA knowledge internally.*
- 2.3.4. *Deliver one-week TTT on IA methodology and IA Manual in Zagreb.*
- 2.3.5. *Revise IA Manual according to feedback from the training session.*

Task 2.4. Undertake two Study Tours to EU countries

An important tool for effective transfer of know-how is the organisation and implementation of study tours. Networking the beneficiaries with similar institutions, policies and IA systems in a practical way is an important element of technical assistance. It enables participants to experience not merely the technical and theoretical content of IA developed through the in-country TTT process, but also to put this in context by experiencing how the system operates in other countries in practical terms. Since the BIZImpact Project also focuses on communication, information dissemination and dialogue, part of the study tours will cover these themes. At the recommendation of the ECD, the per diems to be applied for the study tours are those of the Government of Croatia and have been calculated accordingly in the incidentals budget. Members of the Technical Assistance Team will participate in the study tours for organisational and logistical purposes and two study tours have been budgeted for:

- To an “established” EU country (UK or Ireland) to ensure that the TTTs are fully aware of the state-of-the-art systems and best practices in relation to IA and businesses, as well as aspects of communication and awareness-raising.
- To a smaller “new” EU member country (possibly Hungary or Slovakia) to discuss the issues highlighted above, transposition and harmonisation with EU, evolution of IA system, implementation needs, etc.

Sub-tasks

- 2.4.1. *Select the 15+ participants for the study tours based on participation in TTT.*
- 2.4.2. *Select countries to undertake the study tours based on best practice.*
- 2.4.3. *Develop short, practical and focused programme for the study tours.*
- 2.4.4. *Prepare all logistics (programme, transport, accommodation, insurance, etc.).*
- 2.4.5. *Brief participants on the expectations, prior to departure.*
- 2.4.6. *Prepare necessary documentation (itineraries, visas, feedback, etc.)*
- 2.4.7. *Coordinate and support study tours in country to maximise the benefits.*

Task 2.5. Support in performing 5+ Impact Assessment studies

We have previously described the one-day Presentation which will also be used to identify the possible IA studies, as well as the sectors and sub/sectors. This will be further discussed with the sectoral bodies operated by the beneficiaries. Once the 5+ studies are agreed upon, a process of coaching and mentoring will be applied by the Consultant in order to ensure that:

- The 5+ sector/sub-sector studies are performed professionally.
- The beneficiaries combine the theory (one-week TTT, 2 study tours, IA Manual) with the practice (5+ sector/sub-sector studies).
- The beneficiaries develop a thorough understanding of the IA tools and are able to perform legislative IA independently of the Consultant.

A slight deviation from the ToR is that the Technical Assistance Team will not undertake the 5+ studies. Rather its role will be to mentor, coach and support the TTTs to undertake the 5+ studies so as to ensure that they develop the skills and know-how not only to carry out the 5+ studies according to the Manual and professional expectations, but that they also develop the skills, confidence, procedures, documentation, etc. to perform IA on their own, thus enhancing the prospect of sustainability. As previously discussed, the TTTs also need to develop a plan of how they plan to cascade their IA knowledge within their respective organisations. For quality and continuity reasons, the STEs responsible for developing the methodology, Manual and TTT training will also provide support for the 5+ IA studies. This experience will enable the authors to update and finalise the IA Manual according to the practical experience of implementing the IA studies. Where necessary, the Consortium will involve the relevant ministry/agencies in the studies and recruit specialist STEs in the particular sectors / subjects to ensure that quality and relevant IA studies are produced. The 5+ IA studies will be used in the mini guides / Frequently Asked Questions to ensure that the sectoral and sub/sectoral dimensions of Impact Assessment are incorporated (Activity 4).

Sub-tasks

- 2.5.1. *Allocate the 15 TTT participants to different groups to perform the IA studies.*
- 2.5.2. *Commission STEs in the relevant technical areas to support the process.*
- 2.5.3. *Support the TTT participants to implement the 5+ studies according to Manual.*
- 2.5.4. *Support the TTT participants to produce the 5+ legislative IA reports.*
- 2.5.5. *Present the 5+ legislative IA reports to the Project Steering Committee.*

Task 2.6. Revise IA Manual

The STEs responsible for the Manual will have supported the preparation of the 5+ IA studies and will use this experience of the theory and practice of working on legislative IA to update the Manual. Illustrative examples and case studies from the 5+ IA studies will be incorporated into the final version of the legislative IA Manual in order to ensure that it is structured, practical, illustrative, etc. The IA Manual will be made available in Croatian and English.

Sub-tasks

- 2.6.1. *Develop examples, case studies and annexes based on the 5+ IA studies.*
- 2.6.2. *Incorporate the above materials into the final version of the IA Manual.*
- 2.6.3. *Publish the IA Manual in English and Croatian (printed and e-book).*
- 2.6.4. *Disseminate the legislative IA Manual widely.*

Task 2.7 Cascade IA training

As mentioned previously, the TTTs who receive IA training and participate in the study tours and case studies will do so on the condition that they subsequently cascade that knowledge and experience within their own institutions. While the Technical Assistance Team will provide advice and limited support, the responsibility will be on the beneficiaries and those trained to organise and undertake this cascaded training while their own training and practical experience are still fresh.

Sub-tasks

- 2.7.1 *TTTs to organise cascade training sessions within their own institutions and agree these with the Project team.*
- 2.7.2 TTTs to deliver cascaded training.

2.4 Activity 3 - Business Information Needs Survey (BINS)

Objective

There is currently a low level of general knowledge and awareness of the range of information and communication channels available to businesses in Croatia. There are some exceptions, such as the entrepreneurial portals (e.g. "Poslovni Navigator," "Vlada"), EU Information Centre, European Information Correspondence Centre, etc.), but there is presently limited information dissemination on issues such as the potential changes in the legal framework affecting businesses in Croatia, let alone the likely impact of such changes. As regards recent and forthcoming changes in legislation, directives, regulations, standards, etc. in relation to the eight fields covered by the Project, a large proportion of the business community is not aware of them, let alone sufficiently prepared. Moreover, although some public-private consultation channels have been established, such as the National Social and Economic Council, they are not representative of the small business sector and are fairly formalistic in nature. The Business Information Needs Survey (BINS) represents a unique opportunity to assess the current provision, the needs, gaps, priorities, etc. by contacting a representative sample of the small business community in Croatia. This will provide a comprehensive source of information on the current state of play, on which to base the tasks of Activity 4 of the BIZimpact Project, such as awareness raising campaign, communication tools and visibility events (see below).

