



**EU4Business**

# CONSOLIDATED REPORT

May 2017

Armenia Azerbaijan Belarus Georgia Moldova Ukraine

## INVESTING IN SMEs IN THE 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





# EU4BUSINESS ON THE WAY TO ECONOMIC GROWTH

Reinforcing economic resilience and promoting stabilisation at the EU's borders are key goals of both our new Neighbourhood Policy and of our Eastern Partnership initiative. Citizens across the Eastern Partnership countries aspire to economic development and greater prosperity. They are awaiting concrete and tangible results, such as getting a good job or growing their businesses.

It is in this spirit that the European Union launched the EU4Business initiative. The objective is to support our partner countries' commitment towards improved business climates and to support their SMEs and entrepreneurs in investing in their skills, in their ideas and reach-out to new market opportunities.

Our Eastern neighbours have all made considerable progress in promoting SMEs. Most have also made substantial progress in the design and implementation of business and investment climate reforms. This includes the simplification of business-related legislation, streamlining technical barriers to trade and upgrading quality infrastructure, and the improvement of the legal and regulatory environment in the financial sector. Partner countries are also increasingly aware of the need to support SMEs not only financially, but also by creating dedicated SME agencies and assistance programmes, and specific instruments to encourage SME access to finance and stimulate exports.

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. Through our DCFTA facility for example, the EU provided €200 million of grants which will unlock at least €2 billion of new investments. As a result of our joint efforts, more than 90 000 enterprises received already increased access to finance while about 93 000 jobs have been supported! You will read even more of our achievements in this report.

However, there are still important challenges ahead. Access to finance is often limited to foreign currencies exposing SMEs to currency risks. Many SMEs in the region remain tied in low valued-added sectors. 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. We should therefore consider additional support to realise quick commercial wins while fully benefiting from the opportunities offered by closer economic cooperation with the EU. I know that the three DCFTA signatories face a particular challenge in that respect. We have already achieved a lot. Let us now keep the momentum to further improve EaP countries' economic resilience, to support SME trade with the EU and to deliver concrete and positive impact for the life of all people.

**Johannes Hahn**

Commissioner for European Neighbourhood Policy and Enlargement Negotiations

[www.ec.europa.eu](http://www.ec.europa.eu)



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# EXECUTIVE SUMMARY

Within the strategic framework of the Eastern Partnership (EaP) policy of the EU, SMEs have been singled out as an important target group for support.

SMEs in the EaP countries have the potential to make a significant contribution to job creation and to drive economic growth. However they still face challenges which prevent them from realising their full potential. Typical challenges are: limited access to finance, constraints in accessing new markets, constant changes in new, inconsistent and burdensome legislation, lack of relevant skills to grow their businesses and a difficult operational environment encompassing high tax rates, corruption, bureaucracy and political instability.

This is the reason why the SME Flagship initiative was launched in 2009, the umbrella of all EU-funded regional programmes. In 2016, the SME Flagship Initiative was rebranded EU4Business, now also including bilateral assistance projects that directly target SMEs and Business Support Organisations (BSOs).

The EU4Business Secretariat, established to support DG NEAR, has the pleasure to offer the **first EU4Business Consolidated Report**. This report is unique in nature:

- The report looks back to the time the EU4Business was launched and reviews its developments over the years.
- The report offers an analysis of the EU4Business coherence with national SME policy frameworks in the EaP region taking into account progress made in each country.
- The report reviews EU4Business programmes and projects implemented in the period 2009-2016 and analyses their achievements.
- The report outlines a way forward for the EU4Business that is rather a 'food for thought' than a hard prescription.

The first EU4Business Consolidated Report bases its analyses on EU strategic documents concerning SMEs support in the EaP countries. It draws data and information from international and national sources and most of all from the six EU4Business Country Reports 2017.

The analysis on achievements is based on **reviewing more than 200 programme and project documents**, especially progress reports of the implementing partners.

The first EU4Business Consolidated Report can be seen as a living document: as the EU4Business gains more pace, the developments to be monitored and coordinated increase their frequency.

The **four strategic priorities of the EU4Business** are:

1. Improving access to finance
2. Strengthening policy and regulatory frameworks
3. Improving knowledge base and business skills
4. Improving access to markets

In addition to the four strategic priorities, EU4Business responds to inclusive development issues related to women and youth, rural development, energy and the environment. In order to reinforce trade with the EU, as of 2017 the Deep and Comprehensive Free Trade Area (DCFTA) Facility is fully operational. It supports strategic objectives such as increasing the competitiveness of SMEs, easing SMEs' access to finance related to trade, helping SMEs seize new trade opportunities and comply with quality standards.



## EU4Business Dynamics

Over the years, the number of EU4Business programmes and projects has increased significantly. While by 2015 there were 17 ongoing projects with an EU commitment of EUR 198 million, today (about two years later) there are four completed, 25 ongoing and six programmed projects corresponding to a financial commitment of about EUR 330 million.

The review of the **EU4Business completed and ongoing projects** shows that:

- Programmes and projects addressing **SMEs' access to finance** have a prominent presence in the EU4Business portfolio, followed by projects addressing **SMEs' knowledge and skills**. At the same time, most programmes and projects financed under the objective improving access to finance also contribute to the objective improving knowledge base and business skills. The DCFTA-related projects additionally contribute to improving **access to markets**.
- As far as **geographical coverage** is concerned, a large part of the EU4Business budget is allocated to Ukraine, Georgia and Moldova with Ukraine being the largest country-receiver.
- EU4Business is implemented by various international organisations such as the EBRD, the EIB, Eurochambres, the Kreditanstalt für Wiederaufbau (KfW), the OECD, the World Bank, and ITC. In terms of the budget and number of EU4Business programmes and projects, the EBRD is the main implementer, followed by the EIB.

The **EU4Business pipeline** currently includes projects representing a total budget of about EUR 50 million. It includes projects aimed at developing SMEs' knowledge and skills as well as supporting access to markets. Flexibility and the tailor-made approach as recommended by the Riga Summit is to be reflected in the type of instruments engaged in the upcoming projects.

The EU4Business review shows the **EU4Business portfolio has grown substantially** in the last five years. 2017 is an important year for the EU4Business programming, which is not only taking on board the Riga Summit recommendations, but also looking forward to deliver the EaP 2020 ambition.

Some 20 key deliverables have been identified with targets to be achieved by 2020 and with the first milestones to be reached before the EaP Summit in November 2017. The 20 key deliverables will be guiding the EU4Business actions in the coming years.





## EU4Business Coherence

During recent years, all EaP countries have developed specific strategies and policy documents aiming to stimulate SMEs in their countries. Consequently, countries have introduced numerous SME support schemes through national programmes. The EU4Business Secretariat has analysed the policy framework available today in each of the EaP countries.

Measured against the strategic objectives of the EU4Business initiative, the coherence analysis provides positive results:

- **Improving access to finance** for SMEs is one of the top priorities in all countries. In their SME strategies, governments across the EaP region emphasise the need to provide affordable financial products to SMEs, including to new enterprises.
- SMEs can only start and flourish in a **stable and transparent policy and regulatory business environment**. The importance of such a business environment is also addressed by the national governments in their SME strategies.
- The need of **improving the knowledge base and business skills** of small business entrepreneurs, including potential entrepreneurs, is recognised in the national strategic priorities.
- The majority of the EaP countries have registered in their SME strategies the importance of improving the competitiveness of SMEs and their **access to markets**.

## EU4Business Achievements

The EU4Business programmes and projects have **generated considerable achievements** and will increasingly do so in the coming years. The outreach to SMEs is wide, both in terms of providing finance as well as knowledge transfer and capacity building.

The review and analysis of the EU4Business reports show impressive figures (2009-2016):

- Almost 100 000 enterprises have received **190 000 sub-loans** for a total value of EUR 1.5 billion.
- Well over **20 000 people** working with or for SMEs, BSOs and Participating Financial Intermediaries (PFIs) in the targeted countries have had the opportunity to participate in training and events such as workshops and seminars.
- More than **93 000 jobs in SMEs** have been supported through SME business advice projects, and the initiative has created more than **10 000 new jobs** as a result of these projects.
- In different countries, a **large number (almost 40) of proposals for policy strategies** and legal reforms have been made, contributing to a favourable business environment and acting as an important catalyst for change.
- A **reduction in CO<sub>2</sub> emissions** of 172 444 t-CO<sub>2</sub>/year and **energy savings** of almost 820 000 MWh/year has been registered <sup>(1)</sup>.

The coherence analysis confirms that EU4Business, although still half way in its execution, plays an important and catalysing role in changing the business environment and offering direct support to SMEs in line with the national priorities. At the same time, there are areas where further work is needed:

- Foremost policy barriers are still limiting SME development. Corruption, inappropriate tax policy and heavy customs procedures are mentioned amongst the main factors hampering growth in the SME sector.
- It is important to ensure a more enabling business environment and financial sector infrastructure, which will allow for sustainable funding of the real economy.
- It is also key to strengthen those institutions and bodies that guarantee better access to finance for SMEs, as well as tackling issues such as credit and collateral registries and better financial reporting, the development of non-banking products such as leasing and the development of a local capital market that functions well.
- Although various schemes for supporting entrepreneurship are operational, there is still a great need for additional efforts. Awareness about the advantages of starting a company needs to be increased, and understanding and knowledge of entrepreneurship should be enhanced.

Source:

<sup>(1)</sup> See Chapter 4 for details.



Within the framework of EU4Business, different financial instruments have been set up that provide a broad range of financing opportunities for the SME sector in the region, and support has been provided to PFIs in building their capacities. As a result, **PFIs are able to provide more financial products** responding to the needs of SMEs.

Through EU4Business, progress has been made in the improvement in SME policy and regulatory framework in the region, even though the relevant projects are mostly in their preliminary stages.

**EU4Business contributes to the professionalisation** of the sector, both in support services and in SMEs' capacities. Management effectiveness and market performance improved, leading to increased turnover, investments and jobs.

**Trade relations have been reinforced by EU4Business:** SMEs are assisted in developing trade relations with the EU and within the EaP region. The support to SMEs related to the DCFTA is targeted through stimulating the participation of SMEs in the DCFTA process and raising awareness of BSOs and SMEs on the obligations deriving from the DCFTA agreements. The activities have resulted in concrete **new business contracts**.

### **EU4Business Secretariat: the way forward**

The EU4Business Secretariat will continue to work on the consolidation of the results achieved across the programmes and projects supported by EU4Business. This will be carried out in close consultation with the implementers. A first step in this process is to agree and finalise the **list of Key Performance Indicators (KPIs)** which will be followed and reported upon.

Related to this, the Secretariat sees the need for the establishment of a **sound monitoring and information system** in which all relevant data on programmes and projects will be recorded. This will enable DG NEAR and the EU Delegations to the EaP countries to extract relevant data and to conduct analysis on the progress. It will also help in taking swift management decisions and increase accountability.

In order to get a view on the real achievements of EU4Business and further investigate the needs of the SME sector in the EaP countries, it is necessary that the final recipients (the SMEs) are consulted. Therefore, the Secretariat is considering conducting a **survey among selected SMEs in the region**. This survey will be designed in close consultation with DG NEAR, the EU Delegations and main implementers.

In order to ensure the coherence of the initiatives employed under EU4Business, the Secretariat will further **study the actions conducted and planned**

**by international and bilateral donors** as well as the national support measures.

This will enhance the identification of possible gaps and overlaps. The findings will be discussed with the EU4Business stakeholders in order to identify new and tailor-made interventions.

The **identification of tailor-made interventions** is also closely related to the need to reinforce the Riga Summit conclusion that there should be a better response to the needs of each EaP country. With this in mind, the Secretariat will further investigate developments and needs of the individual countries.

A major point of attention since the establishment of the EU4Business Secretariat has been the **awareness of the EU4Business** among implementers, the SME sector and the communities in the EU and the EaP countries. The Secretariat will continue working on conveying messages that reflect major EU4Business developments, the opportunities it provides and its achievements. For this purpose, different communication activities will take place, and the website will be the most important gateway to EU4Business.

### *Enjoy reading the first EU4Business Consolidated Report!*

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Executive Director at EY



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# LIST OF ACRONYMS

## A

|     |                        |
|-----|------------------------|
| AA  | Association Agreements |
| AM  | Armenia                |
| AMD | Armenian Dram          |
| AZ  | Azerbaijan             |

## B

|      |                                   |
|------|-----------------------------------|
| BAS  | Business Advisory Services        |
| BMOs | Business Membership Organisations |
| BRDO | Better Regulation Delivery Office |
| BSC  | Business Support Centre           |
| BSO  | Business Support Organisation     |
| BY   | Belarus                           |
| BYN  | Belarusian Rouble                 |

## C

|      |  |
|------|--|
| CIS  | Commonwealth of Independent States           |
| CSO  | Civil Society Organisations                  |
| CEEP | Caucasus Sustainable Energy Finance Facility |

## D

|          |  |
|----------|--|
| DAP      | DCFTA Adaptation Programme   |
| DBRB     | Development Bank of the Republic of Belarus                        |
| DCFTA    | Deep and Comprehensive Free Trade Area or Agreement                |
| DG TRADE | Directorate General for Trade of the European Commission           |
| DG NEAR  | Directorate General for Neighbourhood and Enlargement Negotiations |

## E

|      |  |
|------|--|
| EA   | Euro Area  |
| EaP  | Eastern Partnership                              |
| EBA  | European Business Association                    |
| EBRD | European Bank for Reconstruction and Development |
| EC   | European Commission                              |
| EEAS | European External Action Service                 |
| EFSE | European Fund For Southeast Europe               |
| EGP  | Enterprise Growth Programme                      |
| EIB  | European Investment Bank                         |

|     |                                   |
|-----|-----------------------------------|
| ENI | European Neighbourhood Instrument |
| ENP | European Neighbourhood Policy     |
| EPP | European People's Party           |
| EU  | European Union                    |
| EUR | Euro                              |

## F

|     |                           |
|-----|---------------------------|
| FDI | Foreign Direct Investment |
|-----|---------------------------|

## G

|      |  |
|------|--|
| GAFF | Georgian Agricultural Finance Facility         |
| GDP  | Gross Domestic Product                         |
| GE   | Georgia  |
| GIZ  | Gesellschaft für Internationale Zusammenarbeit |

## I

|      |   |
|------|---|
| ICT  | Information and Communication Technology    |
| IFI  | International Financial Institution         |
| IFRS | International Financial Reporting Standards |
| IKZ  | Interkulturelles Zentrum                    |
| ILO  | International Labour Organisation           |
| ITC  | International Trade Centre                  |

## K

|      |  |
|------|--|
| KfW  | Kreditanstalt für Wiederaufbau (Reconstruction Credit Institute) |
| KPIs | Key Performance Indicators                                       |

## L

|      |                              |
|------|------------------------------|
| LFIs | Local Financial Institutions |
|------|------------------------------|

## M

|        |  |
|--------|--|
| MD     | Moldova  |
| MDL    | Moldovan Leu   |
| MEDT   | Ukrainian Ministry of Economic Development and Trade |
| MoSEFF | Moldovan Sustainable Energy Financing Facility       |
| MSEs   | Micro and Small Sized enterprises                    |
| MSMEs  | Micro, Small and Medium Sized enterprises            |
| MWh    | Megawatt hour  |

**N**

NIF Neighbourhood Investment Facility

**O**

OECD Organisation for Economic Co-operation and Development

**P**

PAO Professional Accountancy Organisations

PCA Partnership Cooperation Agreement

PDO Protected Designation of Origin

PFIs Participating Financial Intermediaries

PGI Protected Geographical Indication

PPP Purchasing Power Parity

**R**

R&D Research and Development

RIA Regulatory Impact Assessment

**S**

SBA Small Business Act

SBS Small Business Support

SIGMA Support for Improvement in Governance and Management

SME Small and Medium Enterprise

SMEDA Support to SME development in Armenia

S&T Science and Technology

SPPRSD State Programme on Poverty Reduction and Sustainable Development

SRS State Regulatory Service

STAREP Strengthening Auditing and Reporting in the Countries of the EaP

**T**

TAM Turn Around Management

TAIEX Technical Assistance and Information Exchange

**U**

UA Ukraine

UAH Ukrainian Hryvnia

UKEEP Ukraine Energy Efficiency Programme

USD United States Dollar

**V**

VET Vocational Education and Training

**W**

WTO World Trade Organisation

## CHAPTER 1:

# THE EU4BUSINESS INITIATIVE

Small and medium-sized enterprises (SMEs) are the backbone of any economy.

