

STRONGER ECONOMY

#eu4business

Armenia 

Azerbaijan 

Belarus 

Georgia 

Republic of Moldova 

Ukraine 



EU4Business

Investing in SMEs in the Eastern Partnership

ANNUAL REPORT
JUNE 2018



EaP | Eastern
Partnership 



EU4Business

Strategic Priorities



1

IMPROVING ACCESS
TO FINANCE



2

STRENGTHENING POLICY AND
REGULATORY FRAMEWORKS



3

IMPROVING KNOWLEDGE
BASE AND BUSINESS SKILLS



4

IMPROVING ACCESS
TO MARKETS

STRONGER ECONOMY

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Foreword by EU Commissioner Johannes Hahn

Investing in stabilisation of the neighbourhood

Living a better and more prosperous life is the aspiration of most people in the Eastern Partnership Countries, just as in our own Member States. Building the economic resilience of Eastern Partnership countries is at the heart of the European Union's contribution towards having a stable and prosperous neighbourhood. The EU and its Eastern partners are working together to develop stronger, diversified and vibrant economies across the region. This means helping the backbone of the economy, small and medium-sized enterprises (SMEs), grow; attracting investments and creating jobs in new sectors. And finally, increasing trade opportunities by supporting access to new markets.

To ensure focus on this objective and measure the level of progress, a set of 20 Deliverables for 2020 has been agreed between the EU and the Eastern Partnership countries at the Brussels Summit last year. The EU4Business initiative is one of the tools set in place by the EU to achieve concrete results in this important sector. Our partner countries are committed to improve their business climates and SMEs' access to finance. Supporting their entrepreneurs by investing in their skills, in their ideas and reach-out to new markets, in particular the large EU single market, is our priority.

Our Eastern neighbours have all made considerable progress in supporting SMEs. Substantial progress was made in the design and implementation of business and investment climate reforms. This includes for example the simplification of business-related legislation, upgrading quality infrastructure and the improvement of the legal and regulatory environment in the financial sector.

Several Institutionalised Public Private Dialogue platforms in the region have been developed or are being developed, such as the Private Sector Development Advisory Council (Georgia) or the Council for Entrepreneurship Development (Belarus), the SME Development Council (Armenia) or the Consultative

Council for SMEs (Moldova). Other countries are in the process of creating or reforming their SME agencies in the wake of the recently adopted or upcoming SME strategies.

Under EU4Business, the EU and its partners have also achieved a lot, supporting countries in the design and implementation of SME policies, encouraging public private dialogue, reinforcing the role of business support organisations, as well as providing access to finance to SMEs.

The outreach to SMEs is wide, both in terms of providing finance as well as knowledge transfer and capacity building. Through the DCFTA Facility for example, the EU is now very close to completing its pledge to provide €200 million of grants in order to unlock at least €2 billion of new investments. And I am happy to see so many enterprises and citizens benefiting from this initiative: since 2009, as a result of our joint efforts over 66,000 enterprises¹ have received sub-loans for a total value of almost €2 billion in the EaP region. 11,000 people working with or for SMEs, Business Support Organisations and Partner Financial Institutions have been trained and more than 130,000 existing jobs in SMEs have been supported while the initiative has created more than 28,000 new jobs. These are excellent results!

However, there are still important challenges ahead. Access to finance remains a critical issue for SMEs as it is often limited to foreign currencies, exposing SMEs to currency risks. This is exactly why €100 million of EU funds were pledged at the Eastern Partnership Summit in Brussels aiming at making local currency lending even more accessible to companies across the six countries. Our aim is to provide at least ¼ of EU financial support to SMEs in local currency by 2020.

¹ If results of energy related projects would have been counted, the figure would be 110,000 enterprises. These projects have been moved to the EU4Energy portfolio in 2017.

Another challenge is that many SMEs in the region remain tied in low valued-added sectors, due to lack of management capacities, quality control or financial management. Enhancing SME capacities to become more innovative, and to connect to new markets is especially pertinent today as some SMEs have been cut off from traditional markets. Additional support will be provided to ensure immediate commercial profitability to SMEs while fully benefiting from the opportunities offered by closer economic cooperation with the EU.

We have already achieved a lot. Let us now keep up the momentum to further improve Eastern Partnership countries' economic resilience, to support their trade with the EU and to deliver concrete and positive impact for the lives of all citizens.

Johannes Hahn



Commissioner for European Neighbourhood Policy
and Enlargement Negotiations

www.ec.europa.eu





Executive Summary

“Projects like this have such a significant impact that they can change your life completely.”

These are the words of Andriy Zavalnyuk, an Ukrainian entrepreneur, during a meeting with the EU4Business Secretariat at his company premises in Kyiv in July 2017. In 2016, Andriy’s family-owned furniture business received EU4Business advisory support over a period of eight months, helping the business to restructure. A year later, sales were up by 25% and profits had increased by 15%, creating an extra seven jobs to bring the workforce up to 118.

Like Andriy Zavalnyuk, thousands of small entrepreneurs have received support under the EU4Business initiative of the European Union (EU). The initiative aims at building up the economic resilience of the EaP countries, with SMEs and private sector development playing a key role in creating new jobs and driving economic growth.

The EU4Business initiative started in 2009 under the name of ‘SME Flagship’, including only regional programmes at the time. With the inclusion of bilateral assistance projects, the initiative has been rebranded into ‘EU4Business’. Today, some 43 projects and programmes form the portfolio of the EU4Business initiative.

The EU4Business Secretariat had the pleasure of presenting the **first Consolidated Report**² of EU4Business at the initiative’s General Assembly, held in May 2017 in Brussels. The Consolidated Report looked back to the time when the initiative was launched and reviewed its development in the period 2009-2016.

The present publication is the **first Annual Report** of EU4Business, analysing the dynamics and achievements of the initiative over the period 2016-2017. The report also outlines a way forward that is based on wide consultations with EU4Business stakeholders.

It is exciting to monitor and analyse the developments of the EU4Business initiative over its **nine years of existence** and to see how, over time, it has gained pace, adapting to the political and economic realities of the Eastern Partnership countries, and to the needs of their SME sectors.

The present report stands out through the impressive number and range of success stories; yet in a few pages, these are just a very small proportion of thousands of real success stories unfolding on the ground. The report also conveys the feeling of responsibility and commitment that the different EU4Business implementers attach to the success of the initiative. It shows how local stakeholders are involved and think together with their EU counterparts on the way forward to achieve an even greater and more sustainable impact.

The EU4Business Secretariat has **analysed more than 150 documents**, primarily reports and contracts of projects and programmes. It has **met more than 200 different stakeholders**: national, EU-based or international. The Secretariat has **interviewed almost 200 SMEs**, either through a survey or as individual cases.

As a result, this Annual Report offers the reader a summary of our “journey” through documents, countries, companies and people, and shares the most important information and findings.

EU4Business: an initiative in continuous development

In 2014, the SME Flagship Strategy launched the strategic framework of the EU4Business initiative for the period until 2020, focusing on four priorities, namely:

- Improving access to finance
- Strengthening policy and regulatory frameworks
- Improving knowledge base and business skills
- Improving access to markets.

These priorities naturally became the EU4Business objectives, clustering around each of the objectives numerous programmes and projects.

² The EU4Business Consolidated Report, May 2017, can be found on www.EU4Business.eu. It covers data for 2009 – 1 April 2016.



Initially consisting mainly of regional programmes, EU4Business started including both regional and bilateral projects as of 2014. At present, **the EU4Business portfolio has 43 projects**, consisting of 22 regional/multi-country and 21 bilateral (covering one single country) projects. Between 2017 and early 2018 alone, some 13 bilateral projects have become operational.

Over the years, the number of EU4Business programmes and projects has increased significantly. What began as a portfolio of 3 regional programmes in 2009, had grown to 27 ongoing projects by May 2017. Today, in June 2018, the EU4Business portfolio contains 36 ongoing and 7 closed projects.

The EU4Business portfolio of 43 projects accounts for an EU commitment of €348 million, implemented by 20 partners, and triggering a total of almost €2 billion of loans.

Combining SME regional and bilateral support actions under the umbrella of EU4Business has allowed a more concerted strategic focus and better coordination. At the same time, it allows for better monitoring and more effective communication on aggregated results achieved with partner countries and partner organisations.

In 2015 the EC launched the DCFTA Facility for SMEs in support of the three countries (Georgia, the Republic of Moldova and Ukraine) that signed Association Agreements with Deep and Comprehensive Free Trade Areas (AA/DCFTA) with the EU in 2014.

The **DCFTA Facility** aims at increasing the competitiveness of SMEs, easing their access to finance related to trade, and helping them seize new trade opportunities and comply with quality standards. The DCFTA Facility, which became fully operational in 2017, will receive approximately €200 million of grants from the EU budget to unlock at least €2 billion of new investments, mainly in the form of loans. To date some

€155 million have been committed and a further €45 million are in the pipeline for approval.

The Eastern Partnership Summit in Brussels in November 2017 reaffirmed Stronger Economy as one of the four priorities of the EaP under which EU4Business is functioning. It also endorsed the **2020 Deliverables**, aimed as tangible benefits for citizens. Specifically, the 2020 Deliverables have set a priority on local currency lending in the years to come: a **further €100 million of EU funds will be pledged to make local currency lending** even more accessible to companies across the six countries, with the aim to have at least a quarter of EU financial support to SMEs provided in local currency by 2020.

In addition, the **EU's new External Investment Plan (EIP)** provides a framework to support more innovative and riskier products by deploying new financial instruments and facilities. Alongside the existing blending facility for the neighbourhood, the EIP will provide a **new stand-alone guarantee for a total value of €1.5 billion**, aimed at mitigating investment risks.

The Women in Business programme is one example of an EU4Business project that will be stepped up with the help of the EIP, with its current EU contribution of €4.8 million leveraging €54.3 million of total investments.

EU4Business: the achievements

The ambitious goals set by the EU4Business initiative, combined with the substantial amount of funds assigned to it, require transparency and continuous monitoring of targets achieved. This is also one of the roles of the EU4Business Secretariat in support to the European Commission.

Progress towards meeting the goals is monitored closely by means of a set of indicators – **Key Performance Indicators (KPIs)** – allowing for objective measurement

of performance of the EU4Business project portfolio. The KPIs have been developed after consultation with key implementers and were agreed with DG NEAR to make sure all parties are aligned not only for a smooth, but also for a successful implementation.

The 2020 Deliverables have driven even further the need for performance measurement and have enhanced the set of KPIs applicable to the EU4Business initiative. However, the coming years will see further development of the set of KPIs, in order to enable a wider interpretation of EU4Business performance.

The analysis of the EU4Business achievements has shown the following:

- Over **10,000 SMEs have received loans** from Participating Financial Institutions (PFIs) and International Financial Institutions (IFIs) in the period 2016-2017 through supported EU4Business programmes, for a **total of over 66,000 SMEs** receiving loans over the period 2009-2017.
- Some **1,500 SMEs** received advisory services through EU4Business programmes or projects in the period 2016-2017, bringing it to a **total of over 3,000 supported SMEs** in the period 2009-2017.
- The **value of loans** disbursed to SMEs in the period 2016-2017 accounts for **over €593 million**, which brings the **total value of loans to over €1.96 billion** for the full 2009-2017 period.
- During the period 2016-2017, nearly **8,400 people** from SMEs, PFIs or Business Support Organisations (BSOs) **have been trained or coached** and **20,665 people have attended events** organised under the EU4Business programme. For the period 2009-2017 the total number of people trained or coached adds up to almost 11,000 and the number of people attending events to over 27,000.
- Proposals for policy strategies and legal reforms have been made, which have already led to **129 drafted and 50 implemented new laws** for the period 2009-2017. Most of them have taken place in 2016-2017.
- Over **130,000 jobs in SMEs have been supported** and over **28,000 new jobs have been created** since the start of EU4Business with more than 50% in the 2016-2017 period.

A **survey among 130 Finance Facility beneficiaries** conducted by the EU4Business Secretariat in 2018 reveals that the loans obtained under the EU4Business initiative had a positive effect on turnover and employment of SMEs. Some **72% of companies reported growth in turnover**, with a third increasing their turnover by more than 25%. The survey confirmed an **export growth with 47%** of the exporting companies.

The EU4Business initiative has, according to the survey results, also a clear positive impact on employment, **as in 34% of the beneficiary companies employment increased** by up to 25% and in 14% of the SMEs by more than 25%.

Comparing the results so far with the 20 Deliverables, one can safely conclude that **the EU4Business initiative is well on track in contributing to the Eastern Partnership targets for 2020.**

As in the previous reporting period, EU4Business exploited different financial instruments as well as combinations of financial and non-financial instruments. The period 2016-2017 has demonstrated that an increased blending of different finance facilities and the combining of finance facilities with technical assistance clearly pays off and is considered as a strong asset of the EU4Business initiative.

Focusing and tailoring advisory activities to specific sectors and/or countries also brings positive contributions to the SME business environment. It allows to take into account sectoral or regional context and more closely involve local stakeholders and SMEs directly in reaching the overall objectives of SMEs growth, creating investment opportunities and strengthening the overall business climate for SMEs not only within one country, but also across the EaP region.

Local currency lending, which was one of the ideas presented at the General Assembly in 2017, seems to be very promising as first results show. Further monitoring will enable us to report back in more detail in a year's time.

EU4Business: the way forward

The increased pace of the EU4Business initiative in the reported 2016-2017 period, not only in terms of number of projects, but also in terms of achievements and outreach, requires a careful consideration of "what next". The tailored approach to each country's specific needs was the main reason for the EU4Business Secretariat to take two important actions: organise round tables of all stakeholders in each of the EaP countries, and conduct an SME survey among 130 companies across the region.

The following key issues and recommendations emerge from the consultations with EU4Business stakeholders, beneficiaries and implementers:

- In order to ease **access to finance** for SMEs, the cost of borrowing, the collateral restrictions, the definition of working capital, alternative financing and regional outreach need to be addressed.

- Efforts to **enhance the environment for SMEs** still need hard work, including a better investment climate, improved public-private sector dialogue, engaging BSOs, and minimising the shadow economy.
- Increased access to finance goes hand in hand with **improved skills and knowledge** of SMEs. It is more beneficial in the long run to teach SMEs entrepreneurial and commercial skills, understanding of human resources, high tech and digital economy, than to offer them just grants and subsidies.
- To **access international markets**, investment is needed in understanding how clustering, supply and value chains work for SMEs. SMEs need focused support in process improvements and in achieving more competitive products. Standards and safety as well as corporate governance in SMEs require improvement, especially in the DCFTA countries.

EU4Business: awareness, communication and stakeholders' involvement

In line with the conclusions of the Consolidated Report, the EU4Business Secretariat undertook the following actions during the reporting period:

- Reach a clear agreement on the KPIs;
- Ensure sound monitoring and ability to deliver ad-hoc analyses for the European Commission;
- Carry out a survey on SMEs in the EaP countries in order to account for the views of the direct beneficiaries;
- Follow developments in the six countries of the region that are important for the SME sector and hence can be of benefit for further tailoring and programming of the EU4Business initiative.

Besides these actions, the EU4Business Secretariat substantially extended its work in the field of awareness and communication. Today, it is easier for all stakeholders, but especially for SMEs from the region, to find guidance and information on the EU4Business website: the newsletter, the EU4Business agenda and success stories are tailored to SME's needs to provide them with the adequate level of detailed information about the initiative.

Following the country round tables at the beginning of 2018, we realise that involving all stakeholders in the discussions on the questions "*What have we achieved?*", "*What else should EU4Business do to help SMEs?*", "*What other and innovative financial and non-financial instruments are there to be explored?*", brings added value. We would like to continue these discussions as they also bring awareness in EU4Business closer to the countries and to the beneficiaries.

The present Annual Report and the Country Reports 2018³ will be the basis for a new series of country round tables to be held in the autumn of 2018.

The efforts of the EU4Business Secretariat would not have been successful without the continuous and close cooperation with DG NEAR, DG GROW, the EU Delegations in the countries, the respective national authorities and very importantly with the implementers, especially the EBRD, the EIB and KfW. Our thanks and appreciation go to all of them.

We will continue our efforts to bring the opportunities provided by the EU4Business initiative closer to the SMEs in the EaP countries as to increase its outreach. We will continuously report on new developments and achievements, sharing with the visitors of our website stories of more than hundred small entrepreneurs who are experiencing the impact of EU4Business support. www.EU4Business.eu is the gateway to EU4Business and it is the place where we proudly share the successes of one of the best initiatives of the EU, that makes a significant contribution to a stronger and more resilient Eastern neighbourhood.

Enjoy reading the 2018 EU4Business Annual Report!

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Team Leader



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³ The six 2018 Country Reports can be found on the EU4Business website following the General Assembly on 19 June, 2018.

List of Acronyms

A

AA	Association Agreements
AM	Armenia
AMFA	Azerbaijan Micro-finance Association
ASB	Advice to Small Businesses
AZ	Azerbaijan

B

BAS	Business Advisory Services
BRDO	Better Regulation Delivery Office
BSC	Business Support Centre
BSO	Business Support Organisation
BY	Belarus

C

CSO	Civil Society Organisation
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D

DAP	DCFTA Adaptation Programme
DCFTA	Deep and Comprehensive Free Trade Area or Agreement
DG NEAR	Directorate General for Neighbourhood and Enlargement Negotiations

E

EaP	Eastern Partnership
EBA	European Business Association
EBRD	European Bank for Reconstruction and Development
EC	European Commission
EESC	Eastern Europe Studies Centre
EFSE	European Fund For Southeast Europe
EGP	Enterprise Growth Programme
EIB	European Investment Bank
EIP	European Investment Plan
ENI	European Neighbourhood Instrument
ENP	European Neighbourhood Policy

EU	European Union
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EUR	Euro
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F

FDI	Foreign Direct Investment
FI	Financial Intermediary
FTE	Full Time Equivalent

G

GE	Georgia
GIZ	Gesellschaft für Internationale Zusammenarbeit

H

HR	Human resources
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I

ICIRLD	International Center for Intercultural Research, Learning and Dialogue
IFI	International Financial Institution
IFRs	International Financial Reporting Standards
IKZ	Interkulturelles Zentrum
IT	Information Technology
ITC	International Trade Centre

K

KAS	Konrad Adenauer Stiftung
KfW	Kreditanstalt für Wiederaufbau (Reconstruction Credit Institute)
KPI	Key Performance Indicator

L

LED	Local Economic Development
LGA	Local Government Assistance
LFI	Local Financial Institution

M

MD	Moldova
MICAF	Microsoft Innovation Center Armenia Foundation
MoSEFF	Moldovan Sustainable Energy Financing Facility
MSE	Micro and Small Sized Enterprise
MSME	Micro, Small and Medium Sized Enterprise
MWh	Megawatt hour

N

NIF	Neighbourhood Investment Facility
NGO	Non-Governmental Organisation

O

ODIMM	Organisation for Small and Medium Enterprises Sector Development
OECD	Organisation for Economic Co-operation and Development

P

PAO	Professional Accountancy Organisation
PCA	Partnership Cooperation Agreement
PFI	Participating Financial Institution
PGI	Project Group International
PPD	Public Private Dialogue
PPP	Purchasing Power Parity

R

R&D	Research and Development
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S

SBA	Small Business Act
SBS	Small Business Support
SME	Small and Medium Sized Enterprise

SMEDA	Support to SME Development in Armenia
SMEDNC	SME Development National Centre of Armenia
STAREP	Strengthening Auditing and Reporting in the Countries of the EaP

T

TA	Technical Assistance
TAM	Turn Around Management

U

UA	Ukraine
UAH	Ukrainian Hryvnia
UKEEP	Ukraine Energy Efficiency Programme
UNDP	United Nations Development Programme
USD	United States Dollar

V

VET	Vocational Education and Training
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W

WB	World Bank
WIB	Women in Business

Recent developments in EU4Business

1.1 Introduction to EU4Business

Commitment to a **stronger economy** through economic development and support for market opportunities is one of the key priorities in the **Eastern Partnership (EaP)**, a joint policy initiative which aims to deepen and strengthen relations between the European Union (EU), its Member States and its six Eastern neighbours – **Armenia, Azerbaijan, Belarus, Georgia, the Republic of Moldova** ⁴ and **Ukraine** – within the framework of the European Neighbourhood Policy that governs the EU's relations with its neighbours.

Building the **economic resilience** of EaP partner countries is at the heart of the EU's contribution towards a stable neighbourhood. In this context, the EU and EaP partner countries are working together to develop stronger, diversified and vibrant economies across the region.

"SMEs are not only key to sustainable economic development, but also an important factor in the consolidation of open societies. A business enabling environment and a large SME sector prevent economies from becoming dominated by few entities and thus impede concentration of power in the hands of oligarchs hindering a country's development in both economic and political terms." ⁵

Supporting this objective, **EU4Business** is an umbrella initiative that covers all the EU activities that support **small and medium-sized enterprises (SMEs)** in the Eastern Partnership countries.

SMEs are a key ingredient of economic life. In the Eastern Partnership region, they represent between 83% and 99% of all firms, but account for only 50% of all jobs, according to the OECD in 2017. This figure lags behind EU countries, where SMEs account for over two-thirds of employment, and 85% of new jobs created in the past five years.

SMEs therefore have the **potential to create further jobs and drive economic growth** in the Eastern Partnership region, if obstacles to growth can be tackled, such as limited access to finance, red tape, and difficulties entering new markets.

Under EU4Business, the EU therefore contributes to the objective of a stronger economy by: helping SMEs to grow; attracting investments and creating jobs in new sectors; and increasing trade opportunities by supporting access to new markets.

"Small businesses have a key role to play and the EU actively works with partner countries and international financial institutions to ensure the right business environment. Through the EU4Business initiative in particular, the EU is providing increasing support for them to grow, export, innovate and adapt to a digital economy."

Commissioner for European Neighbourhood Policy and Enlargement Negotiations, **Johannes Hahn**, Eastern Partnership Business Forum, Tallinn, 26-27 October 2017

1.1.1 Tangible benefits for citizens: 20 deliverables for 2020

Stronger Economy is one of the **four pillars of the Eastern Partnership** (together with Stronger Governance, Stronger Connectivity and Stronger Society), confirmed at the Eastern Partnership Summit in Brussels in 2017.

Within this framework, all partners have committed to demonstrate and deliver **tangible benefits to the daily lives of citizens** across the region, by focusing on achieving **20 deliverables for 2020** in the four key priority areas, in a document endorsed by leaders at the Summit.

⁴ Hereinafter referred to as 'Moldova'

⁵ EU support to SMEs in the Eastern Partnership countries 2014-20.

The way forward for the SME Flagship Initiative' -

<http://ec.europa.eu/DocsRoom/documents/9270/attachments/1/translations/en/renditions/native>



Under the pillar of **Stronger Economy**, five specific deliverables have been agreed:

- Improve the investment and business environment and **unlock SMEs' growth potential**
- Address gaps in **access to finance**, including in local currency, and financial infrastructure
- Create **new job opportunities** at the local and regional level
- Harmonise **digital markets**
- Support intra-regional **trade** among partner countries and the EU

The Summit's **joint declaration** of 24 November 2017 sets out the priorities for achieving a stronger economy in the years ahead:

"The Summit participants consider that economic and social development and support to transformation processes are at the heart of the joint pursuit of stability and resilience in the European neighbourhood. Elaborating sound economic policy and regulatory frameworks, including through leveraging efforts of the European Union and International Financial Institutions, will help create a conducive environment for the development of competitive, green, digitalised and innovation-driven economies, and for attracting investment, creating jobs, promoting inclusive sustainable growth and increased trade with the EU and among partner countries, also in view of enhancing partners' efforts towards the full use of existing Free Trade Areas... Furthering small and medium-sized enterprises, inter alia by facilitating their access to local-currency lending, as well as

supporting increased access to high-speed broadband and progressing towards reduced roaming tariffs among the partner countries and possibly, at a later stage, with the EU will be of particular importance."

Specifically, the 2020 Deliverables have set a priority on local currency lending in the years to come: a **further €100 million of EU funds** ⁶ will be pledged to make local currency lending even more accessible to companies across the six countries, with the aim to have at least a quarter of EU financial support to SMEs provided in local currency by 2020.

"The Eastern Partnership is first and foremost a partnership of people. It is about improving lives in all of our countries, about bringing our societies closer together. It is about standing up for the values, principles and aspirations that people in the European Union and in our eastern neighbourhood collectively share."

President of the European Commission, **Jean-Claude Juncker**, Eastern Partnership Summit, Brussels, 24 November 2017

⁶ EU Factsheet on the Eastern Partnership's 20 deliverables for 2020 and remarks by Commissioner Hahn ahead of the 2017 EaP Summit, <http://www.consilium.europa.eu/media/31690/eap-generic-factsheet-digital.pdf> and https://ec.europa.eu/commission/commissioners/2014-2019/hahn/announcements/remarks-johannes-hahn-ahead-eastern-partnership-summit_en

1.1.2 From the SME Flagship to EU4Business: evolving to match renewed priorities

The priorities set out at the 2017 Summit mark the journey travelled since 2009, when the Eastern Partnership **SME Flagship Initiative** was launched, as an umbrella for the three EU-funded regional programmes in the sector – East Invest (EUROCHAMBRES), Enterprise Growth Programme (EGP)/Business Advisory Services (BAS) (EBRD), and the SME Finance Facility (EBRD, EIB and KfW).

In 2016, the SME Flagship Initiative was **rebranded as EU4Business**, now also including bilateral assistance projects that directly target SMEs and Business Support Organisations (BSOs) in partner countries. Significantly, it also included the **DCFTA Facility for SMEs**, created in 2015 to respond to the challenges and opportunities that businesses faced in the three Eastern Partnership countries that signed **Association Agreements with Deep and Comprehensive Free Trade Areas (AA/DCFTA)** with the European Union in 2014 – Georgia, the Republic of Moldova and Ukraine.

The **current portfolio of 43 projects** now includes a wide range of SME support actions at both regional and bilateral level, reflecting the flexibility and differentiation of the European Union's approach to its Eastern Partners. These range from tools developed to meet the challenges that SMEs face in the three Association Agreement countries – Georgia, Moldova and Ukraine – to actions tailored to the specific private sector development needs of Armenia, Azerbaijan and Belarus.

Grouping together SME support actions under the umbrella of EU4Business has allowed a more **concerted strategic focus** and **better coordination** between regional and bilateral actions, at the same time as **better monitoring** and **more effective communication** on aggregated results achieved with partner countries and partner organisations, as well as overall across the Eastern Partnership region.

The success of this approach has led to its replication across several Eastern Partnership policy areas, with the launch of EU4Energy and EU4Youth initiatives in 2017, and forthcoming EU4Digital, EU4Environment and EU4Climate umbrellas in the pipeline for 2018.

The establishment of the EU4Energy umbrella saw three projects that support investments in energy efficiency and renewable energy moved in 2017 from the EU4Business portfolio to EU4Energy. The projects are:

- Green for Growth Fund;
- Caucasus Sustainable Energy Finance Facility;
- Identification and promotion of energy efficiency investments (including MoSEFF Phase I and II for Moldova and UKEEP II for Ukraine).

The total EU contribution to these three projects was of **€28 million**.

In addition to projects under the EU4Business portfolio, an important part of bilateral support has an indirect impact on the SME sector, and is managed and closely monitored by the EU Delegations in the EaP countries. This is particularly true for **budget support programmes and twinning projects** focusing on an improved business environment, which involve direct cooperation with public authorities.

Moreover, a number of **new regional programmes** and initiatives also contribute to the overall EaP objective of Stronger Economy.