Specific tasks

Tasks	Description
3.1.	Recruit Market Research Agency to carry out Before and After BINS.
3.2.	Prepare and finalise BINS methodology.
3.3.	Publicise BINS to maximise cooperation and participation
3.4.	Undertake “Before” BINS.
3.5.	Undertake “After” BINS.
3.6.	Undertake visibility events to present BINS results throughout country.

Task 3.1. Recruit Market Research Agency to carry out the “Before” and “After” BINS.

The purpose of the Business Information Needs Survey (BINS) baseline survey is to provide an independent information needs analysis at the beginning of the Project (“Before” BINS) whilst the follow-up study (“After” BINS) is expected to assess the situation in the business community and to evaluate the progress achieved in comparison with the findings in the “Before” survey. The survey is expected to bring “added value” such as contributing to the evaluation of the Project and be potentially used as the basis of future projects with similar objectives. The ToR requires that the BINS:

- Is conducted by an opinion / Market Research Agency.
- Consists of a “baseline” (or “Before”) and “follow-up” (or “After”) survey.
- Covers a representative sample of the Croatian small business community.

A priority is to recruit a Market Research Agency (MRA). In order to do this, it was necessary to establish and agree with the CFCU the tendering procedure. Although not strictly necessary according to the conditions of the Project, it was nevertheless decided jointly with CFCU to follow a simpler version of the “Competitive Negotiated Procedure” so as to secure accountability, transparency and value for money in the award of the tender. To this end, the Consultant met with experienced MRAs with the capability to implement the “Before” and “After” BINS. The BINS tender brief (see *Annex 4*) was prepared by the Contractor and discussed and agreed with the beneficiaries. At the time of preparing this report, this process was not yet complete. The tenders were received in mid-November and the evaluation process and Evaluation Committee needs were established, leading to the evaluation and preparation of an Evaluation Report, followed by negotiation and contracting with the winning tenderer.

Sub-tasks

- 3.1.1. Obtain CFCU approval for tendering procedure.
- 3.1.2. Discuss potential BINS methodology with MRAs.
- 3.1.3. Develop the draft BINS Brief and obtain agreement with beneficiaries.
- 3.1.4. Tender BINS service contract (information, support, logistics, etc).
- 3.1.5. Manage the evaluation through an Evaluation Committee and simplified tender Evaluation Report.
- 3.1.6. Negotiate and contract with the winning MRA.

Task 3.2. Prepare and finalise BINS methodology

Based on the ToR, the BINS outline methodology was prepared (see *Annex 4*) and circulated to seven experienced MRAs with the capacity to implement the contract. The BINS Brief covers the following key issues:

- Background.
- Methodology:
 - Timing.
 - Overall approach.
 - Components and sequence of the “Before” BINS (panel survey, sampling frame, stratification, focus groups, one/to-one interviews, etc).
 - Components and sequence of the “After” BINS.
- Selection procedure (technical and financial proposal; evaluation panel, etc.).
- Annex 1: Structure of tender to be Submitted

Once the negotiation and contracting has been completed (see preceding task), the Consultant will prepare the draft methodology, jointly with the selected MRA. Once this is completed, this will be presented and discussed with the beneficiaries. The beneficiaries will be allowed sufficient time to scrutinise the draft methodology and offer feedback regarding possible improvement of the methodology. The MRA will take on board the relevant comments, leading to the approved methodology for the BINS.

Sub-tasks

- 3.2.1. *Consultant and MRA to refine and prepare draft BINS methodology.*
- 3.2.2. *Present draft methodology and BINS to the beneficiaries.*
- 3.2.3. *Incorporate relevant feedback from beneficiaries.*
- 3.2.4. *Obtain feedback from stakeholders in the eight legislative fields.*
- 3.2.5. *Agree and finalise BINS methodology.*

Task 3.3. Publicise BINS to maximise cooperation and participation

Since business surveys are frequently carried out in Croatia, to ensure that the sample quota is obtained, it will be necessary to communicate with potential respondents in the small business sector about the importance and value of the BINS, both to Croatia in terms of future policy-making and to the business community in terms of receiving targeted and practical information which will be used to assist firms to prepare for the challenges of EU accession. This will be achieved by working closely with the Project beneficiaries and using their information channels (e.g. membership databases, *Ekonomist*, *Privredni Vjesnik*, *Obrtničke Novine*) to inform small businesses about BINS, combined with activities at a county level (branches and local networks of business associations) to raise awareness among entrepreneurs. This should raise the response rate and quality of the BINS.

Sub-tasks

- 3.3.1. *Agree with beneficiaries BINS awareness raising / communication approach.*
- 3.3.2. *Assist beneficiaries with publicity (e.g. press releases) at national/county level.*

Task 3.4. Undertake “Before” BINS.

The BINS will involve a mixture of quantitative and qualitative components:

- A quota survey of 2,000 firms involving pre-arranged interviews to minimise inconvenience to firms. The target group for the survey will be the owners / managing directors in the case of micro and small enterprises, and directors with relevant responsibilities in the case of medium sized enterprises.
- Ten face-to-face interviews with medium-sized firms across 5 regions.
- Five focus groups of 8 to 10 entrepreneurs per focus group.

Once the methodology is finalised (see above), the piloting stage will begin to ensure that the questionnaire and issues addressed are relevant, clear, etc. The successful MRA is expected to initiate the “Before” BINS in February/March 2008, and to complete the research some 8-10 weeks later. The survey analysis will involve mainly descriptive statistics (frequencies, cross-tabulations, etc.) with a focus on incorporating both the qualitative and quantitative analysis into relevant and timely policy recommendations for the Project priorities. The draft report will be presented to beneficiaries and, following comments and feedback by them, the final version of the “Before” BINS report will be delivered in English and Croatian. The MRA will also participate in up to 5 visibility / dissemination events in Zagreb and elsewhere in Croatia.

Sub-tasks

- 3.4.1. *Oversee MRA in piloting, revision and finalisation of the BINS.*
- 3.4.2. *Oversee MRA in undertaking, analysis and delivering draft BINS report.*
- 3.4.3. *Oversee preparation of BINS presentation to beneficiaries.*
- 3.4.4. *Coordinate with beneficiaries to prepare feedback to MRA on the draft report.*
- 3.4.5. *Oversee preparation of final report by MRA in English and Croatian.*

Task 3.5. Undertake “After” BINS.

