

SUMMARY

Annual Action Programme 2018 in favour of Paraguay for "Support to the improvement of MSME competitiveness and business environment in Paraguay" to be financed from the general budget of the Union

1. Identification

Budget heading	21.02.01.00 – Latin America – Poverty reduction and sustainable development
Total cost	EUR 12 million of EU contribution This Action is co-financed in joint co-financing by ¹ : - The World Bank Group for an amount of EUR 150,000; This Action is co-financed by potential grant beneficiaries for an indicative amount of EUR 444,444.
Basic act	Regulation (EU) No 233/2014 of the European Parliament and of the Council of 11 March 2014 establishing a financing instrument for development cooperation for the period 2014-2020

2. Country background

Regarding economic performance, Paraguay has enjoyed a sustained period of economic growth and should continue to do so in the near future. In 2017, it registered 3.8% GDP growth, with an expected rate of 4.2% for 2018 (Central Bank of Paraguay). Notwithstanding solid GDP growth, poverty reduction in Paraguay and growth in household incomes are stagnating. Employment and exports are heavily centred on agricultural commodities, with limited processing occurring, resulting in limited high-skilled jobs opportunities. The economy is vulnerable to external price shocks and climatic phenomena. On the other hand, the country has high economic development potential in both agricultural processing and components/parts manufacturing, with a surging ‘maquila’ industry. Paraguay has access to the vast markets of Brazil and Argentina, a favourable demographic dividend, cheap labour and energy, and a business-friendly tax regime.

Stronger economic growth and investments are, however, hindered by low levels of enterprise competitiveness, especially of the micro, small and medium-sized enterprises (MSMEs) and an unfavourable business environment. The World Economic Forum’s (WEF) Global Competitiveness Index (GCI) ranked Paraguay 112th of 137 countries in 2017-2018. In the World Bank’s “Doing Business” 2018 publication, Paraguay recorded its weakest performances in several areas. Economic activity remains characterised by a large informal sector. Both the agro-processing and industrial sectors are faced with low levels of productivity, quality and technological innovation; a limited offer of public services and infrastructure; and a number of administrative barriers.

¹ The United Nations Industrial Development Organisation (UNIDO) has also indicated its intention to co-finance this action.

Paraguay's economic and social policies are guided by its National Development Plan 2014-2030 (NDP). Private sector development, competitiveness and trade policy are key areas of focus of the NDP, which emphasises MSME development as one of the pillars of the route out of poverty due to its potential for job creation. The legal and policy framework for economic and industrial development includes several laws and policy strategies specific to industry and MSME development. With regard to trade, Paraguay ratified the World Trade Organisation (WTO) Trade Facilitation Agreement in 2016 and is currently involved in the negotiations of the EU-Mercosur Association Agreement.

3. Summary of the Action Programme

By addressing the main factors influencing MSME development and competitiveness, including the improvement of the business environment, this Action, *"Support to the Improvement of MSME Competitiveness and Business Environment in Paraguay"*, aims at supporting Paraguay to overcome key structural barriers and enhance inclusive and sustainable economic growth in the country.

1) Background

One of the main identified obstacles to sustainable economic growth and thus to job creation in Paraguay is the weak institutional and policy framework; in particular gaps in the MSME regulatory framework and weaknesses of the public institutions and infrastructures supporting MSMEs. Both public and private institutions provide limited services to MSMEs. In Paraguay, Business Intermediary Organizations (BIOs) currently provide basic business services, but lack the sophisticated services needed to boost productivity, quality and innovation. Due to the lack of a conducive business environment, there is a generalised consensus that MSMEs are not able to profit from the present cycle of economic growth as well as from the recently ratified WTO Trade Facilitation Agreement. MSMEs are not capable of integrating further into their value chains, either by launching higher value-added products and services entering into stable supplier agreements, and/or exporting to neighbouring countries. It is necessary to develop a local supplier base of certified MSMEs.

MSMEs are key drivers for increasing women employment. There is a need to strengthen the existing management skills and promote women-led businesses, enhancing social responsibility practices, protecting the environment and taking up opportunities offered by shifting to cleaner production and resource efficiency for enhanced competitiveness. To guarantee environmental sustainability and respect to human rights, there is the need to support MSMEs in adopting sound and fair business practices. Likewise, there is a need for support to identify opportunities for enhanced competitiveness associated to eco-innovation, cleaner and low carbon production and resource efficiency. The private sector's role cannot be sufficiently highlighted to ensure ownership and sustainability to the actions implemented, notably through the development of public – private partnerships, but also to leverage additional resources for Sustainable Development Goals (SDG) implementation; including possibly through innovative financial instruments.

2) Cooperation related policy of Paraguay

This Action is in line with Paraguay's National Development Plan 2014-2030 (NDP) which emphasises MSME development as one of the pillars of the route out of poverty due to its potential for job creation (see NDP strategic objective 2 "Inclusive Economic Growth"). The legal framework for economic and industrial development includes, among others, the recently adopted Law 4457 on Micro, Small and

Medium-sized Enterprises Development. It defines the actions for increasing the formalisation, business upgrading, and supporting access to finance, and defines the incentives and mechanisms for achieving MSME competitiveness enhancement. Other key policy documents for the industrial sector include a National Quality Policy, an Industrial Policy, a Science, Technology and Innovation Policy. The Industrial Development Plan, developed by the Ministry of Industry and Trade (MIC), notably proposes focusing on a few selected value chains of the agro-processing and manufacturing sectors. Establishment of *maquilas* and industrial parks, attracting foreign direct investment (FDI) are further priorities, as are the expansion and diversification of exports and the support to technology transfer and innovation. Upon request of the MIC, the Inter-American Development Bank (IDB) designed in 2017 a National Plan for MSME development.

3) Coherence with the programming documents

Both the Agenda for Change and the New European Consensus on Development recognize that economic growth needs an enabling business environment a competitive local private sector that is equipped to harness the opportunities offered by globally integrated markets. Private sector development is one of the strategic sectors of the Multiannual Indicative Programme (MIP) 2014-2020 for Paraguay. The MIP foresees that EU cooperation should focus on *"improving the business climate, conducive to trade and investments, strengthening of the policy-making and implementation capacities of institutions in this field, improving the participation of private-sector entities in policy design, and reducing the administrative burden for businesses"*. The Action is also aligned to the recently updated EU Strategy on Aid for Trade and the EU Gender Action Plan 2016-2020.

4) Identified actions

The **general objective** of the Action is to “contribute to inclusive and sustainable economic growth and job creation through enhanced MSME development and competitiveness, and an improved business environment”.

The **specific objectives** are:

1. Strengthened national legal, policy and institutional framework and enhanced public services for improving MSME competitiveness and their integration into the value chains.
2. Extended private sector high-quality services to MSMEs, including for technological development and innovation.
3. Improved environment for doing business, trade and investment.

The two main Sustainable Development Goals (SDGs) targeted are SDGs 8 - Decent Work and Economic Growth, and 9 - Industry, Innovation and Infrastructure. Additional SDGs impacted by the Action are 5 - Gender Equality by prioritising women-led MSMEs; SDG 12 - Ensure sustainable consumption and production patterns by introducing sound environmental practices and promoting circular economy principles, at the level of public institutions, BIOs and MSMEs; SDG 10 - Reducing Inequality; and SDG 17 - Partnership for the Goals, will also be furthered.

5) Expected results

Result 1: Institutional reforms and conducive policies developed in the field of MSME competitiveness and value chain development. Public sector institutions will be strengthened and supported in policy and service delivery in the areas impacting MSME competitiveness: from formalisation of MSMEs, upgrading

management systems and facilitating access to finance (including through EU blended operations), to develop and regulate productive and supply chains, and providing laboratory and certification standards and norms for MSMEs. Also, policy and instruments will be designed to enhance MSME technological innovation and their accreditation as suppliers to large firms. Resource efficiency and cleaner production will be promoted as factors contributing to MSME competitiveness.

Result 2: Private sector business intermediary organizations (BIO) capacities are enhanced to provide extended business high-quality services to MSMEs, including for technological development and innovation. The proposed programme will strengthen BIOs in their capabilities to deliver sophisticated business development services to MSMEs. The programme will promote the development of specialised technology and innovation centres jointly with public authorities and BIO partners. BIOs interface and collaboration schemes with business, academia and technical organizations will be strengthened. In addition, through the implementation of a sustainable supplier development component, MSMEs will improve their productive capacities and compliance with market requirements.

Result 3: Measures developed to overcome administrative and regulatory burdens and facilitate trade across borders. The action will support implementation of selected Category C provisions of the WTO Trade Facilitation Agreement (Bali) and MSME-relevant measures in trade-related agreements. The business environment will be enhanced, in particular in areas of importance for MSMEs: opening a business, getting credit, protecting minority investors, trading across borders and resolving insolvency, aiming at launching a pro-business reform process.

Overall, the Action will promote public-private dialogue/partnerships in key areas including the further expansion of the successful public-private Single Exports Window (VUE) to include an information system, the design and implementation of a sustainable industrial suppliers programme, and the establishment of technology and innovation centres. In addition, by supporting activities in the area of access to finance, the programme also seeks to analyse the scope for the possible use of innovative financial instruments allowing to leverage additional resources for Sustainable Development Goals (SDG) implementation, in particular as concerns the role of private sector.

With regard to cross-cutting issues, all results will include indicators and actions favouring the inclusion of sustainable consumption and production aspects (including corporate social responsibility), enhance women leadership of MSMEs and minimize the environmental impact of the MSMEs and value chain operations.