These are:

- **EU4Digital**, which aims to promote the digital economy, accelerate broadband deployment in the EaP region, and harmonise digital environments with the EU.
- **Structural Reform Facility**, which aims to contribute towards the development of sustainable and equitable economic growth models through reforms in: Business and investment climate and financial infrastructure; Human capital, including labour market and social protection; Economic governance and sustainability of public finances; and Reinforcing the rule of law and good governance.
- **Regional Programme on Statistics**, which aims to support evidence-based policy-making by improving the availability and quality of statistical data in the region, with priority areas including SMEs, business, economy, trade, competitiveness, employment etc.

1.2 The EU4Business strategic framework

EU4Business addresses constraints that, to varying degrees, affect the development of SMEs in all EaP countries, such as: an inadequate SME business regulatory framework, lack of inter-regional and international networking mechanisms, a shortage of available and/or cost-effective advisory services for SMEs and the lack of funding due to underdeveloped capital markets and financial sectors.

To strengthen the strategic framework of the EU's support to the private sector, an **SME Flagship Strategy until 2020** was endorsed in 2014. The Strategy's objective is *"to sustainably increase the contribution of the SMEs to the national economies through strengthening SMEs as vehicles for employment creation and economic development"*.

The Strategy defines four strategic priorities:



1. Improving access to finance



2. Strengthening policy and regulatory frameworks



3. Improving knowledge base and business skills



4. Improving access to markets

PRIORITY AREAS	SPECIFIC OBJECTIVES OF THE PRIORITY AREAS
IMPROVING ACCESS TO FINANCE	<ul style="list-style-type: none"> • improve the capacity of SMEs to access financing, in particular to prepare investment projects; • ensure that Local Financial Institutions (LFIs) propose suitable products to SMEs; • lower the risk perception of SME lending by LFIs; • increase local currency lending by LFIs.
TACKLING INADEQUATE POLICY & REGULATORY FRAMEWORK	<ul style="list-style-type: none"> • improve SME policies in the EaP region in line with the SBA; • empower Business Support Organisations (BSOs) to be able to participate in public-private dialogue; • encourage SME involvement in anticorruption mechanisms; • support SMEs in moving from informal to formal sector; • foster enterprise creation; • accelerate the process of starting a business.
IMPROVING KNOWLEDGE BASE/ BUSINESS SKILLS	<ul style="list-style-type: none"> • assist BSOs & local consulting companies in designing and proposing business services to SMEs; • develop the offer of vocational training for SMEs; • support universities in order to develop and deliver entrepreneurial curricula for students and vocational training for entrepreneurs.
IMPROVING ACCESS TO MARKETS	<ul style="list-style-type: none"> • support SMEs in trading with the EU and within the EaP region; • enable SMEs to benefit from FDIs; • support SMEs in implementing the DCFTAs.

These four strategic priorities naturally became the **EU4Business objectives**, clustering around each of the objectives numerous programmes and projects.

In addition, EU4Business responds to **inclusive development issues** – at both regional and bilateral level – related to women and youth, regional and rural development, corporate social responsibility, social entrepreneurship and engagement of civil society.

Addressing inclusive development issues

The Women in Business programme, for instance, provides loans and tailored technical assistance to women-run enterprises. Projects in Armenia, Azerbaijan and the Republic of Moldova provide tailored support to SMEs in rural regions, while in Georgia, a project targets civil society engagement in implementation of the DCFTA.

Further operationalisation of the strategy has been provided by the **2020 deliverables** endorsed at the 2017 EaP Summit.

The 2020 deliverables are built around four priority areas, the first of which is **‘Economic development and market opportunities’**, under which EU4Business plays a key role in supporting SMEs in the EaP region to face the challenges that prevent them from prospering and growing. The key measures foreseen are to address the improvement in the business and regulatory environment as well as the investment climate.

They aim at closing the gaps in access to finance – in particular local currency loans – and improving the financial infrastructure. The measures will support SMEs in their access to markets and internationalisation, and will improve the support services provided to SMEs.

Special attention is paid to **implementation of the DCFTAs**, which has been a **strategic milestone** of the EaP. Although ambitious, the gradual establishment of the DCFTAs between the EU and Georgia, Moldova and Ukraine has opened new trade and investment opportunities for businesses and has enhanced the relevant regulatory environment.

The **DCFTA Facility for SMEs** supports the strategic objectives, namely to increase the competitiveness of SMEs, ease their access to finance related to trade, and help them seize new trade opportunities and comply with quality standards. The DCFTA Facility, that has become fully operational in 2017, will receive approximately **€200 million of grants** from the EU budget to **unlock at least €2 billion of new investments** by SMEs in Georgia, Moldova and Ukraine, to be financed largely by new loans supported by the Facility. So far **€155 million have been committed** and a further **€45 million** are in the pipeline for approval.

In addition, the EU's External Investment Plan (EIP) – proposed in 2016 and adopted in September 2017 – aims to **encourage investment in partner countries** in the EU Neighbourhood region and Africa. By mobilising and leveraging investment, the EIP promotes **inclusive growth, job creation and sustainable development**.

The EIP provides a framework to support more innovative and riskier products by deploying new financial instruments and facilities through the new European Fund for Sustainable Development (EFSD). Alongside the existing blending facility for the neighbourhood (now called NIP), the EIP will provide this new stand-alone guarantee (the EFSD), backed by the budget of the EU, for a total value of €1.5 billion. The aim of the new guarantee is to mitigate the risks associated to investments with the aim of crowding in the private sector.

The first results are already quite promising since the requests submitted through partner IFIs to the investment windows have amounted to over €3.5 billion, well above the available amounts. The EFSD is expected to be fully operational before the end of 2018.

The EIP also means reinforced policy dialogue and technical assistance in support of key economic reforms to improve the overall business environment and investment climate, as well as sector based reforms conducive to mobilise domestic and foreign investments.

The **Women in Business** programme is one example of an EU4Business project, which will be stepped up with the help of the External Investment Plan, with its current EU contribution of €4.8 million leveraging €54.3 million of total investments.

Fulfilling its strategic role as an EU support instrument, EU4Business has shown increasing dynamics over the years of its implementation.

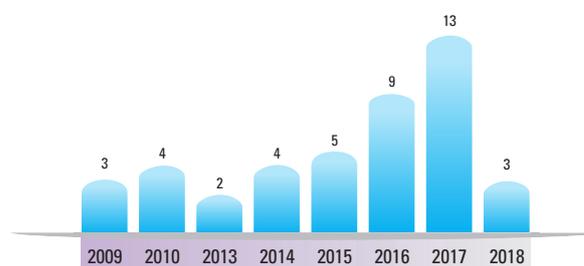
1.3 EU4Business portfolio

1.3.1 Portfolio keeps on growing

Over the years, the number of EU4Business programmes and projects has increased significantly. What started with a portfolio of 3 regional programmes in 2009, had grown to 27 ongoing projects by May 2017.

Today (June 2018), the **EU4Business portfolio contains 43 projects (36 ongoing) with an EU commitment of €348 million (€320 million in ongoing)**, implemented by 20 partners, and triggering a total of almost **€2 billion of loans** granted by partner banks to SMEs in the region ⁷.

Figure 1.1: Dynamics of EU4Business: number of projects starting per year

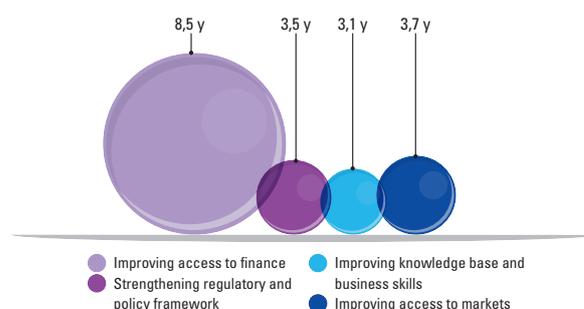


Source: EU4Business database

The average running time of EU4Business programmes is 4.7 years, with the longest programmes concerning improved access to finance (eight and a half years on average), and the shortest for improving knowledge base and business skills (three years).

While access to finance programmes cover funds for loans and need to allow a longer implementation period for adequate disbursement, access to knowledge programmes are mostly bilateral and thus smaller projects, which range between two and five years.

Figure 1.2: Average running time (in years) of a programme/project per objective.



Source: EU4Business database

⁷ These numbers don't include three programmes that have been moved to the EU4Energy portfolio in 2017.



PROJECTS

IMPROVING ACCESS TO FINANCE

- 1 SME Finance Facility - Phase I - EBRD/KfW
- 2 SME Finance Facility - Phase II - KfW
- 3 SME Finance Facility - Phase II - EBRD
- 4 SME Finance Facility Phase I - EIB
- 5 SME Finance Facility - Phase II - EIB
- 6 EFSE (Neighbourhood Window of the European Fund For South East Europe - ENR Component)
- 7 Women in Business
- 8 DCFTA Initiative East (EIB)
- 9 EU4Business - EBRD Credit Line - Phase I
- 10 EU4Business - EBRD Credit Line - Phase II
- 11 DCFTA Direct Finance Facility
- 12 Financial Sector Institution Building and Crisis Response
- 13 Framework for Capacity Building to Support Financial Intermediaries in Azerbaijan and Georgia
- 14 Armenia SME Finance and Advice Facility
- 15 Support to SMEs in rural areas
- 16 Filière du vin

STRENGTHENING REGULATORY AND POLICY FRAMEWORK

- 17 Strengthening Auditing and Reporting in the Countries of the Eastern Partnership (STAREP)
- 18 FORBIZ
- 19 EU4Business: From Policies to Action
- 20 SME Competitiveness Reforms

IMPROVING KNOWLEDGE BASE AND BUSINESS SKILLS

- 21 Advice to Small Businesses - Phase I
- 22 Advice to Small Businesses - Phase II
- 23 Support to SME Development in Armenia (SMEDA)
- 24 DCFTA Adaptation Programme (DAP)
- 25 EU4Business: Network of Business Support Centres in Ukraine
- 26 Boosting competitiveness of regional SMEs
- 27 Boosting technological development in Shirak Marz
- 28 Promoting Community-based Agritourism as a Rural Regeneration Strategy
- 29 Accelerating development of sustainable micro-entrepreneurship in rural regions of Azerbaijan
- 30 Support to the development of small family businesses in the Sheki-Zagatala Economic Zone through ABAD regional centre in Balakan
- 31 Advice For Small Businesses in Belarus
- 32 Local Economic Development in Belarus (LED)
- 33 Georgia on European way
- 34 Engaging Civil Society in the Implementation of the EU-Georgia Free Trade Agreement and SME Policy
- 35 SBS Programme - BAS+EGP in EaP Countries (TAM/BAS)
- 36 Community Development through Social Entrepreneurship
- 37 Support to the European Business Association Armenia

IMPROVING ACCESS TO MARKETS

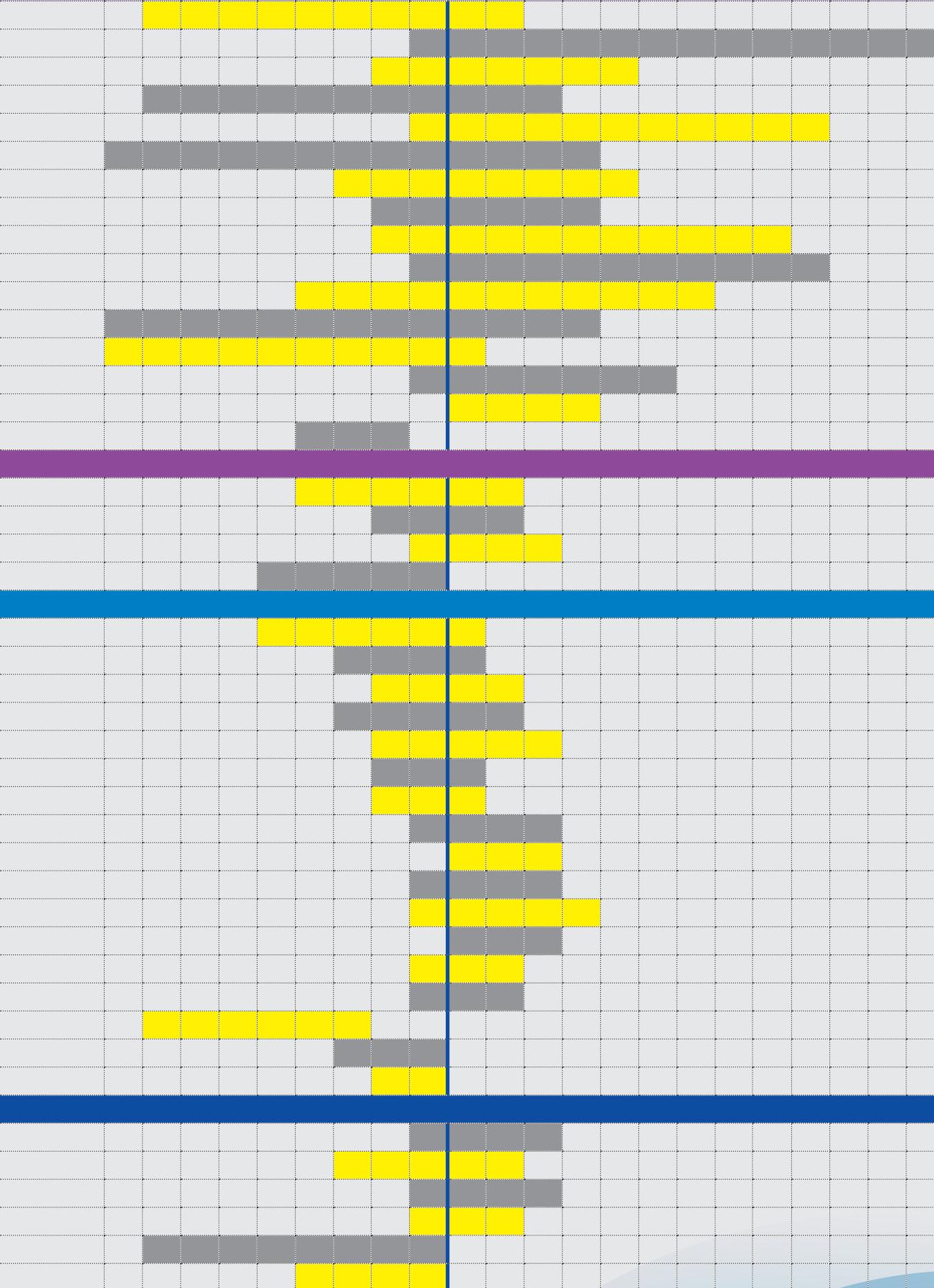
- 38 Eastern Partnership: Ready to Trade
- 39 SME Development and DCFTA in Georgia
- 40 Support to the quality infrastructure framework within ad DCFTA context in the Republic of Moldova
- 41 Visibility and Communication for AA / DCFTA
- 42 East Invest 1
- 43 East Invest 2

Figure 1.3: Year of contract signing and end year ■ completed projects.

Source: EU4Business database

2009 2010 2011 2012 2013 2014 2015 2016 2017 2018 2019 2020 2021 2022 2023 2024 2025 2026 2027 2028 2029 2030

Countries



Of the 43 projects, **22 are regional/multi-country** and **21 are bilateral/covering one single country**; at least **13 programmes have a specific focus on DCFTA** issues affecting SMEs in Georgia, the Republic of Moldova and Ukraine.

In 2017, five EU4Business projects came to an end: East Invest 1 and 2, SME Competitiveness Reforms, Community Development through Social Entrepreneurship, and Support to the European Business Association Armenia.

Since 2010, the EU4Business East Invest projects (East Invest 1 2010-2017, and East Invest 2 2014-17) have supported the development of BSOs in the Eastern Partnership region, working to enhance their membership base and the range of services that they provide to SMEs, helping to familiarise them with DCFTA requirements, as well as to engage in public-private dialogue with local governments. Ultimately, support to BSOs and sharing experience from EU business organisations aims to promote and facilitate investment and long-term economic cooperation between the EU and the Eastern Partnership countries.

Another project that ended in 2017 was the OECD's project on Supporting SME Competitiveness Reforms. It gave way to a new OECD project called EU4Business: From Policies to Action, which will be building up on the results of the former, and will support competitiveness and business environment reforms in the Eastern Partnership countries, working both at country and regional level.

Finally, two bilateral projects in Armenia have ended, Community Development through Social Entrepreneurship, and Support to the European Business Association Armenia. The former helped to develop 24 social entrepreneurship ideas to support local community needs, of which 10 received grants, and the latter has enhanced the capacity of the Armenian BSO to act as a voice for the European Business Community and promote integration and cooperation between Armenia and the EU.

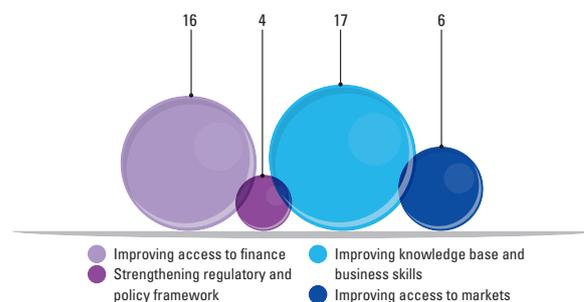
The **EU4Business portfolio in closed projects** has now reached **€28.3 million**, and includes also the Filière du vin programme implemented by the EIB, which came to an end in 2016, and the TAM/BAS programme by the EBRD that finished in 2015.

1.3.2 Specific dimensions of EU4Business

The EU4Business database is the source for reviewing completed and ongoing projects, and for indicating the objectives and the scopes of the programmes planned. The review presented below shows the distribution of the 43 programmes and projects by objective, by total value, by geographic coverage and by implementer.

A full overview of the programmes and projects in the EU4Business portfolio as of May 2018 is provided in Annex A.

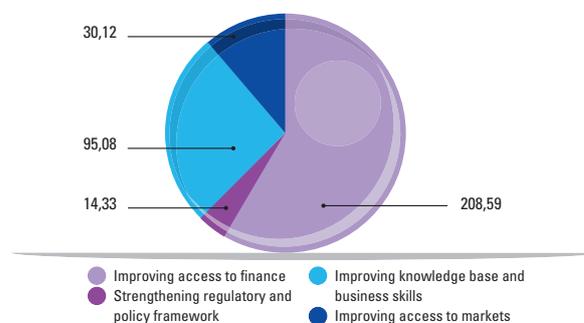
Figure 1.4 EU4Business programmes and projects by objective



Source: EU4Business database

The number of projects under strategic objectives facilitating access to finance and improving knowledge base and business skills is almost identical, with 16 and 17 projects respectively. However, the core objective of EU4Business in terms of value of projects remains facilitating SMEs' access to finance. The average size of a project in this category is €13 million, more than double the average size of projects under the access to knowledge category, €5.6 million.

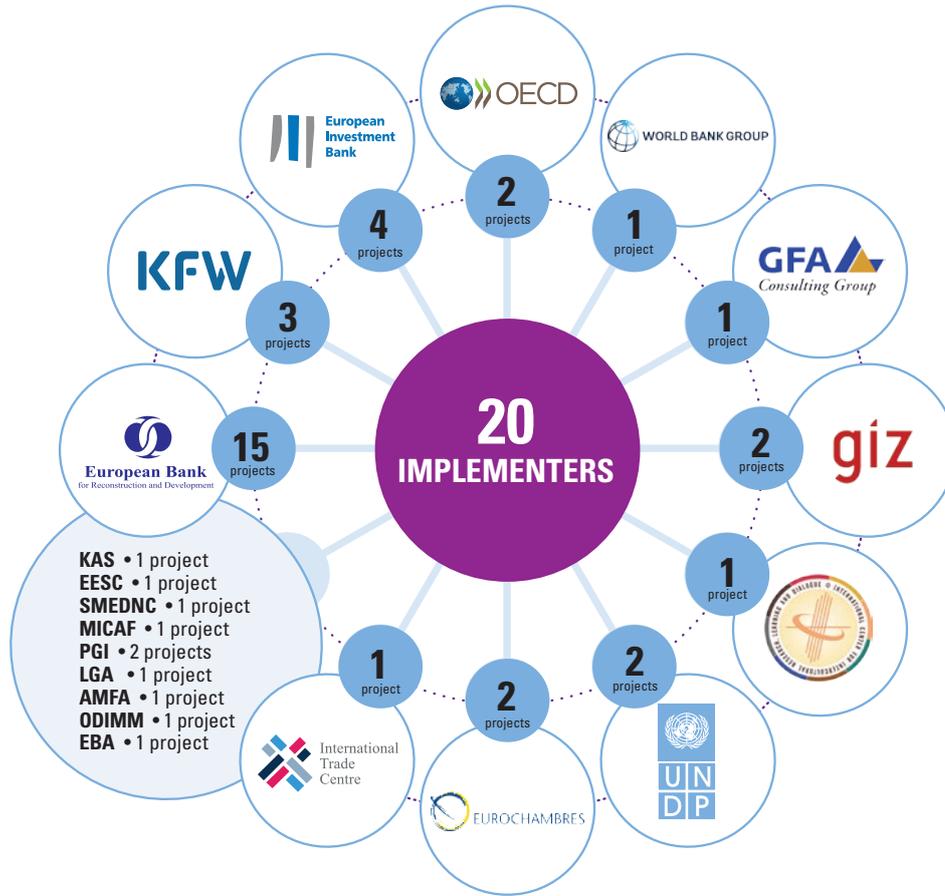
Figure 1.5 Distribution of committed EU budget per objective, total portfolio, million euro



Source: EU4Business database

Even though each programme is classified only under one priority area to avoid double-counting, many of the projects and programmes respond to multiple challenges experienced by the SMEs in the region. For instance, programmes aiming at improving access to finance often include an advisory component – the Women in Business programme is a prominent example. Such programmes as Advice for Small Businesses or the DCFTA Adaptation Programme are classified as access to knowledge programmes which reflects their core nature, while at the same time they have a strong DCFTA-related focus providing advisory support to export-oriented companies in the area of export promotion.

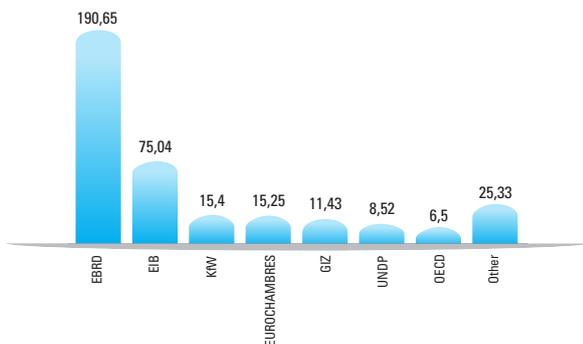
Figure 1.6 EU4Business portfolio by implementer



Source: EU4Business database

EU4Business programmes and projects are implemented by **20 partners**, among them various international organisations such as the EBRD, the EIB, KfW, the OECD, the World Bank, ITC, UNDP and others. The EBRD remains the main implementer, being in charge of 15 of 43 programmes, and managing 55% of the EU4Business portfolio. The second largest implementer is EIB with four projects, followed by KfW, implementing three EU4Business programmes.

Figure 1.7: Total EU budget committed per implementer, million euro



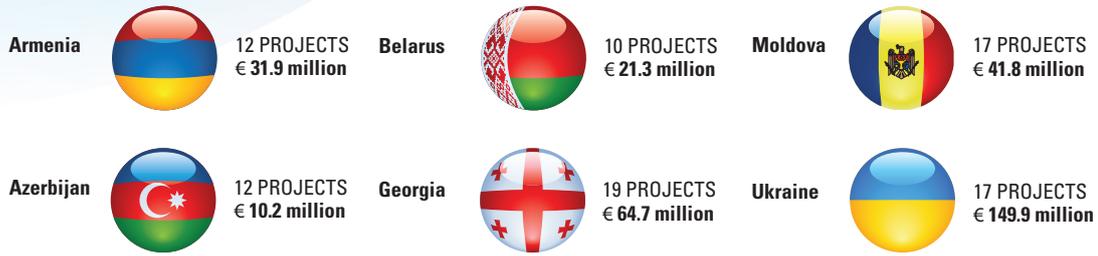
Source: EU4Business database

Aside from regional programmes that have been developed for all six countries or have a multi-country dimension, EU4Business now includes an **additional 13 bilateral projects, which have become operational in 2017-early 2018**, and have significantly enriched the EU4Business country portfolio.

The focus of newly-added bilateral programmes and projects is on stimulating employability and job creation at the local/regional level, easing access to finance for regional SMEs, creating wider business opportunities for MSMEs, as well as promoting the DCFTA-related activities.

€ 319.8 million total EU financing in ongoing projects

EU4Business current portfolio by country

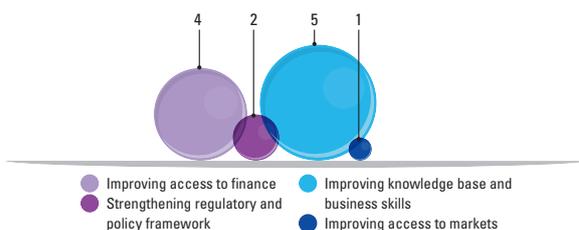


Armenia

In Armenia, EU4Business supports **12 ongoing projects** for a total of **over €31.9 million** that provide improved access to finance and new markets, training, advisory and consultancy services for SMEs, targeted support for women in business, start-ups, technology-based enterprise and cluster development, as well as regional development and social entrepreneurship. **Four projects** have already been **closed**.

In 2017, **three bilateral projects were added** to the portfolio. The major one is the **Armenia SME Finance and Advice Facility**, with an EU budget of **€15.38 million**, which deploys EU funds blended with those provided by the EBRD and other investors to support Armenian SMEs. It improves access to finance for SMEs through a combination of investment projects and technical assistance, and a diversification of sources of finance, ultimately creating jobs, contributing to increased investment, capital market development and diversification of economic activity. Two additional projects are **Boosting competitiveness of regional SMEs** – working to improve employment opportunities in the regions of Lori, Syunik and Armavir, by supporting SMEs in the sectors of food processing and tourism – and **Boosting technological development in Shirak Marz** – supporting youth skills development and business development of the IT community. Both projects are classified under access to knowledge.

Figure 1.8: ongoing projects by objective Armenia



Source: EU4Business database

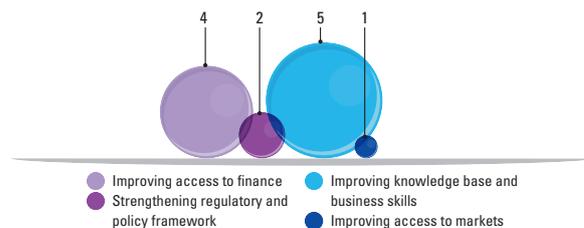


Azerbaijan

In Azerbaijan, **12 ongoing projects** with a total EU contribution of **€10.2 million** are included in the EU4Business portfolio, with another **four projects completed**. Ongoing projects provide improved access to finance and new markets, training, advisory and consultancy services for SMEs, targeted support for women in business, micro-enterprises and family businesses, as well as rural development.

In 2017 **three additional projects** were included in the EU4Business portfolio in Azerbaijan: **Promoting Community-based Agritourism as a Rural Regeneration Strategy**, **Accelerating development of sustainable micro-enterprises in rural regions of Azerbaijan**, and **Support to the development of small family businesses in the Sheki-Zagatala Economic Zone through ABAD regional centre in Balakan**. All three projects support the development of community-based family businesses and rural entrepreneurship in Azerbaijani regions, a micro-level focus balancing other SME development programmes funded under direct budget support or Twinning, which are not covered by EU4Business. All the newly-added bilateral projects in Azerbaijan fall under the category of access to knowledge.

Figure 1.9: ongoing projects by objective Azerbaijan



Source: EU4Business database



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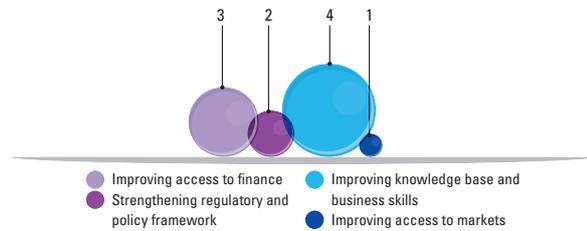
Belarus

In Belarus, **10 projects are ongoing** and **4 closed**, and the EU contribution in ongoing projects reaches **€21.3 million**. Current projects in the EU4Business

portfolio focus on improving access to finance for SMEs, training, advisory and consultancy services and market access support, targeted support for women entrepreneurs, and regional and local development with a focus on MSMEs and social enterprises.