The BINS survey is a fixed panel study consequently, the same 2,000 enterprises will participate in the “After” BINS. The After BINS will include the same qualitative elements as the “Before” BINS, namely 10 face-to-face interviews and 5 focus groups with the same respondents. Although participants will be asked to tick a box indicating willingness to participate in the “After” BINS, a degree of firm mortality is anticipated and other firms may, in the end, be unwilling to participate in the “After” BINS. Therefore, the “After” BINS will need to replace “lost” enterprises with an equivalent quota (in the worst case scenario, this might be as many as 1,000 firms) in order to arrive at the overall quota of 2,000.

Consequently, the “After” BINS will include a “sensitivity” analysis in order to assess whether the responses of the “replaced” firms vary significantly from that of the “non-replaced” firms. The “After” BINS will thus enable an objective assessment of what has changed, if anything, since the “Before” BINS was performed. The analysis of the “After” BINS will also include an evaluation of the information campaign developed and its effect. Regarding the timing of the “After” BINS, in order to allow the maximum time for Activity 4 of this Project to have an effect, it will be carried out about 15 months following the Before BINS.

Sub-tasks

- 3.5.1. *Prepare replacement sample to achieve an overall quota of 2,000 firms.*
- 3.5.2. *Oversee MRA in replacing the “After” BINS quota sample.*
- 3.5.3. *Oversee MRA in undertaking, analysis and delivering draft BINS report.*
- 3.5.4. *Oversee preparation of the “After” BINS presentation to beneficiaries.*
- 3.5.5. *Coordinate with beneficiaries to prepare feedback to MRA on the draft report.*
- 3.5.6. *Oversee preparation of final report by MRA in English and Croatian.*

Task 3.6. Undertake visibility events to present BINS results throughout the country.

The reason for undertaking the BINS is to establish, for the eight fields covered by the BIZimpact Project, the extent to which the Croatian small business community is aware of the EU and national legislation, the extent to which they are prepared, the sources of information that they use and the nature of the information gaps; and to assess what is possible for Ministries, Agencies and business associations to do in order to meet their information, communication and dialogue needs. However, the point of the exercise is not the analysis *per se*, but the policy recommendations arising from the BINS, and working with the governmental and business sector in order to improve information provision, strengthen communication channels and enhance dialogue around the eight legislative themes. Consequently, it is essential to disseminate the results of the BINS widely throughout the country, as well as to hold discussions with the key stakeholders and prepare responses for

improving information dissemination to the Croatian business community, linking with the tasks in Activity 4 below.

Sub-tasks

- 3.6.1. Present “Before” BINS in 5 regional events throughout Croatia.
- 3.6.2. Hold discussions with stakeholders in eight fields on the “Before” BINS implications.
- 3.6.3. Prepare awareness-raising strategy based on results of the BINS.
- 3.6.4. Disseminate the “Before” BINS report widely.
- 3.6.5. Present “After” BINS report at final Project conference.
- 3.6.6. Hold discussions with stakeholders in eight fields on the “After” BINS implications.
- 3.6.7. Disseminate the “After” BINS report widely.

2.5 Activity 4 - Information to the Croatian Business Community

Objective

The objective of this activity is to improve communication with the Croatian business community, and particularly with SMEs, of information concerning the practical impact of changes in the eight legislative fields, in order to improve their knowledge, preparedness and ultimately competitiveness. As part of this process, the capacity of the Project beneficiaries to communicate effectively with the business community will be improved.

Improvements will be measured in terms of increased awareness and understanding of the business community in the eight legislative fields and by achievement of measurable changes in the quality of information provided and in enhancement of communication channels.

Specific tasks

Tasks	Description
4.1.	Preparation of awareness-raising methodology / plan
4.2.	Preparation and implementation of the awareness-raising campaign
4.3.	Development of Public-Private Dialogue
4.4.	Training Information Officers in all counties
4.5.	Evaluation of the awareness-raising campaign

Task 4.1. Preparation of awareness-raising methodology / plan.

The basis for any good awareness-raising campaign is solid research to identify the existing levels of knowledge and understanding of the target audiences, their information needs (particularly the “information gaps” which exist concerning critical issues) and the most effective communication tools through which to reach them. As such, preparation of an awareness-raising methodology / plan will be preceded by two phases of research:

- Analysis of existing communications and communications capacity of the Project beneficiaries and other organisations communicating information about the eight legislative fields to the business community, to gauge how best to coordinate and build on existing communication processes.
- Use of the “Before” BINS and analysis of the results of the survey to identify the information needs of and most effective communication tools for reaching the Croatian SME community, including sector-specific information requirements.

Based on the above research, a full Communications Plan will be developed including both an overall strategic framework, target groups, objectives and methodology and detailed implementation plans, including a full budget, timetable and responsibilities of the various experts and beneficiaries involved in the Project.

Sub-tasks

- 4.1.1. *Identify and analyse existing communications with SMEs and communications capacity of Project beneficiaries and other actors.*
- 4.1.2. *Draft questions for inclusions in "Before" BINS to identify information needs and appropriate communications tools for SMEs, including specific sectoral needs and regional variations.*
- 4.1.3. *Analyse BINS results regarding information needs and communications tools.*
- 4.1.4. *Develop Communications Plan based on above results.*

Task 4.2. Preparation and implementation of the awareness-raising campaign

Once the Communications Plan has been discussed and agreed with the Project beneficiaries, it will be implemented jointly by the Technical Assistance Team and the beneficiaries (a Communications Working Group will be established for this purpose). Although the exact communication tools to be utilised will not be specified until the Communications Plan is prepared (based on the results of the "Before" BINS research), it will, as a minimum, include the following:

- Visibility events (a minimum of 10) to be held both at national and county level.
- Participation by beneficiaries in conferences / exhibitions where appropriate opportunities for publicity exist.
- Design and production of a visual identity for all awareness-raising campaign products and activities.
- Production and distribution of information materials (including the eight mini-guides, Frequently Asked Questions and sector-specific information) through the Project beneficiaries and other channels that may be identified for reaching SMEs.
- Production of a website and development (in cooperation with partners) of other electronic means of communication, including e-newsletters and inter-active services allowing feedback and enquiries.
- Media relations, news conferences, interviews, etc. at national and county / regional level, including identification of most appropriate / specialist media for reaching the small business community.
- Consideration of advertising / marketing activities to supplement other communication tools, where appropriate and cost-effective.
- Proposals for improving responses to information requests from the business community, including proposals for improvements to telephone information services.
- Improvement of internal and inter-institutional communications to build an effective and sustainable network for communications with the business community.