Some 98% of all private enterprises in the EU are SMEs, and so are on average 95% of all firms in the Eastern Partnership (EaP) countries (Armenia, Azerbaijan, Belarus, Georgia, Moldova, Ukraine). A flourishing SME sector contributes to a healthy market economy in which a good balance between small and large businesses benefits both. In addition, SMEs have proven to affect the democratic developments in the countries and stimulate open societies. Economically stable neighbourhood economies and progressing democracies are related trends.

Within the strategic framework of the Eastern Partnership policy of the EU, SMEs have been singled out as an important target group for support. SMEs have the potential to make a significant contribution to job creation and to drive economic growth. However, in the EaP countries, SMEs face many challenges which prevent them from realising their full potential. Typical challenges are: limited access to finance, constraints in accessing new markets, constant changes in new, inconsistent and burdensome legislation, lack of relevant skills to grow their businesses and a difficult operational environment encompassing high tax rates, corruption, bureaucracy and political instability.

This is the reason why the SME Flagship Initiative was launched in 2009, the umbrella of all EU-funded regional programmes. In 2016, the SME Flagship Initiative was rebranded EU4Business, now also including bilateral assistance projects that directly target SMEs and **Business** Support Organisations (BSOs). In this way, EU4Business can better monitor and communicate on aggregated results achieved with the partner countries and partner organisations. That is also the purpose of this annual EU4Business report.

The EU4Business programme has grown fast in the past few years and it is the right moment to plan further actions that will build on what has been achieved already while looking at the current needs and challenges.

2017 is indeed a special year with the upcoming EaP Business Forum in October and EaP Summit in November, as well as the definition of the upcoming EU assistance package on both bilateral and regional levels for the period covering 2017-2020.

This report provides a snapshot of what the EU support has achieved since the creation of the first SME Flagship, and of where we currently stand and where we should go next.

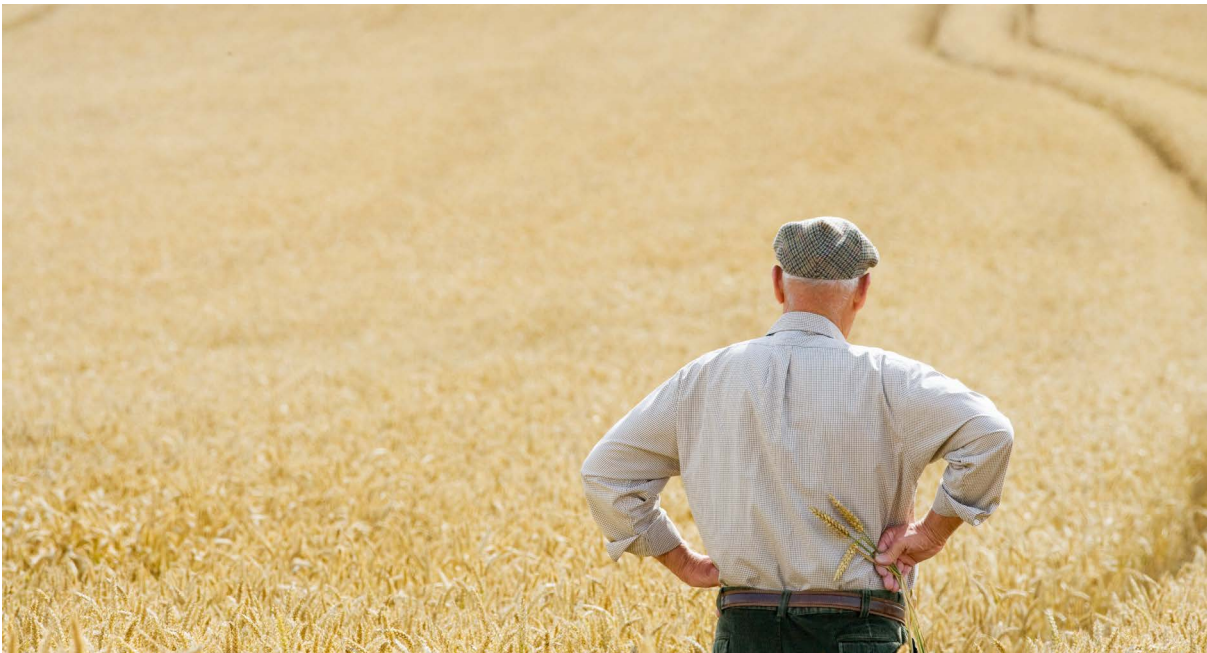
### 1.1 EU4Business is part of a wider policy framework

The overall framework of the EU cooperation with the EaP countries is provided by the European Neighbourhood Policy (ENP). The ENP, launched in 2004, aims to achieve the closest possible political association and the greatest possible degree of economic integration with the EU of its Southern and Eastern neighbour countries. Its general objective is *'to build and consolidate healthy democracies, pursue sustainable economic growth and manage cross-border links'*. The European Neighbourhood Instrument (ENI), established in 2014 by Regulation (EU) No 232/2014 (ENI Regulation), is the key EU financial instrument dedicated to the neighbourhood countries for the period 2014-2020. The objective of the ENI is to achieve progress towards *'an area of shared prosperity and good neighbourliness'* between EU member states and their Eastern neighbours.

#### EUROPEAN COUNCIL PRESIDENT DONALD TUSK AT THE PRESS CONFERENCE OF RIGA SUMMIT



"Our partnership, as well as the Riga Summit itself, are not about dramatic decisions or taking giant steps forward. No. our relationship is built on free will, respect and equity. And our partnership will go forward step-by-step, just as the European Union has been built."



The ENP was further developed through the Eastern Partnership (EaP) programme. The EaP is a joint initiative of the EU and Armenia, Azerbaijan, Belarus, Georgia, Moldova and Ukraine. It was launched in 2009 and forms a specific dimension of the ENP. The EaP aims to create the conditions for accelerated political association, deeper economic integration between the EU and its partners and closer business-to-business and people-to-people contacts.

A recent review of the ENP and the Riga Summit discussions have confirmed the **need for a more tailored and differentiated approach to the Eastern partners**. It has been recognised that implementation of the policy must reflect the wishes of each partner country as well as the interests of the EU concerning the nature and the focus of the partnership. Flexibility, both in policy and in support instruments, is deemed essential if the partnership is to stay agile and responsive to crises.

In the context of a volatile and uneven situation among countries in our neighbourhood and considering the important changes in the region since the initial creation of the ENP in 2004, the EU has changed its approach to its ENP to reflect each country's specific needs, priorities and aspirations and the common interests they share with the EU, while always promoting universal principles. The ENP Review recognised/acknowledged that there is a need for tailor-made concepts and fine-tuning of the EU support so that they are more focused on each of the Eastern partners. Therefore, on the EaP bilateral level, the EU is committed to establishing strong and mutually beneficial cooperation with all six partners. The scope and depth of cooperation are determined by the ambitions and needs of the EU and the partners, as well as by the pace of reforms in the EaP countries.

The bilateral relations of the EU and Georgia, Moldova and Ukraine are based on the Association Agreements/Deep and Comprehensive Free Trade Areas (AA/DCFTAs) concluded in 2014.

These agreements aim at strengthening the political association and economic integration. They constitute a plan of reforms that will bring the partner countries closer to the EU by aligning their legislation and standards with those of the EU, and improve peoples' lives in a tangible way.

A more tailored approach was applied to the relations with Armenia, Azerbaijan and Belarus, thereby reflecting their aspirations. The relations with Armenia are regulated by the EU-Armenia Partnership and Cooperation Agreement (PCA), in force since 1999. A new agreement is being negotiated with Armenia, whose political and economic cooperation with the EU will take account of Armenia's other international commitments. Similarly, the bilateral relations with Azerbaijan are set out in a specific PCA (1999).

Azerbaijan is committed to enhance political cooperation and progressive but selective economic integration with the EU. The EU is also considering entering a closer relationship with Azerbaijan, to better reflect the EU's respective interests and values. The strategic objectives of the EU and Armenia and Azerbaijan cooperation are set in the ENP Action Plans <sup>(1)</sup>.

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**Source:**

<sup>(1)</sup> [https://eeas.europa.eu/topics/eastern-partnership/419/eastern-partnership\\_en](https://eeas.europa.eu/topics/eastern-partnership/419/eastern-partnership_en)



The EU-Belarus PCA was completed in 1995, but was not concluded and ratified due to the deteriorating political situation in Belarus. The EU-Belarus bilateral relations have been deepening in carefully calibrated mutual steps.

The fourth Eastern Partnership Summit in Riga (May 2015) is one of several top-level milestones within a much longer, gradual strategy of assisting the EaP partner countries in their transformation process, while recognising their diverging aspirations and capacities.

The EaP Summit in Riga, followed by the Ministerial Conference in May 2016, confirmed the following four priority areas for further actions:

- economic development and market opportunities;
- strengthening institutions and good governance;
- connectivity, energy efficiency, environment and climate change;
- mobility and people-to-people contacts.

#### COMMISSIONER JOHANNES HAHN ON RIGA SUMMIT <sup>(2)</sup>



“One of the most important takeaways from Riga is this: We have seen, more clearly than ever, the heterogeneity of our Eastern partners. This requires a differentiated approach and even more tailor-made strategies on the side of the EU, which is already one of the cornerstones of the ongoing ENP review.”

At the Riga Summit and with regard to the partner countries engaged in ambitious AAs/DCFTAs (Ukraine, Georgia and Moldova), the launch of a new Facility for SMEs worth EUR 200 million was announced.

This DCFTA Facility is to unlock at least EUR 2 billion of new investments by SMEs in the three countries, to be financed largely by new loans supported by the Facility <sup>(3)</sup>. About EUR 109 million has been committed already and some EUR 47 million will be committed during 2017. The DCFTA Facility also reflects the EU’s incentive-based approach (‘more for more’). The approach is based on the principle that the more and the faster a country progresses in its internal

reforms, the more support it should receive from the EU.

The four priority areas agreed in Riga call for full alignment of policy and funding instruments. This concerns the financing streams of the European Neighbourhood Instrument (ENI) and other sources of EU funding and the actions of the International Financial Institutions (IFIs).

In support of this approach, 20 key deliverables have been identified with targets to be achieved by 2020 and with the first milestones to be reached before the EaP Summit in November 2017. The 20 key deliverables will act as a work plan guiding EaP-related actions until 2020 <sup>(4)</sup>.

## 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 <sup>(5)</sup>. The Strategy’s general objective is ‘*to sustainably increase the contribution of the SMEs to the national economies through strengthening the SMEs as vehicles for employment creation and economic development*’.

#### Source:

<sup>(2)</sup> Riga Summit: A strong but differentiated partnership. Blog Post by Johannes Hahn, 26 May 2015

<sup>(3)</sup> Note: The financial means to come largely from the European Bank for Reconstruction and Development (EBRD) and the European Investment Bank (EIB)

<sup>(4)</sup> ‘Joint staff working document Eastern Partnership - Focusing on key priorities and deliverables’, European Commission, Brussels, 15.12.2016 SWD(2016) 467 final

<sup>(5)</sup> ‘EU support to SMEs in the Eastern Partnership countries 2014-20. The way forward for the SME Flagship Initiative’

#### The Strategy defines four strategic priorities:



**1.**  
Improving access to  
finance



**2.**  
Strengthening policy  
and regulatory  
frameworks



**3.**  
Improving knowledge  
base and business skills

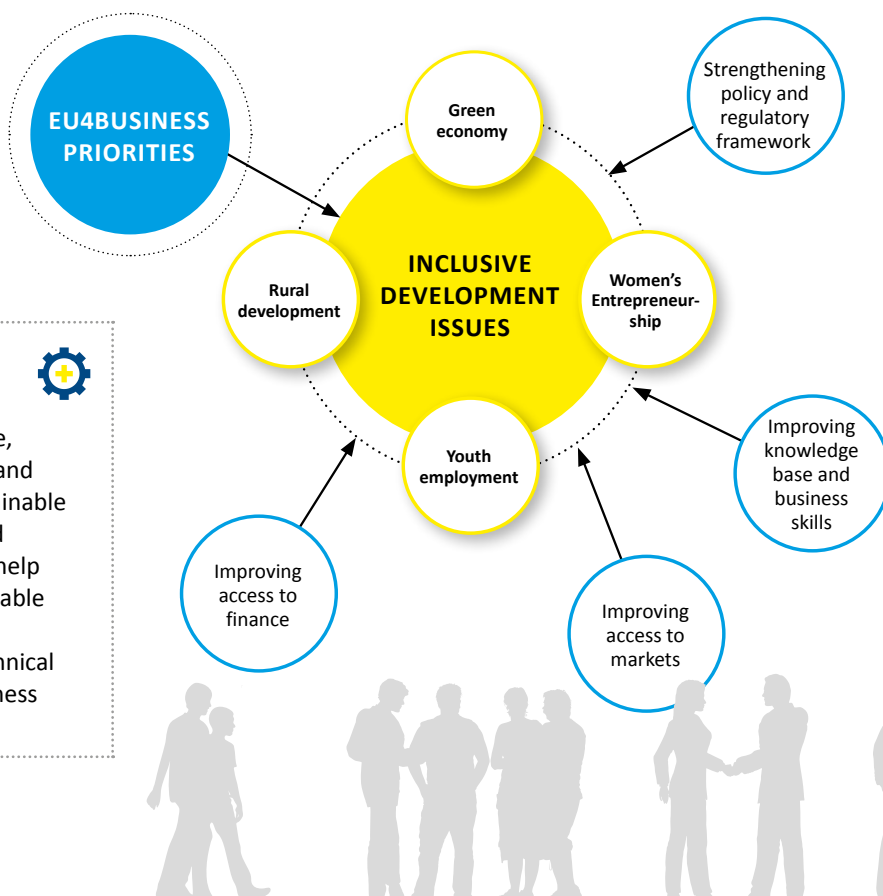


**4.**  
Improving access  
to markets

**Table 1.1**  
SME Flagship Strategy 2020 objectives and priority areas

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

In addition to the four strategic priorities, EU4Business responds to inclusive development issues related to women and youth, rural development, energy and the environment.