6) Past EU assistance and lessons learnt

The EU has been supporting Paraguay in the areas of private sector development and competitiveness with a series of programmes, making several advances. Lessons learnt from the previously EU-funded private sector support programmes FOCOSEP (*Fortalecimiento del Sector Exportador Paraguayo*), AIEP (*Apoyo a la Integración Económica del Paraguay*), the ongoing Al-Invest 5.0, as well as from the Inter-American Development Bank (IDB) loans “Exporting Firms I” and “SME Business Development Services”, can be summarised as: (i) for quality infrastructures, though further improvements in the quality system remains necessary, it should focus on extending the use of this infrastructure to MSME from a strict market-driven approach; (ii) business upgrading targeted to MSME needs to continue with quality,

innovation and advanced support services to achieve a larger base of accredited suppliers and firms with certified products; (iii) Ensuring ownership and involvement of the private sector, in particular for public-private partnerships, for employment and economic opportunities generation, is key for success as well as for producing revenue for various sectors; (iv) new actions should decentralise the business support to the other major agro-food and industrial-emerging regions, outside Asunción; (v) supply of business development services should be determined by the market and shaped by demand based on a clear understanding of MSMEs needs; (vi) private sector grants have to be larger and managed by BIOs with outreach across the country.

7) Complementary actions/donor coordination

While focusing on different types of services and sectors, the Action is complementary and will have substantial synergies with two IDB loans for export and investment support as well as with the on-going assistance of the World Bank to improve selected “Doing Business” indicators. This action will continue and deepen the Bank’s support finalising at the end of 2018. Likewise, there is a good complementarity with programmes of other bilateral donors working with different segments of MSME: the United States Agency for International Development (USAID) with rural producers, Japan on agriculture and livestock productivity improvement, and Korea on industrial park strategy. The proposed programme is complementary to the ongoing EU programme “*Promotion of a Diversified and Sustainable Livestock Production*” (EUR 8.0 million), with the aim to contribute to the economic diversification and inclusive economic growth in the sector, as well as the regional programme AI-Invest 5.0.

At present there is no structured donor coordination in Paraguay regarding MSME development or general economic competitiveness, although there is interest among the authorities to create one. The foreseen long-term technical assistance to the MIC will also be an instrument to support MIC in the creation of a donor coordination table. This Action will by itself trigger a certain degree of donor collaboration by delegating activities to two international institutions and maintaining close coordination with the IDB.

4. Communication and visibility

Communication and visibility of the EU is a legal obligation for all external actions funded by the EU. This action shall contain communication and visibility measures which shall be based on a specific Communication and Visibility Plan of the Action, to be elaborated at the start of implementation and supported by means of a visibility contract signed for all EU cooperation activities in Paraguay. In terms of legal obligations on communication and visibility, the measures shall be implemented by the Commission, the partner country, contractors, grant beneficiaries and/or entrusted entities. Appropriate contractual obligations shall be included in, respectively, the financing agreement, procurement and grant contracts, and delegation agreements. The Communication and Visibility Manual for European Union External Action shall be used to establish the Communication and Visibility Plan of the Action and the appropriate contractual obligations.

5. Cost and financing

	EU contribution (amount in EUR)	Indicative third party contribution, in EUR
5.3 – Implementation Modalities	N.A.	
5.3.1 – Direct grant to UIP (direct management)	2,000,000	222,222
5.3.2 – Direct grant to FECOPROD (direct management)	2,000,000	222,222
5.3.3 - Procurement – total envelope	3,200,000	N.A.
5.3.4 – Indirect management with UNIDO	2,800,000	TBD
5.3.5 – Indirect management with the WBG	1,000,000	150,000 (TBC)
5.8 - Evaluation, 5.9 - Audit	400,000	N.A.
5.10 - Communication and visibility – to be covered by Support Measures for Paraguay	N.A.	N.A.
Contingencies	600,000	N.A.
Totals	12,000,000	594,444

The Committee is invited to give its opinion on the attached Annual Action Programme 2018 in favour of Paraguay



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ANNEX

of the Commission Implementing Decision
on the Annual Action Programme 2018 in favour of Paraguay to be financed from the
general budget of the European Union

**Action Document for “Support to the Improvement of MSME Competitiveness and
Business Environment in Paraguay”**

INFORMATION FOR POTENTIAL GRANT APPLICANTS

WORK PROGRAMME FOR GRANTS

This document constitutes the work programme for grants in the sense of Article 110(2) of the Financial Regulation in the following sections concerning grants awarded directly without a call for proposals: 5.3.1 and 5.3.2.

1. Title/basic act/ CRIS number	Support to the Improvement of MSME Competitiveness and Business Environment in Paraguay CRIS number: 2018/39062 Financed under the Development Cooperation Instrument	
2. Zone benefiting from the action/location	Latin America, Paraguay The action shall be carried out at the following location: Paraguay	
3. Programming document	Multi-annual Indicative Programme (MIP) 2014-2020 Paraguay	
4. Sector of concentration/ thematic area	2. Private sector development	DEV. Aid: YES
5. Amounts concerned	Total estimated cost: EUR 12,594,444 Total amount of EU budget contribution EUR 12,000,000 This action is co-financed in joint co-financing by ¹ : - The World Bank Group for an amount of EUR 150,000; This Action is co-financed by potential grant beneficiaries for an indicative amount of EUR 444,444.	
6. Aid modality(ies) and implementation modality(ies)	Project Modality Direct management, grants - direct award, procurement of services Indirect management with UNIDO Indirect management with the World Bank Group	

¹ The United Nations Industrial Development Organisation (UNIDO) has also indicated its intention to co-finance this action.

7 a) DAC code(s)	25010 – Business support services – 24%; 32110 – Industrial policy – 24%; 32120 – Industrial development – 21%; 32130 – SME development – 24%; 33120 – Trade facilitation – 7%			
b) Main Delivery Channel	EU institution – 42001 – European Commission (Delegation) – 36% United Nations – 41123 - UNIDO – 23% World Bank - 44000 – 8% Private sector in recipient country – 62003 - Other non-bank in recipient country - 33%			
8. Markers (from CRIS DAC form)	General policy objective	Not targeted	Significant objective	Main objective
	Participation development/good governance	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
	Aid to environment	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
	Gender equality (including Women In Development)	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>
	Trade Development	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>
	Reproductive, Maternal, New born and child health	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
	RIO Convention markers	Not targeted	Significant objective	Main objective
	Biological diversity	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
	Combat desertification	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
	Climate change mitigation	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
	Climate change adaptation	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
9. Global Public Goods and Challenges (GPGC) thematic flagship	N.A.			
10. Sustainable Development Goals (SDGs)	Main: SDG 8 - Decent Work and Economic Growth; SDG 9 - Industry, Innovation and Infrastructure Secondary: SDG 5 - Gender Equality; SDG 10 - Reducing Inequality; SDG 12 - Ensure sustainable consumption and production patterns; SDG 17 - Partnerships for the Goals			

SUMMARY

Notwithstanding solid GDP growth, poverty reduction in Paraguay and growth in household incomes are stagnating. Employment and exports are heavily centred on agricultural commodities, with limited processing occurring, resulting in limited high-skilled job opportunities. The economy is vulnerable to external price shocks and climatic phenomena. On the other hand, the country has high economic development potential in both agricultural processing and components/parts manufacturing, with a surging ‘maquila’ industry (i.e. assembly factories). Paraguay has access to the vast markets of Brazil and Argentina, a favourable demographic dividend, cheap labour and energy, and a business-friendly tax regime. Stronger economic growth and investment are, however, hindered by low levels of enterprise competitiveness, especially of the micro, small and

medium-sized enterprises (MSMEs), and an unfavourable business environment. Economic activity remains characterised by a large informal sector. Both the agro-processing and industrial sectors are faced with low levels of productivity, quality and technological innovation; a limited offer of public services and infrastructure; and a number of administrative barriers.

The proposed action aims to address the main factors influencing MSME competitiveness and pursues three objectives, namely: 1) Strengthened national legal, policy and institutional framework and enhanced public services for improving MSME competitiveness and their integration into the value chains; 2) Extended private sector high-quality services to MSMEs, including for technological development and innovation; 3) Improved environment for doing business, trade and investment. In addition, the programme will assist the Ministry of Industry (MIC) in setting up a coordination mechanism with donors. Options will be explored with respect to instruments allowing leveraging additional resources for Sustainable Development Goals (SDG) implementation, in particular as concerns the role of private sector.

This action will be executed through five main contracts: (i) one specific technical assistance to reinforce the capacity of public institutions and improve the environment for MSMEs; (ii) two direct grants with private sector business intermediary organisations (BIOs); (iii) one pillar assessed grant or delegation agreement (PAGODA) with the United Nations Industrial Development Organization (UNIDO) to support BIOs, sustainable industrial supply chains and the establishment of technological innovation centres; (iv) one PAGODA with the World Bank (WB) to support the implementation of reforms to improve the environment for doing business and facilitating trade.

1. CONTEXT

1.1 Sector/Country/Regional context/Thematic area

Paraguay suffers from high levels of poverty and informality, in spite of the recent progress in economic and industrial development. Some of the pervasive structural problems are its vulnerability to external shocks and climate change, high level of inequality and low economic diversification. On the other hand, the country has high development potential in agricultural processing and components/parts manufacturing, with access to the vast markets of Brazil and Argentina, a favourable demographic dividend, cheap labour and energy, and a business-friendly tax regime.

Regarding economic performance, Paraguay has enjoyed a sustained period of economic growth and should continue to do so in the near future. In 2017, it registered a 3.8% GDP growth, with an expected rate of 4.2% for 2018 (*Central Bank of Paraguay*). Agriculture and construction were expected to lead growth this year but the role of manufacturing and services is also to be highlighted. High growth rates are shown by the manufacturing sector with 9.4% in 2017. Similar rates are expected for the next few years (*MIC, Manufacturing report, September 2017*).