Sub-tasks

- 4.2.1. *Draft Communications Plan (including specific implementation plans, budgets, timetable and responsibilities) and discuss with Project beneficiaries.*
- 4.2.2. *Agree final version of Communications Plan.*
- 4.2.3. *Organise tender(s) if required for communications products / activities.*
- 4.2.4. *Establish Communications Working Group and implement awareness-raising activities.*
- 4.2.5. *Monitor and adjust campaign activities as required by changing needs and circumstances.*

Task 4.3. Development of Public-Private Dialogue

A key objective of the Communications Plan and the awareness-raising campaign, mirroring other Project activities, will be to establish an effective and sustainable system for ongoing, two-way communication with Croatian SMEs and their representatives. Emphasis in the communication tools

will, therefore, be focused on activities which enable and encourage feedback from and dialogue with the small business community. While specific measures will be developed based on the research findings, this will be achieved through development of pro-active communication tools and events which can respond to specific information requests from entrepreneurs (including improvements to the many existing information resources) and education of SMEs in the information resources available.

Sub-tasks

- 4.3.1. *Based on research findings, include proposals for public-private dialogue in the Communications Plan.*
- 4.3.2. *Use other Project activities (e.g. the 5+ Impact Assessments) as pilot opportunities for putting public-private dialogue into practice.*

Task 4.4. Training Information Officers in all counties

To make sure that information reaches SMEs on the ground, particularly since the research may well identify significant regional variations in current levels of knowledge and information gaps, as much emphasis will be placed on communications activities at county / regional level as at local level. This will include training of information officers in all 21 counties, to complement development of the communications capacities of the Project beneficiaries at national level.

The training programme will be developed based on an analysis of existing communications capacities and needs at both national and county level and on the Before BINS results showing the information needs of the target audiences.

Although the ToR only mention training of local information officers, it is already clear that a parallel need exists for communications capacity-building at a national level, and the Project will aim to provide this alongside the training of local information officers. Attention will also be paid to sector-specific communication requirements within the Project beneficiaries.

Sub-tasks

- 4.4.1. *Analyse existing communications capacity and capacity-building / training needs of Project beneficiaries at both national and regional / county level.*
- 4.4.2. *Identify individuals requiring training, including a minimum of 21 information officers at county level.*
- 4.4.3. *Prepare communications training plan, discuss and agree with beneficiaries.*
- 4.4.4. *Implement communications training.*
- 4.4.5. *Evaluate communications training and further training needs.*

Task 4.5. Evaluation of the awareness-raising campaign

As part of the Communications Plan developed under activity 4.2, specific indicators will be developed to measure the success of the awareness-raising campaign. The "After" BINS will provide an opportunity for measurement of indicators such as improved awareness and will also help to identify future information needs and activities required.

The evaluation indicators will include *output* measurements, such as:

- No. of information requests / enquiries from businesses to beneficiaries' information centres and info points (visitors, written, telephone and e-mail enquiries).
- No. of website visits and no. of comments / feedback.
- No. of publications printed and distributed.
- No. of conferences / seminars held and no. of attendees.

But equally importantly, the evaluation indicators will also include *impact* measurements, such as:

- Volume and nature of media coverage achieved.
- Improvements in awareness achieved (measured by "Before" and "After" BINS).

- Level of satisfaction of customers regarding e.g. responses to information requests.

Sub-tasks

- 4.5.1. Develop evaluation indicators for inclusion in the “Before” and “After” BINS and for use during the awareness-raising campaign (e.g. media monitoring, recording output numbers).
- 4.5.2. Discuss and agree evaluation indicators with beneficiaries and include them in Communications Plan.
- 4.5.3. Collate and analyse data for evaluation indicators from BINS and from monitoring measures during campaign.
- 4.5.4. Produce evaluation report and discuss with beneficiaries.

2.6 Assumptions and risks at different levels

The Table below illustrates the risks / assumptions identified by the ToR and subsequently by the Consultant, as well as how it is proposed to address them following the Inception Phase.

Table 1: Risks and assumptions

Risks/Assumptions	Addressing the Risks / Assumptions based on Inception Phase
Identified by ToR	
Continuation of process of European integration of Croatia in the EU and harmonisation of laws	An important aspect in the process of harmonising with the <i>Acquis</i> concerns the potential impact of EC and Croatian laws and regulations on businesses and economic sectors. Croatia’s negotiation position will be strengthened through better knowledge of Impact Assessment, a process which the Project will contribute to (methodology, training, study tours, practical work, etc.).
Good cooperation from line ministries and business organisation management	The Consultant held discussions during the Inception Phase with the beneficiaries (as well as relevant ministries and agencies) to secure collaboration. The IA methodology will be developed in collaboration with the beneficiaries, whose management appears to be committed to cooperating with the Project.
Good motivation of entrepreneurs for learning and training	This risk / assumption is not directly relevant since the beneficiaries are MINGORP, HAMAG and business associations, rather than entrepreneurs <i>per se</i> . However, the Consultant will assist the business associations (as well as counties and business development service providers) to transfer the information and know-how to Croatian entrepreneurs. Entrepreneurs will also participate in certain Project activities, such as visibility events.
Good cooperation with other institutions in Croatia	During the Inception Phase, the Consultant met with all potential Project partners covering the eight legislative fields. This was followed-up by an internal meeting with all Project partners. A firm basis for cooperation with the relevant institutions has been established and will be enhanced during the Implementation Phase through participation in IA training / studies, awareness raising etc.
Identified by Consultant	
Capacity of staff assigned to work on the Project (MINGORP, HAMAG, HUP, HGK and HOK) to allocate time to IA issues.	The Project’s success is directly linked to the quality and professionalism of the staff allocated to be trained, participate in the study tours and the IA studies. Since these duties will be over and above their normal responsibilities, there is a danger that the staff may have neither the skills nor the time to participate fully. During the Inception Phase meetings these issues were addressed and all beneficiaries undertook to ensure that staff time is made available for full participation in Project activities.