**EU4BUSINESS ADDRESSING INCLUSIVE DEVELOPMENT ISSUES**

The Green Growth Fund (GGF), for instance, facilitated investment in energy efficiency and renewable energy projects. Caucasus Sustainable Energy Finance Facility (CEEP) has provided credit lines used by local partner banks to help households and companies finance sustainable energy investments. Woman in Business programme secures loans and tailored technical assistance to local banks and to small business run by women.



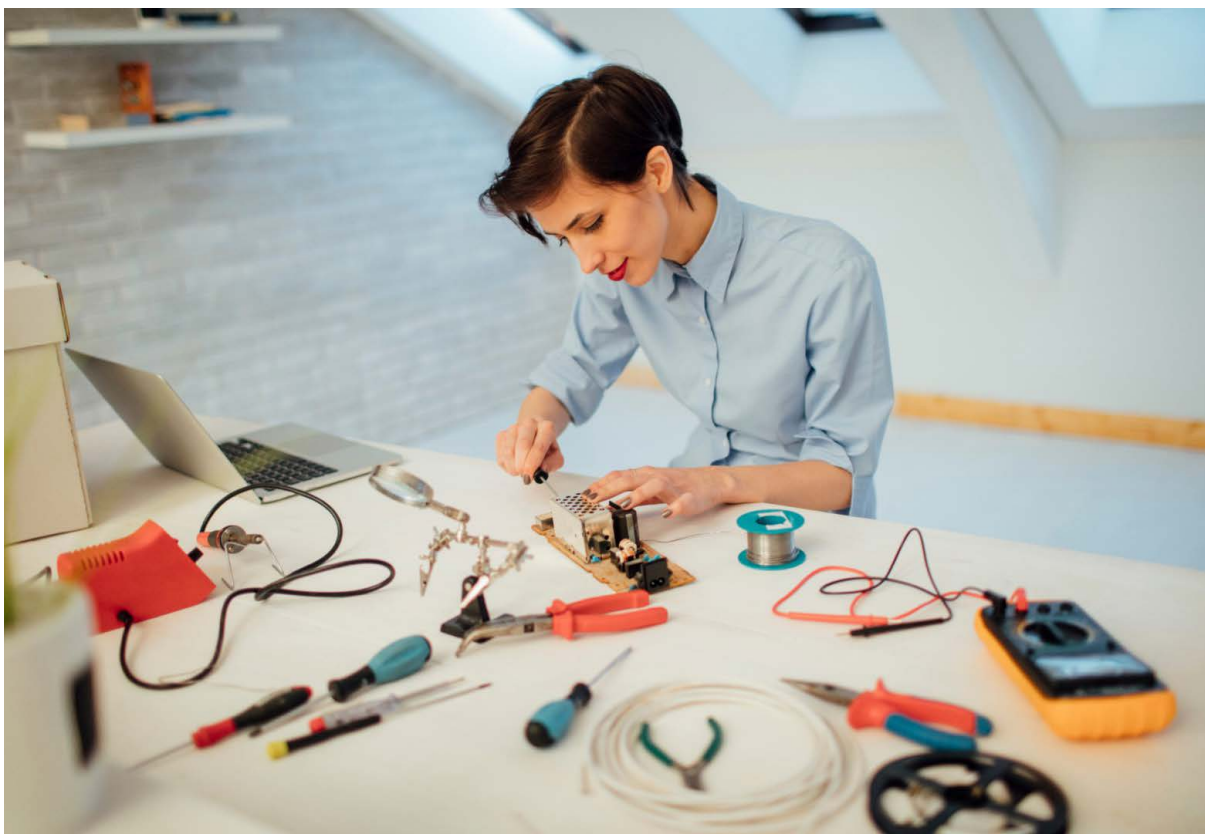
Next to the SME Flagship Strategy, several other key documents provide a strategic framework for EU4Business (in addition to the high-level policy documents discussed in Section 1.1).

**Table 1.2**  
*EU4Business strategic framework for the 2014-2020 period*

| LEVEL                      | DOCUMENT   | DESCRIPTION   |
|----------------------------|--|---|
| GENERAL                    | Regulation (EU) No 236/2014  | Regulates common rules and procedures for the implementation of the Union's instruments for financing external action, including types of support measures and general eligibility and implementation rules.  |
| ENI                        | ENI Regulation (EU) No 232/2014  | Establishes objectives and key priorities for Union support under the European Neighbourhood Instrument on bilateral and multi-country level and implementation arrangements.   |
| ENI INTER-REGIONAL         | 'European Neighbourhood-wide measures' Priorities (2014-2020) and Multiannual Indicative Programme (2014-2017)           | Defines objectives, pursued by Neighbourhood-wide measures and programmes to be financed under the ENI. Relevant measures are the Neighbourhood Investment Facility, TAIEX and SIGMA.   |
| EAP MULTI-COUNTRY          | Regional East Strategy Paper (2014-2020) and Multiannual Indicative Programme (2014-2017)                                | Defines priorities and objectives for multi-country cooperation (including regional and sub-regional policies and priorities) over the period 2014-2020 and identifies ENI Regional East multiannual indicative programme 2014-2017. The programme sets the objectives of the SME Flagship and core specific result indicators. |
| SME FLAGSHIP               | EU Support to SMEs in the Eastern Partnership Countries 2014-2020  | Defines objectives, results and indicators of the SME Flagship, as well as coordination and monitoring arrangements.  |
| PLATFORM 2/ SME PANEL      | Platform 2 Work Programme 2014-2017  | Identifies objectives and priorities of the SME policy panel over the period 2014-2017.   |
| ACTIONS UNDER SME FLAGSHIP | Commission Implementing Decisions/Action Documents   | Specifies objectives of the actions, expected results and main activities' methods of implementation, budget and indicative timetable, as well as performance monitoring arrangements.  |
| EAP BILATERAL              | Association Agenda/Action Plans Single Support Frameworks or Strategy and multiannual indicative programme for 2014-2017 | Sets priorities and reform objectives of interest to the EU and the partner country.  |
|                            | Single Support Frameworks or Strategy and multiannual indicative programme for 2014-2017                                 | Identifies country-level support objectives, key results and indicative financial allocations.  |

Further operationalisation of the strategy, taking into account the priorities set by the Riga Summit, is provided by the 2020 deliverables under Priority I: Economic development and market opportunities. Under this priority, EU4Business plays a key role in supporting SMEs in the EaP region in facing 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 and improving the financial infrastructure<sup>(6)</sup>. 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, support for 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.

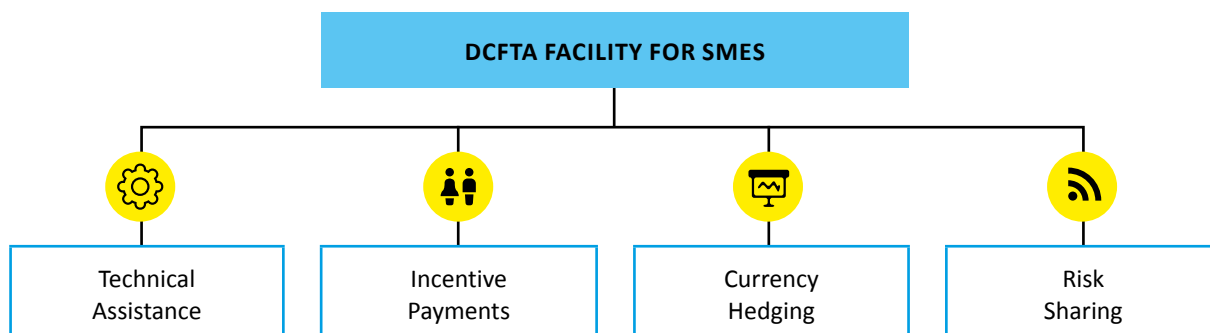
The DCFTA Facility for SMEs supports the strategic objectives, namely to increase the competitiveness of SMEs, ease their access to finance related to trade, and help them seize new trade opportunities and comply with quality standards. The negotiations with IFI partners have been finalised and the DCFTA Facility is fully operational as of 2017.

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

**Source:**

- <sup>(6)</sup> E.g. banking sector reform and legislation, improved credit/collateral registries, improved financial reporting and audit, measures enabling capital markets, etc.
- <sup>(7)</sup> <http://ec.europa.eu/enlargement/neighbourhood/eastern-partnership>, 2015.

**Figure 1.1**  
Instruments of the DCFTA Facility <sup>(7)</sup>



### 1.3 Dynamics of EU4Business

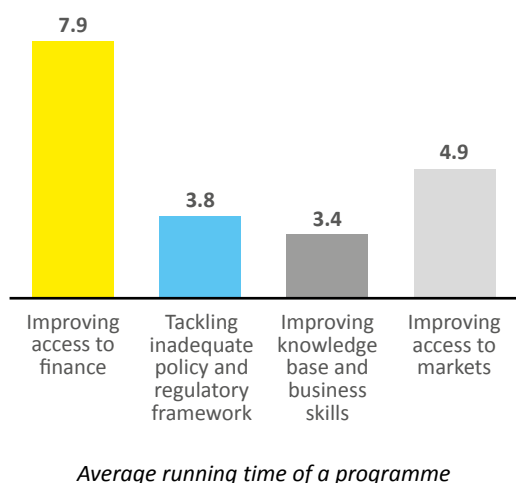
Over the years, the number of EU4Business programmes and projects has increased significantly. While by 2015 there were 17 ongoing projects with an EU commitment of EUR 198 million, today (about two years later) there are four completed and 25 ongoing projects corresponding to a financial commitment of about EUR 280 million. Most programmes are long term.

**Figure 1.2**  
Dynamics of EU4Business <sup>(8)</sup>



The average running time per programme/project is the longest for improving access to finance (eight years) projects. This is explained by the fact that most of the projects cover funds for loans, which generally need a longer running time allowing for an adequate disbursement.

**Figure 1.4**  
Average running time of a programme/project per objective <sup>(10)</sup>



**Footnote:**

<sup>(8)</sup> Contract database EU4Business  
<sup>(9)</sup> Contract database EU4Business; Project No.1 consists of three projects: Phase I EBRD/kfW, Phase II kfW, Phase II EBRD  
<sup>(10)</sup> Contract database EU4Business

**Figure 1.3**  
Year of contract signing and end year <sup>(9)</sup>

**PROJECT**

**IMPROVING ACCESS TO FINANCE**

1. SME FINANCE FACILITY PHASE I AND PHASE II - EBRD/KfW
2. SME FINANCE FACILITY PHASE I - EIB
3. EFSE (NEIGHBOURHOOD WINDOW OF THE EUROPEAN FUND FOR SOUTH EAST EUROPE - ENR COMPONENT)
4. WOMEN IN BUSINESS
5. DCFTA PROGRAMME - EIB
6. DCFTA PROGRAMME - EBRD
7. GREEN FOR GROWTH - EXTENSION TO NIF EAST REGION
8. DCFTA SME DIRECT FINANCE FACILITY
9. IDENTIFICATION AND PROMOTION OF ENERGY EFFICIENCY INVESTMENTS
10. SOUTH CAUCASUS SUSTAINABLE ENERGY FINANCE FACILITY
11. FINANCIAL SECTOR INSTITUTION BUILDING AND CRISIS RESPONSE
12. FRAMEWORK FOR CAPACITY BUILDING TO SUPPORT FINANCIAL INTERMEDIARIES
13. FILIÈRE-DU-VIN

**TACKLING INADEQUATE POLICY AND REGULATORY FRAMEWORK**

14. SMES COMPETITIVENESS REFORMS
15. STAREP (STRENGTHENING AUDITING AND REPORTING IN THE COUNTRIES OF THE EAP)
16. FORBIZ

**IMPROVING KNOWLEDGE BASE AND BUSINESS SKILLS**

17. SBS PROGRAMMES - BAS+EGP IN EAP COUNTRIES (TAM/BAS)
18. SBS PROGRAMME - EGP+BAS PHASE I
19. SBS PROGRAMME - EGP+BAS PHASE II
20. SMEDA (SUPPORT TO SME DEVELOPMENT IN ARMENIA)
21. COMMUNITY DEVELOPMENT THROUGH SOCIAL ENTREPRENEURSHIP
22. SUPPORT TO THE EUROPEAN BUSINESS ASSOCIATION ARMENIA
23. SME DEVELOPMENT AND DCFTA
24. DCFTA ADAPTATION PROGRAMME (DAP)
25. EU4BUSINESS: NETWORK OF BUSINESS SUPPORT CENTRES IN UKRAINE

**IMPROVING ACCESS TO MARKETS**

26. EAST INVEST I
27. EAST INVEST II

2006 2007 2008 2009 2010 2011 2012 2013 2014 2015 2016 2017 2018 2019 2020 2021 2022 2023 2024 2025 2026



Originally, the SME Flagship covered only regional programmes. However, following the Riga Summit, it was decided to bring under the same umbrella regional and bilateral projects that are directly targeting SMEs so as to also ensure increased coordination, complementarity and efficiency among projects <sup>(11)</sup>.

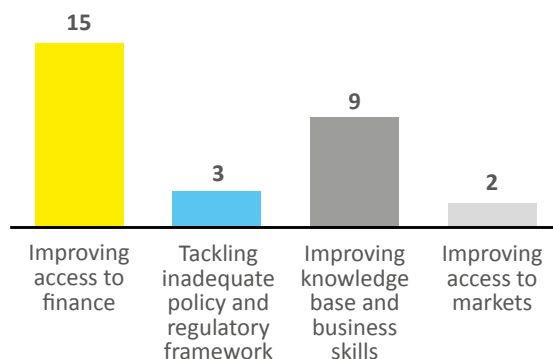
The EU4Business portfolio is expected to grow, especially because of the ongoing 2017 programming. In addition, a deeper insight into the ongoing and planned bilateral projects may bring more projects into the current EU4Business portfolio.

In addition to the EU4Business portfolio, the EU4Business Secretariat has registered some 20 ongoing bilateral projects, which are expected to have an indirect impact on the SME sector and are therefore called 'associated projects'. They are closely monitored by the EU Delegations in the EaP countries. The EU financial commitment to these projects is about EUR 240 million, of which more than EUR 100 million has been absorbed already. The prevailing type of these projects is budget support, technical assistance and twinning, primarily aimed at an improved business environment.

#### 1.4 Specific dimensions of EU4Business

The EU4Business database <sup>(12)</sup> is the source for reviewing the 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 29 programmes and projects by objective, by geographic coverage and by implementer. A full overview of the programmes and projects in the EU4Business portfolio as at April 2017 is provided in Annex A.