Macroeconomic stability has resulted from economic and fiscal reforms: among others a Fiscal Responsibility Law (FRL), inflation targeting policies and establishing a Fiscal Advisory Council. The inflation targeting regime, adopted in 2011, has helped maintain stable exchange rates and a consumer price index (CPI) growth of around 4% during the past 5 years. The disciplined fiscal policy has contributed to keeping relatively low levels of public debt compared to other Latin American countries (24.6% of GDP in 2017). Sustained economic growth has helped reduce poverty and promote urban prosperity, but

inequality remains high and volatile, though lower than 10 years ago (*World Bank, 2017, Paraguay - Performance and learning review of the country partnership strategy*). Indicators measuring the quality of employment, including the prevalence of salaried work and informality have evolved slowly (*OECD, 2018, OECD Employment Outlook 2018*).

In spite of the recent period of growth and fiscal stability, Paraguay's economic competitiveness has improved only marginally. The World Economic Forum's (WEF) Global Competitiveness Index (GCI) ranked Paraguay 120th of 144 countries in 2014-2015, 118th of 140 countries in 2015-2016, 117th of 137 countries in 2016-2017 and 112th of 137 countries in 2017-2018. In the World Bank's "Doing Business" 2018 publication, Paraguay recorded its weakest performances in the areas of "Starting a Business", "Getting credit", "Protecting Minority Investors", "Paying Taxes", and "Trading across Borders". The main weaknesses remain institutions, education, business infrastructure and services, innovation and lack of economic diversification.

In spite of these deficiencies, industrial and cooperative producers, export contract manufacturers in agro-food, textiles and industrial products ("*maquilas*") have grown significantly during the last years. However, MSMEs too seldom stand ready to integrate into these value chains and launch higher value-added products and services, although MSMEs represent 90% of economic units, contribute 60% of GDP and 65% of employment (*World Bank, 2014, Paraguay - Country partnership strategy*).

Public authorities and private sector representatives confirm that there is a lack of an adequate MSME supplier base and related services, both in agro-processing and industrial sectors. MSMEs are in need of urgent upgrading in management systems, quality and certification of products, and integrating further into their value chains, either as suppliers of components, parts and services of larger manufacturers of the chain, or as producers of final products for retailers or consumers.

According to World Bank data, the ratio of female to male labour force participation in Paraguay in 2016 was 67%, which has decreased significantly since 2012 when it peaked at 72%. MIC estimates that amongst formally registered businesses 30% are women-owned. The Paraguayan Association of Women Entrepreneurs, Directors and Professionals (APEP) has been successfully promoting female managers, especially amongst large firms, although this has not been reflected in female participation in MSMEs. Also according to the MIC, only 10% of formal SMEs are female owned. While overall female participation in both the labour market in general and in senior roles appears to be high, this is not necessarily the case for all firms. Gender differentials remain high in terms of wages, social protection, career development and training (*International Labour Organisation, 2018, World Employment Social Outlook – Trends for Women 2018*).

Paraguay's economy is heavily dependent on the agricultural and livestock sectors, which are both vulnerable to climate change (*Food and Agriculture Organisation, 2018, Analysis and Mapping of Impacts under Climate Change for Adaptation and Food Security*). Despite this, the majority of farmers in Paraguay are smallholders (over 80% (FAO, 2018) who have little or no access to financial and technical support to aid them in setting up production systems that are sustainable (*United Nations Poverty Environment Initiative, 2017, Country Fiche*). The country ranked number 105 of 180 countries in the 2018 Environmental Performance Index (*Yale University, 2018, EPI Report*). The responsible Paraguay's Secretariat of the Environment (SEAM) has promoted a series of laws over the last 10 years, steering the country towards sustainable production and consumption methods.

1.1.1 Public Policy Assessment and EU Policy Framework

Paraguay's economic and social policies are guided by its "National Development Plan 2014-2030" (NDP). Private sector development, competitiveness and trade policy are key areas of focus of the NDP, which emphasises MSME development as one of the pillars of the route out of poverty due to its potential for job creation (see NDP strategic objective 2 "Inclusive Economic Growth"). The Action is also aligned with the "National Gender Action Plan" launched in 2015 and the "III National Plan for Equal Opportunities between Women and Men (2008-2017)".

The legal framework for economic and industrial development includes, among others, Law 60/90 of Industrial incentives, Law 1064 of "*maquilas*" (subcontract manufacturing for exported products), Laws 1028 and 2279 of the National Quality System, Laws 1028 and 2279 of the National Science and Technology System. Concerning MSMEs, the National Economic Census and the more recent Law 4457 of Micro, Small and Medium-sized Enterprises (*MiPYMEs- Micro, Pequeñas y Medianas Empresas*) Development and their complementary decrees and regulations provide the legal and regulatory framework.

The MSME Law defines the actions for increasing the formalisation, business upgrading, and supporting access to finance, and defines the incentives and mechanisms for achieving MSME competitiveness enhancement. Upon request of the MIC, the Inter-American Development Bank (IADB) designed in 2017 a National Plan for MSME development, whose approval by national authorities is pending.

Key policy documents for the industrial sector have been approved, namely a National Quality Policy, an Industrial Policy, a Science, Technology and Innovation Policy.

- The National Quality Policy addresses existing gaps of the quality system: among others revitalising the role of the National Quality Committee, reinforcing the role of CONACYT (*Consejo Nacional de Ciencia y Tecnología, the National Commission for Science and Technology*) as supervisor of the system and host of the accreditation agency, and addressing gaps in the different agencies (*organismos*) of the system.
- The Science, Technology and Innovation Policy stresses the need for science and technology to be integrated into firms as innovations, and for technological innovation services or centres to provide mechanisms for technology development and transfer.
- The Industrial Policy (*Industrial Development Plan*), developed by the MIC with support from the IADB, proposes focusing on a few selected value chains of the agro-processing and manufacturing sectors. Establishment of *maquilas* and industrial parks, attracting foreign direct investment (FDI) are further priorities, as are the expansion and diversification of exports and the support to technology transfer and innovation.

Both the Agenda for Change and the New European Consensus on Development recognize that economic growth needs an enabling business environment a competitive local private sector that is equipped to harness the opportunities offered by globally integrated markets. Private sector development is one of the strategic sectors of the Multi-Indicative Programme (MIP) 2014-2020 for Paraguay. The MIP foresees strengthening of the institutional, policy and regulatory framework for sustainable and inclusive growth, support to improving the business environment and competitiveness. The Action is also aligned to the recently updated EU Strategy on Aid for Trade² and the EU Gender Action Plan 2016-

² COM(2017)667 and Council Conclusions 15573/17

2020³.

Paraguay ratified the World Trade Organisation *Trade Facilitation Agreement* in 2016. It is also involved in *EU – Mercosur Association Agreement* negotiations towards which the EU confirmed its strong political commitment. In this context, there is a need to enhance the capacities of national institutions as well as private sector awareness, to comply with the requirements of EU and international standards. Considerable efforts are needed to reduce asymmetries to enhance Paraguay's integration into regional and global markets and attract foreign investment.

1.1.2 Stakeholder analysis

The key public and private stakeholders regulating and providing support to the MSME, their value chains and the business environment in Paraguay are:

- **Public sector institutions:**

Ministry of Industry and Trade (MIC): The MIC has the mandate to design, establish and supervise industrial, trade, and MSME formalisation and access to formal market, as well as provide related public services. The MIC is organised into three Vice-ministries (Industry, Trade and MSME), a technical secretariat, and several autonomous units such as the Single Window for Opening and Closing firms (*SUACE - Servicio Único de Apertura y Cierre de Empresas*), the Single Export Window (*VUE - Ventanilla Única de Exportación*), the Export and Investment Agency (*REDIEX - Red de Exportaciones e Inversiones*) and others. While past EU projects and other donors have worked to set up and consolidate SUACE, VUE and REDIEX, several areas still require strengthening. These include in particular the Vice-Ministry of MSMEs in areas of improving MSME competitiveness and access to finance, but also the business environment, value chain and industrial suppliers' development and promotion of technological innovation.

National Quality System (NQS): The NQS was created by Law 1028 of 1997, later modified and complemented by Law 2279 of 2003. The final structure of the NQS calls for a supervisory National Quality Commission chaired by CONACYT, which also hosts the National Accreditation agency (*ONA-Organismo Nacional de Acreditación*). The National Technology and Standardisation Institute (*INTN- Instituto Nacional de Tecnología y Normalización*) comprises 4 NQS agencies within the reach of this Action: the National Standardisation Agency (*ONN - Organismo Nacional de Normalización*), the Metrology Agency (*ONM- Organismo Nacional de Metrología*), the Certification agency (*ONC - Organismo Nacional de Certificación*), and the Inspection agency (*ONI - Organismo Nacional de Inspección*).

CONACYT (Science and Technology Council): CONACYT is in charge of the science, technology, innovation and quality regulations, policies and programmes; it also chairs the National Quality Commission and hosts the ONA. Its accreditation agency, ONA, is yet to expand accreditation of smaller laboratories in the provinces, so as to provide quality control and product testing of MSME products in more areas of country.

INTN (Instituto Nacional de Tecnología y Normalización): The INTN has upgraded its infrastructure and services during the last years. A remaining challenge is to expand product certification services to MSMEs, charging affordable prices for its audits, product and management systems certification. INTN, with its infrastructure in Asunción and the two second-largest cities *Encarnación* and *Ciudad del Este* could be a key partner for developing public-private technological innovation initiatives or centres.