Among the projects added to the EU4Business portfolio in 2017 is **Advice for Small Businesses in Belarus**, a programme with a **€6 million** EU contribution which enhances the competitiveness of SMEs in Belarus operating across a wide range of sectors, with a focus on regional development, by increasing entrepreneurial skills, financial literacy, and the ability to adjust to markets within and outside Belarus. The second major project launched in Belarus in 2017 is **Local Economic Development in Belarus**, a project run by the UNDP with a **€7.7 million** contribution from the EU, which supports participatory local development and entrepreneurship in Belarus, with the aim of enhancing local growth and competitiveness, while at the same time addressing social vulnerabilities. Both are classified under access to knowledge and business skills, while the latter also has a complementary objective of easing access to finance at local level.

Figure 1.10: ongoing projects by objective Belarus



Source: EU4Business database



Georgia

Georgia leads by the number of ongoing projects under the EU4Business portfolio. This DCFTA front-runner has **19 ongoing projects**, and **4 closed**, while the EU contribution to the ongoing projects is **€64.7 million**. Ongoing projects provide improved access to finance and new markets, specific DCFTA adaptation support, training, advisory and consultancy services for SMEs, targeted support for women in business and the development of clusters in specific sectors, as well as support for BSOs and civil society in supporting the implementation of DCFTA objectives.

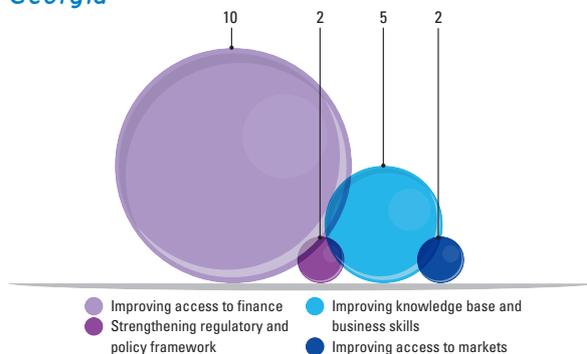
The biggest programme currently running in Georgia is the EBRD DCFTA Programme, aka **EU4Business-EBRD Credit Line**, with 70 per cent of the total

programme budget going to Georgia, which accounts for €13.6 million. The second largest programme is the **DCFTA Initiative East** implemented by the EIB and fully launched in 2017 – €11.4 million of this programme's budget should be spent in Georgia. The share of access to finance programmes in the country portfolio is 76 per cent.

In 2017, the bilateral EU4Business portfolio in Georgia was enlarged with **two additional projects** - **Georgia on European way: Creation of Effective Model for DCFTA**, which aims at strengthening the capacities of Georgian CSOs and BSOs with overlapping functions of CSOs along the DCFTA implementation process and along the implementation of the SME strategy for Georgia; and **SME Strategy Implementation and CSOs for Sustainable Economic Development - Strengthening the role of CSOs in DCFTA and SME Policy Implementation in Georgia**.

The latter project will empower civil society organisations, especially from the regions of Georgia, to effectively engage and participate in DCFTA/ SME policy formulation. Both of them are classified under access to knowledge and business skills, while they are also responding to the access to markets challenge experienced by the SMEs in the regions.

Figure 1.11: ongoing projects by objective Georgia



Source: EU4Business database



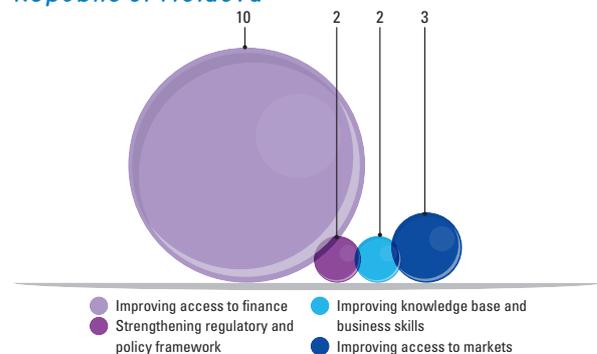
Republic of Moldova

The EU4Business portfolio in Moldova counts **17 ongoing** and **5 closed** projects. The EU contribution to the ongoing projects in Moldova stands at **€41.8 million**. Ongoing projects provide improved access to finance and new markets, specific DCFTA adaptation and implementation support for SMEs, training, advisory and consultancy services for small businesses, targeted support for women in business and rural SMEs, including incentives for the investment of migrant remittances, as well as support for development of the regulatory infrastructure necessary for the implementation of DCFTA objectives. As in other DCFTA countries, the majority of projects

are classified under access to finance (10 out of 17 projects fall under this objective, representing 77 per cent of the total EU4Business portfolio in Moldova). The main programmes that have taken full speed in 2017 aimed at improving SMEs' access to financial resources are the **DCFTA Initiative East**, with €11.4 million available for Moldova, and the **EU4Business-EBRD Credit Line** which should allocate €5.8 million in the country.

In 2017, **three additional projects were added** to the EU4Business umbrella in Moldova. Two of them target improved access to markets – they are **Support to the quality infrastructure framework within a DCFTA context in the Republic of Moldova, and Visibility and Communication for AA/DCFTA**. While the first project aims to support the Republic of Moldova in strengthening its Quality Infrastructure framework within the context of the DCFTA, the second carries out a range of communications actions to raise awareness of the benefits of full implementation of the AA/DCFTA and to encourage full participation of businesses to take advantage of the opportunities offered. Both projects are classified under improved access to markets. The third project, **Support to SMEs in rural areas**, aims to reduce economic and social disparities in rural areas through the introduction of active employment initiatives through the development of rural small and medium sized enterprises. It has been classified under improved access to finance.

Figure 1.12: ongoing projects by objective Republic of Moldova



Source: EU4Business database



Ukraine

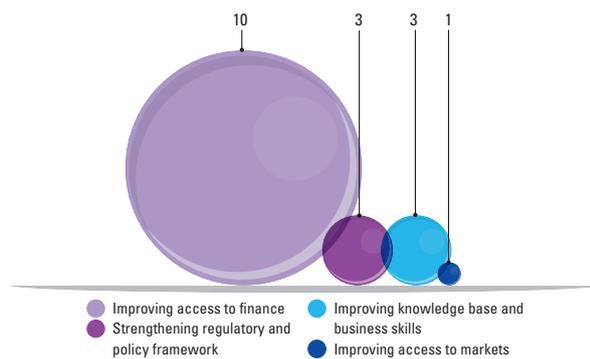
The EU4Business portfolio in Ukraine currently includes **17 active projects** amounting to almost **€150 million** of EU financing. **Four projects have been completed**. Ongoing projects provide improved access to finance and new markets, specific DCFTA adaptation and implementation support for SMEs, training, advisory and consultancy services for small businesses, including through the creation of 15 EU4Business business support centres across the country, support to business-friendly reform and better regulation, and targeted support for women in business.



Ukraine remains **the largest country-receiver**, and access to finance programmes represent 65 per cent of the total EU contribution to this largest economy in the Eastern Partnership region. While no smaller bilateral programmes were added to the portfolio in 2017, the EU’s contribution to Ukraine has increased considerably with regional credit line facilities, among them the **SME Finance Facility Phase II** implemented by three major IFIs, the EBRD, EIB and KfW, that became fully operational last year. The emphasis of Phase II of the SME Finance Facility, which has a total EU budget of €15.6 million, is to stimulate local currency lending, especially for micro, small and medium-sized enterprises (MSMEs) in Ukraine that are not earning foreign currency and cannot afford the high costs of borrowing. The two biggest programmes running in Ukraine and facilitating access to finance for SMEs are **Phase II of the EU4Business-EBRD Credit Line** that will see 70 per cent of its budget going to Ukraine, which accounts for €27.2 million, and the newly launched **DCFTA Initiative East**, which will allocate approximately €40 million of its budget of €62.74 million to Ukraine.

Under access to knowledge and business skills it is worth mentioning the **EU4Business: Network of Business Support Centres in Ukraine**, a €40 million programme aimed at improving the competitiveness and ability to access finance of Ukrainian SMEs through the provision of business advice and capacity building, as well as preparation for financing from the EBRD and other financial institutions. Under the programme, a network of 15 business support centres has been established across the country to support SMEs in accessing the right financing and know-how support for their business.

Figure 1.13: ongoing projects by objective Ukraine



Source: EU4Business database

A large part of EU4Business budget is allocated to three DCFTA countries – Georgia, Moldova and Ukraine. Out of **€200 million of grants** from the EU budget announced for the DCFTA Facility in 2015, €155 million have already been committed and form 48 per cent of the total budget of the EU4Business portfolio. The DCFTA Facility reflects the EU’s incentive-based approach (“more for more”), and currently includes the following set of EU supported programmes:

- EBRD DCFTA SME Direct Support Facility
- EBRD Advice for Small Businesses
- EBRD DCFTA Programme (EU4Business-EBRD Credit Line Phase I and II)
- EIB DCFTA Initiative East
- EBRD SME Finance Facility Phase II
- EIB SME Finance Facility Phase II
- KfW SME Finance Facility Phase II

The second phase of DCFTA Initiative East will be signed in 2018.

Achievements of EU4Business

The ambitious goal set by the EU4Business initiative is to increase the contribution of SMEs to a stronger economy in the Eastern Partner countries.

The programmes and projects launched under the EU4Business umbrella have successfully contributed to achieve this objective, by providing financing, capacity building and knowledge transfer to SMEs. The present chapter will focus on the achievements accomplished under this initiative.

Progress towards meeting the objectives of the EU4Business initiative is monitored closely by means of a set of indicators. The indicators selected are considered as key to measure objectively the performance of the projects included in the EU4Business portfolio. They are referred to as key performance indicators (KPIs) in the present report.

In 2017 the monitoring framework of the EU4Business programme has been further developed and refined. The result of this process can be found in the revised intervention logic (see Figure 2.1), which shows how the activities of the EU4Business initiative link to the specific objectives of the initiative and to the broader objectives set for the Eastern Partnership.

The list of key performance indicators (KPIs) was further refined in 2017 in collaboration with implementers and the European Commission. In the process, it became clear that setting well defined KPIs is a matter of striking a balance between what is desirable and what is achievable in terms of collecting and monitoring data. During the autumn of 2017, agreement was reached on a list of KPIs. The agreed KPIs are presented in annex B. In the list of KPIs, special attention is given to indicators that measure the impact of the projects/programmes, such as indicators on increase in turnover or export sales, but also on the creation of new jobs. The present set of indicators allows us to better monitor progress on the Eastern Partnership deliverables for 2020⁸.

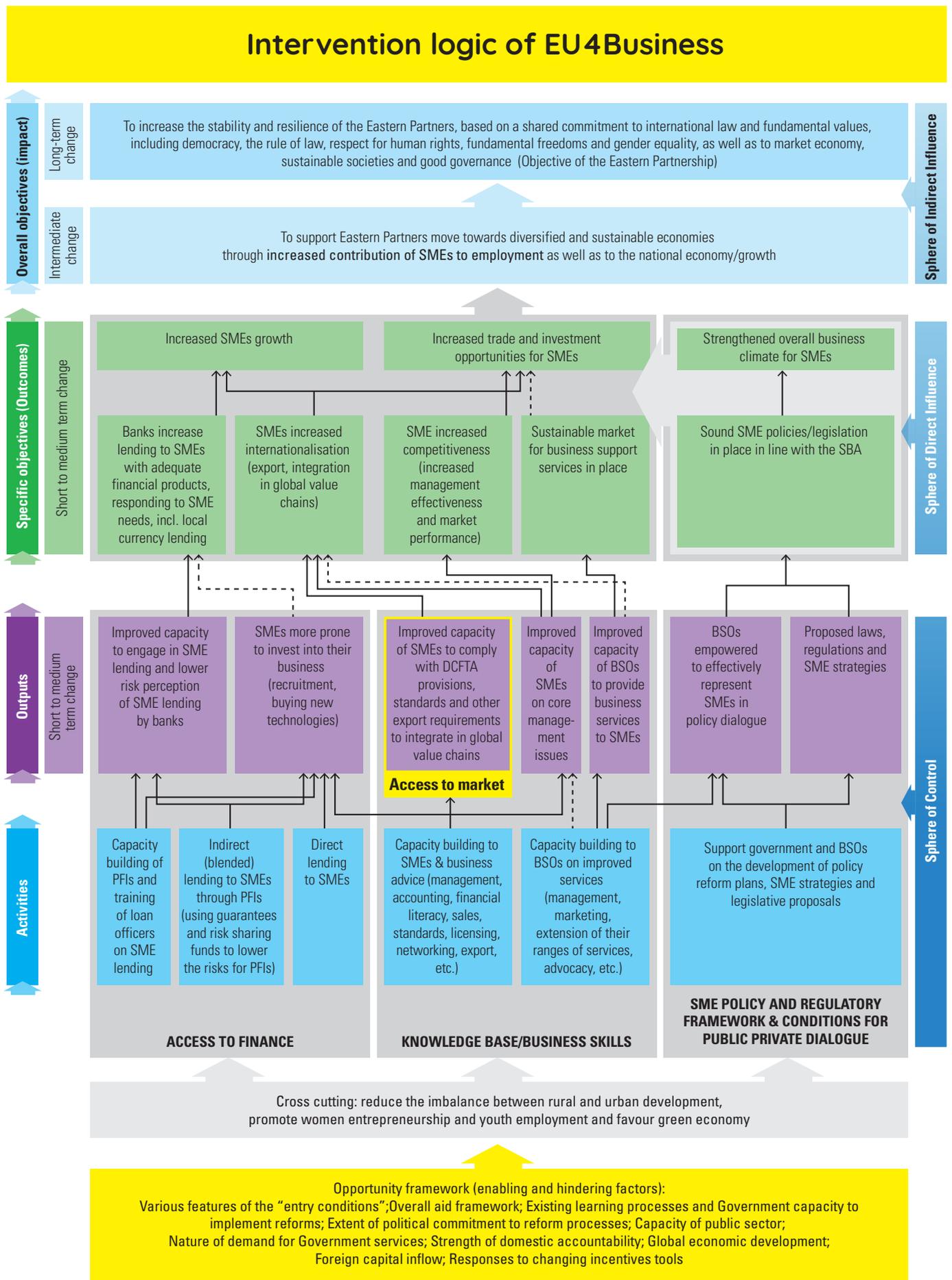
While the newly agreed list sets clear expectations for the reporting of new projects, it is unavoidable that already ongoing programmes and projects are not systematically reporting on these indicators. Progress reports on the programmes/projects under EU4Business often only provide partial information on the agreed indicators. For the newly-agreed indicators measuring impact, the data are still limited. It will be important for further monitoring that recently added and future projects included in the EU4Business portfolio provide detailed information on the agreed KPIs in their progress reports.

The results presented in this chapter are based on an analysis of the progress reports that were made available by 30 April 2018. In the analysis of the reports, a clear choice is made to review the data at aggregate and at country level and for a distinction between the periods 2009-2015, 2016-2017 and the overall progress in the 2009-2017 period. This allows us to present results not only regionally, but also to highlight some country results and to monitor progress over the years and in relation to the 2020 goals. In order to be able to make these distinctions, some assumptions had to be applied for some of the projects, as not all progress reports give data in such detail. For full transparency, annex C gives a clear overview on which assumptions have been applied and the possible consequences on results presented.

As indicated in Chapter 1, the EU4Business initiative has 43 projects in its portfolio. While 7 of those projects have been already completed – of which 6 were completed in the period 2016-2017 – 20 new projects began in the 2016-2017 reporting period, and 3 projects just started very recently in 2018. For the recent projects, reporting on achievements on outputs, and definitely on outcomes, will be rather limited. Moreover, quantitative results on KPIs do not always give the full picture. Results on KPIs are complemented with some more qualitative findings from the reports and from the round tables with stakeholders organised in each of the EaP countries in the period March-April 2018. Success stories have been included to show some clear impacts of the programmes for individual beneficiaries.

⁸ SWD(2017)300 final. Joint Staff Working Document. Eastern Partnership – 20 Deliverables for 2020. Focusing on key priorities and tangible results.

Figure 2.1: Intervention Logic EU4Business



Source: EU4Business database

The 2017 Consolidated Report presented the following achievements since 2009:

- Almost 100,000 enterprises had received sub-loans for a total value of €1.5 billion;
- Well over 20,000 people working with or for SMEs, BSOs and PFIs in the targeted countries had the opportunity to participate in training and events, such as workshops and seminars;
- More than 93,000 jobs in SMEs were supported through EU4Business SME business advice projects, and the initiative created more than 10,000 new jobs as a result of these projects;
- Almost 40 proposals for policy strategies and legal reforms had been made;
- A reduction in CO₂ emissions of 172,444 t CO₂/year and energy savings of almost 820,000 MWh/year had been registered.

Since the publication of the 2017 Consolidated Report, the EU4Business portfolio has significantly changed. Not only, as described above, have a number of new projects and programmes been added, but also 3 programmes focussing on the stimulation of green growth through encouraging investments in energy efficiency and renewable energy have been taken out of the EU4Business portfolio and moved to the EU4Energy portfolio. These three projects - Green for Growth Fund; Caucasus Sustainable Energy Finance Facility; and Identification and promotion of energy efficiency investments in Ukraine and Moldova - contributed substantially to the results reported in the 2017 Consolidated Report. The exclusion of these projects from the EU4Business portfolio has the consequence that overall reported figures from the 2017 Consolidated Report cannot be replicated directly in this report, and direct comparison between this and the 2017 report is therefore not possible. Furthermore, results are no longer reported on energy-related KPIs.

The results for the period 2016-2017 nevertheless show a clear positive evolution on the defined KPIs. In comparison to the 2009-2015 figures, the 2016-2017 figures show that:

- An **additional 10,000 SMEs have received loans** from Participating Financial Institutions (PFIs) and International Financial Institutions (IFIs) in the period 2016-2017 through supported EU4Business programmes;
- The value of loans disbursed to SMEs in the period 2016-2017 accounts for **over €593 million**;
- Almost **8,300 people** from SMEs, PFIs or BSOs have been trained or coached and **20,665 people** have attended events organised under the EU4Business programme;
- Proposals for policy strategies and legal reforms have been made, which have already led to **129 drafted** and **50 implemented new laws**;
- An **additional 47,000 jobs** in SMEs have been supported and **17,500 new jobs** have been created in the period 2016-2017.

Before diving into the detailed results and achievements of the EU4Business initiative, this chapter first gives an overview of the four objectives of the EU4Business initiative and the specific projects and programmes falling under each objective. Programmes and projects supported under the initiative, however, mostly target more than one objective, providing a programmatic approach. The choice made was therefore to discuss results not per objective separately, but across the different objectives. Discussions can in this way focus on the objectives themselves, like improving access to finance or knowledge base and business skills, but without limiting it to the results of the programmes and projects falling under these objectives. It allows us to focus on more horizontal issues, like for instance promoting women entrepreneurship or DCFTA.

2.1 The four objectives of the EU4Business initiative

2.1.1 Objective 1: Improving access to finance

Access to finance is important at all stages of the business life cycle, whether it is at the start-up phase or for further development and growth of the SME. SMEs, however, are typically disadvantaged compared to large firms in accessing debt finance. They are often under-collateralised, have limited credit history and have in general a higher risk-return profile, but also often lack the expertise and skills to prepare financial statements.⁹ Objective 1 of the EU4Business initiative focuses specifically on these obstacles to SME growth, by targeting both SMEs and PFIs. It aims to strengthen the capacities of SMEs to access finance and be able to prepare investment projects, as well as the capacities of PFIs to establish financial products that respond to the needs of SMEs.

Key performance indicators monitored under Objective 1 include indicators on the output and outcome of the financial instruments such as the number of SMEs receiving loans and the value of the loans received, but also indicators focussing on advisory services provided, like the number of PFIs, BSOs and SMEs receiving trainings.

The EU4Business portfolio includes 16 programmes and projects under Objective 1.

⁹ OECD (2018), Enhancing SME access to diversified financing instruments. Discussion paper. SME Ministerial Conference, 22-23 February 2018, Mexico City. Available online: <https://www.oecd.org/cfe/smes/ministerial/documents/2018-SME-Ministerial-Conference-Plenary-Session-2.pdf>



EU4Business

UKRAINE:

Tetiana Yaremchuk – from local bakery to European export



“

As I was looking for money, I found that the Ukrainian ProCredit Bank was lending to Ukrainian SMEs under the EU4Business programme. I took out an unsecured loan to replenish the working capital. I received it quickly and without any red tape, and I was treated with respect.

”

Tetiana Yaremchuk has gone from a small bakery to a major pasta production plant. She received loans from ProCredit Bank, a Ukrainian partner of the European Fund for South East Europe (EFSE) financed under the EU4Business programme, that has allowed her to grow and target the European export market.

27

Success stories:
European Fund for
South East Europe (EFSE)

An important SME loan programme is the **SME Finance Facility Phase I and II** (implemented by the EBRD, the EIB, and KfW), which aims at increasing the range of financial products to SMEs and enhancing the capacity of the participating financial intermediaries (PFIs) to assess and monitor the related risks and manage their SME financing. The first phase of the programme combines technical assistance to PFIs with risk sharing guarantees (for EBRD and KfW) or with interest-free EU-funded loan co-financing of up to 10% of the loan (EIB). Phase II of the SME Finance Facility is part of the DCFTA Facility and has an emphasis on stimulating local currency lending for micro, small and medium-sized enterprises in Ukraine that are not earning foreign currency and cannot afford the high costs of borrowing.

The **Neighbourhood Window of the European Fund for South East Europe (EFSE)**, implemented by KfW, is the EU contribution to EFSE, the world's largest microfinance fund with a total of around €1 billion of capital commitments, of which 40% applies to EaP countries. The EC contribution is used to finance C shares, i.e. a participation in the first loss tranche of equity.

Besides the SME Finance Facility Phase II, 4 other projects have been developed under the DCFTA Facility:

- **EBRD DCFTA SME Direct Support Facility**, which provides guarantees and first loss risk cover for direct loans from the EBRD to SMEs;
- **EBRD DCFTA Programme (EU4Business-EBRD Credit Line Phase I and II)** combining EBRD credit lines with EU-funded incentive payments, technical assistance and policy dialogue;
- **EIB DCFTA Initiative East** combines risk capital, technical assistance and a guarantee facility (first loss risk cover). The guarantees can be provided in EUR, USD or local currency.

The **Women in Business** programme, implemented by the EBRD, helps women-led small and medium-sized enterprises to access the finance and the know-how that they need to grow. The programme combines credit lines with a first loss risk cover and technical assistance with business advisory consulting and coaching.

Two further EBRD projects, **Financial Sector Institution Building and Crisis Response**, covering the full region, and **Framework for Capacity Building to Support Financial Intermediaries in Azerbaijan and Georgia**, have a clear focus on providing technical assistance to PFIs through capacity building and consultancy services.

Finally, under the improving access to finance objective, a further 3 bilateral projects are included:

- The EIB project **Filière du vin**, aimed at strengthening the Moldovan wine sector has been successfully completed in 2016 and its final results were already discussed in the 2017 Consolidated Report;
- The **Support to SMEs in Rural Areas** project was launched in April 2018 in Moldova and focuses specifically on women, providing investment grants and SME advice;
- The **Armenia SME Finance and Advice Facility** supports SMEs through a private equity fund and SME advice. The SME advice window is part of the larger Advice for Small Businesses programme under Objective 3.

The EU contributes over €218 million to the 16 projects included under Objective 1, leveraging a total of €711 million made available to PFIs. This is an increase of €269 million over the period 2016-2017 compared to the 2009-2015 period.

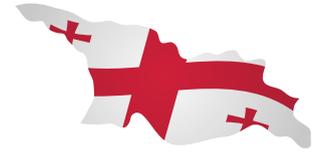
Two further projects are currently in the pipeline, an extension of the EFSE programme and an extension of the DCFTA Initiative East.

Within the extension of the EU contribution to EFSE, the EU is providing €43 million for L-Shares to support lending in local currency by the Fund to local banks and microfinance institutions for on-lending (also in local currency) mostly to microenterprises. The support will be available for all the six EaP countries. An additional €6 million will be provided (using the same mechanism) to support local currency lending in Moldova. The DCFTA Initiative East Phase II will consist of two windows: a Guarantee Facility (continuation of Phase I) of €40 million for partial first loss guarantee for portfolios of loans by local banks to SMEs (in agriculture, manufacturing and IT sectors) and a Local Currency Window (new window under the DCFTA Initiative East) of €5 million to support lending in local currency by local banks in the DCFTA countries.



EU4Business

GEORGIA: all roads lead to international trade



“

Indico is raising standards in road engineering, by investing in environmental responsibility and contributing to the overall alignment of Georgian transport infrastructure with EU standards.

”

Ioseb Gadelia is the founder of road construction company Indico, which invested in sand and gravel processors, wheel excavators, trucks, and other portable equipment, with help from the EU4Business-EBRD Credit Line. Through these investments, the company has been able to boost its productivity, replacing old technology with environmentally friendly updates and enhancing quality, as well as improving standards of health and safety, in line with the recommendations of project consultants.

Success stories:
EU4Business-EBRD Credit Line

2.1.2 Objective 2: Tackling inadequate policy and regulatory framework

An important precondition for economic growth is an adequate policy and regulatory framework that enables the SME sector effectively to start and run a business. To strengthen the overall business climate for SMEs, the EU4Business initiative aims at improving SME policies and having legislation in place in line with the Small Business Act. Laws and decrees are analysed, illegal and outdated regulatory acts are abolished and new laws are drafted and implemented. The EU4Business initiative is investing in programmes and projects that support governments and BSOs for the development of coherent policy reform plans, SME strategies and legislative proposals.

Furthermore, as the participation of sectoral stakeholders is an important condition for preparing and influencing policies which are relevant to them, EU4Business also aims at empowering BSOs capacities to represent SMEs effectively in policy dialogues. BSOs' representatives are invited to events and trainings over audit and accounting, methods to improve interactions between businesses and government, and other various topics.

Progress under Objective 2 is monitored through key performance indicators such as the number of laws drafted and implemented, the number of BSOs supported with capacity building, but also the number of PFIs, BSOs and SMEs following trainings.

Since the Consolidated Report 2009-2016, published in May 2017, one new project has been added to the portfolio under Objective 2: the **EU4Business - From Policies to Action project**, implemented by the OECD. At country level, the project provides support to private sector development, evidence-based policy making and broader business environment reforms. At regional level, it stimulates reform implementation through peer reviews and regional policy dialogue. The project is a follow-up of the **SME Competitiveness Reforms** project, which was completed in the 2016-2017 period (for detailed results of this project see text box 1).

The current portfolio under Objective 2 consists of four programmes and projects, all having different characteristics. **EU4Business - From Policies to Action** (OECD), **SME Competitiveness Reforms** (OECD), and **STAREP** (World Bank) cover the region as a whole, while the biggest programme in terms of EU contribution, **FORBIZ**, targets Ukraine only. The four projects **account for a total EU contribution of over €14 million, leveraging a total budget of almost €20 million.**

Box 1: SME Competitiveness Reforms, OECD (2013-2017)

The OECD Supporting SME competitiveness reforms project supported the Eastern Partner countries in designing policy reforms, exchanging knowledge, and building capacity for implementation, according to SME policy priorities identified by the Small Business Act for Europe (SBA) assessment. Key outcomes of the project include:

- *Creation of government strategies and action plans to galvanise better government support to SMEs:* In Belarus the OECD supported the government in the creation of a reform roadmap to mobilise better and more targeted support to SMEs. In Georgia, the OECD worked out recommendations to improve the competitiveness of SMEs, which contributed to the adoption of Georgia's SME Development Strategy 2016-2020.
- *Greater capacity for reform implementation among national institutions:* Regional and country-level capacity building seminars were organised to improve SME development.
- *High-level regional policy dialogue on design and monitoring of reforms:* Organisation of the OECD Eurasia Competitiveness Roundtables, an annual platform for peer review and knowledge sharing on the implementation of competitiveness reforms in the Eurasia region. The process has proven to be a stepping stone towards the formal adoption of government policies.