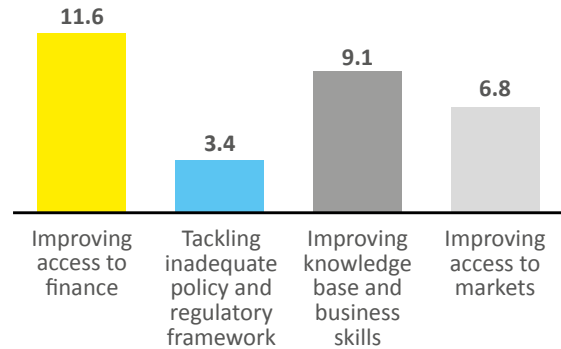
**Figure 1.5**  
Programmes and projects by objective <sup>(13)</sup>



Programmes and projects addressing SME access to finance have a prominent presence in the EU4Business portfolio, followed by projects addressing SME knowledge and skills. The high value of the projects supporting SME access to finance is related to the instruments used, where the average size of a project can be as much as EUR 11.6 million.

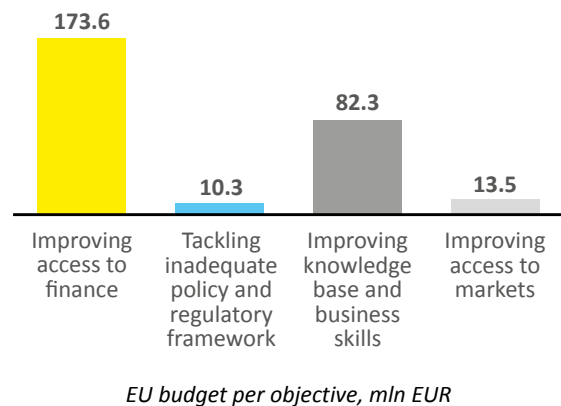
Almost half of the total budget for knowledge and skills goes to the recently completed EBRD programme supporting the network of BSOs in Ukraine.

**Figure 1.6**  
Average programme/project size per objective (million EUR, N=29) <sup>(14)</sup>



We need to note that the division of the EU4Business programmes and projects by objective can be slightly misleading as many of the actions are responding to multiple challenges experienced by the SMEs. Actions aiming at improving access to finance, for instance, are often accompanied by knowledge transfer. Likewise, most projects within the DCFTA Facility are classified as access to finance as the prevailing type of support is comprised of risk sharing mechanisms, currency hedging and investment incentives. However, their ultimate aim is to support trade and hence the multi-objectivity of DCFTA-related projects.

**Figure 1.7**  
EU committed budget per objective (million EUR) <sup>(15)</sup>



**Source:**

<sup>(11)</sup> The EU4Business Secretariat has built the EU4Business portfolio of projects on the basis of these criteria. It takes account of associated projects, which are also financed by the EU, but have an indirect relationship with the SME sector

<sup>(12)</sup> Status as at April 2017

<sup>(13)</sup> Own calculation based on data in the EU4Business database

<sup>(14)</sup> EU4Business database

<sup>(15)</sup> Finalised and ongoing programmes and projects as per EU4Business database





## EU4Business: Access to finance

For the EU4Business objective **improving access to finance**, assistance is programmed under the Neighbourhood Investment Facility (NIF). This is a blending facility, which combines EU grant contributions with other public and private sector resources, such as loans and equity to leverage additional financing. The NIF supports projects prepared jointly with the IFI partners (EBRD, EIB and KfW).

An important SME loan programme is the ‘SME Finance Facility Phase I and II’<sup>(16)</sup>, 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 main microfinance facility is ‘Neighbourhood Window of the European Fund for South East Europe’ (EFSE), implemented by KfW. Next to this facility are three EBRD projects:

- ‘Women in Business’ (EBRD);
- ‘Financial Sector Institution Building and Crisis Response’, providing technical assistance to PFIs in the EaP countries, covering the whole region;
- ‘Framework for capacity building to support financial intermediaries’ for Azerbaijan and Georgia.

The EIB project, aimed at strengthening the Moldovan wine sector through improving its access to finance, has been successfully completed.

Another three projects, covering all EaP countries except Belarus, facilitate investments in energy efficiency and renewable energy. These are: the ‘South Caucasus Sustainable Energy Finance Facility’, the ‘Identification and promotion of energy efficiency investments’ (both EBRD) and the ‘Green for growth’ programme (EIB). Finally, specifically for the three countries that have signed a DCFTA agreement with the EU (Georgia, Moldova and Ukraine), DCFTA programmes have been developed. These are the EIB/EBRD ‘DCFTA Programme’ and the ‘DCFTA SME Direct Finance Facility’ (EBRD).

It should be noted that most programmes and projects financed under the *improving access to finance* objective also contribute to the objective *improving knowledge base and business skills*. The DCFTA-related projects additionally contribute to *improving access to markets*.

### Source:

<sup>(16)</sup> Implemented by EBRD/KfW and the EIB



## EU4Business: Policy and regulatory framework

The EU4Business objective **tackling inadequate policy and regulatory framework** is supported through three projects, aiming at developing efficient SME policies and improving the auditing and financial reporting standards in the region. The OECD project *'SMEs Competitiveness Reforms in EaP countries'* assesses the SME policy developments in the EaP countries and develops specific guidelines for reforms. It also establishes structures for public-private dialogue for involving the private sector in the policy making process. This project has a specific focus on monitoring and evaluation of the impact of SME policy interventions and aims to strengthen the capacity of SME policy makers in the region and to measure impact on the ground.

The World Bank's STAREP (*Strengthening Auditing and Reporting in the Countries of the Eastern Partnership*) project aims at building capacity in accounting and auditing in accordance with international standards. Specifically targeting Ukraine, GFA implements a project called FORBIZ, addressing the deregulation policy of the Ukrainian authorities.

A number of associated projects are targeting problems in the business and regulatory environment of the countries concerned, including: Support to Ukraine to re-launch the economy (SURE technical assistance project), Strengthening the institutional capacity of the Department of Trade Policy of the Ministry of Economy in Azerbaijan, and FWC Competition.



## EU4Business: Knowledge base and Business skills

The objective **improving knowledge base and business skills** is supported through the *Small Business Support programme* (EBRD). Assistance to companies to improve amongst others management effectiveness and market performance is provided through the *Enterprise Growth Programme* (EGP) and the *Business Advisory Services* (BAS) programme. By involving local consultants, the programme is also seeking to develop local business advisory services. In addition, initiatives that target individual countries are supported:

- in Armenia, these are the *'Support to SME Development'* (GIZ), the *'Community development through social entrepreneurship'* (Interkulturelles Zentrum) and the *'Support to the European business association in Armenia'* projects (EBA);
- DCFTA support is provided to Georgia through the EBRD *'DCFTA Adaptation Programme'* (DAP) and by the project *SME Development and DCFTA-Georgia*;
- in Ukraine, a Network of Business Support Centres is assisted.



## EU4Business: Access to markets

The objective **improving access to markets** is addressed mainly through the 'East Invest' programme (I and II). This programme aims at promoting trade and investment through networking of SMEs and the consolidation, sustainability and empowerment of SME and business associations in the EaP countries. For the three countries that have a DCFTA Agreement with the EU, the programme also supports the participation of SMEs in the DCFTA process while ensuring the familiarisation of business associations and SMEs with the EU acquis and obligations deriving from the DCFTA Agreements. In addition, *'East Invest'* focuses on improving the public-private dialogue in the EaP countries and enhancing capacities of business associations to represent SMEs in this dialogue with their respective governments.

### Overall geographical coverage

When looking at the geographical coverage, a large part of the EU4Business budget is allocated to Ukraine, Georgia and Moldova. The main programme for Ukraine, Georgia and Moldova is the EIB/EBRD DCFTA programme, with an EU contribution of EUR 62.7 million to date for the part implemented by the EIB and EUR 19.4 million for the EBRD part. The total fund of this programme is EUR 462.2 million (see Table 4.1 in Chapter 4).

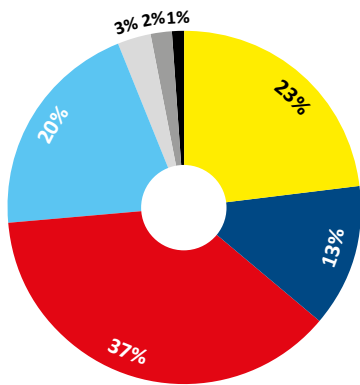
The next largest programme is the SME Finance Facility Phase I, implemented by the EBRD/EIB/KfW with an EU contribution of EUR 15.3 million and a total budget of EUR 144.3 million.

Among EU4Business actions covering the total region, the programme *'Financial sector institution building and crisis response'* is the largest one, with an EU contribution of EUR 12.3 million.

Ukraine is the largest country-receiver, mainly due to the *'Network of Business Support Centres'* programme, with an EU contribution of EUR 43.3 million, and the SME Finance Facility Phase II of the EBRD/KfW with an EU contribution of EUR 10.4 million.

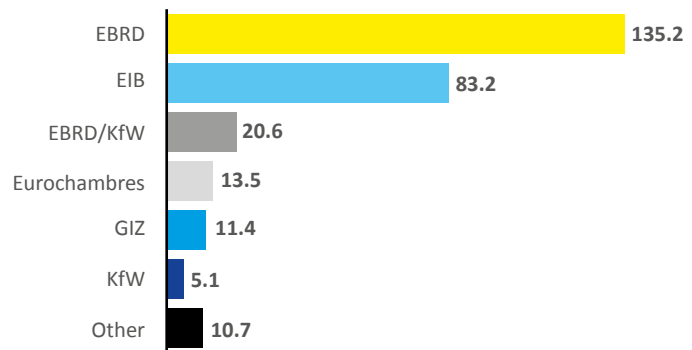


**Figure 1.8**  
Regional distribution of the committed EU budget <sup>(17)</sup>



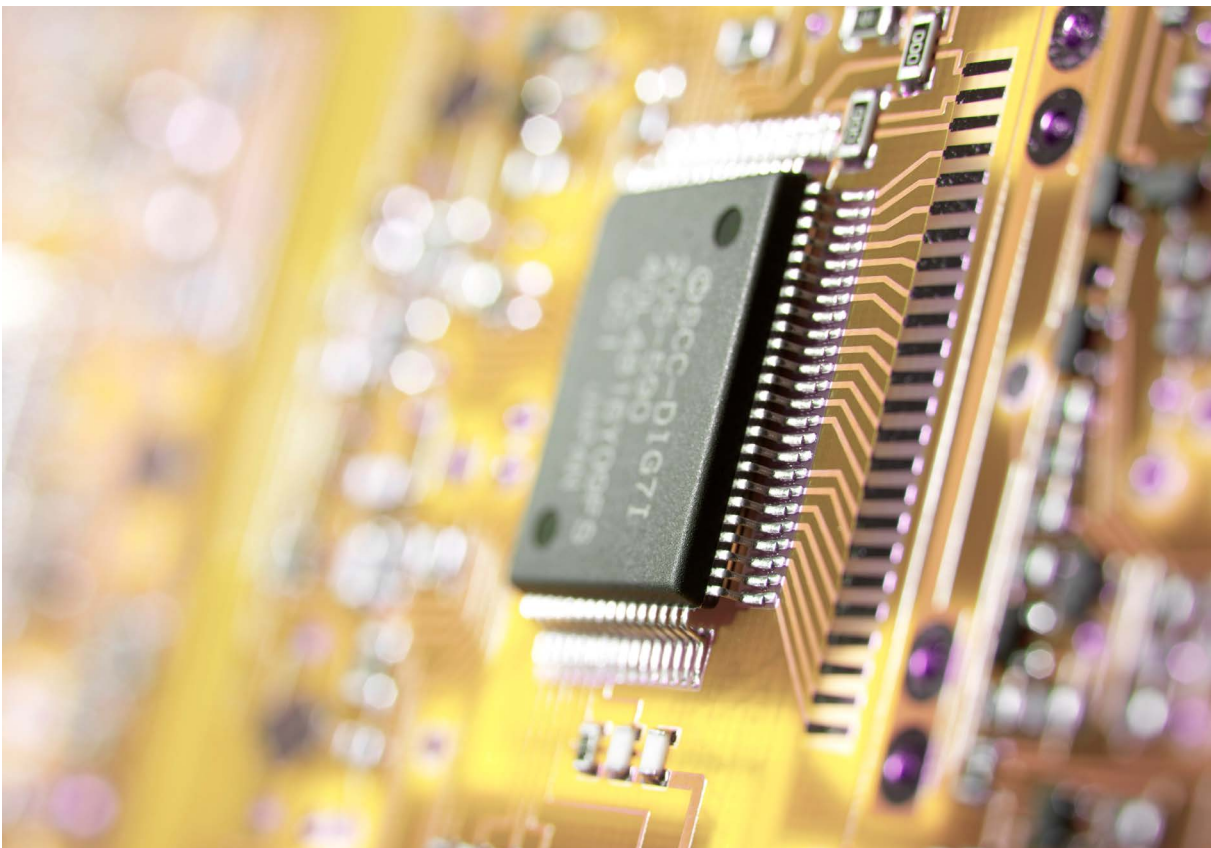
- Region as whole
- Part of the region (2-5 countries)
- Ukraine, Georgia, Moldova
- Georgia
- Armenia
- Moldova

**Figure 1.9**  
Total EU budget committed per implementer (million EUR) <sup>(18)</sup>



Source:  
<sup>(17)</sup> EU4Business database  
<sup>(18)</sup> Idem

EU4Business is implemented by various international organisations such as the EBRD, the EIB, Eurochambres, the Kreditanstalt für Wiederaufbau (KfW), the OECD, the World Bank, and ITC. In terms of the budget and number of EU4Business programmes and projects, the EBRD is the main implementer, followed by the EIB.



## 1.5 The EU4Business pipeline

The EU4Business pipeline currently includes projects representing a total budget of about EUR 50 million. It includes projects aimed at developing SME knowledge and skills such as the *'Support to BSOs and CSOs on SME and DCFTA implementation'*, *'Advice for Small Businesses in Belarus'* and *'Small Business Support in Armenia'* programmes. The ITC project *'Integrating SMEs from EaP countries into domestic and global value chains'*, which addresses access to markets, is currently being contracted.

Under the DCFTA Facility, two projects are planned, namely:

- *SME Finance Facility Phase II* of the EIB addressing priority access to finance: working via local banks to enable lending in the local currency with an EU grant of EUR 5 million for the interest rate subsidies;
- *DCFTA Facility Phase II* of the EBRD (working via local banks) providing access to finance in support of trade and internationalisation. The EU grant is EUR 19 million for incentive payments to SMEs wishing to take up credits for DCFTA compliant investments. The programme is operational in Georgia (via the Bank of Georgia, with a forthcoming loan agreement with the TBC Bank) and in Moldova (via Mobiasbanca). Phase II of the Facility is also currently under preparation for Ukraine.

The flexibility and the tailor-made approach will also have to be reflected in the type of instruments.

For instance, apart from the traditional grant instruments used to improve access to finance (e.g. risk and guarantee schemes, instruments for local currency hedging and technical assistance), the EU4Business instruments include incentive payments to reduce the costs of the SMEs in upgrading their technologies and production processes (already taken on board in the green facilities). Advisory services to identify suitable technologies for investment, and assisting SMEs in preparing credit applications or preparing for quality certification of products and processes, are among the new approaches EU4Business is either applying already or considering developing. Furthermore, the SMEs in EaP countries that aim at exporting to the EU should be supported in assessing the demand for products across the EU markets and in meeting the respective import requirements.