³ Council Conclusions 13201/15

Comité para propiciar el clima de Negocios⁴ / Ministry of Finance: The Ministry of Finance's Vice-ministry of Economy coordinates the Committee for Improving the Business Environment, which also includes the Tax Authority (*SET- Secretaría de Estado de Tributación*), the Property Registries and the Trade Courts of the Ministry of Justice, MIC and representatives of other public institutions.

Comité Nacional de Facilitación de Comercio⁵ / Ministry of Foreign Affairs: Created in 2017 as a requirement of the WTO Trade Facilitation Agreement, the National Committee for Trade Facilitation is in charge of interinstitutional coordination and implementation follow-up of the Agreement. It is led by the Presidency's Cabinet and coordinated by the Direction of Economic Multilateral Organisms of the Ministry of Foreign Affairs.

Other public sector stakeholders for the Action include i.a. the Ministry of Justice and its dependencies for Property Registries, Tribunals, etc.; the Central Bank; the public Credit Guarantee Fund for MSME; the Ministry of Agriculture and Livestock and its agencies; the Ministries of Public Health and its agencies; the Ministry of Women.

- **Private sector institutions:**

Business Intermediary Organisations:

There are numerous business, trade and sector intermediary organisations in Paraguay, yet they are generally small and provide relatively few services to MSME. Most of them provide lobbying, basic training or advisory services for their members, and organize pertinent events. Two organisations stand out from the rest, through their vast membership, national presence and the amount of services they provide to their associates:

- UIP (*Unión Industrial Paraguaya*) is the main industrial federation of the country, which groups hundreds of industrial companies and most business and trade associations (*gremios*). UIP delivers business development and training services through a fully-owned Productivity and Quality Centre (*CEPPROCAL- Centro Paraguayo de la Productividad y Calidad*), which has been recently merged with the vocational training centre (*ITS- Instituto Tecnológico Superior*). UIP also manages a private university with German partners (*UPA- Universidad Paraguayo Alemana*). The combination of the university and technical/training centre and its national coverage gives UIP a leading role and infrastructures in capacity building and support to enterprises. UIP has significant technical and financial capacity and managed various international cooperation projects, including funding from Japan and Taiwan. The UIP is also presently managing an AL INVEST 5.0 SME partnership project and participates in a regional one as consortium member.
- FECOPROD (*Federación de Cooperativas de Producción*) is the main federation of cooperatives, grouping over 30 production and 65 credit cooperatives. These cooperatives are mainly in agricultural production and processing value chains, but some also work in industrial sectors. FECOPROD also owns and manages a training and technical assistance centre and a laboratory, which has been supported by former EU project *AIESRP*. FECOPROD has substantial experience in managing donor-funded projects. During the last three years it has been managing a USD 12 million USAID grant, and some funding from the EU, as well as from Japan and other donors.

Numerous smaller BIOs either focus on a specific business topic or sector. Various business organisations created a foundation for business development and subcontracting such as

⁴ Presidential Decree, 6665, 12/1/2017

⁵ Presidential Decree 7102, 27/4/2017

CEDIAL (*Centro de Cooperación Empresarial y Desarrollo Industrial*), which is implementing another AL INVEST 5.0 SME partnership grant. The APEP, association for business women in Paraguay is also a key stakeholder for the promotion of gender equality.

1.1.3 Priority areas for support/problem analysis

One of the main identified obstacle to Paraguay sustainable economic growth and thus to job creation is the weak institutional and policy framework; in particular gaps in the MSME regulatory framework and weaknesses of the public institutions supporting MSMEs. Both public and private institutions provide limited services to MSMEs. BIOs are crucial in supporting companies, in particular MSMEs, in developing expertise, networks, capacities by providing concrete and effective tailor-made services. In Paraguay, BIOs currently provide basic business services, but lack the sophisticated services needed to boost productivity, quality and innovation. There is a generalised consensus that MSMEs are not able to profit from the present cycle of economic growth. MSMEs are not capable of integrating further into their value chains, either by launching higher value-added products and services entering into stable supplier agreements, and/or exporting to neighbouring countries. The experience of other Latin American countries shows that while some of the *maquilas* will move to lower-cost countries as labour costs rise, others will remain in-country and turn into “mixed” domestic-export factories, increasing their operations and value-added inside the country. In order to achieve the objective of supplying factories, whether *maquilas* or large domestic producers, it is necessary to develop a local supplier base of certified MSMEs.

MSMEs are key drivers for increasing women employment. There is a need to strengthen the existing management skills and promote women-led businesses, enhancing social responsibility practices, protecting the environment and taking up opportunities offered by shifting to cleaner production and resource efficiency for enhanced competitiveness. To guarantee environmental sustainability and respect to human rights, there is the need to support MSMEs in adopting sound and fair business practices. Likewise, there is a need for support to identify opportunities for enhanced competitiveness associated to eco-innovation, cleaner and low carbon production and resource efficiency.

The mobilisation of the private sector and private finance is essential for Paraguay to implement the SDGs and to increase the impact of our development cooperation. However, private sector's contribution in a number of sectors remains limited (e.g. environment, poverty reduction, inequalities, and gender). While the private sector has natural interest in SDGs 8 and 9, it needs to become more involved in helping meet SDGs related to environment, poverty reduction, inequalities, gender, etc. Mobilizing the private sector to enter in a partnership will be crucial.

To address these problems the action focuses, in gender and environmental-sensitive ways, on supporting agro and industrial MSMEs by strengthening the regulatory framework and business environment of MSMEs, by supporting BIOs in their capacity to deliver quality services to MSMEs, and by improving the innovation and technology infrastructure for MSMEs in Paraguay. Finally, the action will support the implementation of selected Category C provisions of the WTO Trade Facilitation Agreement⁶ (Bali) and MSME-relevant measures in trade-related agreements.

⁶ Category C notifications contain provisions that a developing country or LDC designates for implementation on a date after a transition period and requiring the acquisition of implementation capacity through the provision and assistance of capacity building.

2. RISKS AND ASSUMPTIONS

Risks	Risk level (H/M/L)	Mitigating measures
The change of government in 2018 leads to a change of priorities and threatens focus of Action. While all political parties have the continuation of the present economic policies based on growth and investment in their agendas, the change of authorities could lead to disruptions and minor shifts of priorities.	L	The main focus of the activities is not in danger as all political parties recognize the need to promote MSME development. Dialogue with the future authorities has started after the April 2018 elections, well before the August change of government. The programme design is sufficiently flexible to accommodate minor changes. The strong collaboration with the private sector is a further stabilizing element.
The proposed public-private partnerships for technology and innovation centers and the export information system based on the Single Export Window do not materialize; due to a lack of agreement in the structure and activities, governance and funding, or in the coordination of the service delivery activities.	M	The recent successful public-private collaboration in the promotion and funding of the Single Export Window (VUE) model will be followed for the technological innovation centres or mechanisms and the supplier development programme. If stakeholders agree on structure and sustainability of the technological innovation centres, the activity will work as a technological innovation development programme, which offers similar services to MSMEs through laboratories and other units. The coordinator of this activity and the Steering Committee will intervene to reach an agreement on the best model with the public and private actors.
The necessary business environment reforms are not agreed or get stuck in government bodies or in Congress.	L	There is general agreement in the current government to pursue the reforms to be supported in this Action. The World Bank and the EU envisage establishing a dialogue on business reforms in Paraguay, including through this programme.
Assumptions		
<ul style="list-style-type: none"> Continued political focus during the next 5 years with the new Government on macroeconomic stability, economic growth and diversification through industrialisation, MSME development, and in negotiating and implementing bilateral and multilateral international trade agreements. 		
<ul style="list-style-type: none"> The international and private sector organisations delivering the business development services for MSMEs have the expertise, clout and negotiating skills to implement the activities. They obtain an adequate adherence from the involved actors, in particular MSME. 		
<ul style="list-style-type: none"> Public sector actors, MSME, larger firms, and private sector associations are willing to work together in the different activities to improve their value chains and upgrade the MSMEs so as to integrate them into the value chains, as product, service or 		

component providers.
<ul style="list-style-type: none"> Continued strong coordination by the different stakeholders and effectiveness of public-private dialogue and partnerships.

3. LESSONS LEARNT, COMPLEMENTARITY AND CROSS-CUTTING ISSUES

3.1 Lessons learnt

Lessons learnt from the previously EU-funded private sector support programmes FOCOSEP (*Fortalecimiento del Sector Exportador Paraguayo*), AIEP (*Apoyo a la Integración Económica del Paraguay*), the ongoing AI-Invest 5.0, as well as from the Inter-American Development Bank (IDB) loans “Exporting Firms I” and “SME Business Development Services”, can be summarised as:

- The substantial former investments in quality infrastructure were useful at the first stage of development of the quality system. At the present stage, support should focus on extending the use of this infrastructure to MSME from a strict market-driven approach. Further improvements in the quality system remain necessary, notably the consolidation of an affordable and efficient MSME-focused certification agency, possibly based on the Technology and Standardisation Institute (INTN) certification unit (ONC), accreditation of regional laboratories, extend standardisation in certain sectors and products having export potential, etc.
- Export and foreign investment promotion efforts have had a limited impact on generating business opportunities for most MSME, as most of them are not registered, lack business skills and certified products or access to finance, and therefore are not ready to export or integrate further into their value chain. Business upgrading targeted to MSME needs to continue with quality, innovation and advanced support services to achieve a larger base of accredited suppliers and firms with certified products.
- Ensuring ownership and involvement of the private sector, in particular for public-private partnerships, for employment and economic opportunities generation, is key for success as well as for producing revenue for various sectors. The successful experience of the Single Export Window (*VUE- Ventanilla Única de Exportación*), which is managed by the public sector but is also supported and co-funded by a private consortium of three business intermediary organisations is a clear success story. Similar public private partnerships shall be attempted to provide advanced services such as technology and innovation, for development of industrial suppliers, or for creating a “mid-range” standards certification agency.
- Support to value chains and MSMEs has been too focused on Asunción and a few major cities, while in the smaller towns and villages, business support services have concentrated mostly on support to subsistence producers and small cooperatives. New actions should decentralise the business support to the other major agro-food and industrial-emerging regions, notably to the Itapúa and Alto Paraná provinces, both of which are high-growth and rapidly industrialising areas.
- The supply of business development services should be determined by the market and shaped by demand based on a clear understanding of MSMEs needs.
- In order to have national impact, private sector grants have to be larger and managed by BIO with outreach across the country that cover several value chains and have the financial capacity to absorb and disburse grants. Also, the association of MSMEs and

cooperatives should be promoted in order to be more productive, reduce costs of meeting standards, and obtain market information and technology.