2.1.3 Objective 3: Improving knowledge base and business skills

The EU4Business initiative strives to improve the knowledge base and business skills of SMEs and BSOs in order to create a sustainable market for business support services and to create a business environment where SMEs can develop their trade and investment opportunities to the full. A range of capacity building programmes is being supported by EU4Business to improve management effectiveness and market performance, introduce quality management and certifications, and to improve financial management and reporting. Similarly, EU4Business supports business-related infrastructure developments, creating collaboration mechanisms and synergies. Some of the programmes under EU4Business have a wider scope, while others have a more focused approach on a single sector or country, or have a direct link with the DCFTA.



EU4Business

ARMENIA: helping a digital start-up reach out to Europe



“ Thanks to EU support we got lots of contacts, feedback on what we should improve, what to do to get in a specific market. ”

Mane Varosyan is one of the co-founders of TripleE, an augmented reality platform, receiving support from the EU-SMEDA project, including participation in start-up fairs and academies in Salamanca and Berlin, where the company gained experience and made vital contacts. Now, with ongoing support from EU-SMEDA, they are expanding their market into Europe.

Success stories:
Support to SME Development
in Armenia (SMEDA)

Under the umbrella name of Advice for Small Businesses, the EBRD implements several regional and bilateral programmes. The **TAM/BAS** programme (completed in 2015) and the **Advice to Small Businesses Phase I and II** have a regional focus, while the **Advice to Small Businesses in Belarus**, **DCFTA Adaptation Programme (DAP) - Support for SME Competitiveness in Georgia**, and **EU4Business: Network of Business Support Centres in Ukraine** have a bilateral focus. Under the programmes, the EBRD connects SMEs to local consultants and international industry experts, a network of experts with skills in quality management, marketing, engineering and other crucial areas, who help companies to transform and expand their business. An important part of the programme involves building a robust and competitive local market for business advice on which SMEs can draw.

A large number of the bilateral programmes included in the EU4Business portfolio fall under the objective of improving knowledge base and business skills.

Out of five projects in Armenia, two have been recently completed: **Support to the European Business Association Armenia** and **Community Development through Social Entrepreneurship** (for detailed results see text boxes 2 and 3). **Support to SME Development in Armenia (SMEDA)**, **Boosting Competitiveness of Regional SMEs** and **Boosting Technological Development in Shirak Marz**, are currently in implementation. SMEDA has a national focus, aiming to improve the national business and investment climate, and to support the creation and development of SMEs to enable broad-based growth. The latter two projects are smaller in scale and have a targeted sector and regional focus.

This targeted regional and sectoral focus can be also found in the three programmes in Azerbaijan: **Promoting Community-based Agritourism as a Rural Regeneration Strategy; Accelerating Development of Sustainable Micro-entrepreneurship in Rural Regions of Azerbaijan**; and **Support to the Development of Small Family Businesses in the Sheki-Zagatala Economic Zone through ABAD Regional Centre in Balakan**. These programmes are rather small and have only started recently.

Another three bilateral projects are included under Objective 3:

- **Georgia on European way: Creation of Effective Model for DCFTA and SME Strategy Implementation**, implemented by EESC;
- **Engaging Civil Society in the Implementation of the EU-Georgia Free Trade Agreement and SME Policy**, implemented by KAS;
- **Local Economic Development in Belarus (LED)**, implemented by UNDP.

The total EU contribution to the programmes and projects **under Objective 3 adds up to €95 million**, but the budgets linked to the different programmes and projects under this objective vary widely, with the smallest budget going to **Support to the European Business Association Armenia** (€60,000) and the largest to **EU4Business: Network of Business Support Centres in Ukraine** (€40 million).

Box 2: Support to the European Business Association Armenia, EBA (2016-2017)

This small-scale project, which began in March 2016 and was completed in September 2017, supported the European Business Association (EBA) in Armenia in the development of its activities and strengthening its position as business representative in the public-private dialogues supporting and advocating for EU businesses in Armenia. Throughout the project, EBA increased its members from 120 to over 160, developed and improved the Public Private Dialogue in Armenia and increased the level of trust in companies.

Specific goals have been reached through changes in legislation, decrees, legal acts and the final draft of a new Tax Code. Furthermore, the EBA has initiated a Memorandum of Understanding between 14 leading Business Associations of Armenia, emphasising the most important areas for business environment improvement and demonstrating a willingness to work together for the elimination of the major obstacles for business development.

Box 3: Community Development Through Social Entrepreneurship, ICIRLD (2015-2017)

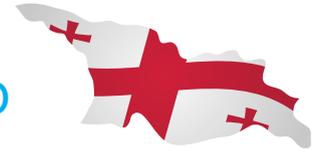
The Community Development through Social Entrepreneurship programme ran over two years (from 2015 till 2017) and contributed through capacity building in social entrepreneurship, targeting civil society organisations (CSOs) in seven regions in Armenia. The project developed online and offline curricula for training of civil actors in social entrepreneurship. Over 500 participants took a “stand-alone course” which was developed on the learning platform and which is open to all interested parties. During the course of the programme, 24 social entrepreneurship ideas were developed to support local community needs, of which 10 received grants. The project also had a larger impact by raising awareness on the subject and creating broader interest from other CSOs.



EU4Business

GEORGIA:

shoot and print – EU and EBRD
support for photo innovation



“

Initially, we might have provided two or three photo shooting services in a month, but now we have two or three in a day. The uniqueness of our service is that you can shoot, print and share the high quality photos simultaneously.

”

Gabriel Meliva founded an innovative photo and printing service, Memogram. The EBRD's EU-funded Advice for Small Businesses programme has helped Memogram to expand its business, to improve its service, and as a result to increase turnover.

Success stories:
Advice for Small Businesses



2.1.4 Objective 4: Improving access to markets

One of the barriers to SMEs' growth perspective is the lack of expansion opportunities and vision outside their own markets. SMEs are inherently neither suited to negotiate international trade agreements in their favour nor have the visibility to attract foreign investments. EU4Business addresses this issue by providing support to SMEs to increase their internationalisation and investment opportunities. Objective 4 of the EU4Business initiative focuses specifically on improving the capacity of SMEs to comply with DCFTA provisions, standards and other export requirements in order to integrate in global value chains when trading with the EU and within the EaP region. The initiative also aims at enabling SMEs to benefit from foreign direct investment (FDI).

Progress towards the 'Improving access to markets' objective is monitored through key performance indicators such as the number of new jobs, the annual turnover of supported SMEs, the number of SMEs supported with advisory services, the number of SMEs trained, the number of BSOs supported with capacity building, the number of BSOs trained, as well as the number of BSOs, SMEs and PFIs participating in events.

The EU4Business portfolio covers six projects under Objective 4, implemented by GIZ, EUROCHAMBRES, ITC, and Project Group International. In comparison to the Consolidated Report 2009-2016, published in May 2017, four new projects have been added to the portfolio, doubling the EU contribution to this objective, with more than €30 million invested in 'Improving access to markets'.

The East Invest 1 and East Invest 2 programmes constitute the main source of figures related to the 'Improving access to markets' section of the present report (see text boxes 4 and 5 for detailed results of these two programmes). Both were completed in 2017. **East Invest 1** has promoted and facilitated investment and economic cooperation between the EU and the EaP countries, as well as within the region. **East Invest 2** was more focused on DCFTA and providing trainings to SMEs and BSOs.

The recently started **Eastern Partnership: Ready to Trade** project assists SMEs in producing value-added goods in accordance with international and EU market requirements, while linking them with buyers from global value chains and markets, in particular within the EU. The project has a regional focus with its country specifics.

Two bilateral projects running in Moldova have also been added to the portfolio. The **Visibility and Communication for AA/DCFTA** project started at the end of 2017 and will run for two years, carrying out a

range of communication actions to raise awareness of the benefits of full implementation of the Association Agreement (AA) and the DCFTA. The project **Support to the Quality Infrastructure Framework within a DCFTA Context in the Republic of Moldova**, which also started at the end of 2017, will run for three years. The project's focus is to support the efforts of the Moldovan government to progress in key areas of the DCFTA, linked to the improvement of public governance and economic recovery and growth. Areas of concern are quality infrastructure, market surveillance, internal and external markets and opportunities, and competitiveness awareness in the context of the AA/DCFTA. However, as those two projects have started recently, the results outlined in the reports received are preliminary and mainly consist in targets to be reached by the end of the implementation. Figures related to those Moldovan projects are therefore limited in this report.

The Georgian bilateral project **SME Development and DCFTA in Georgia**, previously reported as part of Objective 3, was transferred to the 'Access to markets' portfolio. It is important to stress that the aim of improving access to markets is also supported by programmes and projects grouped under 'Access to finance' and 'Improving knowledge base and business skills'.

Box 4: East Invest 1, EUROCHAMBRES (2010-2017)

East Invest 1 is a regional programme which was implemented by EUROCHAMBRES for nearly seven years and which closed in August 2017. The project aimed at developing the economy in the Eastern Partnership countries and improving their business environment, as well as developing networking between the EU and EaP countries.

In this regard, EUROCHAMBRES implemented the SME Roadshow Facility, leading to 66 new business contracts and 37 new jobs. Furthermore, a special focus was paid to providing SMEs and BSOs with trainings through successful and greatly appreciated activities such as BSO and SME Academies, BSO exchanges and SME study visits. Those efforts contributed to improve the knowledge and skills of nearly 250 BSO representatives and about 300 SME representatives. Finally, a broad range of conferences and business fora were conducted, involving nearly 2,900 participants over the whole period.



EU4Business

BELARUS: a strong business model for media independence



For sure, the improved earning capacity has gradually increased the editorial budget and the number of employed journalists. Our earning capacity helps us to preserve our independence.

Lyudmila Chekina is CEO at TUT.BY, the leading online news portal in Belarus. EBRD support funded by the EU under the EU4Business initiative helped TUT.BY develop its organisational structure and introduce better operational processes. As a result, earnings are up 20%, increasing the editorial budget and number of journalists employed.

Success stories:
Advice for Small Businesses

Box 5: East Invest 2, EUROCHAMBRES (2014-2017)

East Invest 2 was a regional programme that ran concurrently with East Invest 1. The project was implemented by EUROCHAMBRES and had a duration of 3 years, starting in September 2014. Compared to its sister programme, East Invest 2 focused more specifically on DCFTAs and provided BSOs and SMEs with trainings on how to do business with the EU.

The activities implemented by EUROCHAMBRES in the context of East Invest 2 met the objectives and expected results. More than 300 SME representatives were trained through the SME Academies and were familiarised with EU acquis and obligations deriving from the DCFTA agreement. On the side of BSOs, the expected result of 30 BSO representatives being trained on Public Private Dialogue (PPD) has been more than fulfilled, with 250 BSO people who completed the training. BSOs have also participated in BSO Academies on general management, which helped them enhance the quality of their services to SMEs.

used to reduce the funding/hedging costs of the local currency loans from IFIs to local banks. The benefit thereof is consequently transferred to the PFIs and ultimately to the SMEs by reducing the interest rate payable to a market level. This shift to local currency lending is in general positively evaluated by all stakeholders as discussions during the round tables clearly showed.

The use of financial instruments in the different programmes and projects has unlocked a **total value of loans over the period 2009-2017 of €1.96 billion**, which is an **increase of over €593 million** since 2015. This brings the total number of SMEs receiving loans from the EU4Business programme for the period 2009-2017 to over **66,000 SMEs**¹⁰. **In the period 2016-2017 over 10,000 SMEs received loans** within the EU4Business initiative, of which 70% are from DCFTA countries. With this progress, the EU4Business programme is well on track to reach the 2020 target for the Eastern Partnership defined as *at least 10,000 additional SMEs to benefit from EU assistance (with 80% in DCFTA countries)*, since the end of 2016. During the period 2009-2017, **42 unique PFIs have participated in financial facilities**, with 9 unique PFIs for Georgia.

Looking at the number of SMEs receiving loans per EaP country, Figure 2.2 shows clearly that the greatest number of loans is distributed in Georgia, which is mainly because a high number of loans has been disbursed there through the EBRD/KfW **SME Finance Facility Phase I** programme and the EFSE programme. The relatively high number of loans in Azerbaijan can be fully attributed to the **EFSE** programme in the period 2009-2015. The EFSE portfolio in this country has decreased since then, which can be explained by the deteriorating risk profile of this country. Unstable business environments in Belarus and particularly in Ukraine are also the main reason why fewer SMEs in these countries have been able to obtain loans under the EU4Business programmes. The **EU4Business – EBRD Credit Line – Phase I** programme was originally designed to be also implemented in Ukraine, but was in the end only implemented in Moldova and Georgia. Due to the high risks linked to foreign currency lending, Phase II of the programme is specifically developed to allow local currency lending where the risk linked to foreign currencies is borne by the EU contribution. Phase II of the Programme will be implemented in Georgia, Moldova and Ukraine.

2.2 Increased lending facilities create new opportunities for SMEs

EU4Business has a special focus on lowering the risk perception of SME lending by PFIs. Within the programmes and projects financed, the number of financial instruments has been extended, which allows the SME sector in the region to access a broad range of financing opportunities. Programmes and projects with a finance facilities component each have their own focus. They can either finance a broad range of investments, like the **SME Finance Facility Phase I and II**, or be more targeted thematically like the Women in Business programme or geographically limited like the **DCFTA-related programmes** or the bilateral programmes.

Moreover, the programmes include a variety of lending facilities to SMEs, combining EU grant contributions with other public and private sector resources, such as loans and equity to leverage additional financing. In general, the programmes and projects under EU4Business include a blending of EU contribution in the form of incentive grants or partial portfolio guarantees, with credit lines from IFIs, namely the EBRD, the EIB and KfW.

Being faced with high risks related to foreign currency loans - especially in the case of Ukraine - lending facilities are recently more focusing on local currency lending. EU contributions in these facilities are generally

¹⁰ This number is lower than the 100,000 supported SMEs in the 2017 Consolidated Report. This is because three energy projects (Green for Growth; Identification and Promotion of Energy Efficiency Investments; and South Caucasus Sustainable Energy Finance Facility) were moved from the EU4Business to the EU4Energy portfolio. As a consequence, the results for these projects are no longer included in the monitoring of the EU4Business initiative.



EU4Business

REPUBLIC OF MOLDOVA: taking the world of books online



“

The EBRD advisory team guided us throughout the process, from application to completion, and the website was successfully developed in line with the consultant's recommendations. The financial help was vital, we couldn't have succeeded without it. So the virtual bookstore would have remained an unfulfilled dream.

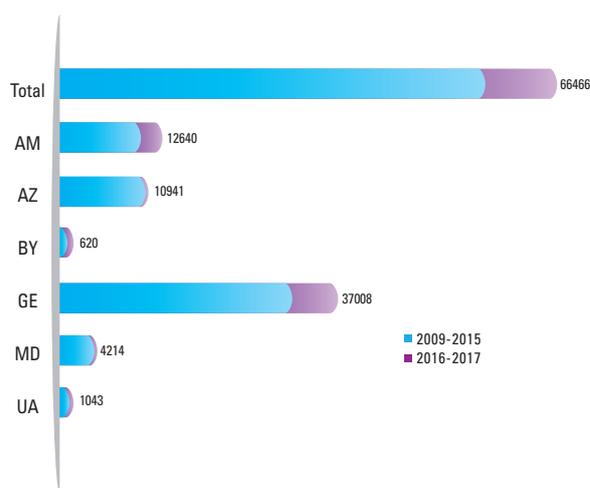
”

Veronica Vidraşcu from the Litera Publishing House in Chişinău received help from the EBRD's Advice for Small Businesses programme with EU funding to develop an online bookstore, allowing the publisher to reach rural areas, to cut costs and be able to offer cheaper books online.

Success stories:
Advice for Small Businesses

Similarly, **Phase II of the SME Finance Facility** aims specifically to stimulate local currency lending, especially for SMEs that are not earning foreign currency and cannot afford the high costs of borrowing. Under Phase II, the EBRD, the EIB and KfW concentrate their activities in Ukraine. While these programmes are still in an early phase, the first results from KfW implementation look very promising. While the active phase of this project only took off in the second half of 2017, 39 loans for a total amount of UAH 128 million (€3.8 million) have already been issued to final borrowers.

Figure 2.2: Number of SMEs that received loans from PFIs and IFIs through EU4B programmes by EaP country, 2009-2017



Source: EU4Business database

The risk sharing funds in the various financial facilities have been used only to a small degree, which indicates that the risk aversion of PFIs might have been overestimated in the past. During the round tables it was suggested that a further extension of the grants parts in the financial facilities would increase the possibilities for serving more SMEs.

The EU4Business programme seems to be clearly successful in providing more financial products responding to the needs of SMEs as shown by the high demand, often surpassing the available resources. This is also confirmed by our SME survey results, where no fewer than 45% of respondents indicate that loans from banks or non-bank financial institutions are the main source of financing on which their firms rely and 93% confirmed that the conditions of the loan obtained under the EU4Business initiative was the same or better than market lending terms and conditions. However, the actual disbursement of loans does encounter problems related to unstable business environments in the region, as mentioned above, or due to strict criteria linked to the loans. Particularly the definition used for SMEs, as having less than 250 employees, is indicated as a limiting factor.

The success of the EU4Business programmes in improving access to finance for SMEs can be illustrated with ample success stories where SMEs succeeded in their investment due to help and assistance from EU4Business programmes. The stories of Tetiana Yaremchuk (Ukraine)¹¹ and Ioseb Gadelia (Georgia)¹² are clear examples of this.

2.3 Improving knowledge base and business skills through trainings and consulting services

Under the EU4Business initiative a strong emphasis is placed on capacity building and trainings of people within PFIs, BSOs and SMEs themselves. Some of the projects have a clear focus on capacity building of PFIs, as for example the **Framework for Capacity Building to Support Financial Intermediaries in Azerbaijan and Georgia**, or of SMEs and BSOs, like the **Advice for Small Businesses** programme. A large number of programmes, however, do combine financial instruments with capacity building and training facilities, as knowledge and skills are a necessary element to further development and growth in changing environments. Particularly, but not exclusively, in the DCFTA framework, the different stakeholders are confronted with new challenges which cannot solely be addressed by extending financial possibilities.

2.3.1 Capacity building and training of PFIs in developing new financial products

Improving access to finance also asks for increased knowledge and skills capacities of people working in PFIs in the EaP countries. The objective on improving access to finance focuses mainly on creating lending facilities to SMEs through a blending of risk sharing grants, investment subsidies or other forms, but simultaneously the need for training and capacity building of PFIs was recognised, as new, tailored financial instruments were necessary to overcome barriers to the disbursement of loans to SMEs.

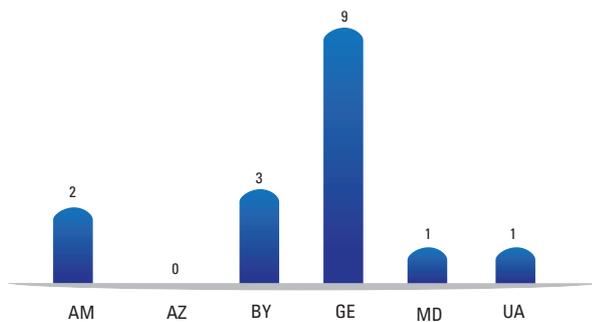
In the period 2016-2017, 10 unique PFIs were involved in capacity building activities, which brings it to a total of 16 under the EU4Business initiative for the period 2009-2017 (see Figure 2.3). In reality, the actual number is most probably higher, as not all programmes and projects report detailed figures on participation of PFIs in capacity building activities. Similarly, the total reported number of people trained or coached in PFIs of 1,288 for the period 2016-2017 – bringing it to a total of 2,190 for the period 2009-2017 – is probably an underestimation of the actual number (see Figure 2.4).

¹¹ For the related success story, please refer to page 27

¹² For the related success story, please refer to page 29

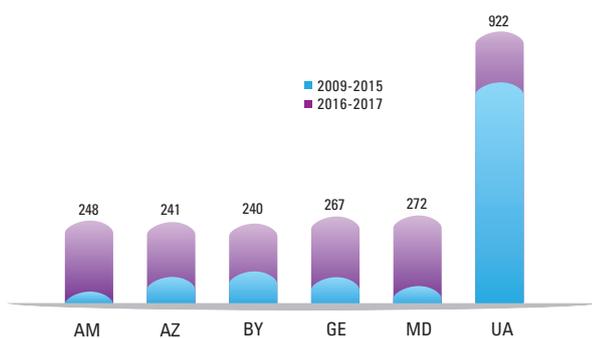
Contrary to the disbursement of loans across the EaP countries, the number of PFIs involved in technical assistance is more equally spread over the different EaP countries, except Ukraine, which is explained by the size of the country and the number of local financial institutions, which shows the success of this instrument in the overall programme.

Figure 2.3: Number of unique PFIs receiving technical assistance by EaP country, 2009-2017



Source: EU4Business database

Figure 2.4 Number of people in PFIs trained or coached by EaP country, 2009-2017



Source: EU4Business database

Capacity building activities contribute to improving efficiency, effectiveness and transparency of the financial sector, resulting in the provision of better access to financing for SMEs. Activities focus on a variety of areas such as institutional strengthening, portfolio restructuring and bad debt workout, trade finance, promoting financing of MSMEs and advice on development of new risk assessment instruments. They lead to development of new tools and products, which open up new financial opportunities for SMEs. Under the project **Framework for Capacity Building to Support Financial Intermediaries in Azerbaijan and Georgia**, for example, local banks are supported in developing capacity to increase agri-lending through the development of an agricultural loan evaluation system.

2.3.2 BSO empowerment to represent SMEs effectively in policy dialogue

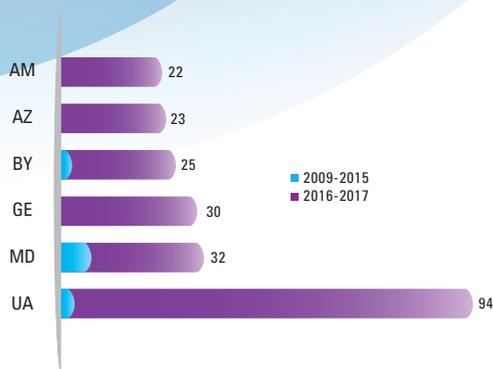
Business Support Organisations (BSOs) are important actors in creating level playing fields in business environments. They can assure a correct representation of business interests in policy dialogues on the one hand and empower SMEs through capacity building on the other.

In the period 2016-2017, the progress reports mention 218 BSOs supported through EU4Business projects and programmes, which is a substantial increase compared to the previous reporting period, bringing the figure to a total of 226 for the period 2009-2017 (see Figure 2.5). These figures are probably an underestimate of the actual numbers since not all reports mention detailed figures on the type of trainings provided. The 2020 target of “150 supported client-oriented BSOs improved their services to SMEs since end 2016” seems to have been reached, or at least on track¹³. Through the different EU4Business projects and programmes, an additional 1,232 people in BSOs were trained in the period 2016-2017, compared to the 399 reported persons trained in the period 2009-2015, which brings it to a total of 1,631 people for the period 2009-2017 (see Figure 2.6). The reported figures show a substantial increase of activities supporting BSOs, which is partly due to projects started in the period 2016-2017, but also to the full roll-out of projects started earlier in the 2016-2017 period, like **East Invest 2** in particular.

The particularly high number of BSOs supported in Ukraine is to a large extent due to the **FORBIZ** programme running in this country. Under the FORBIZ programme, the Better Regulation Delivery Office (BRDO) has been created, with the aim of simplifying the process of doing business and providing effective state regulation in key sectors of the economy. In addition, 54 BSOs were supported with capacity building activities since the start of the programme. This includes among others a training on methods to improve interaction between businesses and government and a Forum on Good Regulatory Practices in the Field of Technical Regulations. Also under the **EU4Business: Network of Business Support Centres in Ukraine**, 15 BSOs received extended support with the objective to build a system of business advice across the whole territory of Ukraine.

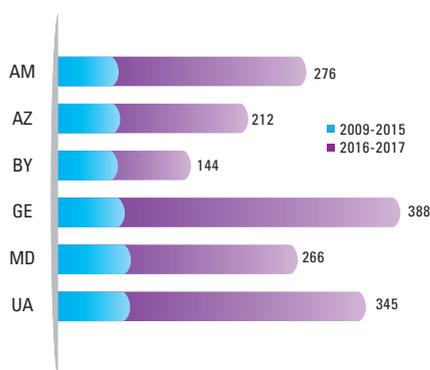
¹³ Since data collected for this report cover the period 2016-2017 it is not possible to say how many BSOs have been trained since end 2016.

Figure 2.5: Number of BSOs supported with capacity building, by EaP country, 2009-2017



Source: EU4Business database

Figure 2.6: Number of people in BSOs trained or coached by EaP country, 2009-2017



Source: EU4Business database

Capacity building of BSOs requires a tailored approach for each country. The **SME Competitiveness Reforms** project is in this respect a good example. Despite its regional scope, tailor-made support was provided to each country. All countries except Ukraine have benefited from selected coaching and capacity building activities. Aside from the country specific capacity building seminars, three regional trainings and four regional round tables, in which the six EaP countries took part, occurred during the implementation of the project. Stakeholders were included in capacity building activities and contributed to the policy formulation and roadmaps through their participation in working groups and peer-to-peer reviews.

Trainings of people in support organisations are sector-specific or focus on more general regulatory subjects. The **STAREP** project has contributed to empower the capacity of professional accountancy organisations (PAOs). To date, project activities have led to an increased capacity of policy makers and key stakeholders to determine appropriate ways and good practices in auditing, to adopt good international practice and to align national legislation with EU requirements. The capacity of supervisors in accounting and auditing and International Financial Reporting Standards (IFRS) has also increased.

Under several programmes falling under Objective 4, trainings in BSOs have allowed consultants to gain more insights on how to efficiently support local SMEs in accessing new markets. In the context of the bilateral project **SME Development and DCFTA in Georgia**, several initiatives were made through trainings to improve the business knowledge and skills of BSOs and SMEs. By November 2017, over 1,000 people from PFIs, BSOs and SMEs had been trained.¹⁴

The two **East Invest** programmes have enhanced BSOs' and SMEs' capacities through trainings on doing business with the EU, business meetings, roadshows, study visits, twinning opportunities, BSO/SME Academies and BSO exchanges. Both programmes were completed in 2017¹⁵. Under the East Invest 1 contract, 55 BSO exchange programmes took place, and another 24 under East Invest 2. The exchanges turned out to be a real success and were highly appreciated by participants. Capacity building activities aimed at BSOs have also been implemented through the BSO Academies, gathering more than 270 BSO representatives for the two programmes combined. It is important to mention that a good balance between men and women participants was reached during the above activities, especially for the BSO Academies.

Also under the **Advice to Small Businesses** programmes, an important focus is given to the training of people in BSOs. A nice success story in this respect is the story of Mihai Bilba¹⁶, Vice-Manager of the Moldovan Chamber of Commerce and Industry on the organisation of an Exporters' Academy. The story shows also that synergies between the different programmes under EU4Business can bring concrete added value, as the idea for the Exporters' Academy saw light under the East Invest programme and has grown into a concrete project supported by the Advice to Small Businesses programme.

¹⁴ No detailed figures split up for SMEs, BSOs, and PFIs are reported for this programme.