In summary, the EU4Business initiative has been shown to be viable and much needed for both the EU and the EaP countries. The EU4Business portfolio has grown substantially in the last five years. The strategic framework of the EU4Business initiative was re-confirmed in Riga in 2015 and further re-enforced especially with making the DCFTA Facility fully operational. 2017 is an important year for the EU4Business programming, which is not only taking on board the Riga Summit recommendations, but also looking forward to deliver the Eastern Partnership 2020 ambition.





EU4Business

# SUCCESS STORIES

## THE SBS PROGRAMME CAPACITY BUILDING HELPS FIRMS IN GROWING THEIR BUSINESS

With funding from the EU under the EU4Business Initiative, Monomakh, a Ukrainian company specialising in tea and coffee production, was assisted in creating a new development strategy, optimising their organisational structure and bringing their financial reports into compliance with international standards.

*“Only a year later, the number of employees has grown two-fold to **240** and their labour productivity has increased by **171%**, increasing turnover by **258%**.”*

## KAKHETIAN TRADITIONAL WINEMAKING GEORGIAN VINTNER

Kakhetian Traditional Winemaking, a Georgian vintner, was supported in the introduction of the ISO 9001 and ISO 22000 international quality standards, which have become increasingly important for companies wanting to compete on the international wine markets.

*“Within a year, they increased exports by **133%**, more than doubled turnover and obtained the financing they needed to diversify into a new line of business.”*

## DOMEN GROUP

As a result of the support, Domen Group, a printing and packaging company from Ukraine, penetrated new direct export markets in four different countries.

*“Signing **12 contracts** totalling over **EUR 2.7 million**, which represents **30%** of their annual turnover.”*

The company also merged its separate brands under one single powerful corporate brand. The introduction of new equipment saw the introduction of seven new higher value-added products, enabling the company to start servicing the pharmaceutical industry.

## OLDCOM SA

FOOTWEAR PRODUCER

Oldcom SA, a footwear producer in the Republic of Moldova, was assisted in the introduction of an information management system and the establishment of more efficient daily management of operations.

*“One year after the project’s completion, turnover has increased by **10%**. Additionally, the company has continued to grow, expanding into the Ukrainian market. About **30%** of its turnover now comes from exports to Ukraine. The company has enriched its product range from **80 to 130** different types of products.”*



## CHAPTER 2:

# EASTERN PARTNERSHIP SME SECTOR MOVING AHEAD

Traditionally, the economies of what are now the Eastern Partnership (EaP) countries were dominated by large, State-owned enterprises.

The small and medium-sized enterprise (SME) sector has therefore started almost from scratch, and growing the sector takes time unless supported with appropriate policies and a welcoming business environment. This picture is changing, albeit slowly: many countries now have SME policies; there is support for SMEs via SME Agencies and Business Support Organisations (BSOs); procedures for starting a company have been eased; doing business has significantly improved; access to finance has become easier; and various SME support schemes are now operational.

The Organisation for Economic Cooperation and Development (OECD) noted in its 2016 assessment report, analysing the progress made since 2012<sup>(1)</sup>, that all EaP countries show *'significant, albeit uneven, progress. Many of the recommendations of 2012 have been implemented. It is encouraging to observe greater attention being given to the institutional practices of SME policy making, with a clear drive towards introducing medium term SME strategies and setting up dedicated agencies'*<sup>(2)</sup>.

The SME sector in the EaP countries is dependent on the status of the economies as a whole and on the business environment. Furthermore, the regulatory reforms and the support mechanisms are influencing the development of the SMEs into an important employer and a value added contributor.

Foremost policy barriers are still limiting SME development. Corruption, inappropriate tax policy and heavy customs procedures are mentioned amongst the main factors hampering SME growth. It is important to ensure a more enabling business environment and financial sector infrastructure, which will allow for sustainable funding of the real economy. It is also key to strengthen those institutions and bodies that guarantee better access to finance for SMEs, including through tackling issues such as credit and collateral registries and better financial reporting, as well as the development of non-banking products such as leasing and the development of a local capital market that functions well.

Although various schemes for supporting entrepreneurship are operational, the overall effort is still far from what is required. Awareness about the advantages of starting your own company has to be increased, and understanding and knowledge of entrepreneurship should be enhanced including by introducing entrepreneurship education in secondary schools and universities.

In this chapter, we present the main trends in the development of the SME sector in EaP countries and their environment from 2009 until today<sup>(3)</sup>, the period since the inception of EU4Business. The comparison between countries is challenging due to different definitions of SMEs<sup>(4)</sup> and the use of national statistics. Nevertheless, trends showing progress across the EaP countries are captured and development barriers identified.

## 2.1 EaP economic growth and the SME sector

The countries are still struggling on their path to economic recovery from the crisis caused by lower commodity prices, the economic slowdown of the main trading partners, armed conflict and currency devaluation.

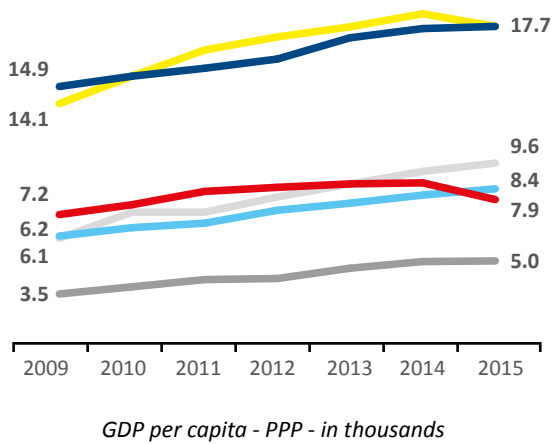
- The Belarusian rouble devalued from BYN 3 000 per USD in 2011 to BYN 20 000 in 2017<sup>(5)</sup>.
- Ukrainian exports of goods and services dropped by 9.8% on an annual basis in the first nine months of 2016. This drop in exports was mainly caused by falling global prices of metals and cereal crops<sup>(6)</sup>.
- The economy of Azerbaijan is heavily dependent on oil prices. Weak prices caused its gross domestic product (GDP) to contract by 3.8% in 2016 while the current account fell into deficit<sup>(7)</sup>.
- Armenia, Moldova and Ukraine have been hit hard by the global recession and geopolitical developments.
- Georgia, at the same time, has shown a relatively stable economy in terms of GDP growth.
- Despite the strong economic upheaval that all EaP countries experienced, their GDP per capita has been growing as can be seen in figure 2.1.





**Figure 2.1**

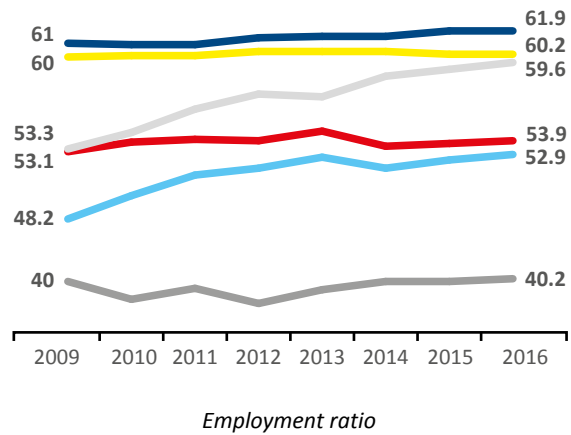
GDP per capita (purchasing power parity (PPP), current international) (USD) <sup>(8)</sup>



● Moldova ● Armenia ● Georgia

**Figure 2.2**

Employment to population ratio 15+ in EaP countries (total in %, modelled International Labour Organisation (ILO) estimate) <sup>(11)</sup>



● Ukraine ● Belarus ● Azerbaijan

## 2.2 SMEs as employer and a value added contributor

The growth of employment in SMEs varies between the EaP countries. Georgia has been the main outperformer in terms of employment, with an employment ratio of 53.1% in 2009 and 59.6% in 2016. Georgia's SMEs accounted for 42.7% of employment and 20.6% of value added in 2013 <sup>(9)</sup>. Employment in SMEs in Moldova grew between 2015 and 2016 <sup>(10)</sup>. However, the employment ratio has remained relatively constant in the period 2009-2016 (40% and 40.2% respectively).

Next to Georgia, Armenia has been performing well, with an employment ratio of 48.2% in 2009 and 52.9% in 2016, though this is still lower than Azerbaijan, which maintains its position as best performing economy in terms of employment.

### Source:

- <sup>(1)</sup> SME Policy Index: Eastern Partner Countries (2012), OECD Publishing, Paris
- <sup>(2)</sup> SME Policy Index: Eastern Partner Countries (2016), OECD Publishing, Paris
- <sup>(3)</sup> Note: To the extent data are available
- <sup>(4)</sup> Note: For instance, in Georgia there are two different definitions of SMEs, one by the Georgian Tax Code, the other by the Law on the National Investment Agency. The National Statistics Office uses yet a different approach. (Source: EU4Business Country Report Georgia, 2017)
- <sup>(5)</sup> EU4Business Country Report Belarus, 2017
- <sup>(6)</sup> EU4Business Country Report Ukraine, 2017
- <sup>(7)</sup> EU4Business Country Report Azerbaijan, 2017
- <sup>(8)</sup> World Bank Development Indicators
- <sup>(9)</sup> EU4Business Country Report Georgia, 2017
- <sup>(10)</sup> EU4Business Country Report Moldova, 2017
- <sup>(11)</sup> World Bank Development Indicators



SMEs in the EaP are an increasingly important employer, representing 83% to 99% of all firms in 2013. In 2017, the OECD reported that SMEs in the EaP countries account for 50% of employment and 33% of value added. Both employment and value added trends seem to be positive, yet are still lagging behind OECD countries where SMEs account for 60% to 70% of employment and 60% of value added <sup>(12)</sup>.

Indeed, the vast majority of SMEs are subsistence micro entrepreneurs operating in low added value sectors <sup>(13)</sup>.

In some of the EaP countries, notably Azerbaijan, large enterprises play a major role in the economy. Indeed, the Azerbaijan economy is largely dominated by its oil industry, which accounted for around 34% of total GDP in 2013 and 94% of total exports <sup>(14)</sup>. Despite the fact that 83% of the country's companies are SMEs, their value added contribution was only 3% in 2013.

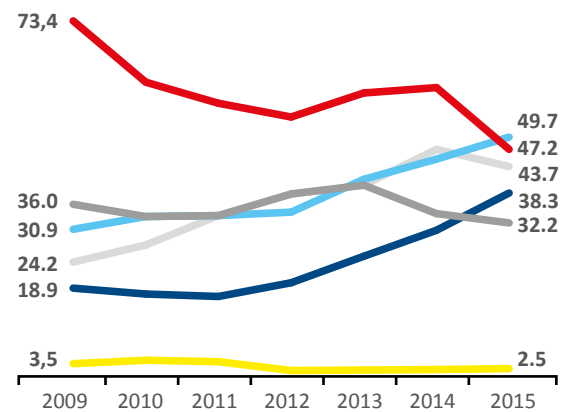
The EaP countries also have a relatively large informal economy. While no accurate data currently exists, previous estimates show that the informal economies vary from 46% of GDP in Moldova to 71% in Georgia. Informal employment as a percentage of total non-agricultural employment seems to show a decreasing trend <sup>(15)</sup> and this could be an indication that the informal economy is decreasing in size.

### 2.3 Access to finance remains an essential SME's need

Limited access to finance is one of the top three most severe obstacles to doing business in the EaP countries. Bank lending is the main source of finance for SMEs across the region and here the global financial and economic crises have led to a tightening of lending. Specifically for Belarus, Moldova and Ukraine, the

private sector credit provided by banks as percentage of GDP has been declining in the 2009-2015 period<sup>(16)</sup>.

**Figure 2.3**  
Private sector credit provided by banks (% of GDP) <sup>(17)</sup>.



Domestic credit to the private sector by banks - percentage of GDP 2009-2015

- Belarus
- Armenia
- Moldova
- Azerbaijan
- Georgia
- Ukraine

Micro-financing is the most important non-bank option in many of the countries. Financial literacy remains low and there are few initiatives to increase skills in financial management. Governments could strengthen their activities to encourage bank lending to SMEs and improve their legal and regulatory frameworks to realise the potential offered by the bank sector, itself also underdeveloped. High interest rates and collateral requirements that surpass the loan value represent a significant obstacle for SMEs in obtaining finance. Unfortunately, comprehensive legal frameworks for alternatives to bank financing, such as leasing, micro-

financing and factoring remain underdeveloped. Capital markets in the EaP countries are underdeveloped, with virtually non-functional stock markets due to low levels of market capitalisation and turnover.

According to the Business Environment and Enterprise Performance Survey (a firm level survey conducted among 390 enterprises in Azerbaijan in 2013), only 14.6% of surveyed firms had a loan or a line of credit, down from 19.9% in 2009. In addition, only 4.7% of companies reported financing their working capital through banks, while 92.8% financed it through internal funds. So, SMEs remain dependent on higher bank credit rates. Such bank rates and heavy conditions for warranty and pledge called for debts issued by banks challenge SMEs to access financial sources.

Source: EU4Business Country Report Azerbaijan 2017

The OECD SME Policy Index has made changes to the assessment framework of the access to finance dimension, which limits the comparison between 2012 and 2016 scores. Nevertheless, it is fair to say that there is still a long way to go for the EaP countries, though improvements can be observed. In particular, effective enforcement of securities can be further improved through shortening the process time and appointment of specially trained judges. Next to this, the acceptance of movable assets as collateral for banks could be supported through the creation of online registers for security assets. Overall, the countries haven't reached their potential yet, with weighted scores for the access to finance dimension for Armenia at 71% of the maximum score (3.53 out of 5), Azerbaijan at 54% (2.7), Belarus at 62% (3.08), Georgia at 75% (3.76), Moldova at 68% (3.4) and Ukraine at 64% (3.22).

## 2.4 SMEs need more knowledge and entrepreneurial skills and the right innovation ecosystem

In general, EaP countries have a highly skilled and educated staff, which is a real asset for the economy and allows for moving from basic towards higher value added production processes which will require a high level of specialisation and transfer of knowledge in line with international practices<sup>(18)</sup>.

### Entrepreneurship

Concerning entrepreneurship, the OECD reports that *'government departments, business and civic interest groups are increasingly mobilising behind entrepreneurial learning'*. Entrepreneurial learning is increasingly more present in the wider policy environment and interfacing with other policy areas, such as employment and SME policies. But guidance on entrepreneurship is weak all round.

Entrepreneurship in higher education remains considerably underdeveloped in all EaP countries<sup>(19)</sup>. A highly-educated population is a key asset for positioning the region as an innovation hub – especially so in the digital economy, but entrepreneurship is the required complement. There are positive signs: private equity investment in Ukrainian information technology (IT) start-ups was multiplied by a factor three between 2014 and 2015 and reached EUR 130 million. In 2015, Ukraine earned about USD 2.5 billion from exports of the country's software and IT services, with a 25% annual growth<sup>(20)</sup>. Moldova and Belarus too have managed to increase their information and communication technology (ICT) service exports, as a percentage of service exports, with Moldova showing ICT service exports increasing from 22.6% in 2009 to 25.7% in 2015, and Belarus showing growth from 19.2% in 2009 to 23.6% in 2015<sup>(21)</sup>.