3.2 Complementarity, synergy and donor coordination

The Action is complementary and will have substantial synergies with two Inter-American Development Bank (IADB) loans for export and investment support: Loan 3865-OC/PR Phase I of USD 10 million, with an approved Phase II of a further USD 10 million; and Loan 3354-OC/PR of USD 10 million for business development services and entrepreneurship support. The activities proposed will focus on different types of services and sectors and will concentrate on processing and industrial MSMEs only. It will also support MSME formalisation and business upgrading, implementing business development services.

Complementarity and synergy will also exist with the on-going assistance of the World Bank to improve selected “Doing Business” indicators as this action will continue and deepen the Bank’s support finalising at the end of 2018. Likewise, there is a good complementarity with programmes of other bilateral donors working with different segments of MSME: the United States Agency for International Development (USAID) with rural producers, Japan on agriculture and livestock productivity improvement, and Korea on industrial park strategy.

The proposed programme is complementary to the ongoing EU programme “Promotion of a Diversified and Sustainable Livestock Production” (EUR 8.0 million), with the aim to contribute to the economic diversification and inclusive economic growth in the sector, as well as the regional programme AI-Invest 5.0.

At present there is no structured donor coordination in Paraguay regarding MSME development or general economic competitiveness, although there is interest among the authorities to create one. The foreseen long-term technical assistance to the MIC will also be an instrument to support MIC in the creation of a donor coordination table. This Action will by itself trigger a certain degree of donor collaboration by delegating activities to two international institutions and maintaining close coordination with the IADB.

3.3 Cross-cutting issues

The Action will provide an important push for gender equality by seeking to support a high proportion of women-led MSMEs. Women-led firms in this action are defined as firms or cooperatives founded, controlled and/or managed by women. The Action will aim to have women-led formalized MSMEs account for at least 30% of final beneficiaries. This represents an ambitious target for Paraguay compared to the existing number of women-led formalized MSMEs, which is very roughly estimated to be around 20%. Positive discrimination will be sought to achieve this relatively high percentage of women-led beneficiaries, when appropriate, ensuring at the same time that all candidates for support possess the necessary qualifications for each specific activity.

In order to promote a transition to a green economy, the action will include introducing sound environmental practices and promoting circular economy principles, at the level of public institutions, BIOs and MSMEs, also as these produce important economic opportunities. At the level of public authorities, the implementation of green public procurement will be promoted. In the case of agro-related MSMEs, actions will be geared towards the valorisation of waste generated from processing activities. In the case of industrial MSMEs, measures will be introduced to guarantee energy and resource efficiency, clean production and proper disposal and recycling. By redeploying resources

and fostering a productive ecosystem that is regenerative by nature, product longevity is increased, and the maximum value possible is extracted from raw materials. As such, support to agro-processing will be limited to areas of sustainable production, fostering companies that adopt circular business models.

4 DESCRIPTION OF THE ACTION

4.1 Objectives/results

The overall objective of the Action is to “contribute to inclusive and sustainable economic growth and job creation through enhanced MSME development and competitiveness, and an improved business environment”.

The specific objectives are:

1. Strengthened national legal, policy and institutional framework and enhanced public services for improving MSME competitiveness and their integration into the value chains.
2. Extended private sector high-quality services to MSMEs, including for technological development and innovation.
3. Improved environment for doing business, trade and investment.

The two main Sustainable Development Goals (SDGs) targeted are SDGs 8 - Decent Work and Economic Growth, and 9 - Industry, Innovation and Infrastructure. Additional SDGs impacted by the Action are 5 - Gender Equality by prioritising women-led MSMEs; SDG 12 - Ensure sustainable consumption and production patterns; SDG 10 - Reducing Inequality; and SDG 17 - Partnership for the Goals, will also be furthered.

The expected results (outputs) are:

Result 1: Institutional reforms and conducive policies developed in the field of MSME competitiveness and value chain development. Public sector institutions will be strengthened and supported in policy and service delivery in the areas impacting MSME competitiveness: from formalisation of MSMEs, upgrading management systems and facilitating access to finance (including through EU blended operations), to develop and regulate productive and supply chains, and providing laboratory and certification standards and norms for MSMEs. Also, policy and instruments will be designed to enhance MSME technological innovation and their accreditation as suppliers to large firms. Resource efficiency and cleaner production will be promoted as factors contributing to MSMEs' competitiveness.

Result 2: Private sector business intermediary organizations (BIO) capacities are enhanced to provide extended business high-quality services to MSMEs, including for technological development and innovation. The proposed programme will strengthen BIOs in their capabilities to deliver sophisticated business development services to MSMEs. The programme will promote the development of specialised technology and innovation centres jointly with public authorities and BIO partners. BIOs interface and collaboration schemes with business, academia and technical organizations will be strengthened. Each of the different services would demand innovative institutional arrangements and the role to be played by the different BIOs could vary. Consequently, the country's technical network and existing capacities will be optimized. In addition, through the sustainable supplier development component, MSMEs will improve their productive capacities and compliance with market requirements.

Result 3: Measures developed to overcome administrative and regulatory burdens and facilitate trade across borders. The action will support implementation of selected Category C provisions of the WTO Trade Facilitation Agreement (Bali) and MSME-relevant measures in trade-related agreements. The business environment will be enhanced, in particular in areas of importance for MSMEs: opening a business, getting credit, protecting minority investors, trading across borders and resolving insolvency, aiming at launching a pro-business reform process.

All results will include indicators and actions favouring the inclusion of sustainable consumption and production aspects (including corporate social responsibility), enhance women leadership of MSMEs, improve the quality of employment and living standards, and minimize the environmental impact of the MSME and value chain operations.

4.2 Main activities

In relation to the specific objective 1:

1.1. Framework for MSME development

1.1.1. Strengthen the policy and service capabilities of the Vice-ministry for MSMEs to implement the MSME Law, in particular regarding business formalisation and upgrading of management and productive systems.

1.1.2. Provide support to facilitate access to finance for MSMEs, including the development of mechanisms for seed or risk capital, credit guarantee funds, and other instruments that could help promoting investment opportunities and private sector funds mobilisation in Paraguay.

1.1.3. Provide support to regulate and supervise the market-driven sustainable supplier development component for selected value chains, in cooperation with the private sector.

1.1.4. Strengthen national mechanisms for the promotion of technological innovation and support the establishment and consolidation of two Technological Innovation Centres or similar mechanisms for selected agro-processing and industrial value chains.

1.1.5. Advise on public policies and promote innovative tools such as green public procurements, cleaner production and resource efficiency that set the frame for promoting sustainable consumption and production patterns (including corporate social responsibility), empowering women as entrepreneurs and workers, and a transition towards a circular economy.

1.2. Conductive business environment

1.2.1. Support the MIC Vice-ministry of Trade, in particular the extension of the services provided by the public-private Single Exports Window, with the development of an Export Information System.

1.2.2. Assist regulatory and public sector actions to implement and help MSMEs benefit of trade-related agreements on issues such as intellectual property, geographic indications, denominations of origins, and associated topics.

1.3. Quality framework

1.3.1. Strengthen the National Quality System and its institutions in supporting MSMEs compliance, certification and quality standards, along the supported value chains.

1.3.2. Support the consolidation of a standards certification agency which offers affordable product and systems certification services to MSMEs.

1.4. Monitoring and coordination mechanisms

1.4.1. Support the MIC in the implementation of a SDG monitoring and evaluation system to track progress.

1.4.2. Assist the MIC in establishing sectoral donor coordination.

In relation to the specific objective 2:

2.1. Support BIOs to provide an increased range of advanced services to their members, in fields of management, quality, technological development and innovation, manufacturing and processing techniques, marketing and internationalisation, resource efficiency, cleaner production, et al.;

2.2. Assist the private sector in participating in the design and implementation of a sustainable supplier development component;

2.3 Support the establishment and consolidation of two sustainable public-private technological innovation centres or similar mechanisms for selected agro-processing and industrial value chains linked to the BIOs;

2.4. Enable BIOs to assist MSMEs to benefit of trade-related agreements;

2.5. Promote private sector engagement for reaching SDGs, the adoption of sustainable consumption and production (including corporate social responsibility) and gender equality principles by private enterprise, including via business self-regulation or moving towards a circular economy.

In relation to the specific objective 3:

3.1. Implement regulations to facilitate processes and reduce the costs of starting and closing a business.

3.2. Support the creation of a financial assets registry for facilitating access to credit by MSMEs.

3.3. Assist implementation of a new bankruptcy law and the streamlining of insolvency proceedings.

3.4. Elaborate proposals to improve the protection of minority investors and improve corporate governance.

3.5. Elaborate diagnostic on cadastre modernisation based on reliable and detailed information in order to improve land administration system.