¹⁵ East Invest 1 started in October 2010 and East Invest 2 in September 2014. Results presented here are for the full period of the two programmes.

¹⁶ For the complete story, please refer to the text box "Moldova: learning to conquer the European market" on page 41

Moldova: Learning to conquer the European market

"We came up with the idea of an Exporters' Academy following the Academies organised with EUROCHAMBRES as part of East Invest. The rich experience accumulated along the years has enabled us to launch the new Academy to help Moldovan entrepreneurs enter the European market."

Mihai Bilba is Vice-Manager of the Moldovan Chamber of Commerce and Industry, which has used the experience gained under the East Invest project to guide Moldovan entrepreneurs in exporting to the EU, setting up the Exporters' Academy, which has hosted its first export trainings, provided under EU4Business by the EBRD Advice for Small Businesses programme.

2.3.3 Capacity building and training in SMEs - Demand for advisory support exceeds the growing supply

Under all objectives, programmes included in the EU4Business portfolio deliver trainings and capacity building for SMEs. SMEs often lack capacities regarding business development related topics. They often have a strong focus on technical aspects, rather than entrepreneurial issues which hamper their growth. Trainings and capacity building under the EU4Business initiative focus therefore, among others, on improving management effectiveness, improving market performance, developing quality management systems, improving financial management, or environmental management. The programmes falling under the objective of improving knowledge base and business skills, like the **Advice to Small Businesses** programmes, have a strong focus on these types of trainings. Projects and programmes falling under the objective of improving access to finance, will offer trainings more focused on business development and financial investments. Under the objective of improving access to markets the focus is rather on developing knowledge and skills with regard to developing trade relations with the EU and the related regulatory aspects.

In order to improve knowledge base and business skills, it is important to have a substantial outreach to the target population. With a total of 4,337 people reached through trainings in the period 2009-2017 (3,684 in the period 2016-2017), the training of people from SMEs seems to be covered well (see Figure 2.8). Similarly, over 3,000 SMEs have received advisory support with the EU4Business initiative in the period 2009-2017, of which 1,536 SMEs which received this support in the period 2016-2017 (see Figure 2.7). The largest number of these trainings and SMEs supported

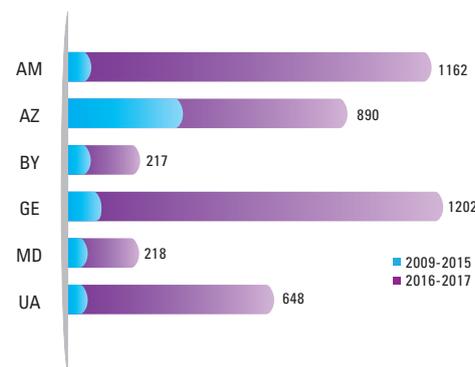
come from the different **'Advice for Small Businesses'** programmes. The largest participation rates can be found in Ukraine, Georgia and Armenia, which is in line with the number and scale of advisory projects covering these countries.

Figure 2.7: Number of SMEs supported with EU4B programmes providing for advisory services by EaP country, 2009-2017



Source: EU4Business database

Figure 2.8: Number of people from SMEs trained or coached by EaP country, 2009-2017



Source: EU4Business database

As the success stories show, the training and capacity building activities can support very diverse projects or companies in bringing their business to the next level, like start-ups (TripleE, Armenia)¹⁷, innovation companies (Memogram, Georgia)¹⁸, media outlets (Tut.by, Belarus)¹⁹ or more traditional businesses like bookshops (Litera, Moldova)²⁰. Under the objective of access to markets, success stories like those of Iryna Halimska (Ukraine)²¹ and Baia Abuladze (Georgia)²² show concrete results of the trainings under the **East Invest** programmes.

17 For the related success story, please refer to page 31

18 For the related success story, please refer to page 33

19 For the related success story, please refer to page 35

20 For the related success story, please refer to page 37

21 For the related success story, please refer to the text box "UKRAINE: business support – learning through exchange" presented on page 42

22 For the related success story, please refer to page 45

UKRAINE: Business support – learning through exchange

“By learning how better to provide support to local businesses, the Volyn Chamber is now well-positioned to take an active role in improving the local economy and community.”

As part of the East Invest project, **Iryna Halimska**, the acting Vice President of the Volyn Chamber of Commerce and Industry, benefited from a valuable week-long training on membership services from the Seville Chamber of Commerce in Spain. Since returning from the exchange, the Volyn Chamber is already offering business seminars and trainings to its members.

The success of the capacity building activities is also reflected in the fact that the supply does not cover the actual demand.

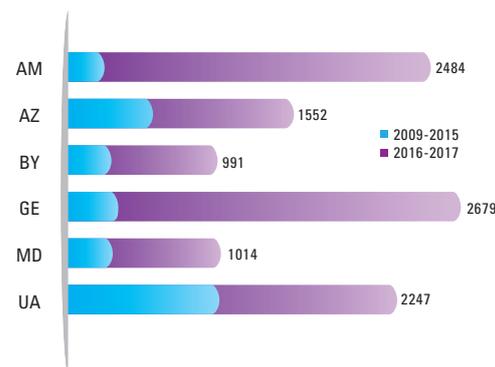
Several programmes mention in their progress reports that a selection of candidates had to be considered. The **Community Development through Social Entrepreneurship** project in Armenia developed start-up social entrepreneurship trainings. Only 60 out of 210 applicants could participate in these trainings due to capacity issues. Another example is the project **Boosting Technological Development in Shirak Marz**, where the progress report makes note of strict selections for programming courses organised under the project.

However, reaching out to specific targeted groups is not always easy, like the involvement of disabled people in the **Boosting Technological Development in Shirak Marz** project. Targeted communication is therefore important, as well as in-depth needs assessments to match programmes to actual needs and demands. This was also one of the conclusions during the EU4Business round tables, as it was noted that SMEs have themselves difficulties in identifying their needs and are therefore not always demanding assistance and trainings.

2.3.4 Total outreach of the EU4Business initiative

As shown in Figure 2.9, nearly 11,000 people have been trained or coached under the EU4Business initiative in the period 2009-2017. A clear increase in trainings can be seen over the period 2016-2017. In this period, almost 8,400 people from SMEs, BSOs or PFIs were trained or coached under one of the programmes or projects of the EU4Business initiative. Considering that some new projects have recently been added to the EU4Business portfolio, one can expect that the total outreach of the initiative will further increase over the coming period.

Figure 2.9: Total number of people trained or coached (SMEs, PFIs, BSOs) by EaP country, 2009-2017



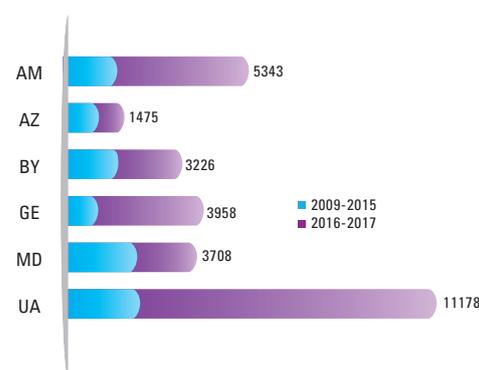
Source: EU4Business database

In terms of awareness-raising and knowledge sharing, the EU4Business programmes have clearly invested in campaigns and events. In the period 2016-2017, the programmes reached more than 20,000 people through events, while this figure over the period 2009-2015 reached around 7,000 people (see Figure 2.10).

These events seem not only important to increase awareness of the programmes, but also help to increase attention to specific topics and create impulses for other initiatives. A nice example of this is how the **Community Development through Social Entrepreneurship** has triggered other initiatives in this sector in Armenia.

The SME survey results show, however, that there is room for improvement when it comes to communication on loans disbursed under the EU4Business initiative. No fewer than 42% of the respondents of the SME survey indicate that they do not know whether the loan they received was obtained through an EU4Business programme, and 12% even indicate that this was not the case.

Figure 2.10: Number of people (SMEs, BSOs and PFIs) that participated in events (conferences, fairs, information sessions), organised under the EU4Business projects by EaP country, 2009-2017



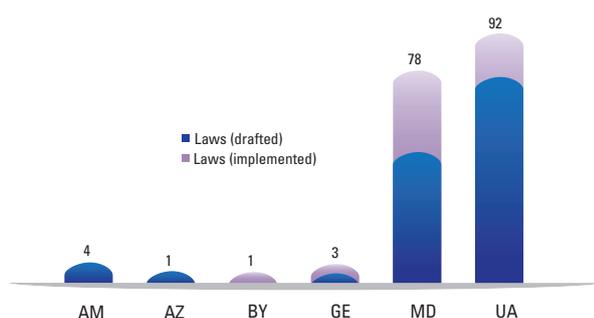
Source: EU4Business database

2.4 Bringing SME policies and legislation in line with the SBA

Under the EU4Business initiative, progress has been made in the improvement of SME policies in the region. The EU4Business initiative is investing in programmes and projects that support governments and BSOs for development of coherent policy reform plans, SME strategies and legislative proposals. One of the main KPIs to monitor progress on this objective is the number of drafted and implemented laws. Analysis of the reports shows that a substantial number of 129 laws enhancing the business environment have been drafted in the period 2009-2017, of which almost all have been drafted in 2016-2017. The **FORBIZ** programme, running in Ukraine, is the main contributor to this indicator with 73 drafted laws in the period 2016-2017. Additionally, nearly 40% of those amended regulatory acts have already been implemented (50 implemented laws in 2009-2017, of which 48 in 2016-2017).

The number of drafted laws can be somewhat misleading, as the scope of the laws can be very diverse. Drafted and implemented laws vary from one project to another. **STAREP** focuses essentially on drafting Audit and Accounting laws, the **SME Competitiveness Reforms** project supports the adoption of laws on disclosure of lending conditions and the provision of collaterals, and **FORBIZ** on sector specific laws such as the Licensing of Business Activities law in the Construction Sector. Figure 2.11 shows the distribution of drafted and implemented laws per country.

Figure 2.11: Number of drafted and implemented laws by EaP country, 2009-2017



Source: EU4Business database

With its major added value, the **FORBIZ** programme seeks to steer a shift in policy towards greater recognition of SMEs and the vital role they play in economic recovery, while addressing the challenge of reducing regulatory burden and lessening risk for businesses. Within the deregulation process, seven priority sectors have been identified in cooperation with the Better Regulation Delivery Office (BRDO): the Construction Industry, Agriculture and Food, IT and Telecom, Power and Utilities, Transport and Infrastructure, International Trade and Market

Surveillance, and Horizontal Reform. By the end of 2017, 2,500 regulatory acts had been reviewed by the BRDO, from which 770 obsolete acts were abolished (see Figure 2.12). Following these reviews, legal acts have been drafted for Market Surveillance, Construction, Transport and Infrastructure, Energy, and Agriculture. A concrete example of the success of 'FORBIZ' is the introduction of a 'mobile money' service in Ukraine ²³.

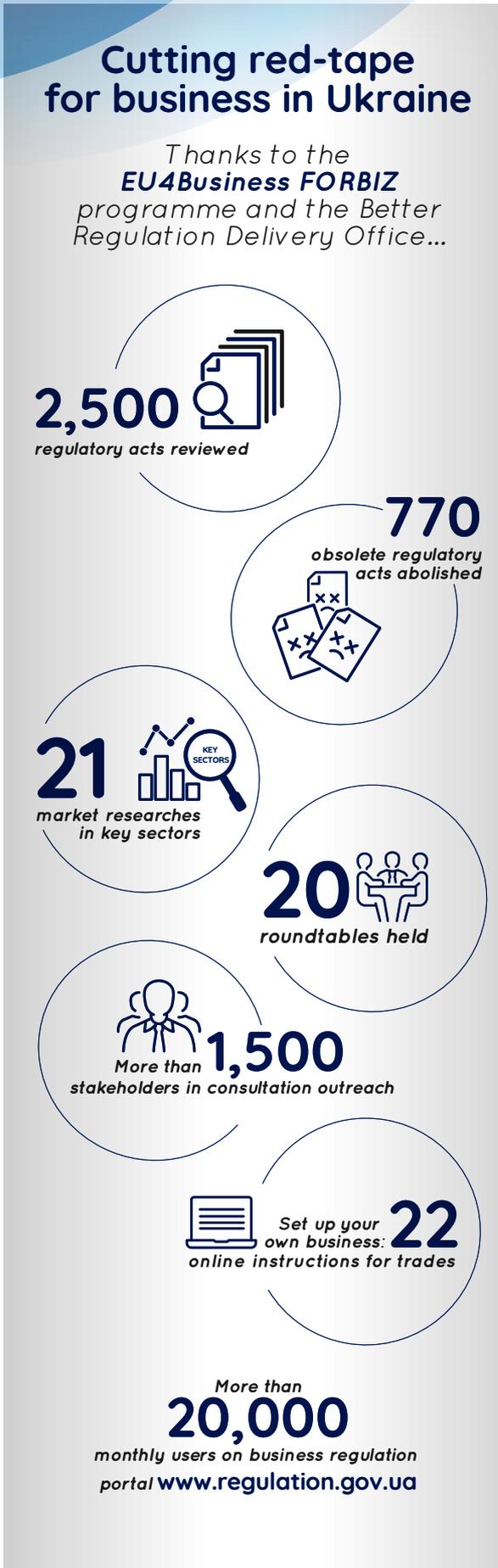
UKRAINE: Mobile phones instead of wallets

"There would be faster payment solutions, a large turnover, and cost savings. Such a service would make sound economic sense."

Maksym Nefyodov, Ukraine's First Deputy Minister for Economic Development and Trade explains the advantages of the 'mobile money' service being promoted by the BRDO as part of the EU4Business FORBIZ project, in a country where 35% of the population have no regular access to banking services.

²³ For the complete story please refer to the text box "UKRAINE: Mobile phones instead of wallets" on page 43

Figure 2.12 FORBIZ Infographic, results 2016-2017



The drafting and implementation of new laws is only one aspect of the development of coherent policy reform plans. It is important also to take into account the development of more strategic documents, setting up larger frameworks. In this context, the **SME Competitiveness Reforms** project has successfully defined roadmaps for change for Armenia, Belarus, Moldova, Georgia and Ukraine. Roadmaps are peer reviewed by international peers and discussed during international round tables. After nearly four years of implementation and four round tables organised in Paris, gathering a total of 1,342 people, the project is now completed.

Furthermore, the **STAREP** project helped the six countries to improve their framework for corporate financial reporting in an effort to align their national legislation with EU requirements and international best practices. The project is targeting accounting and auditing standards in the region, especially for SMEs. This has led to the approval and adoption of laws in Georgia and Ukraine.

2.5 Boosting women entrepreneurship through EU4Business

One of the cross-cutting issues of the EU4Business initiative is to promote women’s entrepreneurship. According to the EBRD’s Strategic Gender Initiative, the growth of women-led SMEs is constrained by a lack of adequate finance, coupled with fewer opportunities to gain managerial experience and limited access to know-how.

While the gender aspect is mainstreamed in all the programmes supported by the EU4Business initiative, the **Women in Business** project specifically addresses this issue. The project is designed to promote and support women’s entrepreneurship and more broadly women’s participation in business by facilitating access to finance as well as to non-financial business development services in the EaP countries. The project was initiated in 2016 and by the end 2017 had trained or coached 348 women entrepreneurs. The story of Gulnara Hasanova (Azerbaijan) ²⁴ is a good example to illustrate the positive outcome of trainings.

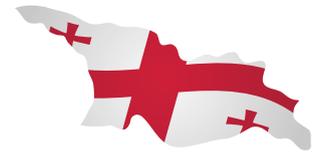
The project also pays special attention to training for PFIs, allowing them to adjust their loan offers specifically to women entrepreneurs. By the end of 2017, 106 women in PFIs had been trained in Armenia and Belarus (see Figure 2.13). Training occurred also in one of the two supporting Georgian PFIs but unfortunately the number of participants was not mentioned in the report. No PFI training occurred in other countries, as there are no PFIs involved from Azerbaijan, Moldova and Ukraine.

²⁴ For the related success story, please refer to page 47



EU4Business

GEORGIA: from family tradition to export business



“

We bottled our first 5,000 bottles of wine this year. There are many barriers but we manage to overcome them – how to bottle in a proper way and meet standards, distribute the product on the market... Growing sales is now our key focus.

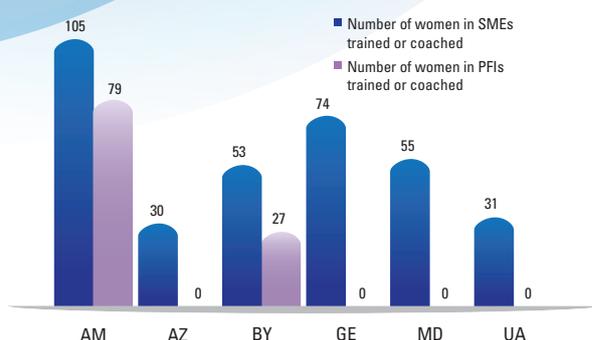
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24-year-old winemaker Baia Abuladze has transformed a family business into a successful enterprise, selling not only in Georgia but in the EU. Baia received entrepreneurial support from the East Invest project, in the areas of informal education, the improvement of contacts, sales and the promotion of products.

45

Success stories:
East Invest

Figure 2.13: Number of women trained under Women for Business project by EaP country, 2016-2017



Source: EU4Business database

In the period 2016-2017, over 2,300 women-led SMEs received loans under the programme for a total value of €21.6 million. The programme has therefore to increase efforts to reach the 2020 target of leveraging at least \$55 million (€38.5 million) in sub-loans from local banks to women-led enterprises. While the project has full regional cover, loans have so far only been distributed by four PFIs in Armenia, three in Belarus and two in Georgia. Due to a difficult situation in the financial sector in Azerbaijan, the finance side of the project is currently on hold in the country, and the EBRD is monitoring the situation carefully before proceeding. It is expected that no projects will be signed in Azerbaijan at least until 2019. For similar reasons, although the banking sector has been financially stable during 2017, the EBRD engagement with the banking sector in Moldova has been limited. In Ukraine, it is expected that opportunities will be rolled out in 2018-2019. The economic circumstances have hampered the success of the programme with regard to the financial window, although concrete success stories can be found, like the story of Inga Kajrishvili (Georgia) ²⁵.

GEORGIA: The sweet taste of success

"When looking back, not many can believe that it all started with just one employee; now over 130 people work for the company. If in the early days, we produced 500 churchkhelas per week, now we reach 5,000 daily."

Inga Kajrishvili is CEO of Badagi, a company making Georgia's traditional churchkhela sweets. Through the Women in Business programme, EU4Business and the EBRD helped Bagadi reorganise their structure and business processes to deal with their dramatic growth. The results speak for themselves: continuous growth, constant demand and satisfied customers.

The progress reports of the other programmes and projects under EU4Business barely report on the number of loans disbursed to women-led entrepreneurs and the number of women in SMEs and PFIs trained. This, however, does not mean that no loans or trainings were given to women, nor that no attention is paid to the gender aspect in these programmes and projects. A number of success stories quoted throughout this report are successes of female entrepreneurs. Moreover, progress reports of several projects mention a specific focus on gender. For example, the **SMEDA** programme will in 2018 focus on women entrepreneurship to increase female ownership and management in business. It currently already has some initiatives in that area, like the award of best women entrepreneur.

The final report of the **SME Competitiveness Reforms** project mentions that there was a focus on women and that an improvement was noticed, but unfortunately gives no concrete figures on this aspect. This means that the total number of 390 women in SMEs trained or coached retrieved from the progress reports of the programmes under EU4Business in the period 2009-2017 is a clear underestimate of the actual number.

The workplan adopted during the meeting of Platform 2 on 'Economic Development and Market Opportunities', which took place on 27 April 2018, details activities and goals for 2018 and 2019 to be undertaken under the three panels covered by this platform.

For the Panel on 'Structural reforms, financial sector architecture, agriculture and SMEs', specific emphasis is put to ensure that men and women have equal access to funding, and to promote female entrepreneurs. Among others, the panel is expected to discuss ways to introduce a gender equality impact analysis as conditionality to funding instruments. These actions are put in place to monitor and contribute to the progress to reach the 2020 targets.

²⁵ For the related success story, refer to the text box "GEORGIA: the sweet taste of success" presented in page 46



EU4Business

AZERBAIJAN: major boost for woman-led accessory company



“

The project significantly helped the company to compete successfully during the economic slow-down and to build a strong direct distribution network.

”

Gulnara Hasanova is Director of ESSE LLC, a woman-led accessory and home-care products company in Azerbaijan. With help from EU4Business and the EBRD, the company introduced an effective recruitment and sales system – as a result turnover was up 18%, customer base rose 25%, and ESSE was able to add new product lines and open two regional offices.

47

Success stories:
Women in Business

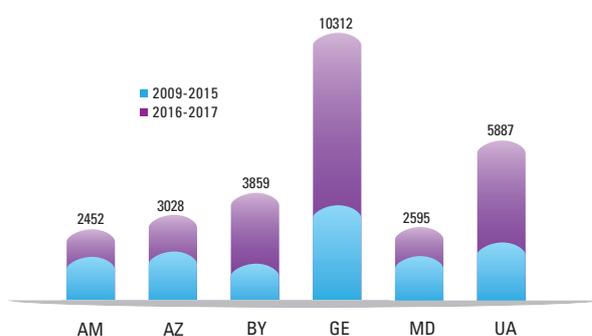
2.6 Impact of EU4Business on SMEs growth

2.6.1 Increased growth of jobs and turnover

According to the progress reports of the different programmes, the financial facilities and the capacity building activities have resulted in **over 28,000 new jobs over the total period 2009-2017**. The increase of reported new jobs in the period 2016-2017 (over 17,500) is substantial compared to the period 2009-2015 (see Figure 2.14). Also the number of jobs supported through the different projects and programmes is substantial. **Over 47,000 jobs were supported under the EU4Business initiative in the period 2016-2017**, which brings it to a total of over **130,000 for the full 2009-2017 period**. These results show that the 2020 target formulated as “At least another 60,000 new jobs created and/or sustained in the supported companies since the end of 2016” is close to being reached.²⁶

Looking at the results per country, the high number of new jobs reported in Georgia is noteworthy. This high number is mainly due to the high success of the **Advice for Small Businesses** programme and its specific advisory programme for Georgia, i.e. the **DCFTA Adaptation Programme (DAP)**. The actual impact of the EU4Business initiative on job growth is, however, not yet available or not reported on for a large number of the projects and programmes, which means that the reported numbers might be an underestimate of the actual number of jobs created.

Figure 2.14: Number of new jobs created by EaP



country, 2009-2017

Source: EU4Business database

Similarly, it is difficult to give reliable figures on the impact of the EU4Business initiative on growth in turnover of SMEs. Annual turnover of supported SMEs per EaP country before and after the activities are not reported in the progress reports. However, the **Advice for Small Business progress** reports indicate good results in this respect.

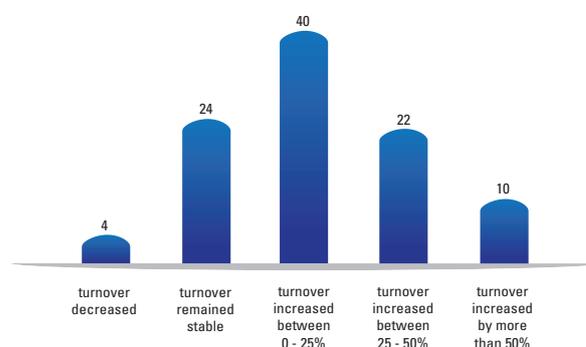
The 2017 progress report highlights an additional turnover of €1,032 million for assisted SMEs over the period 2009-2017. These SMEs were also able to attract €263.5 million of external investments. Projects with international advisors were rated as (highly) successful by 96% of the participants. A similar, although slightly lower percentage of 81% is found for the projects with local consultants.

Thanks to a survey conducted in 2018 by the EU4Business Secretariat among EU4Business Finance Facility beneficiary companies, we have managed to obtain a good approximation on the extent to which the projects have impacted indicators such as the annual turnover increase, the percentage of export to the EU, or SMEs' employment. In this regard, it is important to mention that the majority of the surveyed SMEs (75%) have more than five years of business experience.

The survey revealed that the loans had a positive effect on turnover and employment of companies. According to the beneficiary SMEs, the main purposes of the loans were to support investments in modernisation of equipment and to expand their business. A good example on loan utility and impact is the story of Petr Popov (Moldova)²⁷. A few companies also revealed that the loans they received were used for land and real estate, or to cover business initiation and start-up investments.

The survey results showed that 72% of the companies reported a turnover growth (see Figure 2.15) to a lesser or a greater extent. Moreover, about a third of companies registered a turnover growth of above 25%. About 70% of the growing companies considered that the loan was an important trigger for the company turnover's growth.

Figure 2.15 Share of the surveyed EU4Business beneficiary SMEs with turnover increase (% of respondents)



Source: Survey EU4Business Finance Facility beneficiaries. Question: How has the turnover of your company changed since you obtained a loan through a EU4Business Programme? (N= 127)

26 Since data collected for this report cover the period 2016-2017 it is not possible to report on exact data since end 2016.

27 For the related success story, please refer to page 49



EU4Business

REPUBLIC OF MOLDOVA: tile manufacturer targets export markets with EU support



“
Getting affordable funds from the EU is an excellent opportunity to modernise the production process within our company. The equipment we use is obsolete and no longer meets the current quality requirements. Upgrading our equipment allows us to achieve a much better quality of production and, at the same time, to increase productivity. For us, that means the key to success.

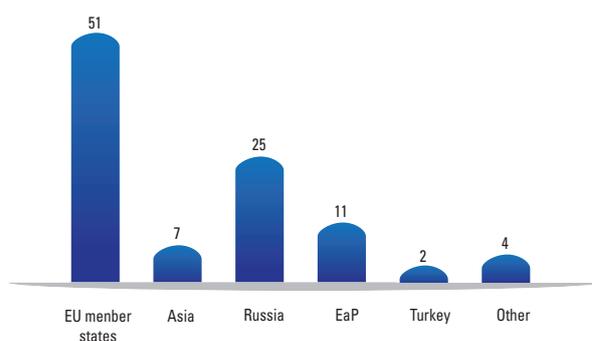
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Petr Popov, production manager at tile producer Keramo Rosso. The company obtained funding from the EU4Business-EBRD Credit Line to step up production for export, with a loan of €280,000 to invest in new equipment. This has boosted production capacity, increasing the quantity of tiles produced by 98 per cent. Most of the extra tiles are for partners in Romania, but Keramo Rosso is now also negotiating with new companies in the UK and US.

Success stories:
EU4Business-EBRD Credit Line

Furthermore, the survey sample mentioned that among the 35% of companies which have export activities, 63% export to EU (see Figure 2.16). An export growth was registered in 47% of the exporting companies, and half of these companies considered that the loan had an important contribution to their export growth.

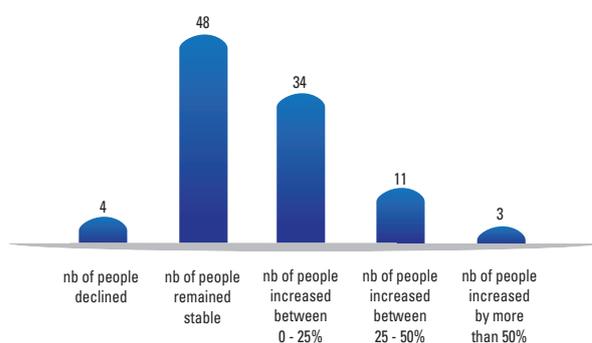
Figure 2.16 Breakdown of export regions among surveyed EU4Business beneficiary SMEs (% of respondents)



Source: Survey EU4Business Finance Facility beneficiaries. Question: Can you specify where the majority of exports go to? (N=45)

Finally, the survey found that nearly half of the beneficiary SMEs reported an increase in employment (see Figure 2.17). Indeed, in 34% of the beneficiary companies, employment has increased by up to 25% and in 14% by more than 25%. Half of the SMEs with employment growth considered that the investments supported by the loan enabled them to increase the number of jobs.