Ability of staff assigned to work on the Project to develop IA capabilities and improve communication with businesses	Legislative IA is a generic tool which can be learned and applied but it requires a degree of economic aptitude so the selected TTTs must be equipped with the basic skills and aptitude. The stakeholders have agreed with this premise and the Consultant will assist in the selection process. All beneficiaries recognise the existence of an “information gap” between the new and forthcoming legislation, regulations, standards, etc. and what firms are aware of. They have accordingly also agreed to ensure that staff time is made available for relevant participation in and support of Project communication activities.
Capacity and professionalism of market research companies to undertake high quality, statistically robust survey work	The “Before” and “After” Business Information Needs Survey (BINS) requires high levels of competence and professionalism. Meetings held with leading Market Research Agencies established that several do have the capacity, experience and know-how to implement the BINS.
Ability of beneficiaries to understand the importance of IA / information dissemination and allocate resources to this	The Croatian IA system is being developed with the establishment of the RIA Coordination Office. All ministries have a duty to perform IA, especially Economic Impact Assessment in the case of MINGORP. The Inception Phase demonstrated that regulatory bodies are broadly aware of the necessity to develop IA capabilities but require capacity building, methods, procedures, etc.
Willingness of key beneficiaries other stakeholders to translate Project recommendations into policy and strategy changes	The BINS will deliver information with which to plan better information provision, communication and consultation with the small business sector. The Consultant will work with the beneficiaries and other Project partners to develop appropriate responses, mechanisms and tools for better communication. It will also work to ensure that the recommendations are implemented and/or reflected in the key beneficiaries’ policies and strategies.

2.7 Respect of, and contribution to, overarching policy issues

Progress towards Membership of the EU

Croatia has been a participant to the Stabilisation and Association Process (SAP) in the Western Balkans since 1999. Croatia signed the Stabilisation and Association Agreement (SAA) with the EC on 29th October 2001 and adopted an Implementation Plan for the SAA in order to monitor legislative and non-legislative measures linked to obligations under the SAA.

In February 2003, Croatia submitted its application for Membership of the EU. In April 2004, the EC presenting its opinion on the application, which confirmed that Croatia meets the political criteria set by the Copenhagen European Council in 1993 and that Croatia would be in a position to take on the other obligations of membership in the medium term, provided that efforts are made to align its legislation with the *Acquis Communautaire* and ensure its implementation and enforcement.

In June 2004, the European Council confirmed the status of Croatia as a candidate country for membership and opened negotiations on full membership in 2005. According to the Commission’s latest published assessment, “Croatia 2007 Progress Report,” Croatia is making encouraging progress towards meeting the requirements of accession in areas such as competition policy and state aid, intellectual property, enterprise and industrial policy, etc.

In summary, Croatia is advancing well towards becoming an EU Member State. The BIZimpact Project will contribute to Croatia’s progress towards fulfilling various chapters of the *Acquis Communautaire* through support of legislative Impact Assessment and will help overcome the information gap, as well as the implementation gap in the eight legislative fields through information dissemination and the awareness raising activities targeted at the small business sector.

Progress towards implementing an Impact Assessment capability

In line with Commission recommendations (Impact Assessment Guidelines SEC(2005)791) and OECD best practice, since July 2001 there has been a requirement for all Croatian line ministries to undertake all four types of Impact Assessment, namely:

- Financial impact analysis.
- Social impact analysis.
- Environmental impact analysis.
- Economic impact analysis.

In reality, however, few line ministries have undertaken Impact Assessment. For example, in the case of MINGORP, only two Impact Assessment are known of, namely in relation to the previous Investment Law and in relation to the current SME Promotion Law.

Nevertheless, the Government of Croatia has recently made strides towards mandating Impact Assessment. The first step was the establishment of the Regulatory Guillotine process in 2007. The second step was the Government Decision of 28th June 2007 for the monitoring of implementation the Regulatory Guillotine Implementation Plan agreed with some 40 regulatory bodies. The same Government Decision creates a Regulatory Impact Assessment (RIA) system in Croatia and establishes the Office for Coordination of Regulatory Impact Analysis System in Croatian (RIA Coordination Office or UPUP) which is expected to be fully operational from January 2008. It will have two departments: one to monitor the Regulatory Guillotine Implementation Plan and one to coordinate the RIA system with line ministries and other regulatory bodies. There is no RIA legislation per se, but it is anticipated that this will happen in mid-2008, thus reinforcing the importance of Impact Assessment.

The expectation is that from 2008, whenever a regulatory body considers introducing a new law / regulation, it will be required to prepare a 2-3 page report (Screening Impact Assessment). This document will be sent to the RIA Coordination Office and placed on the web site for public consultation. The RIA Coordination Office will then decide whether partial or full RIA will be required (financial, economic, social and/or environmental). The line ministries will then be responsible for undertaking the Impact Assessments, with the RIA Coordination Office advising, coordinating and overseeing the process.

MINGORP has been appointed as the coordinator of the Economic Impact Assessment (EIA). Other than the State Secretary and a couple of civil servants, an understanding, capacity and skill base is lacking to undertake Impact Assessment at MINGORP. The sum of the current experience concerns a limited version of legislative IA for the current SME Promotion Law and preparation of the draft Economic Impact Assessment guidelines. However, in both cases, the work was commissioned from a consultancy firm, rather than being undertaken by MINGORP per se. A reading of the Economic Impact Assessment methodology leads to the conclusion that although it provides useful general guidance, it lacks sufficient information and structure to be considered as a manual for implementing IA in Croatia.

In summary, Croatia has made notable, albeit variable, progress towards fulfilling the requirements of establishing a RIA capability. The Government Decision of June 28th 2007 requires MINGORP and other regulatory bodies to strengthen their Impact Assessment structures. The BIZimpact Project is required by the ToR to focus on legislative Impact Assessment and will concentrate on this. It will assist the beneficiaries to develop legislative Impact Assessment skills and capacities.

Progress towards better information, communication and dialogue with the enterprise sector

The main source of guidance in relation to enterprise development is the European Charter for Small Enterprise (EU Charter), which identifies 10 main good practice issues:

1. Education and training for entrepreneurship.
2. Cheaper and faster start-up.
3. Better legislation and regulation.
4. Availability of skills.

5. Improving online access.
6. More out of the Single Market.
7. Taxation and financial matters.
8. Strengthen the technological capacity of small enterprises.
9. Successful e-business models and top-class small business support.
10. More effective representation of small enterprises' interests at Union and national level.