### Innovation and research

The EaP region also scores low in innovation policies, despite some improvements since 2012. Innovation activities are fewer or much fewer in SMEs than in large firms, except for Armenia. More resources are increasingly being devoted to innovation infrastructure such as technological parks and incubators. However, overall innovation tools are not sufficiently developed in all EaP countries; innovation does not seem to be high on the governments' agendas.

The European Union (EU) has concluded bilateral science and technology (S&T) agreements with several individual countries, including Ukraine. These agreements constitute a framework and a privileged forum for identifying common interests, priorities, policy dialogue and the necessary tools for S&T collaboration.

#### Source:

- <sup>(12)</sup> OECD, Enhancing the impact of the Small Business Act for Europe assessment in Eastern Partner countries: Enterprise performance and SME policies in the Eastern Partner countries and peer regions, February 2017
- <sup>(13)</sup> OECD report, op cit
- <sup>(14)</sup> World Bank, 2015
- <sup>(15)</sup> Schneider, F., Buehn, A. and Montenegro, C.E. (2010), 'Shadow Economies all over the world: new estimates for 162 countries from 1999 to 2007' as quoted in: Tamar Khitarishvili, 'Gender and employment in South Caucasus and Western CIS', UNDP Background Paper, October 2015. World Development Indicators – indicator 'informal employment as percentage of total-non-agricultural employment' as accessed on 9 April 2017
- <sup>(16)</sup> World Development Indicators – indicator 'domestic credit to private sector by banks (% of GDP) as accessed on 8 May 2017
- <sup>(17)</sup> World Development Indicators – indicator 'domestic credit to private sector by banks (% of GDP) as accessed on 8 May 2017
- <sup>(18)</sup> EU4Business Briefing, January 2017
- <sup>(19)</sup> OECD Report, op cit
- <sup>(20)</sup> EU4Business Country Report Ukraine, 2017
- <sup>(21)</sup> World Development Indicators



Research and Development (R&D) get support from the EU under different programmes than EU4Business. The EU regularly commissions peer reviews of the R&D efforts that lead to policy recommendations, for instance in Ukraine in December 2016<sup>(22)</sup>. **The number of universities in the EaP countries is mushrooming.** For example, Georgia now has 17 State universities and 27 private universities<sup>(23)</sup>. For Azerbaijan, the figures are 21 and seven respectively. The extent to which SMEs benefit from academic research could not be established; expectations should probably not be very high.

#### Greening of the economy

Recently, governments across the region have been realising the importance of SME support policies when it comes to the **greening of the economy**, traditionally an underdeveloped aspect of policy. Several countries have taken the first steps to diversify their environmental permitting and compliance monitoring regimes with the aim of reducing administrative burdens. Specialised environmental information centres use telephone advice, workshops and guidelines to help business understand environmental requirements. But these centres hardly reach small business. **However, access to finance for energy efficiency and renewable energy investments have improved** over the last few years. In Armenia, private banks offer green or renewable energy loans. Overall, policies to support green and renewable energy have improved in the period 2012-2016<sup>(24)</sup>. The high-energy intensity of the region makes the improvement of energy efficiency a low hanging fruit.

## 2.5 Regulatory environment is improving in almost all EaP countries

In recent decades, the EaP countries have achieved significant progress in reforming their economies and integrating into the global marketplace. A series of effective reforms have been put in place, including (i) World Trade Organisation (WTO) accession for Armenia, Georgia, Moldova and Ukraine (with Azerbaijan and Belarus currently engaged in the accession process), (ii) convergence with the EU, and particularly the signing of Association Agreements (AA), including the Deep and Comprehensive Free Trade Areas (DCFTAs), with Georgia, Moldova and Ukraine, and (iii) other far-reaching business-friendly policies.

Most EaP countries have made substantial progress in the design and implementation of business and investment climate reforms benefiting all enterprises regardless of their size, including simplification of business-related legislation, streamlining of technical barriers to trade and upgrading of quality infrastructure, and improvement in the legal and regulatory environment in the financial sector. Indeed, all EaP countries have or are on the road to having SME legislative frameworks in place. Armenia, Georgia, Moldova and recently Azerbaijan have adopted SME sector strategies; in Ukraine a draft SME strategy is under development, while Belarus is working on its SME framework/legislation (see Table 2.1).

#### Source:

<sup>(22)</sup> <http://ec.europa.eu/research/iscp/index.cfm?pg=ukraine>

<sup>(23)</sup> <http://studyingeorgia.com.ng/universities-in-georgia/list-of-universities-in-georgia.html>

<sup>(24)</sup> OECD Report, op cit

<sup>(25)</sup> EU4Business database



**Table 2.1**  
Current state of SME support in the EaP countries (25)

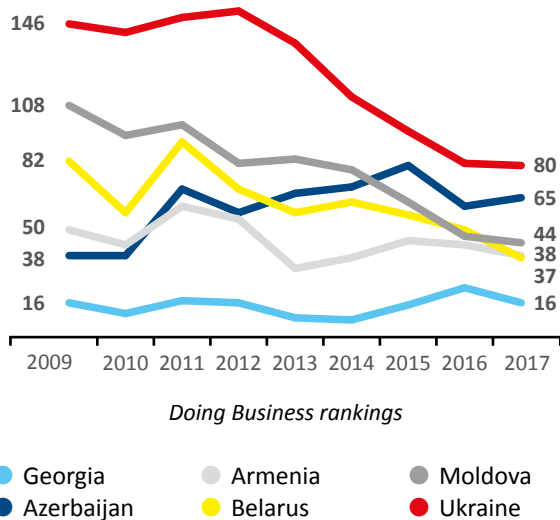
| COUNTRY    | STATUS  |
|------------|---|
| ARMENIA    | <ul style="list-style-type: none"> <li>• The Strategy for the Development of Small and Medium Enterprises 2016-2018 is in place.</li> <li>• The Armenia Development Strategy 2014-2025 is in place.</li> <li>• Main indicators on enterprises by size class published in 2015.</li> </ul>   |
| AZERBAIJAN | <ul style="list-style-type: none"> <li>• The 'Azerbaijan 2020 Vision' adopted.</li> <li>• The Strategy for the Development of SMEs adopted in December 2016.</li> <li>• The State Programme on Socio-Economic Development of Regions of Azerbaijan adopted.</li> <li>• 'Decree on Additional Measures for Entrepreneurship Development' introducing a one-stop shop is in place.</li> <li>• Small Entrepreneurship in Azerbaijan Statistical Yearbook published in 2014.</li> </ul>   |
| BELARUS    | <ul style="list-style-type: none"> <li>• The 'National Strategy for Sustainable Development 2020' adopted.</li> <li>• Presidential decree 'Development of entrepreneurship and encouraging business development' adopted.</li> <li>• The SME Support Programme 2016-2018 adopted.</li> </ul>  |
| GEORGIA    | <ul style="list-style-type: none"> <li>• EU Georgia AA/DCFTA signed in 2014.</li> <li>• DCFTA implementation action plan 2014-2017 is operational.</li> <li>• The Georgia 2020 Socio-economic Development Strategy was approved in June 2014.</li> <li>• Entrepreneurship Development Agency and Innovation and Technology Agency established in 2014.</li> <li>• SME sector strategy 2016-2020 is in place.</li> <li>• SME Development Strategy Action Plan 2016-2017 is in place.</li> <li>• Support to the development of SMEs in the rural areas will be provided under the European Neighbourhood Programme for Rural Development.</li> <li>• Regional Development Programme of Georgia 2015-2017 is in place.</li> <li>• The 2017-20 programme 'Freedom, Rapid development and Welfare' adopted.</li> <li>• Innovation and Technology Development Strategy 2016-2020 draft version is developed.</li> </ul> |
| MOLDOVA    | <ul style="list-style-type: none"> <li>• EU-Moldova AA/DCFTA signed in 2014.</li> <li>• New SME Development Strategy 2012-2020 with recommendations for policy improvement and priority areas, based on the SME policy review, developed. The SME Strategy is complemented by concrete policy measures in the Action Plans for 2013-2014 and 2015-2017.</li> <li>• SME database creation is among the objectives of National Statistics.</li> <li>• A new law on SMEs (179/21.07.2016) was adopted in July 2016 and came into force in December 2016, replacing previous legislation in the field.</li> </ul>   |
| UKRAINE    | <ul style="list-style-type: none"> <li>• EU-Ukraine AA/DCFTA signed in 2014.</li> <li>• New Law on Development and State support for SMEs in Ukraine became operational in 2013.</li> <li>• A new Agency for Regulatory Policy and Entrepreneurship Development was created based on the Law, and in 2015 was re-organised. It will be responsible only for the regulatory policy, while the functions relating to SME support have been transferred to the Ministry of Economic Development and Trade.</li> <li>• Draft SME Development Strategy is under development and public consultations being held. It is expected to be approved in 2017.</li> <li>• A new, simplified set of rules and regulations for registration and functioning of SMEs is under development.</li> </ul>  |

Most EaP countries have recognised the importance of reducing regulatory and administrative barriers. As a result, **EaP countries have improved on their rankings in the World Bank's Doing Business report**, although progress is somewhat uneven (see Figure 2.4). All EaP countries except Azerbaijan have improved their Ease of Doing Business ranking as shown in the diagram

below (the lower the ranking number the easier doing business is). Georgia is still the top performer among the EaP countries over the entire period (2009-2017). Armenia and Georgia feature among the world's top five performers for ease of starting a business. Ukraine and Moldova made the biggest jumps in ranking between 2009 and 2017.



**Figure 2.4**  
Ease of doing business index EaP countries <sup>(26)</sup>



Bankruptcy and Second Chance policies are important for SMEs. Here, the OECD reports that legislation in most countries is still significantly behind international best practice. Despite recent legislative reforms, there has been little progress in reducing the time and cost of insolvency procedures and increasing recovery rates in most EaP countries. Approaches to promoting a second chance for honest entrepreneurs are still to be developed <sup>(27)</sup>.

All EaP countries have continued to streamline their business regulation, aimed at lowering market entry barriers and reducing transaction costs. With support from the EU, Georgia has adopted over 7 000 European standards in areas like health, safety and environmental protection <sup>(28)</sup>.

EaP governments have expanded the direct provision of business support services like training, consultations and workshops. The top three performers (Armenia, Georgia and Moldova) provide a rich palette of services through dedicated SME agencies while especially Ukraine scores low in this respect, due to lack of funds. Still, many efforts are haphazard and lack a targeted approach while the awareness amongst entrepreneurs of business support services is low <sup>(29)</sup>.

Georgian company - producer of dried fruits and berries, was supported (EBRD) to implement the ISO 22000:2005 food safety standard and ISO 9001 quality management system. This led to internationally recognised certifications and enabled the company to increase export to the EU by 40%, with revenues growing by over 250%.

Azerbaijan introduced 'one-stop shopping' for the registration of individual entrepreneurs in 2008. Once the single window system had been implemented, the time it took to register new enterprises decreased from 53 days to seven and even three days and the number of procedures from 13 to five. However, despite the proactive work on reform of the business environment, the introduction of one-stop-shop company registration and a best practice e-government portal, there is a lack of a strategic framework for financial and institutional support measures for SMEs.

Likewise, Moldova recently improved its business climate by simplifying the legislative and administrative procedures and staying committed to completing structural reforms. Key developments in this area include the adoption of a new SME strategy and

three-year action plans, the expansion of e-government services and the simplification of business registration <sup>(30)</sup>.

A good example of the way in which governments are supporting SMEs is the 'Government of Republic of Armenia programme 2012-2017'. It includes clauses to support SMEs, particularly aimed at improving access to finance, improving business education/skills, access to markets and informational support to SMEs. In 2014, the 'Armenia Development Strategy 2014-2025' was adopted by the Government and also includes support policies for SMEs, such as maintaining State loan guarantees to new and existing SMEs, improving business skills for start-ups, ensuring access to public procurement for SMEs, providing informational support to ensure access to markets, as well as access to finance <sup>(31)</sup>.

The SME Policy Index scores likewise show improvements in most measured aspects in the EaP countries, as can be seen in the figure below <sup>(32)</sup>.

## 2.6 Increasing trade flows between the EU and EaP countries

Exports from EaP countries to EU countries increased from EUR 15 billion in 2004 to EUR 35 billion in 2014, while imports grew from EUR 17 billion to EUR 35 billion in the same period. In 2014, the EU was the destination of 53% of Moldovan, 31% of Ukrainian, 30% of Belarusian and 29% of Armenian exports <sup>(33)</sup>.

### Source:

- <sup>(26)</sup> World Bank; 1 is the highest rank
- <sup>(27)</sup> OECD Report, op cit
- <sup>(28)</sup> EPP Conference EU success stories in the Eastern Neighbourhood, European Parliament, 6 December 2016
- <sup>(29)</sup> OECD 2015 company surveys
- <sup>(30)</sup> EU4Business Country Report Moldova, 2017
- <sup>(31)</sup> EU4Business Country Report Armenia, 2017
- <sup>(32)</sup> Based on OECD SME Policy Index reports 2012 and 2016
- <sup>(33)</sup> Eurostat (2015), Facts and figures about the Eastern Partners of the European Union, Eurostat News Release, May 2015, Luxembourg

| % CHANGE IN WEIGHTED SCORES 2012-2016                               |            |         |         |         |         |  |
|---|------------|---------|---------|---------|---------|--|
| ARMENIA   | AZERBAIJAN | BELARUS | GEORGIA | MOLDOVA | UKRAINE |  |
| <b>Entrepreneurial learning and women's entrepreneurship</b>        |            |         |         |         |         |  |
| 9.6%  | 5.7%       | 49.3%   | -14.3%  | 22.4%   | 36.4%   |  |
| <b>Bankruptcy and second chance</b>                                 |            |         |         |         |         |  |
|   | 14.8%      | 21.8%   |         | 5.9%    | 5.7%    |  |
| <b>Institutional and regulatory framework for SME policy making</b> |            |         |         |         |         |  |
| 12.7%   | 26.7%      | 27.5%   | 7.7%    | 1.7%    | 15.0%   |  |
| <b>Operational environment for SMEs</b>                             |            |         |         |         |         |  |
| 11.3%   | 14.3%      | 9.7%    |         | 8.5%    | 11.7%   |  |
| <b>Business support services</b>                                    |            |         |         |         |         |  |
| 19.8%   | 40.6%      | 24.1%   | 26.4%   | -11.6%  | 3.9%    |  |
| <b>Standards and technical regulations</b>                          |            |         |         |         |         |  |
| 39.9%   | 55.9%      | -14.1%  | 46.5%   | 21.9%   | 33.5%   |  |
| <b>Enterprise skills</b>  |            |         |         |         |         |  |
| 25.4%   | 34.2%      | 34.9%   | 11.5%   | 42.9%   | 4.9%    |  |
| <b>Innovation</b>   |            |         |         |         |         |  |
| 62.6%   | 91.5%      | 2.8%    | 41.4%   | 19.2%   | -21.5%  |  |
| <b>SMEs in a green economy</b>                                      |            |         |         |         |         |  |
| 29.9%   | 28.3%      | 6.6%    | 25.9%   | 72.4%   |         |  |
| <b>Internationalisation of SMEs</b>                                 |            |         |         |         |         |  |
| 34.8%   | 20.8%      | 39.2%   | 14.6%   | 34.1%   | -15.5%  |  |