Figure 2.17 Share of the surveyed EU4Business beneficiary SMEs with increase in employment (% of respondents)



Source: Survey EU4B usiness Finance Facility beneficiaries. Question: How has the number of employees in your company changed since you obtained a loan through an EU4Business programme? (N=128)

2.6.2. Awareness-raising, knowledge and networking for concrete new business contracts

One of the main challenges that countries from the Eastern Partnership are facing is the difficulty of entering the EU market. It is therefore important to assist SMEs in developing trade relations with the EU and within the EaP region, for example through facilitating interconnections between EU and EaP companies. The EU4Business initiative shows in this respect clear results.

One of the important contributions of **East Invest 1**, which ran from 2010 till 2017, lies in the SME Roadshow Facility. This activity enabled BSOs and SMEs to strengthen their collaboration and to expand their network with local private and public stakeholders. Thanks to the Roadshows, 66 new business contracts between EaP SMEs and EU companies were signed and 37 new jobs were created by the EaP SMEs. Furthermore, according to the survey following up the SME academies implemented during East Invest 2 programme from 2014 till 2017, 14 companies have reported an increase in their export to EU, 17 to the Eastern Partnership countries and 23 to international markets. In addition, 12 companies reported that they have hired new personnel due to increased export activities. Finally, the East Invest programmes have supported various conferences and business fora, bringing together over 3,300 participants.

The sector development activities under the **Advice to Small Businesses** and the clustering activities that have been elaborated under **SMEDA** and the **SME Development and DCFTA in Georgia** seem to be successful initiatives. For SME Development and DCFTA in Georgia, clustering is one of the main trademarks of the project. Currently, four clusters have been developed in furniture, apparel, film and IT. At present, 150 Georgian SMEs are benefiting from the clustering initiatives, bringing the number of supported jobs to 1,000 for the period 2016-2017. The clustering approach has been evaluated positively, as the success stories of Alla Pavlova (Armenia)²⁸ and Vladimer Katcharava (Georgia)²⁹ show. The approach can be a good instrument to reach the 2020 target of "setting up of a new regional economic diplomacy framework for increased trade and investment promotion/across the EaP region".

28 For the related success story, please refer to page 51

29 For the related success story, please refer to page 53



EU4Business

ARMENIA: new horizons for fashion and design



“

The sector-related education in Armenia does not provide the knowledge compatible with western standards, so there are lots of specific angles that designers still need to investigate.

”

Alla Pavlova is one of several Armenian designers who joined together in a common fashion and design platform, made possible by financial support from the EU co-funded SMEDA project. Until now, young designers couldn't find professional help, guidance and education, but with EU support they have the opportunity to meet international experts and learn about the design process.

Success stories:
Support to SME Development
in Armenia (SMEDA)

2.7 DCFTA and EU4Business – unlocking doors to new markets for SMEs

With the signing of Association Agreements (AA) and Deep and Comprehensive Free Trade Areas (DCFTA) between the EU and Georgia, the Republic of Moldova and Ukraine, regional trade cooperation has received a new impetus for development. While DCFTA aims to bring important benefits to national economies, implementation may involve significant costs, mostly associated with the implementation of regulatory alignment in various spheres. A survey among SMEs organised by the Eastern Partnership Civil Society Forum ³⁰, showed that there is still a lack of understanding of the actual impact of DCFTA among SMEs in all three countries. This indicates that further efforts need to be made on awareness raising and capacity building. According to the respondents of the survey, in order to realise the opportunities that the DCFTA offers, businesses need guidance and advice on improving knowledge of the EU market, opportunities for manufacturing expansion and partners in the EU, as well as improving access to finance in order to acquire (more easily) loans and investments.

The DCFTA related programmes in the EU4Business portfolio are focusing on these priorities: improving access to finance and improving knowledge base and business skills. Fulfilling its strategic role as an EU support instrument, the EU4Business initiative has shown increasing dynamics over the years of its implementation. Under the EU4Business umbrella, the following DCFTA related programmes are currently ongoing:

- DCFTA SME Direct Support Facility (EBRD)
- Advice for Small Businesses – Phase II (EBRD)
- DCFTA Adaptation Programme (DAP) (EBRD)
- EBRD DCFTA Programme (EU4Business-EBRD Credit Line Phase I and II)
- SME Finance Facility Phase II (EBRD, EIB and KfW)
- DCFTA Initiative East (EIB).

The EU contributes in total €155 million to these DCFTA programmes, of which the largest part is reserved for Ukraine (€88 million), followed by Georgia (€42 million) and Moldova (€25 million). With the exception of the DCFTA SME Direct Support Facility, which took off in 2014, all projects were only launched in 2016 or 2017. It is therefore still too early to see an actual impact of the programmes. Table 1 gives an overview of the KPI results for the DCFTA programmes under EU4Business. ³¹

Table 1: Aggregate results of DCFTA programmes under EU4Business

nr.	Indicator	2009 - 2015	2016-2017	2009 - 2017
1.4	Total value of loans disbursed to SMEs by PFIs and IFIs supported by EU4Business Programmes	€5.589M	€121.884M	€127.474M
1.5	Number of SMEs that received loans from PFIs and IFIs through EU4B Programmes	3	733	736
2.1	Jobs supported by EU4B Programmes (number of jobs (FTE) in the SMEs receiving support at their inclusion date)	313	27,593	27,906
2.2	Number of SMEs supported with EU4B Programmes providing for advisory services	1	259	260
2.3	Number of people in SMEs trained or coached	:	403	403
2.5	Number of unique PFIs involved in EU4B Programmes (financial support)	2	15	16
2.6	Number of unique PFIs involved in EU4B Programme (technical assistance)	2	5	5
2.7	Number of people in PFIs trained or coached	:	183	183
2.9a	Total volume of loans/guarantees/capital investments to PFIs for on lending to SMEs with support of the EU4Business programmes, in local currency	€5.589M	€35.280M	€40.869M
2.9b	Total volume of loans/guarantees/capital investments to PFIs for on lending to SME with support of the EU4Business programmes, in foreign currency	:	€201.466M	€201.466M
3.1	Number of new jobs	:	12,054	12,054
3.2	Number of BSOs supported with capacity building	:	:	:
3.3	Total Number of people trained or coached (Total: SMEs, PFIs, BSOs)	:	1,069	1,069
3.4	Number of people in BSOs trained or coached	:	483	483
3.5	Number of people participating in events	:	6,479	6,479

Source: EU4Business database

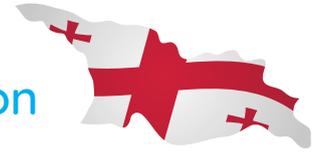
³¹ The data presented here are extracted from the total figures of the EU4Business initiative. They need to be read as a sub-group of results and not in addition to the total results reported in the other sections of this chapter.

³⁰ https://eap-cs.eu/wp-content/uploads/Policy-Brief_Assessing-Business-Expectations-of-the-DCFTA.pdf



EU4Business

GEORGIA: putting Georgian film production on the international map



“

Georgia has to present its works in the international film market if it wants to attract more foreign producers.

”

Vladimer Katcharava is the founder of '20 Steps Production', a Georgia-based independent production company that is part of the Georgian Film Cluster, established in 2017 and supported by GIZ in the framework of the EU4Business initiative. Cluster members took part in the Marché du Film in Cannes last year, as a result of which 20 Steps Production collaborated on the Georgia-France-Belgium co-production *Girls of the Sun*, which was selected to compete for the Palme d'Or at the 2018 Cannes Film Festival.

Success stories:
SME Development
and DCFTA in Georgia

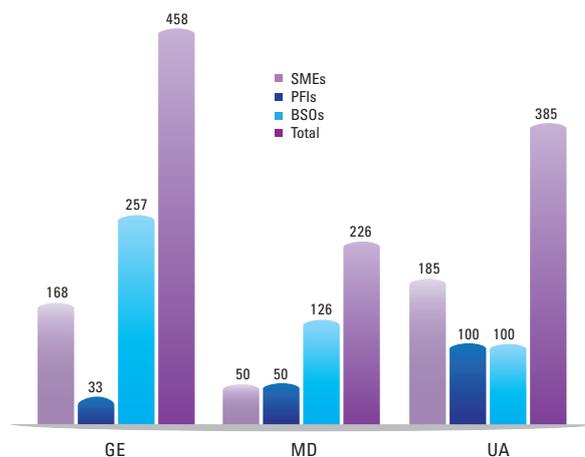


53

The EU4Business initiative has unlocked a total value of loans disbursed to SMEs by PFI and IFIs of €127 million. This brings the total number of SMEs receiving funding from the EU4Business Initiative under DCFTA to over 700 SMEs. It must be noted, however, that for a number of programmes the actual disbursement of loans is still in a very early phase, like for the SME Finance Facility Phase II. It can be expected that the number of supported SMEs will increase substantially in the upcoming period. Up till the end of 2017, the programmes had supported over 26,000 jobs, while an additional 12,000 new jobs are reported.

Loans were mainly distributed in Georgia, which is clearly shown in Figure 2.18 and 2.19. As explained earlier, due to the unstable financial situation and the high risks linked to foreign currency lending, the distribution of loans was more difficult in Ukraine. However, the recently started programmes focusing on local currency lending will mainly unfold in Ukraine and will increase the numbers in the upcoming period. A first success story in this respect is the story of Andriy Soroka (Ukraine) ³², who received a local currency loan under the EU4Business SME Finance Facility Phase II programme.

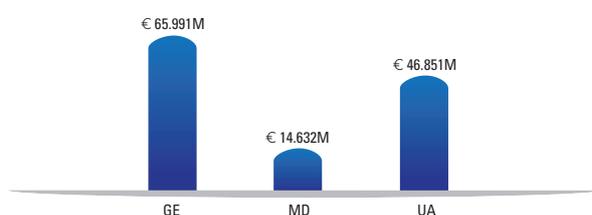
Figure 2.20 Number of people trained (SMEs, PFIs, BSOs and total) by DCFTA country, 2009-2017



Source: EU4Business database

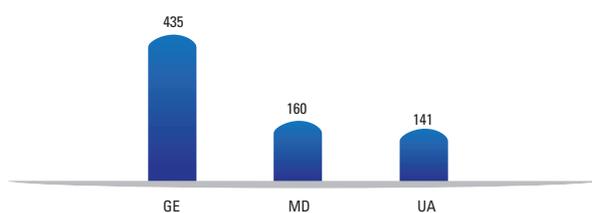
While the impact of the trainings is still difficult to capture through KPIs, the qualitative evidence shows that they strongly contribute to unlocking SME potential to reap the benefits of the DCFTA.

Figure 2.18: - Total value of loans disbursed by DCFTA country, 2009-2017



Source: EU4Business database

Figure 2.19 - Number of SMEs receiving loans by DCFTA country, 2009-2017



Source: EU4Business database

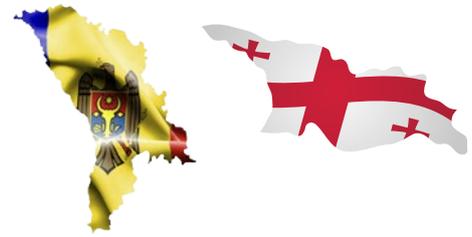
The DCFTA programmes under EU4Business have also a strong focus on capacity building. In the period 2016-2017 almost 6,500 people were reached through events. Similarly, in the period 2016-2017 over 1,000 people were trained or coached. While disbursing loans in Ukraine was more difficult, the focus has been more on training in this country, as shown in Figure 2.20.

32 For the related success story, please refer to page 57



EU4Business

Box 6 - DCFTA leads to compliance with EU directives



The DCFTA programmes in Moldova and Georgia have already seen concrete achievements in individual firms that made investments leading to compliance with relevant EU directives, thus giving them the opportunity to open up markets in the EU. Examples of investments funded under the EU4Business-EBRD Credit Line include:

MOLDOVA

Furniture production company Dragos SRL upgraded its machine park with a new automatic machine for furniture production. This investment will improve the quality of the products manufactured, increase the speed of production and improve Health and Safety norms in the factory.

Freight forwarding company Marsof Logistics invested in the purchase of a new semitrailer, improving its service quality and managing to meet the EU directive on environmental protection.

Packaging firm Salviana SRL invested in a modern packaging machine, which increases product quality, health and safety of employees and the company's productivity. With this investment, the company moves closer to fulfilling EU directives on packaging and can also support its own clients in Moldova to supply their produce in compliant packaging.

Agricultural company SC Marineanca-Agro SRL invested in new tractors and seeders, and now benefits from reduced fuel consumption, reduced pollutant emissions and moves closer to meeting EU Standards.

Roof tiling and rainwater system company IM RoofArt SRL upgraded its production, fully aligning the products with EU standards. This will allow the company to increase its exports to EU markets while also decreasing its per unit production cost.

GEORGIA

Warehouse company LLC Sakinvesti refurbished a cold storage warehouse with efficient sandwich panels, doors and accessories for refrigeration with a loan from the EU4Business-EBRD Credit Line, achieving improved environmental protection standards as well as significant energy savings, reduction of water drainage and improved occupational Health and Safety standards.

Food processing company Kumisi XXI financed the procurement and installation of an egg grading and packaging machine, which facilitates high quality sorting-packaging processes, ensures food safety and increased hygiene in production process, in compliance with EU and international production standards.

Winemaker Kvareli Cellar used an EU4Business-EBRD Credit Line loan to invest in a new production line and auxiliary equipment, which improve production quality, and health and safety at work, enabling the company to increase its export potential to EU countries.

Dried fruit and herb producer Geo Flower invested in a new production plant and specialised machinery, achieving compliance with EU and international product standards, giving access to a wider international customer base and, due to increased product quality, higher sales prices.

Asphalt producer GCG LTD invested in a new asphalt plant with upgraded electrical system and a wastewater treatment plant, as well as in improving health and safety standards for employees. With these investments, the company now has a modern production plant, reduced personnel safety risk, reduced pollutant emissions and increased product quality, making GCG LTD one of the cleanest asphalt production plants in Europe.

2.8 In summary - main achievements of the EU4Business initiative

This chapter has presented an overview of the KPI results as they are reported in the progress reports of the different programmes and projects included in the EU4Business portfolio (see Table 2) complemented with more qualitative findings from the EU4Business round tables organised in the different EaP countries and illustrative success stories from the various projects and programmes.

The SME survey, carried out by the EU4Business Secretary, has further enriched the analysis in the present chapter.

As mentioned at different places in the chapter, the results on the KPIs as reported are often an underestimation of the actual results in place. Therefore, results presented should be interpreted with care.

Main achievements of the EU4Business initiative are summarised in Box 7:

Table 2 Results of EU4Business KPIs

nr.	Indicator	2009 - 2015	2016-2017	2009 - 2017
1.1	Annual value of export sales of supported SMEs at the start of the intervention and at completion/end of implementation.	:	:	:
1.2	Annual turnover of supported SMEs at the start of the intervention and at completion/end of implementation.	:	:	:
1.3	Average loan tenor provided to SMEs, disaggregated per products (e.g. microfinance, etc.)	:	44	44
1.4	Total value of loans disbursed to SMEs by PFI and IFIs supported by EU4Business Programmes	€1,367.941M	€593.294M	€1,961.235M
1.5	Number of SMEs that received loans from PFIs and IFIs through EU4B Programmes	56,337	10,129	66,466
1.6	Number of women led SMEs that received loans from PFIs and IFIs through EU4B Programmes,	1	2,371	2,372
2.1	Jobs supported by EU4B Programmes (number of jobs (FTE) in the SMEs receiving support at their inclusion date)	86,110	47,281	133,391
2.2	Number of SMEs supported with EU4B Programmes providing for advisory services	1,471	1,536	3,007
2.3	Number of people in SMEs trained or coached	653	3,684	4,337
2.4	Number of women in SMEs trained or coached	:	390	390
2.5	Number of unique PFIs involved in EU4B Programmes (financial support)	31	34	42
2.6	Number of unique PFIs involved in EU4B Programme (technical assistance)	10	10	16
2.7	Number of people in PFIs trained or coached	902	1,288	2,190
2.8	Number of women in PFIs trained or coached	:	106	106
2.9a	Total volume of loans/guarantees/capital investments to PFIs for on lending to SMEs with support of the EU4Business programmes, in local currency	€51.589M	€35.280M	€86.869M
2.9b	Total volume of loans/guarantees/capital investments to PFIs for on lending to SME with support of the EU4Business programmes, in foreign currency	€390.050M	€282.336M	€672.386M
3.1	Number of new jobs	10,630	17,503	28,133
3.2	Number of BSOs supported with capacity building	8	218	226
3.3	Total Number of people trained or coached (Total: SMEs, PFIs, BSOs)	2,598	8,369	10,967
3.4	Number of people in BSOs trained or coached	399	1,232	1,631
3.5	Number of people participating in events	7,126	20,665	27,791
3.6	Laws (drafted)	1	128	129
3.7	Laws (implemented)	2	48	50
3.8	Number of assisted enterprises that report an increase in their international trade flows	:	10	10

Source: EU4Business database



EU4Business

UKRAINE:

Andriy Soroka – building up his farm, thanks to EU4Business



“

We became a participant in this project for the first time, but we already feel its advantages. A low interest rate on the loan will allow us to modernise the business by building new premises, improving the working conditions of our employees and raising wages.

”

Andriy Soroka started out with a small plot, but over the years he has built up his farm to more than 300 hectares and become an independent producer. Now, with the help of the EU4Business SME Finance Facility and the German State Development Bank KfW, he has been able to take out a local currency loan from Kredobank in Ukraine to invest in further modernisation and infrastructure.

Success stories:
SME Finance Facility
Phase II (KfW)

Box 7: Main achievements of EU4Business

- Over 10,000 SMEs have received loans from Participating Financial Institutions (PFIs) and International Financial Institutions (IFIs) in the period 2016-2017 through supported EU4Business programmes, for a total of over 66,000 SMEs receiving loans over the period 2009-2017.
- In addition, over 1,500 SMEs received advisory services through EU4Business programmes or projects in the period 2016-2017, bringing it to a total of over 3,000 supported SMEs in the period 2009-2017.
- The value of loans disbursed to SMEs in the period 2016-2017 accounts for over €593 million, which brings the total value of loans to over €1.96 billion for the full 2009-2017 period.
- During the period 2016-2017, nearly 8,400 people from SMEs, PFIs or Business Support Organisations have been trained or coached, and 20,665 people have attended events organised under the EU4Business programme. For the period 2009-2017, the total number of people trained or coached adds up to almost 11,000 and the number of people attending events to over 27,000.
- Proposals for policy strategies and legal reforms have been made, which have already led to 129 drafted and 50 implemented new laws for the period 2009-2017. Most of them have taken place in 2016-2017.
- Over 130,000 jobs in SMEs have been supported and over 28,000 new jobs have been created since the start of the EU4Business with more than 50% accounted in the 2016-2017 period.

The results show that the EU4Business initiative is well on track in contributing to the Eastern Partnership – 20 Deliverables for 2020. Table 3 gives an overview of the state of play for the targets monitored under the EU4Business initiative.

The work programme of the Eastern Partnership Platform 2 for 2018-2019 has defined concrete goals and activities to ensure and monitor progress of the implementation of the 20 Deliverables for 2020.

The Panel on Structural reforms, Financial sector architecture, Agriculture and SMEs will contribute to the implementation of Deliverables on improved business environment, improved access to finance and financial infrastructure and improved regional and local economic development, by leading the technical discussion on SMEs, regulatory environment, access to finance and new job opportunities. Concrete activities of this Panel include among others to:

- Identify areas for further improvement across 2018-2019 on the regulatory framework, the operational environment and support to SMEs;
- Inform Partner Countries on EU4Business support to SMEs;
- Discuss measures to improve the protection of creditors rights;

- Discuss ways to improve the regulatory framework for the development of non-banking financing and instruments to facilitate investments;
- Discuss how to introduce a gender equality impact analysis as conditionality to funding instruments;
- Discuss how to ensure that men and women have equal access to funding, and how to promote female entrepreneurs;
- Present EaP countries smart specialisation strategy and clusters platform.

In conclusion, the analysis of available quantitative and qualitative data shows a further two important achievements of the EU4Business initiative:

- The blending approach of combining new financial instruments with advisory services and wide communication campaigns seems to be a successful approach to support Eastern Partnership countries in strengthening their overall business climate for SMEs and increasing SMEs' trade and investment opportunities and their overall growth.
- Recent developments in EU4Business programmes, like the introduction of local currency loans and the tailoring approach of advisory services to specific countries and/or sectors seem to be the right direction to further increase the impact of the programme.

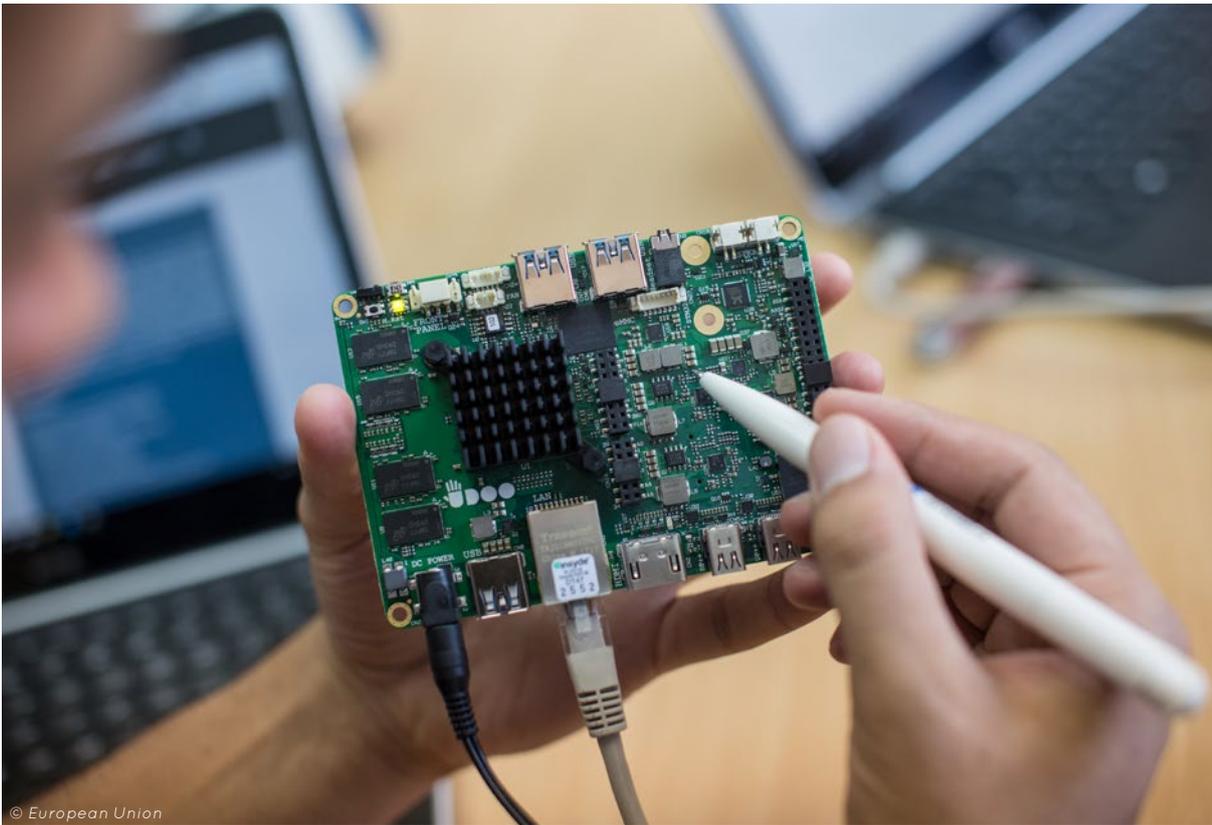


Table 3: Overview of state of play of 2020 targets monitored under EU4Business initiative

Target by 2020	State of Play
Gender equality and non-discrimination	
EU contribution to the Women in Business programme, leverages at least \$55 million in sub-loans from local banks to Women-led enterprises.	In the period 2016-2017 over 2,300 women-led SMEs received loans under the programme for a total value of €21.6 million. The programme has therefore to increase efforts to reach the EU2020 target of leveraging at least \$55 million in sub-loans from local banks to women-led enterprises.
Priority I: Economic development & market opportunities	
At least 10,000 additional SMEs to benefit from EU assistance (with 80% in DCFTA countries), since the end of 2016.	In the period 2016-2017 over 10,000 SMEs received loans within the EU4Business initiative, of which 70% are from DCFTA countries. With this progress, the EU4Business initiative seems to be well on track to reach the 2020 target*.
At least another 60,000 new jobs created and/or sustained in the supported companies, since the end of 2016.	According to the progress reports of the different programmes, the financial facilities and the capacity building activities have resulted in over 17,000 new jobs in the period 2016-2017. Over 47,000 jobs were supported under the EU4Business initiative in the period 2016-2017. These results show that with a 50% completion the 2020 target is well on track to be reached*.
150 supported client-oriented business support organizations improved their services to SMEs, also in relations to the DCFTA requirements, as well as global market requirements.	In the period 2016-2017, the progress reports mention 218 BSOs supported through EU4Business projects and programmes. The figures are probably an underestimate of the actual numbers since not all reports mention detailed figures on the type of trainings provided. The 2020 target seems to be reached, or at least on track*.

*) we only have data for period 2016-2017 and made the assumption that results are equally spread over the two years. Therefore 2017 results = "2016-2017 results" / 2)

EU4Business initiative – the way forward

This chapter is based on the conclusions of the round tables conducted across the Eastern Partnership, on discussions and interviews with the key stakeholders, and using other analytical evidence available for the six countries. The national round tables were held in the capitals of all six EaP countries between late February and early April 2017, and engaged all the EU4Business stakeholders in each country: the EU Delegations, the IFIs involved, national counterpart-SME agencies and Ministries of Economy, commercial banks involved, business associations, key implementers and any other related party, totalling between 25 and 45 persons per round table. The discussions focused on the ongoing achievements across all four pillars of EU4Business, but the content was tailored to the priorities of each country. The discussants were specifically guided to address the forthcoming challenges anticipated and to propose solutions for the way forward. These meetings also generated a larger scope of analytical materials, which were also used in this chapter.

In addition, this chapter also relies on the SME survey conducted in five countries of the EaP (all except Azerbaijan³³) among the beneficiaries of the financial products offered under the EU4Business initiative. The EU4Business Secretariat and especially the national liaison officers in the six countries maintain local contacts with stakeholders and beneficiaries and generate a vast amount of knowledge used in the analytics. They have, jointly with the Secretariat's communication team, also collected implementation evidence and stories (over 100 altogether), which represent valuable additional information on what is happening on the ground. The Business Forum held in Tallinn in October 2017 generated important discussions and ideas that were shared and also built into the content below. Finally, eight managers and staff from the EBRD and the EIB, who were involved directly in the implementation of the EU4Business projects across the EaP, were interviewed, and their views and quotes also feature in this chapter.

³³ Because of the economic downturn and the instability of the banking sector in Azerbaijan in the past two years, the access to finance component of EU4Business made minimal lending through local banks. Given such an inadequate sample, it has been decided to exclude Azerbaijan from the survey.

The chapter is therefore divided along the four main pillars of the EU4Business initiative, and additional emphasis is given to the area of outreach and communications that has featured prominently in all the EU4Business related discussions. The conclusions presented are common to the entire EaP area, while the particularities for each country are noted where appropriate, with many more details contained in the Country Reports³⁴.