Various elements of the EU Charter connect with the necessity to undertake IA in relation to better legislation and regulation (such as item 3), whereas other items highlight the necessity for better communication and information (such as items 5, 6 and 7) as well as communication and dialogue with the small enterprise sector (such as item 10).

The situation in Croatia is mixed in this respect. While the main business associations have developed a number of well-established and regular information channels for their members (see section 1.1 above), there is an acceptance by all Project partners that more needs to be done to improve communication with SMEs in particular.

There are a significant number of institutions, both public and private, which are engaged in communications with the business community concerning the impact of the eight legislative fields on their operations. Apart from the main Project beneficiaries and their county / sectoral subsidiaries, the economic development departments of county governments, business information centres, the new Regional Developments Agencies and others are involved in providing information directly to businesses at a regional / local level.

At a national level, many of the line ministries and public agencies responsible for policy or implementation in the eight legislative fields (see the list in section 1.1) undertake communications activities to varying degrees. The Government of Croatia is also seeking to improve its overall communications with citizens and businesses, especially in the field of web and electronic communications, coordinated by the e-Croatia project. This will include the launch in the next few weeks of a business information portal (similar to the existing www.mojauprava.hr portal for citizens) covering most, if not all, of the eight fields.

Finally, the Croatian media has an obvious and important role to play in communications. Anecdotal evidence suggests that (like the media in most countries) it tends to highlight "problems" associated with EU accession, real or imagined, rather than providing the factual information that entrepreneurs require. While no project can change the overall nature of media reporting, this Project and its beneficiaries will provide media information and education so that at least some of the most important facts in the eight legislative fields, plus the main results of the Project, receive significant media coverage.

In summary, MINGORP, the various stakeholders and the business associations have made some progress towards provision of better information, communication and dialogue with the enterprise sector. However, three main conclusions can be drawn:

- There is still much more to do, especially in improving existing communications activities, rather than launching new ones. It is critical that the many different information sources for businesses coordinate their activities and provide businesses with accurate and mutually compatible information across the eight fields.
- While communication activities to date have been mainly one-way provision of information and largely "top-down", far more must be done to develop dialogue with the business sector, and particularly with small businesses (see activity 2.5.3).
- There has until now been no substantial analysis of the information needs of the business community (particularly SMEs) regarding the impact of legislation relating to EU accession and the most effective channels and communication tools for reaching them. The Before and After BINS, therefore, offer a unique opportunity to assess those needs and measure the effectiveness of communications in addressing them.

2.8 Linkage with other operations, complementarity and coordination between donors

Regarding the linkage with other operations we refer to Section 1.3 which describes the other relevant projects, the synergies and the envisaged coordination with other operations and donors in order to avoid overlaps.

3 DETAILED WORK PLAN (NEXT IMPLEMENTATION PERIOD)

As specified in the Project ToR, in the first 2-month period the BIZimpact Project, the activities with the highest priority were those directly relating to the Inception Phase, namely:

- Meet the key relevant beneficiaries, stakeholders and partners (see *Annex 2*).
- Select the Market Research Agency to undertake the BINS (see *Annex 4*).
- Hold the visibility event (see *Annex 5*). Although a second, larger event was planned for the Inception Phase, it was agreed with the beneficiaries and ECD that this should be postponed to when the results of the Before BINS become available.
- Prepare the Inception Report (this document) by 19th September 2007.
- Hold the Project Steering Committee meeting to approve the Inception Report on 3rd December 2007.

As discussed and agreed with the beneficiary, ECD and CFCU in the remaining part of the first six-month implementation period, the activities with the highest priority will be started. They relate principally to the Activities 1, 2 and 4.

Activity	Start	Finish	2007				2008	
			Sep	Oct	Nov	Dec	Jan	Feb
Kick off meeting	17-Sep-07		★					
Inception phase	17-Sep-07	17-Nov-07						
1. Initial Training in 8 Legislative Fields	1-Oct-07	31-Mar-08						
2. Impact Assessment (IA) Methodology & TTT	1-Apr-08	15-Feb-09						
3. Business Information Needs Survey (BINS)	17-Nov-07	31-Jul-08						
4. Information to Business Community	17-Nov-07	31-Aug-09						
Progress Reports	1-Feb-08	31-Mar-09						
Project steering committees	1-Dec-07	1-Jul-09				★		
Final Report	15-Jul-09	16-Sep-09						
Completion of project		16-Sep-09						

3.1 Results to be produced by end of period

Based on the above, the following results are expected to be produced by the end of the period:

	Activity	Task	Result to be produced
1	Initial Training in Eight Fields	1.1	Develop a better positioning plan.
		1.2	Develop a training plan.
		1.3	Commission international / local STEs.
		1.4	Prepare training materials / draft mini guides.
		1.5	Deliver part of training in the eight fields.
2	Impact Assessment		Prepare of activities for next reporting period
3	BINS	3.1	Prepare evaluation report and recruit MRA.
		3.2	Prepare and finalise BINS methodology.
		3.3	Publicise BINS to maximise SME participation.
		3.3	Initiate the "Before" BINS.
4	Information and Communication	4.1	Initial preparation of methodology and information plan
		4.4	Assess training needs and prepare training for information officers
		4.5	Develop evaluation indicators for inclusion in BINS

3.2 Activity schedule, including milestones and responsibilities

See Annex 9.

3.3 Special activities to ensure sustainability (if any)

The Project will focus on securing policy support and improving the communication with and between the stakeholders. Thus far, close collaboration has been established with the three original beneficiaries (MELE, HGK and HUP). The main specific activities foreseen to ensure sustainability during this implementation period relate to the fact that there will be two new beneficiaries (HAMAG and HUP) from the first Project Steering Committee meeting onwards. The Consultant will ensure that all five beneficiaries are involved and take ownership of the BIZimpact Project during the remainder of this implementation period.

3.4 Assumptions and risks

There are no additional assumptions and risks beyond those already identified in section 2.6 above.

3.5 Resource schedule

See Annex 10.

4 SUSTAINABILITY (BACKGROUND AND PRESENT SITUATION)

As previously discussed, Croatia has made significant progress in terms of preparation for accession to the EU and improvements have also been made in the general business environment in the period since the ToR was written. Although these developments are commendable further strengthening of information dissemination, communication and dialogue, as well as legislative Impact Assessment capabilities is needed both among the BIZImpact Project beneficiaries, as well as the wider stakeholders. In order to ensure that the four activities that make up this Project are sustainable we consider below the likely scenarios, according to the predefined categories.