3.6. Support the Paraguayan government to implement priority measures under the WTO Trade Facilitation Agreement (notified Category C provisions), by improving regulations, processes and costs of trading across borders.

4.3 Intervention logic

By addressing the main factors influencing MSME development and competitiveness, including the improvement of the business environment, this Action aims at supporting Paraguay to overcome key structural barriers and enhance inclusive and sustainable growth.

It will strengthen the framework for MSME and relevant MSME related public institutions, including the National Quality System, in policy and service delivery, as well as improve conditions for doing business in reducing administrative burdens. Giving a further push to administrative facilitation, improving the environment for doing business

and trade will, in the long term, be decisive for business development and investment (macro level). It will promote public-private dialogue/partnerships in key areas including the further expansion of the successful public-private Single Exports Window VUE to include an information system, the design and implementation of a sustainable industrial suppliers programme, and the establishment of technology or innovation centres or equivalent innovation promotion schemes (meso level). To ensure sustainability, activities will also aim at strengthening Business Intermediary Organisations (BIO) in upgrading their business development services for more efficient and overarching support to MSME in the industrial and agro-business sectors (micro level). Based on a market-driven, human right-based, gender and environmentally sensitive approach, support throughout the action will focus on selected high-potential value chains and sectors, export-oriented with high generation of employment and where women represent a large share of the working force.

Accordingly, by strengthening national institutions and enhancing BIOs capacities to develop an enabling business environment, access to finance and a wide range of business development services the action will be instrumental to increase MSME productivity and competitiveness. The promotion of technology and innovation centres will lead to a greater emphasis on R&D and the integration of MSMEs into larger value chains. Importantly, by supporting activities in the area of access to finance, the programme also seeks to analyse the scope for the possible use of innovative financial instruments allowing to leverage additional resources for Sustainable Development Goals (SDG) implementation, in particular as concerns the role of private sector.

5 IMPLEMENTATION

5.1 Financing agreement

In order to implement this Action, it is foreseen to conclude a financing agreement with the partner country.

5.2 Indicative implementation period

The indicative operational implementation period of this action, during which the activities described in section 4.1 will be carried out and the corresponding contracts and agreements implemented, is 54 months from the date of entry into force of the financing agreement.

Extensions of the implementation period may be agreed by the Commission's authorising officer responsible by amending this decision and the relevant contracts and agreements; such amendments to this decision constitute technical amendments in the sense of point (i) of Article 2(3)(c) of Regulation (EU) No 236/2014.

5.3 Implementation modalities

A combination of directly and indirectly managed contracts will ensure coherence and complementarity to the activities proposed, visibility and ownerships to the EU, as well as an optimal use of stakeholders' expertise and capabilities. The Commission will ensure that the EU appropriate rules and procedures for providing financing to third parties are respected, including review procedures, where appropriate, and compliance of the action with EU restrictive measures affecting the respective countries of operation⁷. The grants shall be open to include other partners.

⁷ https://eeas.europa.eu/sites/eeas/files/restrictive_measures-2017-04-26-clean.pdf

5.3.1 Grant: direct award to UIP (*Unión Industrial Paraguaya*) for delivering business development services to MSMEs with firm structure (direct management)

(a) Objectives, fields of intervention, priorities of the year and expected results:

The objective of the grant is the partial implementation of specific objective 2, to enhance the private sector BIOs capacities to provide standard and advanced high-quality business development services to MSMEs, including training or advisory services for business planning and management, marketing and internationalisation of MSMEs, implementation of quality management systems, certification of products according to quality and international standards. Also, through the grants the BIOs shall offer more advanced services in legal and fiscal issues, technology development and transfer, innovation, business matchmaking and productive investments infrastructure. The grant shall also facilitate the participation of the private sector in a supplier development programme and a technological development and innovation centre or mechanism. It shall contribute to develop and implement public-private partnerships in these areas.

MSMEs should be registered as individual businesses or legal entities: limited companies, unipersonal firms or other legal forms of businesses.

(b) Justification of a direct grant

Under the responsibility of the Commission's authorising officer responsible, the grant may be awarded without a call for proposals to UIP.

Under the responsibility of the Commission's authorising officer responsible, the recourse to an award of a grant without a call for proposals is justified because in order to be successful the action requires an implementing partner with strong technical, financial and administrative capacity; with a high level of representativeness for the industrial sector; with national reach; and with the position and means, both financial and political, to allow the sustainability of the activities after the end of the EU grant funding⁸.

The UIP is considered to be the only private sector BIO in Paraguay with consistent administrative, technical and financial capacities and experience to lead a grouping of business organisations to manage a large direct grant for providing services to commercial MSMEs across the country. The UIP has substantial representation and institutional reach in all the country, as it agglutinates virtually all industrial organisations and most large companies. UIP is by far the largest multi-sector federation of BIO, but it will be encouraged to form a consortium with other BIOs, so as to promote even greater collaboration and outreach. Moreover, the UIP has the necessary facilities to provide a wide range of business development services – see above.

Direct engagement with the UIP further allows deepening policy dialogue with the industrial private sector regarding the development and provision of structured services and capacities in favour of MSME development. Its participation is key in the design and development of the supplier development programme as well as the establishment and functioning of industrial technological development and innovation centres or mechanisms.

(c) Essential selection and award criteria

⁸ In accordance with circumstances listed in Article 195 (f) of the Financial Regulation.

The essential selection criteria are the financial and operational capacity of the applicant. The essential award criteria are relevance of the proposed action to the objectives of the call; design, effectiveness, feasibility, sustainability and cost-effectiveness of the action.

(d) Maximum rate of co-financing

The maximum possible rate of co-financing for this grant is 90%.

If full funding is essential for the action to be carried out, the maximum possible rate of co-financing may be increased up to 100%. The essentiality of full funding will be justified by the Commission's authorising officer responsible in the award decision, in respect of the principles of equal treatment and sound financial management.

(e) Indicative trimester to conclude the grant agreement

2nd Trimester of 2019

5.3.2 Grant: direct award to FECOPROD (*Federación de Cooperativas de Producción*) for providing business development services for cooperatives structures / MSMEs (direct management)

(a) Objectives, fields of intervention, priorities of the year and expected results:

The objective of the grant is the partial implementation of the specific objective 2, to enhance the agro-related MSMEs and cooperatives BIO capacities to provide standard and advanced agro-business development services, including training or advisory services for business planning and management, marketing and internationalisation, implementation of quality management systems, certification of products according to quality and international standards. Also, through the grants the BIOs shall offer more advanced services in legal and fiscal issues, technology development and transfer, innovation, business matchmaking and productive investments infrastructure. Beneficiaries would be individual or cooperative legal entities, which are agro or industrial product processors organised under cooperative legal arrangements.

(b) Justification of a direct grant

Under the responsibility of the Commission's authorising officer responsible, the grant may be awarded without a call for proposals to FECOPROD.

Under the responsibility of the Commission's authorising officer responsible, the recourse to an award of a grant without a call for proposals is justified because in order to be successful the action requires an implementing partner with strong technical, financial and administrative capacity; with a high level of representativeness for the agro-processing sector; with national reach; and with the position and means, both financial and political, to allow the sustainability of the activities after the end of the EU grant funding⁹.

FECOPROD is the only federation of cooperatives in the country with proven administrative, financial and technical capacities and experience to manage a large direct grant for delivering business development services to value chains, where cooperatives are the usual legal structure for producers and processors.

FECOPROD has substantial representation and institutional reach in all the country, as it includes a substantial share of agro-related cooperatives and producers associations. Although it is by far the largest federation of cooperatives, it will be encouraged to form a consortium with other BIOs, so as to promote even greater collaboration and outreach.

⁹ In accordance with circumstances listed in Article 195 (f) of the Financial Regulation.

FECOPROD has training facilities in Asunción, and through its member cooperatives it can mobilise facilities in virtually all cities and towns of the country. It also operates a modern laboratory, and participates in a model farm and research centre near Ciudad del Este (Alto Paraná region near Brazil). Even if it can reach the whole country on its own, it will be encouraged to include other cooperative federations or large cooperatives in a consortium to promote greater collaboration and outreach in the delivery of services to the cooperative segment of MSMEs.

As for UIP, direct engagement with FECORPOD further allows deepening policy dialogue though specifically with the agro-processing private sector.

(c) Essential selection and award criteria

The essential selection criteria are the financial and operational capacity of the applicant. The essential award criteria are relevance of the proposed action to the objectives of the call; design, effectiveness, feasibility, sustainability and cost-effectiveness of the action.

(d) Maximum rate of co-financing

The maximum possible rate of co-financing for this grant is 90%.

If full funding is essential for the action to be carried out, the maximum possible rate of co-financing may be increased up to 100 %. The essentiality of full funding will be justified by the Commission's authorising officer responsible in the award decision, in respect of the principles of equal treatment and sound financial management.

(e) Indicative trimester to conclude the grant agreement

2nd Trimester of 2019

5.3.3 Procurement (direct management)

Subject in generic terms, if possible	Type (works, supplies, services)	Indicative number of contracts	Indicative trimester of launch of the procedure
Technical Assistance, studies, training, seminars and similar services	Services	2	1 T 2019;
Intermediate and Final Evaluations and Financial Audit	Services	4	4 T 2021; 4 T 2023

5.3.4 Indirect management with an International Organisation

A part of this action may be implemented through a PAGODA with the United Nations Industrial Development Organization (UNIDO).

This implementation covers activities under specific objective 1 (activities 1.1.3; 1.1.4) and specific objective 2 (activities 2.1, 2.2; 2.3, 2.5).