3.1 Access to finance



The cost of borrowing remains high, which limits SMEs' ability to take out loans, particularly for long-term investments. With the financial market insufficiently attractive for investment, **interest rates are still high, maturity periods are low and collateral requirements high.** In many EaP countries the current average financing rate is higher than most businesses can match in the rate of return. Thus, among the different types of support, access to finance remains critical for SMEs in the Eastern Partnership region.

All programmes and tools that provide a lower cost of finance offer significant benefits for the development of SMEs, and the banks involved in the Initiative have observed a significant increase in investment demand from SMEs. **Lending in local currency** was found particularly important because of its low leverage and locally denominated loans.

"We'll be increasingly leveraging the local currency funding for SMEs, coupled with an improvement in the business environment, so as to enable the private investors to come in. There is only so much the EU as a donor and provider of public resources can do."

Katariná Mathernová, Deputy Director General, DG Near

³⁴ The EU4Business country reports for 2018 will be published as six separate reports made available on the EU4Business website.

However, not all SMEs are ‘bankable’ and many are in **need of technical assistance** before they can borrow meaningful amounts of funds. EU4Business ensures cooperation among different market players, such as the local authorities, banks, regional NGOs, businesses, etc. As it promotes increased technical skills of SMEs, the collaboration expands to business support networks, consultants etc. The value proposition of EU4Business is that it combines such different products in a tailored manner to provide appropriate support to SMEs and enable them to become more efficient, and their products or services more attractive to consumers, both at home and abroad. Money should not be borrowed because it is cheap, but because there is a sound investment vision, while competition among banks should remain healthy.

An important message has been echoed across the intermediary commercial banks involved in the programme: **the momentum that EU4Business has been building is finally there** and a myriad of stakeholders are very closely engaged. This needs to be preserved and supported, as so many resources have gone into achieving it.

EU4Business is nonetheless in a development stage, and a number of issues remain to be addressed going forward. One hurdle to overcome is that **SMEs do not have equal access to finance across the country** and only a few partner banks are available in smaller cities, where there are a lot of SMEs. With the situation in the capitals significantly better for business operations than in the regions, the majority of SMEs choose to locate there.

For traditional reasons of how operations are organised, companies across the Eastern Partnership region tend to be more labour intensive. Some bank estimates indicate that as much as **90 per cent of borrowing is aimed at working capital**, with only 10 per cent for the actual investment – a sign of how acute working capital needs still are, while EU4Business lending aims for a much higher level of investment. Some **flexibility regarding the degree to which loans are spread out between investment and working capital** would be welcomed both by the intermediary banks and the final beneficiary. Also, if the definition of SMEs were to be adjusted and companies with a larger number of employees (above 250) allowed to borrow under the EU4Business programmes, the bar would be lowered for more companies, perhaps in selected strategic sectors, to access its finance programmes.

There is also a **significant demand for partial guarantees** because SMEs’ access to finance is limited due to an absence of collateral. They not only help to attract financing, but also cover credit risks to an extent, which makes it possible to secure loans for a longer period of time and manage, or even to reduce collateral requirements. A guarantee instrument that

will allow SMEs to access financing, or programmes that provide partial guarantees to complement access to finance for SMEs, are much needed, above what is currently available through EU4Business and other complementary programmes. **Financing could be combined with a risk sharing facility** as a synthetic tool. They can be blended or combined, including some programmes facilitated by and offered by other stakeholders, such as national governments.

“The guarantees and the lending provided to small and medium-sized enterprises will focus on making them more competitive and aligned with the EU requirements, providing them with a better access to EU markets. So, it’s a very tangible way of how through local currency lending and by providing guarantees to the lenders in these countries we actually help SMEs to be more integrated in the broader European economic space.”

Vazil Hudak, Vice-President,
European Investment Bank

In the medium to long run, **alternative financial instruments** could be developed for SMEs: equity funds (for start-ups or to scale up), leasing, and start-up seed funding, including other sources of finance such as crowdfunding. A number of very small enterprises still look for microfinancing, which is also underserved.

One such recent instrument, the External Investment Plan, builds on the EU’s experience in implementing regional investment facilities outside the EU. It plans to crowd in private investors and leverage significant funding until 2020. This responds to significant demand coming from the field, where new options are being sought to support further SME development.

To sum up, the EU4Business initiative concretely helps in removing the obstacles encountered by SMEs by providing a tailored mix of funding, support and training that helps small businesses reach their potential.

Key issues and recommendations - summary:

Access to finance

- **High cost of borrowing:** Continue programme coordination aimed at lowering interest rates, extending maturity periods and facilitating or lowering collateral requirements, incl. in local currency.
- **Difficulty of access:** Bring finance facilities closer to SMEs outside the capitals.
- **Restrictions to borrowing:** Allow for a more flexible definition to include aspects of working capital for financing.
- **Collateral restrictions to borrowing:** Combine financing with risk sharing facility/guarantees
- **Limited choice of finance instruments:** Develop and promote alternative finance.

from the EU4Business programme, which in turn will support SMEs.

“After the DCFTAs were signed, the SMEs were lost and had no support until EU4Business came in. Support to manage compliance with requirements has been and will be for a long time to come in great demand, as the compliance tasks are very ambitious. However, this will not only open the export market, but also improve products offered locally.”

Severian Gvinepadze, Principal Manager, Advice for Small Businesses, EBRD Georgia

Clusters and sectors with high potential in a country are getting feasibility studies conducted for further development through EU4Business projects. A lot more understanding is needed to **assess the export potential**, especially among SMEs that have little or no history of exports or sector collaboration. **Standards and safety issues** are vital to access further EU markets. Advice is sought in these areas, particularly where a DCFTA is in force (Moldova, Georgia and Ukraine), but also **corporate governance applicable to SMEs**. Such new rules and regulations need to be brought closer to the SMEs and their introduction facilitated by the regulators. This DCFTA adjustment process is likely to take close to a decade and the resources need to be planned accordingly among all stakeholders.

3.2 Access to markets



Trade with EU member states is becoming increasingly important for EaP SMEs. However, large companies still dominate foreign trade. SMEs increasingly acknowledge and seek the value that specialised experts bring to them, primarily in finding partners in the EU and matching them with possible importers. As they look to export and internationalise, SMEs typically add value and increase the quality of their products and services. Again, all these appear simpler for companies based in the capital than in the regions.

Start-ups and small businesses with novel ideas often do not have **management capacities, quality control or financial literacy** to be successful in the business. Access to cheaper finance is not a ‘silver bullet’ for company growth. Exchange of experience and ideas helps to leverage individual work with what can be done collectively, as well as to ensure there are no overlaps and replications, and that all the important areas are covered. SMEs increasingly look to join forces by industry (cluster) and to improve the quality of products and services. But there is a lack of understanding of **how clustering and supply or even value chains work**. This often requires one-on-one expert work with the SMEs, i.e. ‘handholding’. Many companies that have already been successful participating in EU4Business programmes have knowledge to share. This can be used as peer-to-peer mentoring for members of a cluster or supply chain, and creates sustainability of these efforts, fortifying the need for sectoral connections. Ultimately, it also involves other value chain players, particularly in the field of education, vocational training and technology, which leads to **process improvements and a more competitive product**. A holistic approach will also enable the other value chain institutions to benefit

Key issues and recommendations - summary:

Access to markets

- **Inadequate SME skills:** Greater need for management capacities, quality control and financial literacy trainings.
- **Insufficient understanding of collaborative benefits:** More investment is needed in how clustering and supply or even value chains work for SMEs.
- **Lack of knowledge of processes and technologies:** Process improvements and achieving a more competitive product required at the firm level.
- **Inability to benefit from DCFTA and further exports:** Standards and safety issues and corporate governance for SMEs must improve in DCFTA countries, as priority areas for development at the firm level.



3.3 Access to knowledge and skills



Generally, SMEs still lack appropriate education and **entrepreneurial skills, understanding of HR remains low, digitalisation and modernisation of operations** are still lagging. Most SMEs find it difficult to train and use the most appropriate labour force, and many are still looking to increase productivity and lower the costs of production/service.

Engaging with the SMEs in the regions of a country and bringing them closer to those in the capital is being done through the **network of business support organisations (BSOs) or SME support centres**, also as part of EU4Business endeavours. This initiative works with various institutions and other partners locally. Their operational advantage is that they can adjust faster to the specific strengths and weaknesses of each region and operate in different business environments. Efforts channelled through the local staff and analysts who **perform on-site analysis and engage with the client**, as well as through regional business support centres, appear increasingly popular. They are perceived by the clients as contributing to trust and confidence building.

The importance of technical assistance, training and mentorship, in particular for start-ups and innovative SMEs, has been repeatedly highlighted in order to ensure **appropriate absorption capacities and sustainable use of funding and other support**. Yet it is sometimes hard to locate and identify businesses

that have training needs, as SMEs are often unaware of them. Some estimates therefore show that enhancing entrepreneurial skills, digitalisation and modernisation require far greater resources, and that demand is potentially enormous. Individualised trainings on how best to utilise resources in a specific industry or cluster environment, coupled with financial education, when accompanied by an enhanced access to finance, yield the highest results. This is particularly true with start-ups that often do not know **how to spend the borrowed funds economically** and get a better outcome from the assistance received, including entrepreneurial development.

As the SMEs outside the capitals are more inclined to transfer their operations to larger cities, mainly the capitals, a balanced **programmatic effort should be made to reach out, engage with and motivate SMEs in the regions** to work and continue their growth at their present location, thus boosting the economy of their regions. On the demand side, many SMEs that are insufficiently aware of all the challenges along the life cycle need an **individual support** approach. On the supply side, SMEs often do not know or do not understand the varieties of support available to them, and their eligibility to benefit from them. There is a clear need for more advisory projects, which include **‘handholding’, on-the-job training and learning by doing, rather than collective mass education on general topics**. Additionally, communication and outreach for the various EU4Business programmes need to be improved, particularly in the regions.

If SMEs use new technologies, they can be more productive and competitive in external markets. EU4Business should continue providing mechanisms and institutions to train companies in procuring and using new technologies without incurring unnecessary costs. **Productivity per employee needs to grow** and the high-tech end of the market might even lower their current employment levels, and outsource certain services to become more competitive. This will strengthen local consultancy markets and again work towards the sustainability of these solutions.

“EU4Business programmes helped nurture a skills and knowledge transfer market. The number of consultants has gone up and so has demand for their services, alongside the quality of support they offer. The results of these engagements are impressive, with some clients increasing exports by up to 50 per cent. That consultancy market will stay even when the respective support programmes end.”

Anatoly Avksentyev, Regional Head, SME Finance & Development Group, EBRD Ukraine

It is broadly understood that simply providing **subsidies or grants to SMEs, which create market distortions, is not desirable in the medium to long run**, and may demotivate the creation of innovative solutions. Access to knowledge is being increasingly requested and appreciated, even more than the sheer access to funding. Existing programmes, such as the EU4Business-EBRD Credit Line, not only help SMEs access finance, but also provide technical assistance to help businesses better plan those investments and improve their market competitiveness.

Key issues and recommendations - summary:

Access to knowledge and skills

- **Firm level management deficiencies:** SMEs continue seeking entrepreneurial skills, understanding of HR, digitalisation and modernisation of operations.
- **Generic training is of limited use:** BSOs that perform on-site analysis and ‘handhold’ the client (on-the-job training and learning by doing) are most successful and in highest demand .
- **Creation of a permanent support network:** BSOs increase the absorption capacities of SMEs, sustainable use of funding and other support, and their services will outlive the EU4Business programmes.
- **Preserving market competition through financial support:** Subsidies or grants to SMEs create market distortions and are not desirable in the medium to long run.

3.4 Policy and regulation



Despite very significant advances in smart regulation of the market across all the EaP region, as demonstrated by various indicators including the World Bank’s Doing Business, a number of regulatory issues still require attention for the benefit of national SMEs. Additionally, there is no assurance that new bureaucracy will not replace the old, if **checks and balances** are not in place.

In order to make SMEs more resilient and structured, the Small Business Act monitoring and SME Policy index conducted by the OECD looks to highlight the areas where governments can further **improve the regulatory environment and investment climate**. The involvement of SME and Business Support Organisations (BSOs) should be encouraged, and consultations regularly organised so as better to understand the requirements and priorities of SMEs in the EaP. Thus, in the medium to long run, the **engagement of BSOs in public-private sector dialogue** around specific industries or more broadly private sector development would ensure no reversals of reforms and the advance of new ones. Advocating the best interest of SMEs excludes a top-down approach.

“The External Investment Plan is a new and ambitious initiative that aims at mobilizing private sector investment in our Partner countries for development purposes. The aim is supporting the economic development with more powerful guarantee instruments and with a strong dialogue to support the economic reforms that are conducive for businesses to flourish. The plan will work ONLY if the conditions on the ground are there – if reforms are in place not only in terms of business environment, but also the rule of law, by creating the level playing field for private business to prosper.”

Fulvio Capurso, Policy Officer – Financial Instruments, DG NEAR

Review and assessment of the existing and planned incentives and exemptions for SMEs must be ongoing and flexible, ensuring no market distortions. Solving the **problem of shadow economy and ending the patronage of selected larger businesses** will lead to an improvement of the business and investment climate in all the countries of the EaP. That external environment, which regulates the economy and SME policies, will remain challenging and in much need of reforms – albeit to a different degree in each country – in order to see the number and productivity of SMEs rise.

Key issues and recommendations - summary:

Policy and regulation

- **Business environment still not SME friendly:** Continue macro work to improve the regulatory environment and investment climate.
- **Private sector without regulatory influence:** Encourage engagement of BSOs in public-private sector dialogue.
- **Playing field not levelled:** Advocate minimising shadow economy and ending the patronage of large or state-owned businesses.

More promotion and direct engagement with SMEs is needed, particularly in more remote regions. This can be done by the SME support network and BSOs, government representatives and SME agencies, but also commercial banks and other EU4Business stakeholders that can distribute relevant information to SMEs, ideally **in a coordinated fashion**. EU Delegations and their specialised national outreach programmes should carefully plan and facilitate events outside the capitals and ensure a sectoral approach and inclusion of a variety of the value chain stakeholders.

In all the countries, the series of the EU4Business Spring 2018 round table events concluded that a **follow-up to this initial event** is highly desirable. The main stakeholders led by the European Commission and the EU Delegations can assess the options to continue this dialogue and maintain some format of coordination among the stakeholders in each country.

3.5 Communication and visibility of EU4Business

The need for timely information exchange and access to information is on the rise. Governments support a **greater flow of information and assessment of impact**. Very often and particularly outside the capitals, SMEs are not aware of the EU support that is available and which sectors and businesses it covers. Therefore, **more transparency and visibility benefits all the stakeholders**. The credit lines have good utilisation, and demand is far greater than supply, which is why the banks are not as keen to further promote the lending programmes. Such a lack of practical communication tools to better reach the end-users needs to be addressed using a variety of technological and media means.

The SME survey conducted across the board shows very little visibility of EU financial support and understanding among the final beneficiaries of where it comes from. This defeats the purpose of demonstrating how EU approximation works to the benefit of the SME sector in EaP countries.

Key issues and recommendations - summary:

Communication and visibility of EU4Business

- **Insufficient access to programmes:** Facilitate a greater flow of information and assessment of impact of the projects, incl. through regular meetings of EU4Business stakeholders in each country.
- **EU4Business not visible enough:** More transparency and visibility benefit all the stakeholders.
- **SMEs in the regions have fewer options than in the capitals:** Various national and multilateral stakeholders can improve outreach to the regions in a coordinated, planned manner.



3.6 Final remarks

A key strength of the EU4Business initiative is its good mix of different options for the development of SMEs in the EaP region. Each country has enjoyed a tailored approach, supported by the EU Delegations and the key stakeholders, taking into account the existing needs of the economy and priorities of the governments. Such a diverse approach should continue, ensuring not only access to finance but also enhancing skills and modernising SMEs, particularly those in the DCFTA countries where even more ambitious goals have been set. Demand for a variety of products has been on a constant rise and EU4Business now appears far more solid than only a couple of years ago, with the objectives attainable.

The access to finance component could further focus on diversifying the range of products and contribute to mobilise additional private funding.

Combining various instruments may support the SME level objectives even further. Enhancing enterprise-level skills in the medium run will still best be achieved with an individualised approach, working with the companies directly. This method may attract further grouping by sector, cluster or value-chain and ensure synergies, also making products and services more competitive in the EU and other markets. Business associations and BSOs will play a vital role in the process.

Partner countries should continue to pursue macro-economic stability and implement key structural reforms to improve the business and investment climate. This effort will continue to be supported by the EU4Business initiative.



Annex A:

EU4Business list of projects and programmes by objective

Objective 1: Improving access to finance

Project/Programme	SME Finance Facility - Phase I - EBRD/KfW/EIB
Implementer	EBRD/KfW and EIB
Start – end date	2010 - 2020
Description	The SME Finance Facility combines loans from the European Bank for Reconstruction and Development (EBRD), the European Investment Bank (EIB), and KfW (Kreditanstalt für Wiederaufbau, the German government's development bank) with EU grant resources, to support SME lending in the Eastern Partnership region. Financing is channelled through financial intermediaries throughout the region, increasing the availability of long-term funding to the SME sector.
EU Budget (EUR)	€15.3 million
Countries	GE, MD, UA

Project/Programme	SME Finance Facility - Phase II - KfW/EBRD/EIB
Implementer	EBRD, KfW, EIB
Start – end date	2016 - 2030
Description	The emphasis in Phase II of the SME Finance Facility is to stimulate local currency lending, especially for micro, small and medium-sized enterprises (MSMEs) in Ukraine that are not earning foreign currency and cannot afford the high costs of borrowing.
EU Budget (EUR)	€15.4 million
Countries	UA

Project/Programme	EFSE (Neighbourhood Window of the European Fund For South East Europe - ENR Component)
Implementer	KfW
Start – end date	2009 - 2021
Description	The Fund aims to foster economic development and prosperity through the sustainable provision of additional development finance, notably to micro and small enterprises (MSEs) and to private households, via qualified local financial institutions.
EU Budget (EUR)	€5.1 million
Countries	Region

Project/Programme	Women in Business
Implementer	EBRD
Start – end date	2015 - 2022
Description	The Women in Business programme helps women-led small and medium-sized enterprises to access the finance and the know-how they need to grow. The EBRD provides access to finance through credit lines to local banks dedicated to develop women-led SMEs, alongside business advice to help businesses become more competitive. The programme also offers training, mentoring and other support to enable women entrepreneurs to share experiences and learn from each other.
EU Budget (EUR)	€5.035 million
Countries	Region

Objective 1: Improving access to finance

Project/Programme	DCFTA Initiative East (EIB)
Implementer	EIB
Start – end date	2016 - 2021
Description	The Deep and Comprehensive Free Trade Area (DCFTA) Initiative East aims to strengthen economic development in the countries which have signed an association agreement with the EU - namely Georgia, Moldova and Ukraine - by providing targeted financial and technical support to small and medium-sized enterprises (SMEs) in these three countries.
EU Budget (EUR)	€62.746 million
Countries	GE, MD, UA

Project/Programme	EU4Business - EBRD Credit Line - Phase I
Implementer	EBRD
Start – end date	2016-2026
Description	The project helps small and medium-sized enterprises to take advantage of the opportunities provided by the Deep and Comprehensive Free Trade Area (DCFTA) between Georgia, Moldova, Ukraine and the European Union. The EBRD helps SMEs access finance for DCFTA-related investments through local partner financial institutions. It also provides technical assistance to help businesses better define those investments and improve their international competitiveness. Investments can take a wide range of forms, from upgrading equipment and technologies to introducing new quality, health or safety standards.
EU Budget (EUR)	€19.43 million
Countries	GE, MD

Project/Programme	EU4Business - EBRD Credit Line - Phase II
Implementer	EBRD
Start – end date	2017-2027
Description	The EU4Business – EBRD Credit Line – Phase II Programme assists the development of the SME sector and its capacity to take advantage of DCFTA opportunities through a variety of investments supported by grant funding from the EU for risk mitigation, investment incentives to SMEs and technical assistance.
EU Budget (EUR)	€38.9 million
Countries	GE, MD, UA

Project/Programme	DCFTA Direct Finance Facility
Implementer	EBRD
Start – end date	2014-2024
Description	The Facility combines loans with EU grants to support direct SME financing in Georgia, Moldova and Ukraine. It seeks to improve access to finance by providing guarantee schemes and technical assistance to increase the number of viable projects carried out by SMEs.
EU Budget (EUR)	€10.22 million
Countries	GE, MD, UA

Objective 1: Improving access to finance

Project/Programme	Financial Sector Institution Building and Crisis Response
Implementer	EBRD
Start – end date	2009-2021
Description	The project aims at restoring access to credit for micro, small and medium enterprises (MSMEs) in the Eastern Neighbourhood region by providing assistance to financial institutions particularly affected by the financial crisis. Developed as a response to the exceptional situation created by the crisis, the project aims to prevent the risks of contagion of bank failures across the region and a sudden shrinking of the real economy.
EU Budget (EUR)	€12 million
Countries	Region

Project/Programme	Framework for Capacity Building to Support Financial Intermediaries in Azerbaijan and Georgia
Implementer	EBRD
Start – end date	2009-2018
Description	The project seeks to create sustainable financial intermediaries (FIs), as well as to improve the local financial sector's efficiency, effectiveness and transparency needed to facilitate the access to financing for enterprises. It provides assistance to FIs focusing on specific projects and clients, supports the application of internationally acceptable banking practices, and promotes competition in the region.
EU Budget (EUR)	€2.88 million
Countries	AZ, GE

Project/Programme	Armenia SME Finance and Advice Facility
Implementer	EBRD
Start – end date	2017-2023
Description	The facility deploys EU funds blended with those provided by the EBRD and other investors to support Armenian SMEs. It improves access to finance for SMEs through a combination of investment projects and technical assistance, and a diversification of sources of finance, ultimately creating jobs, contributing to increased investment, capital market development and diversification of economic activity.
EU Budget (EUR)	€15.38 million
Countries	AM

Project/Programme	Support to SMEs in rural areas
Implementer	Organisation for SME Sector Development
Start – end date	2018-2021
Description	The project supports the creation of employment opportunities, especially for women, through investment and non-financial support for rural SMEs, leading to increased rural job creation. Activities support the creation and diversification of rural businesses, specifically MSMEs, assistance to agri-food SMEs in making investments that allow them to comply with EU food safety standards, creating new jobs, attracting foreign investment, and decreasing migration flows from rural to urban areas or even abroad.
EU Budget (EUR)	€4 million
Countries	MD

Objective 1: Improving access to finance

CLOSED	
Project/Programme	Filière du vin
Implementer	EIB
Start - end date	2014-2016
Description	The Wine Sector Restructuring Programme, conceived by the Moldovan government and the European Investment Bank (EIB), aims to address structural weaknesses in the Moldovan wine industry, from vineyard to final packaging and dispatch of wine. The programme assists small and medium-sized enterprises active in this sector, including local growers, winemakers and associated industries such as bottle production.
EU Budget (EUR)	€2 million
Countries	MD

Objective 2: Strengthening policy and regulatory framework

Project/Programme	Strengthening Auditing and Reporting in the Countries of the Eastern Partnership (STAREP)
Implementer	World Bank
Start – end date	2014-2019
Description	STAREP aims to help participating countries both to improve their frameworks for corporate financial reporting and to raise the capacity of local institutions to implement these frameworks effectively.
EU Budget (EUR)	€1 million
Countries	Region

Project/Programme	FORBIZ
Implementer	GFA
Start – end date	2016-2019
Description	The FORBIZ project supports Ukraine’s reform agenda and its economic recovery by proposing a systemic, smart change to a more business-friendly environment with a particular focus on SMEs. The project seeks to steer a shift in policy towards greater recognition of SMEs and the vital role they play in economic recovery, while addressing the challenge of reducing regulatory burden and lessening risk for businesses.
EU Budget (EUR)	€6.825 million
Countries	UA

Project/Programme	EU4Business: From Policies to Action
Implementer	OECD
Start – end date	2017-2020
Description	The Action is structured around two pillars: (a) a country-level pillar to provide tailored support in the design, monitoring and upgrading of strategies and programmes to support firm competitiveness, evidence based policy making and wider business environment reforms, and (b) a regional pillar to support regional policy dialogue, notably via the annual OECD Eurasia Competitiveness Roundtable and benchmark policy performance across the region through a new SBA assessment cycle (2018-2019).
EU Budget (EUR)	€4 million
Countries	Region

CLOSED	
Project/Programme	SME Competitiveness Reforms
Implementer	OECD
Start – end date	2013-2017
Description	The project assists Eastern Partnership countries in the implementation of policy reforms based on policy recommendations from the OECD’s Small and Medium-sized Enterprises (SME) Policy Index, contributing to improved government responsiveness to SME needs and requests, and to improved public-private dialogue at national level.
EU Budget (EUR)	€2.5 million
Countries	Region

Objective 3: Improving knowledge base and business skills

Project/Programme	Advice to Small Businesses - Phase I
Implementer	EBRD
Start – end date	2013-2018
Description	Implemented by the European Bank for Reconstruction and Development (EBRD), Advice for Small Businesses Programme aims to promote good management in the micro, small and medium-sized enterprise (MSME) sector by providing direct technical assistance to individual enterprises, thereby helping them to grow their businesses. The first phase of the programme aimed to prepare companies for investment, and to assist emerging mid-sized businesses to become more creditworthy and, therefore, more bankable.
EU Budget (EUR)	€8 million
Countries	Region

Project/Programme	Advice to Small Businesses - Phase II
Implementer	EBRD
Start – end date	2015-2018
Description	The programme aims to promote good management in the small and medium-sized enterprise (SME) sector by providing technical assistance to individual enterprises, helping them to grow their businesses. It supports SMEs to make structural changes and develop new business skills, helping them to thrive and compete in market economies. The programme also seeks to enable SMEs to access local consulting services on a cost-sharing basis by providing grants of up to €10,000. Furthermore it aims to develop a sustainable infrastructure of business advisory services, ensuring improved services for SMEs.
EU Budget (EUR)	€8 million
Countries	Region

Project/Programme	Support to SME Development in Armenia (SMEDA)
Implementer	GIZ
Start – end date	2016-2019
Description	The project supports the improvement of the business and investment climate for small and medium-sized enterprises (SMEs) in Armenia. It aims to strengthen the private sector, support SME coordination mechanisms, and foster links between research institutions and the private sector, as well as providing access to finance for SMEs.
EU Budget (EUR)	€6.4 million
Countries	AM

Project/Programme	DCFTA Adaptation Programme (DAP) – Support for SME Competitiveness in Georgia
Implementer	EBRD
Start – end date	2015-2019
Description	The project aims to strengthen the competitiveness of Georgian small and medium-sized enterprises (SMEs), facilitate exports, adopt new standards and raise awareness of the DCFTA (free trade agreement with the EU). It also works to improve the quality of local business advisory services.
EU Budget (EUR)	€4.5 million
Countries	GE

Objective 3: Improving knowledge base and business skills

Project/Programme	EU4Business: Network of Business Support Centres in Ukraine
Implementer	EBRD
Start – end date	2016-2020
Description	The programme aims to improve the competitiveness and ability to access finance of Ukrainian SMEs through the provision of business advice and capacity building, as well as preparation for financing from the EBRD and other financial institutions. Furthermore, the programme supports the creation of a network of 15 business services centres across the country to support SMEs in accessing the right financing and know-how support for their business. At least 30,000 SMEs and entrepreneurs will benefit from the project.
EU Budget (EUR)	€40 million
Countries	UA

Project/Programme	Boosting competitiveness of regional SMEs
Implementer	SME Development National Centre of Armenia (SMEDNC)
Start – end date	2016-2018
Description	The project works to boost the competitiveness of regional SMEs and to create employment opportunities in the Armenian regions (marzes) of Lori, Syunik and Armavir, focusing on the sectors of food-processing and tourism. It promotes the development of entrepreneurship by creating favourable conditions for start-ups and strengthening the capacity of local SMEs, while also providing relevant skills to job seekers, and developing local capacity to encourage the further promotion of economic development initiatives.
EU Budget (EUR)	€1.123 million
Countries	AM