4.1 Participation and ownership by beneficiaries

The Project beneficiaries have been closely involved in the four year gestation period of this Project and the participation and ownership has been maintained by them during the Inception Phase. Efforts have been made by the Consultant to ensure an intensive level of participation and ownership by MINGORP, HGK and HUP during the Inception Phase of the Project. The beneficiaries have participated in the Kick Off meeting, individual meetings, Project launch, discussions with ECD and other stakeholders, as well as a discussion on the content of the Inception Report, prior to its submission on 19th November 2007.

Discussions have also been held with both the nominated representatives and the senior management of the beneficiaries to ensure committed to the effective implementation of the Project. Based on the recommendation of the Consultant, the decision to formally include HAMAG and HOK as beneficiaries of the Project was made one week before the submission of the Inception Report, so inevitably, the degree of involvement and participation of the latter organisations was lower than the three beneficiaries specifically identified in the ToR. However, HAMAG and HOK have been formally informed of their beneficiary status and will be part of the first Project Steering Committee to approve this Inception Report.

A key issue of uncertainty relates to the imminent General Election in late November 2007. There is likely to be limited access to senior policy-makers during the period immediately after the election until such a point as the new Government is formed and all relevant senior appointments are in place. It is anticipated that there will not be a change in participation and ownership of the Project upon appointment of the future State Secretary (Entrepreneurship Division) and Assistant Minister (SME and Crafts Department) of MINGORP. No changes are foreseen at HAMAG, HOK, HGK and HUP, the other Project beneficiaries.

4.2 Policy support

There is currently a lack of well-developed policy and strategy as far as information provision, communication and consultation with SMEs is concerned in Croatia. On the other hand, there is consistent and widespread recognition on the part of all the Project beneficiaries that the information and implementation gap are urgent issues to address. This degree of policy support on the part of the beneficiaries bodes well for the sustainability of the Project, not least because this is underlined by a willingness to generate greater levels of cooperation and coordination at various levels: between MINGORP and HAMAG; between government and business associations; between business associations; and between business associations and individual SMEs. This offers the prospect of BIZImpact activities being sustainable beyond the Project's end.

In addition to the five Project beneficiaries, the various line ministries and government agencies associated with the eight fields of legislation acknowledge the existence of the previously discussed information and implementation gap. They also support the need for the SME stakeholders to develop more effective communication tools in order to ensure that Croatian enterprises, especially small enterprises, implement the EU Directives, national laws, regulations and standards.

The Project also envisages establishing collaboration with other stakeholders such as the regional development agencies, 21 counties and business development service providers. Because of the decision to postpone the public launch of the Project in Zagreb until such a point as the Business Information Needs Survey (BINS) is carried out, limited contact was established with this set of stakeholders during the Inception Phase. However, the Consultant recognises that it is also essential to gain the policy support of this set of stakeholders, as well as their commitment to develop effective communication and information dissemination. This will enhance the prospect of sustainability of the activities initiated by the Project.

4.3 Appropriate technology

The BIZimpact Project does not involve the use of technology, however, it is anticipated that innovative methods and techniques will be developed, consistent with international best practice, in order to undertake legislative IA and enhance information provision and communication between governmental bodies, agencies, business associations and enterprises. It is anticipated that less reliance will be placed on the use of web sites and more emphasis on linking up and networking the various players in the SME policy field in order to enhance information, dialogue and communication. This will increase the chance of Project activities being sustainable beyond the lifetime of the Project.

4.4 Socio-cultural aspects

SMEs account for 99% of Croatian enterprises and employ some 60% of the labour force. It is, therefore, critical to strengthen the competitiveness of this sector, as it impacts upon the wealth and well-being of Croatian society. The BIZimpact Project recognises that there is also a regional dimension to SME development in Croatia and that information needs to be less concentrated in the Zagreb area. Consequently, an emphasis will be placed on ensuring that the SMEs throughout the 21 counties benefit from more effective information flows in relation to the eight legislative fields covered by the Project. In terms of sustainability, the Project will contribute indirectly to the development of a culture of entrepreneurship and thus more competitive enterprises throughout the country.

4.5 Gender equality

Across the EU it has been observed that women, as entrepreneurs, may be treated differently from men, for example in relation to access to start-up finance such as bank credit. Normally, EC projects would undertake to ensure that there is a gender balance in relation to issues such as capacity building, study tours, etc. However, the initial indications suggest the women actually comprise the large majority of likely beneficiaries. Nevertheless, there will be a gender focus to the Project. For example, the BINS sample will be stratified by gender, to ensure that relevant policy recommendations are extracted and fed into the awareness raising campaign and other Project activities.

4.6 Environmental protection

One of the legislative fields covered by the Project is environmental protection. Encouraging SMEs to better understand the EC and national requirements in this respect will assist Croatian enterprises and comply with the rules, thus helping indirectly to attain the objective of sustainable development. However, this is just one of the eight legislative fields covered by the BIZimpact Project.

4.7 Institutional and management capacity

MINGORP is responsible for SME policy development in Croatia. It also has responsibility as far as Economic Impact Assessment is concerned in Croatia; however, the ministry lacks the necessary tools, know-how and management capacity to implement the anticipated role in relation to legislative / regulatory Impact Assessment. Although the current institutional capacity of MINGORP is insufficient to fulfil perform this function, it is anticipate that this Project will contribute towards the development of an Impact Assessment capability, thus ensuring that it can perform its allocated role effectively in future.

The same lack of institutional and management capacity applies to the other Project partners, namely HAMAG, HUP, HGK and HOK. Participating in the Project, including the focus on training of trainers and the 5+ IA studies, will contribute to ensuring that all beneficiaries develop skills and experience with IA, such that they will be able to operate independently of the Consultant at the Project's end.

4.8 Economic and financial viability

All activities are to be funded through the Project and no financial or economic contribution is required of the Project partners, other than in-kind support, such as their time and commitment. Consequently, economic and financial viability considerations are not of importance in this Project.

To conclude, the BIZimpact Project will contribute towards a nascent but growing emphasis on the issue of Impact Assessment. The future sustainability of Impact Assessment in the country is not dependent on the success or otherwise of this Project. However, successful implementation of this Project will contribute significantly to SME development in the country through more effective regulations, better of ex ante and ex post Impact Assessment, as well as improved information communication and dissemination in relation to eight critical areas of economic legislation. More effective IA capabilities, combined with better communication and information dissemination, will enhance Croatia's business environment, competitiveness and culture of entrepreneurship.