**Table 2.2**EaP countries trade: products and economic indicators 2015 (billion USD) <sup>(34)</sup>

| COUNTRY                  | ARMENIA   |
|--------------------------|---|
| GDP                      | 10.5  |
| % GDP GROWTH             | 3.0   |
| EXPORTS                  | 1.5   |
| IMPORTS                  | 3.3   |
| MAIN EXPORT PRODUCTS     | Mineral products (31%); finished food products (20.7%); base metals & their uses (15.4%); precious/semi-precious stones & their use (13.8%); textiles & their use (5.5%); live animals & animal derived materials (3.1%); plant products (2.4%) |
| MAIN EXPORT DESTINATIONS | Russia (15.2%); China (11.1%); Germany (9.8%); Iraq (8.8%); Georgia (7.7%)  |

| COUNTRY                  | AZERBAIJAN   |
|--------------------------|--|
| GDP                      | 53.0   |
| % GDP GROWTH             | 1.1  |
| EXPORTS                  | 11.3   |
| IMPORTS                  | 9.2  |
| MAIN EXPORT PRODUCTS     | Mineral fuels, mineral oils & related products, mineral waxes (87.2%); edible fruit & nuts, peel of citrus fruit/melons (1.9%); commodities not elsewhere specified (1.9%); sugars & sugar confectionery (1.9%); animal or veg. fats & oils & related products, animal or vegetable waxes (1.4%) |
| MAIN EXPORT DESTINATIONS | Italy (21.3%); Germany (10.8%); Spain (9.6%); Indonesia (9.4%); Greece (6.8%)  |

| COUNTRY                  | BELARUS   |
|--------------------------|---|
| GDP                      | 54.6  |
| % GDP GROWTH             | 3.9   |
| EXPORTS                  | 26.7  |
| IMPORTS                  | 30.3  |
| MAIN EXPORT PRODUCTS     | Mineral fuels and related products (29.1%); fertilisers (11.9%); dairy produce, birds' eggs, natural honey, edible products of animal origin (6.7%); vehicles other than railway or tramway rolling stock & parts & accessories thereof (5.9%); machinery and related products (4.1%) |
| MAIN EXPORT DESTINATIONS | Russia (38.6%); UK (11.0%); Ukraine (9.4%); Netherlands (4.3%); Germany (4.0%)  |

| COUNTRY                  | GEORGIA  |
|--------------------------|--|
| GDP                      | 14.0   |
| % GDP GROWTH             | 2.8  |
| EXPORTS                  | 2.2  |
| IMPORTS                  | 7.7  |
| MAIN EXPORT PRODUCTS     | Ores, slag & ash (12.4%); beverages, spirits & vinegar (12.0%); iron & steel (10.9%); vehicles other than railway or tramway rolling stock (9.1%); edible fruit & nuts, peel of citrus fruit/melons (9.0%) |
| MAIN EXPORT DESTINATIONS | Azerbaijan (10.9%); Bulgaria (9.7%); Turkey (7.6%); Russia (7.2%); Armenia (7.1%)  |



| COUNTRY                  | MOLDOVA  |
|--------------------------|--|
| GDP                      | 6.6  |
| % GDP GROWTH             | 0.5  |
| EXPORTS                  | 2.0  |
| IMPORTS                  | 3.9  |
| MAIN EXPORT PRODUCTS     | Electrical machinery & equipment & parts, TV image & sound recorders & reproducers & parts & accessories (12.4%); edible fruit and nuts, peel of citrus fruit/melons (9.9%); oil seeds & oleaginous fruits, misc. grains, seeds & fruit, industrial or medicinal plants, straw and fodder (9.1%); beverages, spirits & vinegar (8.1%); apparel & clothing (7.1%) |
| MAIN EXPORT DESTINATIONS | Romania (22.7%); Russia (12.2%); Italy (10%); UK (7%); Belarus (6.7%)  |

| COUNTRY                  | UKRAINE   |
|--------------------------|---|
| GDP                      | 90.6  |
| % GDP GROWTH             | 9.9   |
| EXPORTS                  | 38.1  |
| IMPORTS                  | 37.5  |
| MAIN EXPORT PRODUCTS     | Iron & steel (21.2%); cereals (15.9%); animal or veg. fats & oils & their cleavage products, prepared edible fats, animal or veg. waxes (8.7%); ores, slag & ash (5.2%); electrical machinery & equipment & parts thereof, TV image, sound recorders & reproducers, parts & accessories (5.2%); machinery, mech. appliances, nuclear reactors, boilers, parts (5.2%); oil seeds & oleaginous fruits, misc. grains, seeds & fruit, industrial or medicinal plants, straw & fodder (3.9%) |
| MAIN EXPORT DESTINATIONS | Russia (12.7%); Turkey (7.3%); China (6.3%); Egypt (5.5%); Italy (5.2%)   |

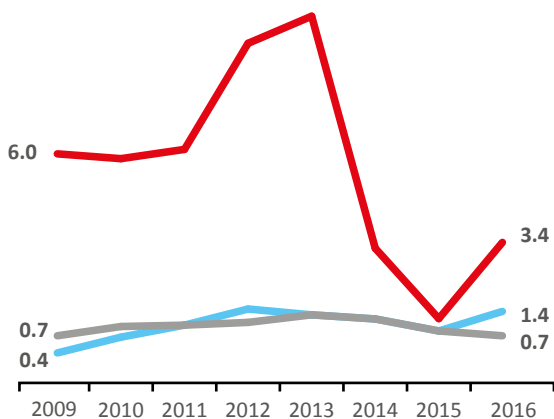
The EU only has a negative trade balance with Azerbaijan as can be seen in the graph below. With most countries the surplus has decreased, with Georgia as a notable exception.

Source:

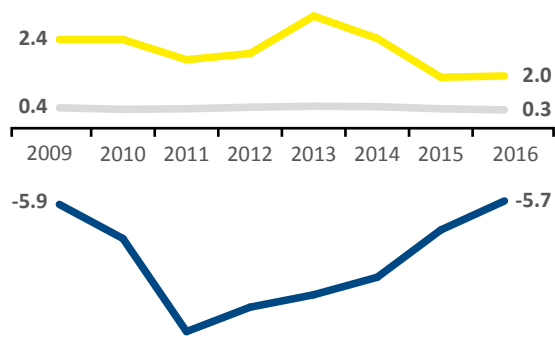
<sup>(34)</sup> World Bank, ITC/Comtrade, Integrating SMEs from the EaP countries into domestic and global value chains, 2017

<sup>(35)</sup> DG TRADE

**Figure 2.5**  
EaP countries trade balance (billion EUR) <sup>(35)</sup>



Trade flows - EU balance: Georgia, Moldova, Ukraine



Trade flows - EU balance: Armenia, Belarus, Azerbaijan

● Georgia ● Moldova ● Ukraine ● Armenia ● Belarus ● Azerbaijan

## Low internationalisation of SMEs and decreasing share of exports in total sales

In general, SMEs have not yet achieved a high degree of internationalisation. Azerbaijan lags behind with only 3.1% of SMEs exporting directly or indirectly; exports from the country are dominated by large firms.

Since 2012, except for Belarus, the relative level of exports in total sales has significantly declined for SMEs as well as large enterprises in the EaP countries. Exports of manufacturing SMEs have declined to less than 20% in all EaP countries; in 2002, the level was up to 30%. However, the EaP countries are busy with the improvement of support measures for SME internationalisation. Moldova's 2016 exports totalled EUR 1.9 billion, 65% of which went to the EU, while imports totalled EUR 3.74 billion, 49% coming from the EU <sup>(36)</sup>. EU imports from Moldova increased by 20% year-on-year <sup>(37)</sup>.

Investment in Georgia is swinging from CIS-country origin to EU origin, accounting for 38.1% (and declining) and 41.4% respectively. In 2016, exports to CIS countries decreased by 43% to USD 840 million while exports to the EU increased by 3.6% reaching USD 646 million. Imports show a similar swing <sup>(38)</sup>.

Since the coming into force of the DCFTA, Georgian exports to the EU increased by 18% between September 2014 and January 2015.

All EaP countries have undertaken an approximation process with international and European rules in technical regulations and standards. Technical barriers can severely hamper trade liberalisation.

In summary, progress in the EaP SME sector is slowly but steadily increasing pace. EU4Business, although still half way in its execution, plays an important and catalysing role in changing the business environment and offering direct support to SMEs, and many success cases can be seen in Chapter 4 of this report.

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### Source:

<sup>(36)</sup> EU4Business Country Report Moldova, 2017

<sup>(37)</sup> EPP Conference EU success stories in the Eastern Neighbourhood, European Parliament, 6 December 2016

<sup>(38)</sup> EU4Business Country Report Georgia, 2017







EU4Business

# SUCCESS STORIES

## SME FINANCE FACILITIES INCREASE THE COMPETITIVENESS OF FIRMS

### 23<sup>RD</sup> POLICLINIC OF TREATMENT & DIAGNOSTIC CENTRE LTD

The 23rd Polyclinic of Treatment & Diagnostic Centre LTD, a women-owned medical centre in Georgia, was supported in introducing international quality management standards. One year after the project's completion, the centre received the 9001:2008 ISO Certificate, added an emergency department, conducted rebranding, purchased new medical equipment and increased the volume of operations, helping the company to become more competitive as part of the Women in Business programme.

### VESTRA

Vestra, a garment producer in Moldova, was assisted in transforming its process for developing clothing patterns and in growing its business. Vestra introduced an automated pattern design and development software solution, considerably reducing the time needed to develop patterns as well as ensuring an optimal use of fabrics. The share of its own production in total sales increased from 1% at the start of the project to 5% one year after its completion.

### DCFTA PROGRAMMES IN MOLDOVA AND GEORGIA

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.

### MOLDOVA

- **BEER PRODUCTION COMPANY** investing in a new production building and new 60 HI semi-automated brewing system improving product quality and H&S. 10 March 2017
- Company processing and preserving **FRUIT AND VEGETABLES** implements a new production facility for drying fruit and leaves. 10 March 2017
- Company operating in **ROAD CONSTRUCTION** and rehabilitation invests in its own asphalt production plant. 10 March 2017
- **ALUMINIUM LOCKSMITH PRODUCER** upgrades facilities and benefits from higher quality, improved occupation health and meets EU directives that enable trade with EU countries. 8 September 2016

### GEORGIA

- **GARMENT PRODUCER** is investing in new multi-storey production building and production equipment. 18 April 2017
- **MEAT PROCESSING COMPANY** - company replaces old coal boilers with modern LPG boilers and invests in new smoking rooms, livestock trailers and compliance with Health & Safety and environmental legislation. 13 October 2016
- **BUILDING MATERIALS COMPANY** - company invests in modern cutting equipment and thereby also improves occupational health for the process. 2 October 2016
- **FURNITURE COMPANY** invests in new machinery and ventilation. The company improves product quality and capacity through this investment whilst aligning with EU standards. 10 September 2016



## CHAPTER 3:

# COHERENCE OF EU4BUSINESS WITH NATIONAL SME STRATEGIES

How do the EU4Business projects/programmes match with the national SME strategies and actions of the EaP countries.

The analysis in this chapter shows that for all areas of support, EU4Business programmes are coherent with the national SME priorities in the EaP countries. One of the top priorities in all countries is to improve SMEs' **access to finance**. In their SME strategies, the governments in the entire region emphasise the need to provide affordable financial products to the small business sector. This is largely covered by the various existing EU4Business programmes in this area. One of the examples is the '*SME Finance Facility Phase I – EBRD/KfW including Phase II*' programme that covers all eligible EaP countries and combines European Bank for Reconstruction and Development (EBRD), European Investment Bank (EIB) and Kreditanstalt für Wiederaufbau (KfW) loans or guarantees to participating financial intermediaries for lending to SMEs.

Similarly, there is coherence with the SME priorities of the national governments to improve **access to markets** and the **knowledge base and business skills** of SMEs, including potential entrepreneurs. The majority of countries have declared in their SME strategies that policy should be developed to improve the competitiveness of SMEs not only domestically but also internationally. EU4Business includes several programmes that contribute to the development of internationalisation of the small business sector.

The most prevalent one in the region is East Invest, which covers activities to stimulate cooperation and investment relations with the European Union (EU). In addition, there are a number of EU4Business programmes running that aim at improving the small business sector's knowledge of business management aspects such as organisation, management, operations, sales, marketing and financing, as well as skills of potential entrepreneurs. The 'SBS Programme – EGP BAS Phase II' is a good example of how the knowledge base and business skills of SMEs in EaP countries are being strengthened by EU4Business.

SMEs can only start and flourish in a **stable and transparent policy and regulatory business environment**. This is recognised by the national governments in their SME strategies and policy documents. EU4Business programmes such as STAREP and 'SME Competitiveness Reforms', which are active in all the EaP countries, are coherent with these priorities. STAREP helps the participating countries to improve their frameworks for corporate financial reporting while 'SME Competitiveness Reforms' assists in the development of coherent and well-structured reforms to strengthen SME competitiveness.

The following sections will be devoted to the situation in each of the six EaP countries, following the four strategic objectives of the SME Flagship Strategy <sup>(1)</sup>. National priorities will be categorised based on the four areas of support of the EU4Business initiative, i.e.:

1. Improving access to finance;
2. Tackling inadequate policy and regulatory frameworks;
3. Improving knowledge base and business skills;
4. Improving access to markets.

In-depth information on national SME strategies and national programmes aimed at supporting SMEs is provided in the EU4Business Country Reports 2017.

Each of the following country sections is organised as follows:

1. National strategy to support the development of SMEs;
2. National support measures for SMEs;
3. Overview of the EU4Business projects/programmes – active, planned and closed;
4. Conclusion: the coherence between national measures and EU4Business projects.

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#### Source:

<sup>(1)</sup> In 2016, the SME Flagship Initiative was rebranded EU4Business

<sup>(2)</sup> Strategy for Small and Medium Enterprise Development 2016-18



## 3.1 Armenia

### 3.1.1 Strategic directions for developing the SME sector

The Government of Armenia has identified seven strategic objectives related to the development of the SME sector for the period 2016 to 2018 <sup>(2)</sup>.


These national priorities include:


- i) Improvement of the institutional, legislative and operational environment for the creation and development of SMEs;
- ii) Improvement in the access to funding for SME entities;
- iii) Promotion and development of entrepreneurial capacity;
- iv) Increase in the internal and external competitiveness of SMEs;
- v) Improvement in the public-private sector dialogue;
- vi) Strengthening of the SME Development Support Institutions;
- vii) Promotion of women's entrepreneurship, as well as support for start-up businesses.

To assess the coherence of the EU4Business programmes with the national strategies on SMEs, the national priorities listed above have been clustered under the four objectives of EU4Business.


**Figure 3.1**  
Strategies for developing the SME sector in Armenia



 One of Armenia's key strategic objectives focuses on **improving access to finance** for SMEs. This policy priority requires insight into the demand of SMEs for financial resources. There is a need to provide affordable loans, loan guarantees and advice on opportunities to attract funds for SMEs. Overall, affordable new financial instruments are to be developed and awareness is to be raised among SMEs about the available options concerning access to finance.