Project/Programme	Boosting technological development in Shirak Marz
Implementer	Microsoft Innovation Center Armenia Foundation (MICAF)
Start – end date	2016-2018
Description	The project supports the economic development of Shirak marz by boosting the skills of unemployed young people and the business development of the IT community through training and financial assistance. The project develops intensive IT training courses for young unemployed and conducts mentoring programmes for young people involving potential employers in the IT industry.
EU Budget (EUR)	€510,000
Countries	AM

Project/Programme	Promoting Community-based Agritourism as a Rural Regeneration Strategy
Implementer	Local Government Assistance (LGA)
Start – end date	2017-2020
Project Description	The project seeks to foster economic regeneration and job creation by developing community-based agritourism and strengthening linkages between the agriculture and tourism sectors in eight regions of Azerbaijan (Guba, Gusar, Shabran, Siyazan and Khachmaz in the north and Salyan, Jalilabad and Lankaran in the south), contributing to overall economic and social development in the target regions.
EU Budget (EUR)	€384,437
Countries	AZ

Objective 3: Improving knowledge base and business skills

Project/Programme	Accelerating development of sustainable micro-entrepreneurship in rural regions of Azerbaijan
Implementer	Azerbaijan Micro-finance Association (AMFA)
Start – end date	2018-2020
Description	The project targets micro and small-scale rural business entrepreneurs and their families in five rural regions (Ganja city, Shamkir, Guba, Barda and Zagatala), aiming to help them start or expand their own business by equipping them with skills and seed capital, as well as helping men and women better to manage their household budgets.
EU Budget (EUR)	€418,324
Countries	AZ

Project/Programme	Support to the development of small family businesses in the Sheki-Zagatala Economic Zone through ABAD regional centre in Balakan
Implementer	UNDP
Start – end date	2017-2020
Description	The project supports the development of community-based family businesses and rural entrepreneurship in the Sheki-Zagatala Economic Zone in Azerbaijan, by working with and building the capacity of the ‘ABAD’ public body for support to family business, as well with selected target families to develop skills and support the growth of micro enterprises.
EU Budget (EUR)	€820,000
Countries	AZ

Project/Programme	Advice For Small Businesses in Belarus
Implementer	EBRD
Start – end date	2017-2021
Description	The programme enhances the competitiveness of SMEs in Belarus operating across a wide range of sectors, with a focus on regional development, by increasing entrepreneurial skills, financial literacy, and the ability to adjust to markets within and outside Belarus. It increases the capacity of SMEs at the local/rajon level in order to increase the contribution of SMEs to the country’s economic growth.
EU Budget (EUR)	€6 million
Countries	BY

Project/Programme	Local Economic Development in Belarus (LED)
Implementer	UNDP
Start – end date	2018-2020
Description	The project supports participatory local development and entrepreneurship in Belarus, with the aim of enhancing local growth and competitiveness, while at the same time addressing social vulnerabilities.
EU Budget (EUR)	€7.7 million
Countries	BY

Project/Programme	Georgia on European way: Creation of Effective Model for DCFTA and SME Strategy Implementation
Implementer	Eastern Europe Studies Centre (EESC)
Start – end date	2017-2019
Description	The aim of the project is to strengthen the capacities of Georgian CSOs and BSOs with overlapping functions of CSOs along the DCFTA implementation process and along the implementation of the SME strategy for Georgia.
EU Budget (EUR)	€400,000
Countries	GE

Objective 3: Improving knowledge base and business skills

Project/Programme	Engaging Civil Society in the Implementation of the EU-Georgia Free Trade Agreement and SME Policy
Implementer	Konrad Adenauer Stiftung (KAS)
Start - end date	2017-2019
Description	The purpose is to strengthen Civil Society Organisations (CSOs) to serve as effective vectors of democratic and socio-economic development. This action will empower civil society organisations, especially from the regions of Georgia, to effectively engage and participate in DCFTA/ SME policy formulation.
EU Budget (EUR)	€478,600
Countries	GE

CLOSED

Project/Programme	SBS Programme - BAS+EGP in EaP Countries (TAM/BAS)
Implementer	EBRD
Start - end date	2010-2015
Description	The EBRD's Business Advisory Services (BAS) and Enterprise Growth Programme (EGP) provide individual and customized technical assistance to help micro, small and medium-sized enterprises adapt to the demands of a liberal market economy, and develop the capacities of local SMEs as well as local business advisory services.
EU Budget (EUR)	€10 million
Countries	Region

Project/Programme	Community Development through Social Entrepreneurship
Implementer	International Center for Intercultural Research, Learning and Dialogue (ICIRLD)
Start - end date	2015-2017
Description	The programme provides sustainable community development and enhances the capacity of civil society organisations (CSOs) to generate income via social entrepreneurship projects.
EU Budget (EUR)	€289,379
Countries	AM

CLOSED

Project/Programme	Support to the European Business Association Armenia
Implementer	European Business Association (EBA)
Start - end date	2016-2017
Description	The project supports the European Business Association (EBA) in Armenia, which acts as a voice for the European Business Community and promotes integration and cooperation between Armenia and the EU, as well as advocating for improvements to the business environment, encouraging foreign investments and working to improve the relevant legislative framework.
EU Budget (EUR)	€60,000
Countries	AM

Objective 4: Improving access to markets

Project/Programme	Eastern Partnership: Ready to Trade - an EU4Business Initiative
Implementer	International Trade Center (ITC)
Start – end date	2017-2020
Description	The project helps small and medium-sized enterprises (SMEs) from Eastern Partnership countries integrate into global value chains and access new markets with a focus on the European Union (EU). The intervention will assist SMEs in producing value-added goods in accordance with international and EU market requirements, while linking them with buyers from global value chains and markets, in particular within the EU. As part of this process, the assistance will improve sector specific services to SMEs along the selected value chains by strengthening the capacity of local business support organisations (BSOs).
EU Budget (EUR)	€6 million
Countries	Region

Project/Programme	SME Development and DCFTA in Georgia
Implementer	GIZ
Start – end date	2015-2019
Description	The project supports the implementation of DCFTA-related institutional and regulatory reforms in Georgia. It lays the ground for strengthening the SME sector to ensure broad-based growth, by increasing the competitiveness of Georgian SMEs and ensuring their adaptation to the new regulatory environment enabling them to benefit from the opportunities under the DCFTA.
EU Budget (EUR)	€5.034 million
Countries	GE

Project/Programme	Support to the quality infrastructure framework within a DCFTA context in the Republic of Moldova
Implementer	Project Group Italy
Start – end date	2017-2020
Description	The project supports the efforts of the Moldovan government to progress in key areas of the DCFTA, linked to the improvement of public governance and economic recovery and growth, i.e. quality infrastructure, market surveillance, internal and external markets and opportunities, and competitiveness awareness in the context of the AA/DCFTA.
EU Budget (EUR)	€3.684 million
Countries	MD

Project/Programme	Visibility and Communication for actions related to AA / DCFTA implementation in the framework of the EU-funded assistance programmes
Implementer	Project Group International
Start – end date	2017-2019
Description	The project carries out a range of communications actions to raise awareness of the benefits of full implementation of the Association Agreement (AA) and the Deep and Comprehensive Free Trade Area (DCFTA) and to encourage full participation of businesses to take advantage of the opportunities offered. It also packages and provides relevant practical information and sources of support to businesses to support them in this direction.
EU Budget (EUR)	€1.9 million
Countries	MD

Objective 4: Improving access to markets

CLOSED

Project/Programme	East Invest 1
Implementer	EUROCHAMBRES
Start - end date	2010-2017
Description	East Invest is a regional investment and trade facilitation project that contributes to the economic development of the region and to the improvement of its business environment, developing networking between the EU and the Eastern Partner countries and between the Eastern partners themselves, in productive sectors identified as priorities.
EU Budget (EUR)	€7 million
Countries	Region

Project/Programme	East Invest 2
Implementer	EUROCHAMBRES
Start - end date	2014-2017
Description	East Invest 2 ran concurrently with East Invest 1, focusing more specifically on DCFTAs and providing training to BSOs and SMEs on doing business with the EU, complemented by visiting potential EU business partners and learning how to do business in Europe through the Roadshow Facility of East Invest 1.
EU Budget (EUR)	€6.5 million
Countries	Region

Annex B:

Key performance indicators

1.1	Indicator	Annual value of export sales of supported SMEs per EaP country at the start of the intervention and at completion/end of implementation.
	Indicator Type	Outcome
	Indicator Definition	Annual value of export sales of supported SMEs reported on individual firm level at the start and at the end of the intervention (TA or inclusion in a loan portfolio), per EaP country.
	Measurement unit	Euro
	Relevant objective	A: Improving access to finance D: Improving access to markets
1.2	Indicator	Annual turnover of supported SMEs per EaP country at the start of the intervention and at completion/end of implementation.
	Indicator Type	Outcome
	Indicator Definition	Annual turnover reported per supporting SME, reported on individual firm level measured at the start and at the end of the intervention, per EaP country.
	Measurement unit	Euro
	Relevant objective	A: Improving access to finance C: Improving knowledge base / business skills D: Improving access to markets
1.3	Indicator	Average loan tenor provided to SMEs, disaggregated per products (e.g. microfinance, etc.)
	Indicator Type	Outcome
	Indicator Definition	Average number of months/years of the loans provided to SMEs, split per products.
	Measurement unit	Months
	Relevant objective	A: Improving access to finance
1.4	Indicator	Total value of loans disbursed to SMEs by PFIs and IFIs supported by EU4Business programmes
	Indicator Type	Outcome
	Indicator Definition	Total value of loans disbursed to SMEs by PFIs and/or IFIs directly.
	Measurement unit	EUR
	Relevant objective	A: Improving access to finance
1.5	Indicator	Number of SMEs that received loans from PFIs and IFIs through EU4Business programmes, per EaP country
	Indicator Type	Outcome
	Indicator Definition	Number of SMEs that received financial support (loans) from PFIs and IFIs through EU4B programmes. (For current projects, if the number of enterprises is not reported, report on the number of loans provided to SMEs as a proxy indicator).
	Measurement unit	Number of SMEs
	Relevant objective	A. Improving access to finance

1.6	Indicator	Number of women-led SMEs that received loans from PFIs and IFIs through EU4Business programmes, per EaP country
	Indicator type	Outcome
	Indicator definition	Number of women that received financial support (loans) from PFIs and IFIs through EU4B programmes. (For current projects, if the number of enterprises is not reported, report on the number of loans provided to SMEs as a proxy indicator).
	Measurement unit	Number of women-led SMEs
	Relevant objective	A: Improving access to finance
2.1	Indicator	Jobs supported by EU4Business programmes per EaP country
	Indicator type	Output
	Indicator definition	Number of jobs (FTE) in the SMEs, at their inclusion date, receiving support under the EU4Business projects per EaP country.
	Measurement unit	Number of FTEs
	Relevant objective	A: Improving access to finance D: Improving access to markets
2.2	Indicator	Number of SMEs supported by EU4Business programmes providing advisory services, per EaP country
	Indicator type	Output
	Indicator definition	Number of SMEs which received advisory support, either from EU4Business resources only or blended with third party resources, per EaP country.
	Measurement unit	Number of SMEs
	Relevant objective	A: Improving access to finance C: Improving knowledge base / business skills D: Improving access to markets
2.3	Indicator	Number of people in SMEs trained or coached per EaP country
	Indicator type	Output
	Indicator definition	Number of people that received training/coaching under EU4Business projects from SMEs per EaP country. TA for SMEs only.
	Measurement unit	Number of people
	Relevant objective	All objectives
2.4	Indicator	Number of women in SMEs trained or coached per EaP country
	Indicator type	Output
	Indicator definition	Number of women that received training/coaching under EU4Business projects from SMEs, per EaP country- TA for SMEs only.
	Measurement unit	Number of women
	Relevant objective	All objectives

2.5	Indicator	Number and names of PFIs involved in EU4Business programmes (financial support), per EaP country
	Indicator type	Output
	Indicator definition	Number of unique PFIs participating in financial facilities (receiving loans or guarantees or subsidies), per EaP country.
	Measurement unit	Number of PFIs
	Relevant objective	A: Improving access to finance D: Improving access to markets
2.6	Indicator	Number and names of PFIs involved in EU4Business programmes (technical assistance), per EaP country
	Indicator type	Output
	Indicator definition	Number of unique PFIs receiving technical assistance (advisory services, training, networking support), per EaP country.
	Measurement unit	Number of PFIs
	Relevant objective	All objectives
2.7	Indicator	Number of people in PFIs trained or coached per EaP country
	Indicator type	Output
	Indicator definition	Number of people from PFIs that received training/coaching under EU4Business projects, per EaP country.
	Measurement unit	Number of people
	Relevant objective	All objectives
2.8	Indicator	Number of women in PFIs trained or coached per EaP country
	Indicator type	Output
	Indicator definition	Number of women from PFIs that received training/coaching under the EU4Business projects, per EaP country.
	Measurement unit	Number of women
	Relevant objective	All objectives
2.9a	Indicator	Total volume of loans/guarantees/capital investments to PFIs for on-lending to SMEs with support of EU4Business programmes, in local currency per EaP country
	Indicator type	Output
	Indicator definition	Total volume of loans/guarantees/capital investments to PFIs for on lending to SMEs with support of EU4Business programmes, in local currency per EaP country.
	Measurement unit	Euro
	Relevant objective	A: Improving access to finance

2.9b	Indicator	Total volume of loans/guarantees/capital investments to PFIs for on-lending to SMEs with support of EU4Business programmes, in foreign currency, per EaP country
	Indicator type	Output
	Indicator definition	Total volume of loans/guarantees/capital investments to PFIs for on lending to SMEs with support of EU4Business programmes, in foreign currency, per EaP country.
	Measurement unit	Euro
	Relevant objective	A: Improving access to finance
3.1	Indicator	Number of new jobs
	Indicator type	Outcome
	Indicator definition	Number of jobs created (difference between jobs at start and jobs at end).
	Measurement unit	Number of jobs
	Relevant objective	A: Improving access to finance C: Improving knowledge base / business skills D: Improving access to markets
3.2	Indicator	Number of BSOs supported with capacity building
	Indicator type	Output
	Indicator definition	Number of BSOs supported with capacity building under EU4Business projects per EaP country.
	Measurement unit	Number of BSOs
	Relevant objective	All objectives
3.3	Indicator	Total number of people trained or coached (Total: SMEs, PFIs, BSOs)
	Indicator type	Output
	Indicator definition	Number of people trained or coached supported under EU4Business projects per EaP country. (Total: SMEs, PFIs, BSOs)
	Measurement unit	Number of people
	Relevant objective	All objectives
3.4	Indicator	Number of people in BSOs trained or coached per EaP country
	Indicator type	Output
	Indicator definition	Number of people in BSOs trained or coached per EaP country under EU4Business projects.
	Measurement unit	Number of people
	Relevant objective	All objectives
3.5	Indicator	Number of people participating in events
	Indicator type	Output
	Indicator definition	Number of people (SMEs, BSOs and PFIs) that participated in events (conferences, fairs, information sessions), organised under EU4Business projects.
	Measurement unit	Number of people
	Relevant objective	All objectives
3.6	Indicator	Laws (drafted)
	Indicator type	Outcome
	Indicator definition	Number of drafted / changed laws as a result of an EU4Business project.
	Measurement unit	Number of laws
	Relevant objective	B: Tackling inadequate policy & regulatory framework

3.7	Indicator	Laws (implemented)
	Indicator type	Outcome
	Indicator definition	Number of adopted laws which were implemented as a result of an EU4Business project.
	Measurement unit	Number of laws
	Relevant objective	B: Tackling inadequate policy & regulatory framework

3.8	Indicator	Number of assisted enterprises that report an increase in their international trade flows
	Indicator type	Outcome
	Indicator definition	Number of assisted enterprises that report an increase in their international trade flows.
	Measurement unit	Number of enterprises
	Relevant objective	D: Improving access to markets

Details on data sources

NR.	Project	Implementer	Reports analysed for the period 2016-2017	Reports analysed for the period 2009-2015
1	SME Finance Facility - Phase I - EBRD/KfW	EBRD/KfW	PR Jan-Dec 16 KfW: Update for 2016 report PR Jan-Dec 17 KfW: Update for 2017 report	PR Jan-Dec 14 PR Jan-Dec 15 KfW: Updates for 2013, 2014 and 2015 reports
2	SME Finance Facility - Phase II - KfW	KfW	PR Apr-Jun 17 PR Apr-Dec 17	
3	SME Finance Facility - Phase II - EBRD	EBRD	PR Jan-Dec 17	
4	SME Finance Facility Phase I - EIB	EIB	PR Jan-Dec 16	PR Dec 10-Dec 14 PR Jan-Dec 15
5	SME Finance Facility - Phase II - EIB	EIB	PR Oct-Dec 17	
6	EFSE (Neighbourhood Window of the European Fund for South East Europe - ENR Component)	KfW	PR Jan-Dec 16	PR Jan-Dec 15
7	Women in Business	EBRD	PR Jan-Dec 16 PR Jan-Dec 17	
8	DCFTA Initiative East (EIB)	EIB	PR Jan-Dec 17	
9	EU4Business - EBRD Credit Line - Phase I	EBRD	PR Jan-Dec 16 PR Jan-Dec 17	
10	EU4Business - EBRD Credit Line - Phase II	EBRD	PR Jan-Dec 17	
11	DCFTA Direct Finance Facility / DCFTA SME Direct Support Facility	EBRD	PR Jan-Dec 16	PR Sep 14-Dec 15
12	Financial Sector Institution Building and Crisis Response	EBRD	PR Nov 15-Oct 16 PR Nov 16-Oct 17	PR Nov 10-Oct 11 PR Nov 12-Oct 13 PR Nov 14-Oct 15
13	Framework for Capacity Building to Support Financial Intermediaries in Azerbaijan and Georgia	EBRD	PR Jul 15-Jun 16 PR Jul 16-Jun 17	PR Jul 13-Jun 14 PR Jul 14-Jun 15 PR Jul 15-Jun 16
14	Armenia SME Finance and Advice Facility	EBRD	<i>no reports available yet</i>	
15	Support to SMEs in rural areas	Organisation for SME Sector Development	<i>no reports available yet</i>	
16	Filière du vin	EIB	PR Jan-March 16 PR Apr-Jun 16 FR Sept 14-Sept 16	IR Sep-Nov 14 PR Apr-Jun 15 PR Jul-Sept 15
17	Strengthening Auditing and Reporting in the Countries of the Eastern Partnership (STAREP)	World Bank	PR Jan-Dec 16 PR Jan-Dec 17	Programme Plan Apr-Dec 13 PR Apr-Dec 13 PR Jan-Dec 14 PR Jan-Dec 15

NR.	Project	Implementer	Reports analysed for the period 2016-2017	Reports analysed for the period 2009-2015
18	FORBIZ	GFA	PR Mar-Sep 16 PR Oct 16-Mar 17 PR Apr-Sep 17	
19	EU4Business: From Policies to Action	OECD	<i>no reports available yet</i>	
20	SME Competitiveness Reforms	OECD	PR Nov 14-Mar 16 FR Nov 13-Jun 17	PR Nov 13-Oct 14 PR Nov 14-Oct 15
21	Advice to Small Businesses - Phase I	EBRD	PR Jan-Jun 16 PR Jul-Dec 16 PR Jan-Jun 17 PR Jul-Dec 17	PR Jan-Jun 15 PR Jul-Dec 15
22	Advice to Small Businesses - Phase II	EBRD	PR Jan-Jun 16 PR Jul-Dec 16 PR Jan-Jun 17 PR Jul-Dec 17	
23	Support to SME Development in Armenia (SMEDA)	GIZ	PR Jan 16-Jan 17 PR Jan-Dec 17	
24	DCFTA Adaptation Programme (DAP) – Support for SME Competitiveness in Georgia	EBRD	PR Jan-Jun 16 PR Jul-Dec 16 PR Jan-Jun 17 PR Jul-Dec 17	
25	EU4Business: Network of Business Support Centres in Ukraine	EBRD	PR Apr-Sept 16 PR Oct 16-Mar 17 PR Jan-Jun 17 PR Apr-Sep 17	
26	Boosting competitiveness of regional SMEs	SMEDNC of Armenia	PR Dec 16-Jun 17 PR Dec 16-Dec 17	
27	Boosting technological development in Shirak Marz	MICAF	PR Jan-Dec 17	
28	Promoting Community-based Agritourism as a Rural Regeneration Strategy	LGA	<i>no reports available yet</i>	
29	Accelerating development of sustainable micro-entrepreneurship in rural regions of Azerbaijan	AMFA	<i>no reports available yet</i>	
30	Support to the development of small family businesses in the Sheki-Zagatala Economic Zone through ABAD regional centre in Balakan	UNDP	<i>no reports available yet</i>	
31	Advice For Small Businesses in Belarus	EBRD	<i>no reports available yet</i>	
32	Local Economic Development in Belarus (LED)	UNDP	<i>no reports available yet</i>	
33	Georgia on European way: Creation of Effective Model for DCFTA and SME Strategy Implementation	EESC	<i>no reports available yet</i>	

NR.	Project	Implementer	Reports analysed for the period 2016-2017	Reports analysed for the period 2009-2015
34	Engaging Civil Society in the Implementation of the EU-Georgia Free Trade Agreement and SME Policy	KAS	IR May-June 17	
35	SBS Programme - BAS+EGP in EaP Countries (TAM/BAS)	EBRD	Project closed	PR Jan-Jun 12 PR Jan-Jun 15 Final report Dec 10-Dec 15
36	Community Development through Social Entrepreneurship	ICIRLD	PR Oct 15-Oct 16 FR Oct 15-Dec 17	
37	Support to the European Business Association Armenia	EBA	PR Mar-Dec 16 FR Mar 16-Sep 17	
38	Eastern Partnership: Ready to Trade	ITC	<i>no reports available yet</i>	
39	SME Development and DCFTA in Georgia	GIZ	PR Nov 15-Nov 16 PR Dec 16-Nov 17	
40	Support to the quality infrastructure framework within a DCFTA context in the Republic of Moldova	Project Group Italy	IR Sept-Oct 17	
41	Visibility and Communication for AA / DCFTA	Project Group International	IR Sep-Oct 17 PR Sep 17-Feb 18	
42	East Invest 1	EUROCHAMBERS	PR Dec 15-Nov 16 FR Oct 10-Aug 17	PR Oct 10-Nov 11 PR Dec 11-Nov 12 PR Dec 12-Nov 13 PR Dec 13-Nov 14 PR Dec 14-Nov 15 PR Dec 15-Nov 16
43	East Invest 2	EUROCHAMBERS	PR Oct 15-Mar 16 PR Apr-Sep 16 PR Oct 16-Mar 17 FR Sep 14-Dec 17	IR Sep 14-Mar 15 PR Apr-Sep 15 PR Oct 15-Mar 16

Assumptions made in the analysis of the reports

Depending on the quality of reports received and the period covered by those documents, several types of assumptions had to be made when computing KPIs' values related to projects from the portfolio. Depending on the type of assumption, the impact on the accuracy of the figures can be rather low or high. In all cases, assumptions tend to drive KPIs' values away from reality by either decreasing or inflating numbers.

Assumptions made are classified in four categories.

Year split

The first type of assumption made was done in splitting figures between years for reports covering parts of 2015 and 2016. When a progress report describes achievements which partially occurred in 2015 and partially in 2016, the logic followed was to divide the numbers between 2009-2015 and 2016-2017 based on the number of months reported respectively in 2015 and in 2016 in the report.

Even though those assumptions can concern any KPIs, the impact of such assumption is rather limited. Indeed, applying a year split between 2015 and 2016 might only wrongly minimize/maximize the progress made between 2009-2015 and 2016-2017. While looking at the overall results for the whole implementation period, KPIs' values for a particular project remain accurate.

Country split

Another type of assumption made consisted in splitting figures between countries and is applied when no more detailed information than "people from the 6 EaP countries took part in training/event" can be retrieved in the report. In such cases, the assumption made was to divide the total number by 6. Furthermore, when the number couldn't be divided in equal parts, either remaining people were assigned to the country where the event/training took place, or remaining people were distributed to predominant countries in other trainings/events.

Note that even though the impact of such assumptions can be quite high, it concerns only regional projects, which means less than half of the projects from the portfolio (19/43 projects).

Type of trainings

The third assumption made while monitoring projects from the portfolio consisted in assigning a type of people participating in training based on the topic of the seminar. When feasible and when the training content is clearly mentioned, the assumption was made to assign the training to one of the following: BSOs, SMEs or PFIs.

However, when no distinction could easily be made between the types of trainings, the split wasn't done and the total number of people joining the training was assigned to 'total people trained (SME, BSO, PFI)'. In such cases, the lack of precision and information in the reports induces a loss of information and less reliable values of KPIs.

This type of assumptions is more frequent and has a high impact as it might minimize the progress made in crucial EU4Business goals. This is for example the case for the number of people in BSOs trained and the number of BSOs supported with capacity building, which contribute to the 'empowering BSOs' goal. If no distinction can be made between BSOs/SMEs/PFIs

trainings, the number of people trained will not be counted in BSOs trained, which will lead to a KPI value set to zero. As this particular KPI is considered as a key indicator for Objective 2, this could prevent us from seeing progress made in that particular Objective.

Type of people participating in events/trainings

The last type of assumption made was done on the number of people participating in events/trainings. In our monitoring framework, those two KPIs should only be related to BSOs, SMEs and PFIs. However, in most of the reports, the numbers reported for people participating in events/trainings also include other type of people, such as journalists for example. In many cases, no information is given to allow us to extract irrelevant types of people from the total count of attendants to events/trainings. As a consequence, figures reported in the present report for events and trainings tend to be higher than in reality.

As a recommendation and in order to allow accurate figures, the level of detail of the reports should be increased. Furthermore, in order to avoid any misunderstanding, it would be helpful to have a summarizing table at the end of each report including dates, type of events, events' topics, number and type of participants, and if possible the countries involved.

The way forward - summary of recommendations

1. Access to finance



- Continue programme coordination aimed at lowering interest rates, extending maturity periods and facilitating or lowering collateral requirements, incl. in local currency.
- Bring finance facilities closer to SMEs outside the capitals.
- Allow for a more flexible definition to include aspects of working capital for financing.
- Combine financing with risk sharing facility/guarantees.
- Develop and promote alternative finance mechanisms.

2. Access to markets



- Greater need for management capacities, quality control and financial literacy trainings.
- More investment is needed in how clustering and supply or even value chains work for SMEs.
- Process improvements and achieving a more competitive product required at the firm level.
- Standards and safety issues and corporate governance for SMEs must improve in DCFTA countries, as priority areas for development at the firm level.

3. Access to knowledge and skills



- SMEs continue seeking entrepreneurial skills, understanding of HR, digitalisation and modernisation of operations.
- BSOs that perform on-site analysis and 'handhold' the client (on-the-job training and learning by doing) are the most successful and in highest demand.
- In turn, BSOs increase the absorption capacities of SMEs, sustainable use of funding and other support, and their services will outlive the EU4Business programmes.
- Subsidies or grants to SMEs create market distortions and are not desirable in the medium to long run.

4. Policy and regulation



- Continue macro work to improve the regulatory environment and investment climate.
- Encourage the engagement of BSOs in public-private sector dialogue.
- Advocate minimising the shadow economy and ending the patronage of larger or state-owned businesses.

5. Communication and visibility of EU4Business initiative

- Facilitate a greater flow of information and assessment of impact of the projects, incl. through regular meetings of EU4Business stakeholders in each country.
- More transparency and visibility benefit all the stakeholders.
- Various national and multilateral stakeholders can improve outreach to the regions in a coordinated, planned manner.



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