5 CONCLUSIONS AND RECOMMENDATIONS

5.1 Overall conclusions on implementation for entire duration

The purpose of the BIZimpact Project is to strengthen the capacity for policy makers, especially MINGORP and HAMAG, and business organisations, especially HGK, HOK and HUP, to be able to identify, analyse and communicate future impact of key regulatory areas for business in Croatia and to improve the awareness of the business community regarding the eight legislative areas covered by the Project (namely consumer protection, environmental protection, standards for agricultural / industrial products, public procurement, state aid / competition policy and intellectual property rights).

In seeking to achieve the Project purpose, the Technical Assistance Team expects to be able to achieve 3 main results by the end of the BIZimpact Project, namely:

1. Strengthen the capacity for policy makers and business organisations to identify, analyse and communicate future impact of key regulatory areas for business in Croatia.
2. Improve awareness of the business community on the eight key legislative fields.
3. Achieve measurable changes in quality of information and public-private communication.

Section 2.6 set out in detail the assumptions and risks which could influence the overall Project implementation process, as well as how the Consultant hopes to mitigate the risks. It is not necessary to repeat all the arguments; however, a number of critical issues are worth noting:

- The national election will happen at a critical juncture of the Project, namely in late 2007. Based on previous experience, there will be a period of several months until all the posts are allocated. This means that the State Secretary responsible for the Enterprise Directorate may be replaced, as may the Assistant Minister responsible for the SME and Crafts Division. This could influence the degree of senior level support for the BIZimpact Project. The chances are, however, that there will not be a change in emphasis, since the necessity to improve communication with the small businesses community and the necessity to improve the legislative Impact Assessment tools appear to be non-controversial policy priorities. All Candidate Countries are pursuing this agenda and the Consultant anticipates that the new Government of Croatia will do likewise.
- Regarding Impact Assessment specifically, the OECD, EU and all three current EU Candidate Countries, namely Croatian, FYR Macedonia and Turkey, are in the process of developing this palette of tools, involving both a regulatory guillotine and a Regulatory Impact Assessment process. This means that Impact Assessment generally, whether regulatory or legislative, will become ever more important. In this context, the Consultant anticipates that the five beneficiaries will be fully aware of the fact that it is in their own interest to understand IA and that they will devote sufficient commitment, effort and resources to ensure that their staff are suitably qualified on IA issues and develop the skills, procedures, techniques, etc. to be able to perform IA independently at the end of the Project. This Inception Report sets out the activities by which the selection of staff and commitment to the Project will be attained.
- Regarding communication with the small business sector, the BIZimpact Project is unique, since this is the first project that brings together the key organisations active in the SME field, namely MINGORP, HAMAG, HGK, HOK and HUP. This in itself is indicative of the recognition of the importance of the issue of overcoming the “information” and “implementation” gaps as far as directives, legislation, regulations, standards, etc. are concerned. All five beneficiaries are acutely aware of the need to further develop their communication, dissemination and dialogue mechanisms, so as better to support the small business sector in the country, and thus contribute to a better business environment, and ultimately a more competitive SME sector and enterprise culture. It will not be easy or straightforward to improve the communication between the ministries / agencies in the eight legislative fields and MINGORP/HAMAG; between these bodies and the business associations. Between the business associations themselves; and ultimately between business associations and their members, as well as between the counties and business development service providers. However, all the players recognise the importance of these linkages and the BIZimpact Project will make a start in the process. It could be foreseen that, once the Project ends, in

addition to the eight legislative fields, others could be added to the network, for the benefit of the SME sector in Croatia.

The overall conclusion is, therefore, that the BIZimpact Project is needed, timely and strongly supported by the five principal beneficiaries. No overall implementation recommendations are made by the Consultant, other than those proposed in the Executive Summary of this Inception Report and which have been discussed and integrated into the body of the report.

5.2 Overall recommendations for next implementation period

Under the decentralised structure, a new implementation mode is in the process of being developed and the BIZimpact Project will be among the first to contribute to the development of this new *modus operandi* during the next implementation period. Thereafter, it will become very clear how the implementation process will work.

A Project Steering Committee will be established during the next implementation period, in order to supervise the BIZimpact Project, including the Inception Report, Progress Reports and Final Report. Quarterly meetings will be held to assess Project progress, among other activities. The members of the Project Steering Committee are:

- Senior Programme Officer from MINGORP (Chair).
- Representative from MINGORP (chairs in the absence of the SPO).
- Representative from CFCU.
- Representative from HGK.
- Representative from HOK.
- Representative from HUP.
- Representative from HAMAG.
- Representative from Central Office for Development Strategy and Coordination of EU Funds (SDURF).
- Representative from the EC Delegation.
- Team Leader.
- Project Director.

Under the new mode of implementation, the ECD will perform a monitoring role. The ECD will be one of the members of the Project Steering Committee and monitor the implementation of the Project on the basis of the Progress Reports and Final Report.

A good working relationship has been established with the CFCU, which has taken over many of the responsibilities that were performed previously by ECD. All issues of a formal and contractual nature will be coordinated by the Consultant with the CFCU or its successor.

The Project beneficiaries are critical to the effective implementation of the Project. During the Inception Phase, close collaboration has been established with MINGORP, as the main Project partner. In addition, the other beneficiaries (HUP and HGK) have been involved in key Project developments, such as discussions on the content of this Inception Report, brief for the BINS, visibility events, etc. Now that it has been agreed that HAMAG and HOK will be formally involved in the BIZimpact Project, all four (HGK, HOK, HUP and HAMAG) will be involved in regular discussions on key aspects of implementing the Project, although MINGORP remains the main Project partner, as set out in the ToR.

This is the first project where these five beneficiaries will be collaborating closely and it will be necessary for them to perform a role first and foremost in relation to the small enterprise sector, rather than in relation to their respective institutions. The Consultant hopes to work towards achieving this objective through a collaborative and transparent approach towards the beneficiaries, which will promote the creation of an effective working and communication environment.

It is anticipated that the above approach proposed by the Consultant in relation to contract implementation during the first implementation period will minimise the Project risks and lead to

effective implementation of the overall Project purpose, the associated results and the four Project activities.

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