UNIDO would work with public and private partners to design, establish and implement an industrial supplier development programme and two centres for technological innovation, or similar mechanisms, for agro-processing and industrial value chains. UNIDO would notably promote public-private partnerships, and assist both public (MIC, NQS) and private sector actors in strengthening their capacities. UNIDO would also provide assistance to the BIOs defined under sections 5.3.1 and 5.3.2 to reinforce their capacity to provide advanced business services to MSMEs or cooperatives, and would provide horizontal support to introduce circular economy principles. In order to be

successful, the action requires an implementing partner with strong experience in industrial supplier programmes, technological development and innovation centres or mechanisms, value chain development and advanced business development services. UNIDO has vast international expertise in these areas, while the MIC doesn't have the in-house experience. MIC capacities are to be developed by UNIDO. Likewise, Paraguayan BIOs do not have the required experience and knowledge. They will directly benefit from assistance provided by UNIDO.

The entrusted entity would carry out the following budget-implementation tasks, indicatively: award and management of procurement contracts (services and/or supplies and/or works)

If negotiations with the above-mentioned entrusted entity fail, that part of this action may be implemented in direct management in accordance with the implementation modalities identified in section 5.3.6.

The Commission authorises that the costs incurred by the entrusted entity may be recognised as eligible as of 1st October 2018 because UNIDO plays a central role in the coordination of activities under different contracts to be concluded under this programme. It will namely have to ensure that activities under TA, private sector grants and under UNIDO responsibility related to the technological development & innovation centres or mechanisms, industrial supplier programme, and development of advanced business services are well coordinated and complementary. Eligibility of costs incurred by UNIDO in this preparatory stage will allow advancing with the preparation of these other contracts simultaneously.

5.3.5 Indirect management with an International Organisation

A part of this action may be implemented in indirect management with the World Bank Group (WB).

This implementation covers activities under specific objective 3 (activities 3.1; 3.2; 3.3; 3.4; 3.5; 3.6)

This implementation is justified as the WB is distinctively positioned to implement those activities given its institutional credibility, international expertise and political convening power to push forward the necessary business environment reforms.

In Paraguay, the WB is already engaged in the process of supporting the drafting of pro-business legislation. It has contributed to the implementation of 5 reforms in the following areas: starting a business, dealing with construction permits and trading across borders. It has been working along these lines and forged close working relations with Paraguayan authorities, in particular the Ministry of Finance.

Concerning trade facilitation, the WB has the respective mandate, vast experience in neighboring countries and privileged relationship with national authorities.

The WB has an office in Paraguay where it manages various loans and technical assistance activities. It has a network of in-house and external experts in various business environment areas that support and provide recommendations on the implementation of reforms following lessons learned from regional peers and international best practice jurisdictions.

The entrusted entity would carry out the following budget-implementation tasks, indicatively: award and management of procurement contracts (services, supplies and/or works), award and management of Grants.

If negotiations with the above-mentioned entrusted entity fail, that part of this action may be implemented in direct management in accordance with the implementation modalities identified in section 5.3.6

5.3.6 Changes from indirect to direct management mode due to exceptional circumstances

If negotiations with the above-mentioned entities described in 5.3.4 and/or 5.3.5 “Indirect management with an international organisation” fail, the respective part of the action may be implemented in direct management in accordance with the implementation modality 5.3.3 Procurement (direct management)

Subject in generic terms, if possible	Type (works, supplies, services)	Indicative number of contracts	Indicative trimester of launch of the procedure
Technical assistance to public and private sector institutions for the design and implementation of an industrial supplier’s programme and two technological innovation centres or similar mechanisms.	Services	1	T3 2019
Technical assistance for the implementation of pro-business reforms.	Services	1	T3 2019

5.4 Scope of geographical eligibility for procurement and grants

The geographical eligibility in terms of place of establishment for participating in procurement and grant award procedures and in terms of origin of supplies purchased as established in the basic act and set out in the relevant contractual documents shall apply.

The Commission’s authorising officer responsible may extend the geographical eligibility in accordance with Article 9(2)(b) of Regulation (EU) No 236/2014 on the basis of urgency or of unavailability of products and services in the markets of the countries concerned, or in other duly substantiated cases where the eligibility rules would make the realisation of this action impossible or exceedingly difficult.

5.5 Indicative budget

	EU contribution (amount in EUR)	Indicative third party contribution, in EUR
5.3 – Implementation Modalities		N.A.
5.3.1 – Direct grant to UIP (direct management)	2,000,000	222,222
5.3.2 – Direct grant to FECOPROD (direct management)	2,000,000	222,222
5.3.3 - Procurement – total envelope	3,200,000	N.A.
5.3.4 – Indirect management with UNIDO	2,800,000	TBD ¹⁰
5.3.5 – Indirect management with the WBG	1,000,000	150,000 ¹¹
5.8 - Evaluation, 5.9 - Audit	400,000	N.A.
5.10 - Communication and visibility – to be covered by Support Measures for Paraguay	N.A.	N.A.
Contingencies	600,000	N.A.
Totals	12,000,000	594,444

5.6 Organisational set-up and responsibilities

The Action will be supervised by a Steering Committee, led by the Ministry of Industry and Trade (MIC), and tentatively include the following members:

- The Minister of Industry and Trade (MIC) or a duly designated representative, who will chair the Committee;
- The Head of Delegation of the European Union in Paraguay or a representative;
- The Regional Director of UNIDO responsible for Paraguay or a representative;
- The Representative of the World Bank in Paraguay;
- The representative of the technical assistance, who will act as Secretary of the Committee.

The Steering Committee shall meet at least twice yearly and provide overall guidance, coherence and coordination with other institutions, and ensure that actions are followed up with the necessary stakeholders.

A programme working group would be established to coordinate, monitor and support all industrial development-related activities, in particular the actions referring to innovation and technological development, industrial suppliers' programme and value chain development. The Working Group is tentatively composed of the following members:

- The Minister of Industry and Trade or a representative;
- The President of CONACYT as responsible for the NQS or a representative;
- The Head of Delegation of the European Union in Paraguay or a representative;
- The Regional Director of UNIDO or a representative;
- The President of the UIP or a representative;

¹⁰ UNIDO's contribution to the Action has not yet been defined. The Final amount will be known at contracting stage.

¹¹ The contribution of EUR 150,000 is indicative. The Final amount will be known at contracting stage.

- The President of FECOPROD or a representative;
- The representative of the technical assistance, who will act as Secretary.

The working group will aim to meet at least once every three months.

The administrative agreement with the World Bank will establish a similar separate coordination mechanism for activities in the field of doing business, with the EU Delegation and main national stakeholders as members.

Additional working groups can be established if pertinent.

Other members from other private or public institutions can attend specific sessions of the Steering and Management Committees, based on the topics of the sessions.

A communication and visibility plan will be drafted for the Action, which will be integrated in the agreements with the UNIDO and the World Bank in order to ensure adequate EU visibility.

5.7 Performance monitoring and reporting

The day-to-day technical and financial monitoring of the implementation of this action will be a continuous process and part of the implementing partner's responsibilities. To this aim, the implementing partner shall establish a permanent internal, technical and financial monitoring system for the action and elaborate regular progress reports (not less than annual) and final reports. Every report shall provide an accurate account of implementation of the action, difficulties encountered, changes introduced, as well as the degree of achievement of its results (outputs and direct outcomes) as measured by corresponding indicators, using as reference the final log-frame matrix, as described in a preliminary form of the Appendix to this Document. As far as possible, data should be disaggregated by sex, age, ethnicity, disability and location to allow for better monitoring of gender and right-based indicators. The report shall be laid out in such a way as to allow monitoring of the means envisaged and employed and of the budget details for the action.

Baseline study will be carried out at the inception phase. Particular attention shall be given to the indicators of specific objective 2 to establish the current status and provide a benchmark for all related activities. Also project surveys shall be carried out regularly to collect information during the project implementation, and provide feedback information and recommendations.

The final report, narrative and financial, will cover the entire period of the action implementation.

The Commission may undertake additional project monitoring visits both through its own staff and through independent consultants recruited directly by the Commission for independent monitoring reviews (or recruited by the responsible agent contracted by the Commission for implementing such reviews).

5.8 Evaluation

Having regard to the importance of the action, a mid-term and a final evaluation will be carried out for this action or its components via independent consultants contracted by the Commission. A mid-term evaluation will be carried out for learning purposes, in particular with respect to adapting the scope of the services and activities selected in the three Expected Results. A final evaluation will be carried out for accountability and learning purposes at various levels (including for policy revision), taking into account in particular the economic growth and industrial development during the implementation period. Any evaluation should be gender sensitive and assess implementation of rights-based approach

working method principles transparency, participation and non-discrimination/equality in terms of implementation of the project and project outcomes. An active and meaningful participation of stakeholders should be ensured in the entire evaluation process.

The Commission shall inform the implementing partner at least one month in advance of the dates foreseen for the evaluation missions. The implementing partner shall collaborate efficiently and effectively with the evaluation experts, and inter alia provide them with all necessary information and documentation, as well as access to the project premises and activities.

The evaluation reports shall be shared with the partner country and other key stakeholders. The implementing partner and the Commission shall analyse the conclusions and recommendations of the evaluations and, where appropriate, in agreement with the partner country, jointly decide on the follow-up actions to be taken and any adjustments necessary, including, if indicated, the reorientation of the project.

Indicatively, two contracts for evaluation services shall be concluded under a framework contract, an intermediate evaluation in 2021, and the final evaluation after the end of the implementation period.

5.9 Audit

Without prejudice to the obligations applicable to contracts concluded for the implementation of this action, the Commission may, on the basis of a risk assessment, contract independent audits or expenditure verification assignments for one or several contracts or agreements.

Indicatively, two contracts for audit services shall be concluded under a framework contract indicatively in 2021.

5.10 Communication and visibility

Communication and visibility of the EU is a legal obligation for all external actions funded by the EU. This action shall contain communication and visibility measures which shall be based on a specific Communication and Visibility Plan of the Action, to be elaborated at the start of implementation and supported with the budget indicated in section 5.5 above.

In terms of legal obligations on communication and visibility, the measures shall be implemented by the Commission, the partner country, contractors, grant beneficiaries and/or entrusted entities. Appropriate contractual obligations shall be included in, respectively, the financing agreement, procurement and grant contracts, and delegation agreements. The Communication and Visibility Manual for European Union External Action shall be used to establish the Communication and Visibility Plan of the Action and the appropriate contractual obligations.

APPENDIX - INDICATIVE LOGFRAME MATRIX (FOR PROJECT MODALITY)

The activities, the expected outputs and all the indicators, targets and baselines included in the log-frame matrix are indicative and may be updated during the implementation of the action, no amendment being required to the financing decision. When it is not possible to determine the outputs of an action at formulation stage, intermediary outcomes should be presented and the outputs defined during inception of the overall programme and its components. The indicative log-frame matrix will evolve during the lifetime of the action: new lines will be added for including the activities as well as new columns for intermediary targets (milestones) for the output and outcome indicators whenever it is relevant for monitoring and reporting purposes. Note also that indicators should be disaggregated by sex whenever relevant.

	Results chain	Indicators	Baselines	Targets	Sources and means of verification	Assumptions
Overall objective: Impact	Contribute to inclusive and sustainable economic growth and job creation	1. GDP share of industry sector	1. 27% (2016)	1. 32% (2022)	1. Dirección General de Estadística, Encuestas y Censos (DGEEC)	
		2. Manufacturing value added per capita (in US\$)	2. 440 (2016)	2. 600 (2022)	2. World development indicators, World Bank	
		3. Agro-processing value added per capita (in US\$)	3. TBD in inception phase	3. TBD (2022)	3. UNIDO National manufacturing survey	
		4. Net additional job creation (disaggregated by sex)	4. TBD in inception phase (2018)	4. TBD (2022)	4. DGEEC	
		5. % of formal employment in Paraguay generated by MSME	5. 60% (2017)	5. 70% (2022)	5. DGEEC	
		6. Research and development expenditures as a share of GDP	6. 0.09% (2012)	6. 0.15% (2022)	6. UNESCO science and technology database	
		7. Proportion of women leaders of formalized MSME	7. +/- 10% (2017)	7. 20% (2022)	7. Renamipyme and Repse MIC databases	
		8. Doing Business - Distance to Frontier (DTF) score (1-100; 100=best)	8. DB 2018: DTF 59.18	8. DB 2023: DTF 68.00	8. World Bank Doing Business Rankings	
Specific objective(s): Outcomes	SO1. Strengthened national legal, policy and institutional framework and enhanced public services for improving MSME competitiveness and their integration into the value chains	1.1. Number of formalized MSME	1.1. 2,500 (2017)	1.1. 4,000 (2022)	1.1. MIC databases Renamipyme and Registro de Prestadores de Servicios (REPSE); DGEEC	No negative fiscal measures or economic crisis that hinder formalisation
		1.2. % of formalized MSME over total MSME	1.2. 30% (2011 census estimates)	1.2. 40% (2022)	1.2. MIC databases Renamipyme and Registro de Prestadores de Servicios (REPSE); DGEEC	
		1.3. Number of MSME obtaining financial resources from public instruments as guarantee funds, seed capital funds, etc.	1.3. 0 (2017)	1.3. 200 MSME (2022)	1.3. Programme reports; data from public instruments	Government provides funding and launches mechanisms for MSME
		1.4. Number of MSME certified by accredited bodies for their quality system	1.4. Number of certifications as of Dec 2018	1.4. 25 more certified (at least 30% women-led) (2022)	1.4. Certificates for systems	Certifications are affordable and pertinent for private sector
		1.5. Number of MSME certified by accredited bodies for their products (and/or services)	1.5. TBD (2018)	1.5. TBD (2022)	1.5. Certificates for products	

Output		1.6. Number of national laboratories accredited by the accreditation agency	1.6. 0 (2017)	1.6. 6 (2022)	1.6. Accreditations; monitoring reports	
	SO2. Extended private sector high-quality services to MSMEs, including for technological development and innovation	2.1. Number of BIO offering advanced business services ¹² to MSME	2.1. 0 (2018) (TBD)	2.1. 4 (2022)	2.1. Project survey and/or survey to be conducted by two main BIOs	Interest and effective involvement of BIOs. Cooperative MSME demand for the services.
		2.2. Number of business development services offered by programme partner BIO to MSMEs (per year)	2.2. TBD (2018)	2.2. TBD (2022)	2.2. Project monitoring report	
		2.3. Number of MSMEs receiving advanced business services	2.3. 0 (2018)	2.3. 1000 (at least 30% women-led) (2022)	2.3. Project monitoring report	
		2.4. Status of design and implementation of an efficient industrial supplier development programme	2.4. 2017: No supplier programme exists	2.4. 2022: Industrial supplier development programme designed and companies participating	2.4. Monitoring reports	
		2.5. Number of technological development and innovation centres/ mechanisms established	2.5. No such public-private mechanisms or centres exist (2018)	2.5. 1 established and operational for the agro-processing sector. 1 established and operational for the industrial sector. (2022)	2.5. Project survey	Public and private sector agreement on structure, location and funding of centres
		2.6. Number of MSME using the services of centres or mechanisms	2.6. NA (2017)	2.6. 100 MSME (accumulated) use services (at least 30% women-led) (2022)	2.6. Monitoring reports and/or survey to be conducted by two main BIOs	
	SO3.: Improved environment for doing business, trade and investment	3.1. DB indicator: starting a business	3.1. 77.52 (2018)	3.1. 85.00 (2023)	3.1. World Bank DB Rankings	
		3.2. DB indicator: access to credit (movable assets register created)	3.2. 40.00 (2018)	3.2. 44.00 (2023)	World Bank DB Rankings	
		3.2. DB indicator: resolving insolvency	3.2. 41.32 (2018)	3.2. 45.50 (2023)	3.2. World Bank DB Rankings	
		3.3. DB indicator: protection of minority investor	3.3. 41.67 (2018)	3.3. 45.80 (2023)	3.3. World Bank DB Rankings	
		3.4. DB indicator: trading across borders	3.4. 64.03 (2018)	3.4. 70.40 (2023)	3.4. World Bank DB Rankings	
		3.5. Number of trade facilitation improvements as per WTO TFA implementation plan (to be updated)	3.5. Plan as of dec. 2018	3.5. Actions of plan implemented	3.5. Minutes of Trade Facilitation Committee; regulations passed, studies of logistics times	Government presents Category C provisions related requests for support
	R1. Institutional reforms and conducive policies	1.1.1. Status of design and regulation of industrial supplier development programme	1.1.1. No supplier programme exists (2017)	1.1.1. Industrial supplier development programme designed (2022)	1.1.1. Programme documents encloses in progress report	Public-private partnership concluded for programme design

¹² Indicative services: Management; Production quality; Techn. dev. & innovation; Manufacturing and processing techniques; Marketing; Internationalization; Logistics e.g. post-harvest cold storage

	developed in the field of MSME competitiveness and value chain development	1.1.2. Status of technological development and innovation centres or mechanisms	1.1.2. 0 (2017)	1.1.2. 2 technological development and innovation centres or mechanisms operating (2022)	1.1.2. Progress report	Public and private sector agree on establishing centres or mechanisms
		1.1.3. Status of operationalization of MIC-VUE export information system	1.1.3. Small database at VUE single window (2017)	1.1.3. Interactive operational information system within VUE (2022)	1.1.3. Documentation of export information system	CONVUE consortium endorses and supports the new system besides VUE single window
		1.1.4. Number of public servants trained by the Action in areas relevant to implementation of trade agreements	1.1.4. 0 (2018)	1.1.4. 20 (2022) (disaggregated by sex)	1.1.4. Monitoring reports including database of training participants	Trained public servants will apply what they have learnt
	R2. Private sector business intermediary organizations (BIO) capacities are enhanced to provide extended business high-quality services to MSMEs, including for technological development and innovation.	2.2.1. Number of MSMEs participate in supplier programme (disaggregated by sex)	2.2.1. 0 MSME (2018)	2.2.1. Accumulated until 2022: 100 MSMEs (30% women-led)	2.2.1. Supplier programme reports	
		2.2.2. Number of private sector representatives trained on relevant areas to benefit of trade agreements (disaggregated by sex)	2.2.2.0 (2018)	2.2.2.25 (2022) (disaggregated by sex)	2.2.2. Monitoring reports including database of training participants	Private sector representatives trained will apply new skills
		2.2.3. Number of private sector representatives trained on CSR, circular economy, business regulation, gender issues (disaggregated by sex)	2.2.3.0 (2018)	2.2.3.30 (2022) (disaggregated by sex)	2.2.3. Monitoring reports including database of training participants	Private sector representatives trained will apply new skills
	R3. Measures developed to overcome administrative and regulatory burdens and facilitate trade across borders	3.3.1. Status of regulations and measures improving the environment for doing business, trade and investment	3.3.1. Lack and/or non-efficient regulations/measures in place in the area of doing business and trade facilitation (2018)	3.3.1. Design of efficient regulations/measures in the areas of doing business, trade and investment	3.3.1. World Bank and EU progress reports	