 The priority of **tackling inadequate policy and regulatory frameworks** forms another key strategic objective for Armenia. Through the establishment of a stable legislative framework, SMEs in Armenia should be able to operate in a stable legislative environment. The national strategy also aims at strengthening the public-private sector dialogue to enhance the effectiveness of public policies and ensure the transparency, quality and efficiency of these policies. Furthermore, this priority includes strengthening the SME Development Support Institutions. Other key areas of focus within the national strategy concern legislative changes to the tax environment, an improvement in the operational environment for financial transactions, and a reduction in regulatory issues involved with starting and closing businesses.

 The priorities relating to **improving knowledge base and business skills** refer to the promotion and development of an entrepreneurial culture. This priority emphasises the need for continuing education in entrepreneurship in schools and vocational and higher education institutions. Entrepreneurship education will be designed and given in close cooperation with the private sector. Furthermore, efforts need to be made to modernise the capabilities of SMEs and to improve product innovation. Besides this, specific attention needs to be given to the promotion of women's entrepreneurship and start-ups in general. Financial education programmes are to be developed for entrepreneurs who are already running a business.

 **Improving access to markets** includes providing support to SMEs in benefitting from the EU and the EA-EU common markets. Armenia's Export Insurance Agency, for instance, was founded in 2013 with the mission of promoting the country's exports. The overall aim is to increase the competitiveness of Armenian SMEs on domestic and international markets. Priorities also include encouraging resource efficiency in SMEs as well as promotion of 'green' production.





### 3.1.2 National government's projects and programmes

To reach the objectives as outlined in the national SME strategy, Armenia's National Small and Medium Entrepreneurship Development Centre runs several programmes and projects aimed at start-ups as well as existing SMEs as outlined below.

#### START-UP ENTREPRENEUR SUPPORT PROGRAMME

- The Start-up entrepreneur support programme involves components of training, professional consulting, provision of information and financial support for individuals with realistic business ideas and start-ups which have been registered with the State for up to three years.

#### OBJECTIVES OF THE START-UP ENTREPRENEUR SUPPORT PROGRAMME

- to raise the level of entrepreneurial knowledge;
- to develop business skills and abilities;
- to identify, implement and support fresh ideas;
- to provide comprehensive support to newly established enterprises;
- to ensure the availability of financial assistance.

#### LOAN GUARANTEES PROVISION SCHEME

- The Loan Guarantees Provision scheme allows entrepreneurs to qualify for loans by guaranteeing up to 70% of the loan and the interest rates for up to 5 years. The maximum amount guaranteed cannot exceed AMD 15 million.
- The annual interest rates for the loans provided by the partner banks in Armenia under this programme are lower than the market rates.

#### PARTNERSHIPS FOR RURAL PROSPERITY

- The Partnerships for Rural Prosperity programme aims to empower rural communities to discover and realise their full potential.
- The activities included under the programme include local economic development, small-scale infrastructure development and rural environmental protection. Local economic development focuses particularly on the identification and promotion of competitive advantages in the target areas, entrepreneurship promotion and market access promotion amongst entrepreneurs.

#### WOMEN'S ENTREPRENEURSHIP SUPPORT PROGRAMME

- The Women's entrepreneurship support programme encourages entrepreneurship amongst women through training, informative campaigns and the provision of financial support.

#### LOCAL ECONOMIC DEVELOPMENT AND SECTORAL SUPPORT PROGRAMMES FOR BUSINESSES

- The Local economic development and sectoral support programmes for businesses aim at identifying the economic potential of communities in Armenia and undertaking economic development initiatives based on their potential in order to enhance the competitiveness of these communities.

#### NEW GENERATION CASH REGISTER MACHINES' COST COMPENSATION SCHEME

- The New generation cash register machines' cost compensation scheme subsidises the costs of purchasing new generations of cash register machines for SMEs in rural communities with a turnover of up to AMD 10 million.
- The budget of the programme is AMD 150 million.
- In 2016, 472 of the applications submitted by SMEs were subsidised; the total of the subsidies provided amounted to AMD 14.9 million.

#### PRIVATE SECTOR DEVELOPMENT IN SOUTH CAUCASUS PROGRAMME

- The Private Sector Development in South Caucasus programme supports professional education and learning colleges in designing and implementing modular programmes for the development of entrepreneurial skills.



### 3.1.3 EU4Business projects/programmes

Table 3.1 provides an overview of the EU4Business measures in which Armenia participates. Most EU4Business projects/programmes aim at the improvement of SME access to finance as well as improving their knowledge base and business skills.

**Table 3.1**  
Overview of the EU4Business projects/programmes in place in Armenia

|  |   | STATUS  |
|--|---|---------|
| IMPROVING ACCESS TO FINANCE                          | • SME Finance Facility Phase I – EBRD/KfW including Phase II                | Ongoing |
|  | • SME Finance Facility Phase I – EIB  | Ongoing |
|  | • Women in Business   | Ongoing |
|  | • EFSE (Neighbourhood Window of the European Fund for South East Europe)    | Ongoing |
|  | • Financial Sector Institution Building and Crisis Response                 | Ongoing |
|  | • South Caucasus Sustainable Energy Finance Facility: Implementation Supp.  | Ongoing |
|  | • Green for Growth – Extension to NIF East Region                           | Ongoing |
| TACKLING INADEQUATE POLICY AND REGULATORY FRAMEWORKS | • STAREP (Strengthening Auditing and Reporting in the Countries of the EaP) | Ongoing |
|  | • SME Competitiveness Reforms in EaP countries                              | Ongoing |
| IMPROVING KNOWLEDGE BASE AND BUSINESS SKILLS         | • Support to the European Business Association Armenia                      | Ongoing |
|  | • SBS Programme – EGP BAS Phase II  | Ongoing |
|  | • SMEDA (Support to SME development in Armenia)                             | Ongoing |
|  | • Community development through social entrepreneurship                     | Ongoing |
|  | • SBS Armenia   | Planned |
|  | • TAM/BAS   | Closed  |
| IMPROVING ACCESS TO MARKETS                          | • SBS Programme – EGP BAS Phase I   | Closed  |
|  | • East Invest I   | Ongoing |
|  | • East Invest II  | Ongoing |
|  | • Integrating SMEs from EaP countries into domestic and global value chains | Planned |

Source: EU4Business database

### 3.1.4 Conclusions

When comparing the EU4Business programmes and projects with the present national policies for SMEs in Armenia, the following conclusions become evident:

**EU4Business projects/programmes** are coherent with the national policy priorities set out in the SME strategy of the Armenian Government. Seven ongoing EU4Business projects/programmes aim at improving SME **access to finance**. These are largely in line with the national priority of improving access to funding for the small business sector. The priority highlights the necessity to provide affordable loans and loan guarantee schemes to SMEs. The ‘SME Finance Facility Phase I – EIB’ programme, for example, contributes in this respect by providing the necessary credit enhancement support for SME lending in the country. Similarly, the ‘Neighbourhood Window of the European Fund for South East Europe’ provides loans and technical assistance to Armenian SMEs.

The EU4Business projects/programmes that aim to improve **knowledge base and business skills** are coherent with the national priorities as described in the SME strategy. The *strategy emphasises the importance of promoting and developing entrepreneurial capacity*. The programme ‘Women in Business’, for example, specifically supports the skills and knowledge of (potential) female entrepreneurs. The planned programme ‘SBS Armenia’ will also contribute to the knowledge base and business skills of Armenian SMEs. It will do so by advising Armenian SMEs on areas that include strategy, marketing, organisation, operation, energy efficiency and the like. The ongoing East Invest programmes are coherent with the national priorities which aim at increasing SMEs’ competitiveness on domestic and international markets as well as stimulating private-public dialogue. All these programmes have the objective of supporting SMEs in their **access to markets**. The planned programme

‘Integrating SMEs from EaP countries into domestic and global value chains’ will further support Armenian SMEs in integrating them into domestic, regional and global value chains and markets. The EU4Business programmes STAREP and ‘SME Competitiveness Reforms in EaP countries’ contribute to the national priority of Armenia of establishing a stable **policy and regulatory framework**.

**National support programmes** exist in the context of improving access to finance, improving knowledge base and business skills and improving access to markets. The latter is only partly addressed since national programmes support mainly SMEs in the rural communities in their access to markets while urban communities remain uncovered.

Armenia has demonstrated significant improvements across most of the dimensions of the OECD SME *Policy Index 2016* <sup>(3)</sup>. Compared with 2012, there are considerable increases in the scores on innovation, internationalisation of SMEs, public procurement and access to finance. In contrast to this, the bankruptcy and second chance score remained largely unchanged. This necessitates further commitments in the direction of improving policy and regulatory frameworks for the successful operation of SMEs. Table 3.2 summarises the cohesion between the national and the EU4Business activities.



## 3.2 Azerbaijan

### 3.2.1 Strategic directions for developing the SME sector

The policy document ‘Strategic Road Map for the Manufacture of Small and Medium Entrepreneurship-Level Consumer Goods in Azerbaijan’ <sup>(4)</sup> defines five strategic objectives for the development of the SME sector:

- i) Improvement in the SME business environment and regulatory framework;
- ii) Provision of affordable and effective access to finance of SMEs;
- iii) Increase in the internationalisation and access to foreign markets of SMEs;
- iv) Increase in the knowledge and skills of SMEs;
- v) Promotion of innovation, research and development in SMEs.

The national priorities listed above can be clustered into the four objectives of EU4Business as on Figure 3.2.

.....  
**Source:**

<sup>(3)</sup> SME Policy Index: Eastern Partner Countries 2016. Assessing the Implementation of the Small Business Act for Europe

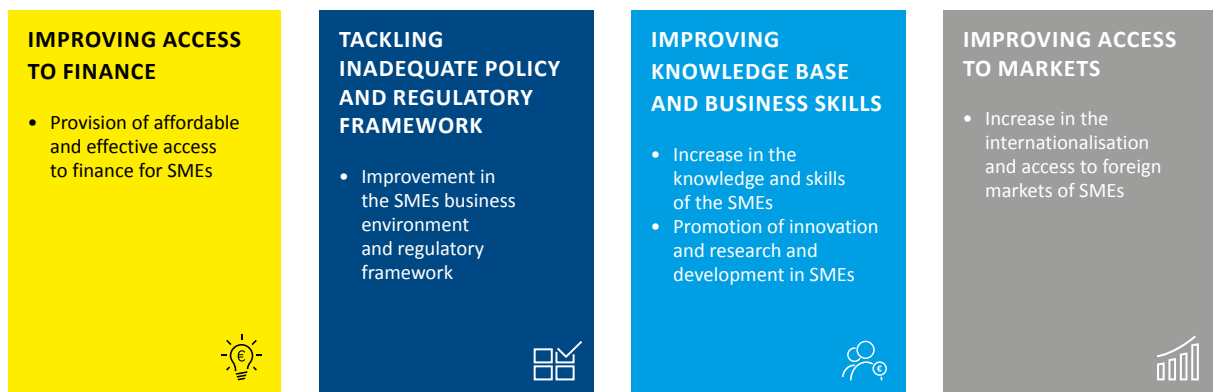
<sup>(4)</sup> Dated: 6 December 2016

**Table 3.2**

*EU4Business and national priorities and support programmes in Armenia*

| EU4BUSINESS PRIORITIES | NATIONAL PRIORITIES  | EU4BUSINESS PROGRAMMES | NATIONAL PROGRAMMES          |
|------------------------|--|------------------------|------------------------------|
| ACCESS TO FINANCE      | Improvement in access to funding for SME entities  | ✓                      | ✓                            |
| LEGAL AND REGULATORY   | Improvement in the institutional, legislative and operational environment for creation and development of SMEs | ✓                      |                              |
|                        | Improvement in public-private sector dialogue  | ✓                      |                              |
|                        | Strengthening of the SME Development Support Institutions  |                        |                              |
| SKILLS AND KNOWLEDGE   | Promotion and development of entrepreneurial capacity  | ✓                      | ✓                            |
|                        | Promotion of women’s entrepreneurship, as well as support for start-up businesses                              | ✓                      | ✓                            |
| ACCESS TO MARKETS      | Increase in the internal and external competitiveness of SMEs  | ✓                      | Only rural areas are covered |

**Figure 3.2**  
Strategies for developing the SME sector in Azerbaijan.



One of the activities in the category **tackling inadequate policy and regulatory frameworks** is to create a centralised agency for small and medium businesses that will provide advisory services to SMEs. Furthermore, the Government aims to conduct an analysis of the impact of the legislative reforms, public-private partnerships, the creation of specialised SME industrial zones and clusters and the strengthening of the SME support institutions. Improving the competitive environment is also a point of action. Finally, there is a need to improve auditing, licensing and taxation. In recent years, serious steps have been taken to reform SME licensing and permit regulations; further steps are planned to be taken. For example, fees need to be reduced, permit obtainment procedures need to be simplified and the usage of the electronic portal needs to be enhanced.

**Improving knowledge base and business skills** goals include the development of business incubators and start-ups, as well as the creation of model enterprises. Furthermore, it is regarded as important to expand the training and education opportunities for SMEs and to increase the speed of implementation of best practices. The promotion of women’s entrepreneurship is also an item on the Government’s agenda as is the overall promotion of the entrepreneurial mentality. *Improving knowledge base and business skills* goals also include further promotion of innovation and R&D among Azeri SMEs. The Government of Azerbaijan has already contributed significantly to the creation of an infrastructure needed for the development of innovation. Since 2012, several high-tech parks have been established.

There is a lack of domestic sources of SME finance in Azerbaijan, therefore **improving access to finance** is an important priority. Banks are reluctant to lend to SMEs due to a high ratio of non-performing loans among Azeri SMEs. This leads to a need to reform current bankruptcy and business termination of SMEs.

In addition, the Government aims to increase the use of leasing and alternative financial instruments (forwards, futures, options, swaps, factoring, etc.) by SMEs. A credit guarantee fund for reducing the financial risk for banks that lend to SMEs is planned.

Azeri non-oil exports are very small (2.1% of GDP in 2014 <sup>(5)</sup>). **Improving access to markets** for exporting SMEs is therefore essential. National financial support in this field is almost non-existent. EU4Business is an important instrument for helping SMEs’ international trade operations and also for encouraging the flow of foreign direct investments. The establishment of export associations in various sectors is considered an important stimulus for SMEs.

**Source:**

<sup>(5)</sup> ‘Strategic Road Map for the Manufacture of Small and Medium Entrepreneurship-Level Consumer Goods in Azerbaijan’, 2016



### 3.2.2 National government's projects and programmes

There are currently two State programmes in Azerbaijan aimed at the improvement in rules and regulations. These programmes do not target the SME sector specifically, but would impact SMEs indirectly. The programmes are:

#### STATE PROGRAMME ON POVERTY REDUCTION AND SUSTAINABLE DEVELOPMENT (SPPRSD)

The State Programme on Poverty Reduction and Sustainable Development (SPPRSD) aims at nine strategic goals.

#### STRATEGIC GOALS OF SPPRSD

- ensuring sustainable economic development through maintaining macroeconomic stability and balanced development of the non-oil sector;
- increasing income-generating opportunities and achieving a substantial reduction in the poorest sections of the population;
- reducing social risks for older age groups, low-income families and vulnerable groups of the population by developing an effective social protection system;
- continuing systematic implementation of activities aimed at improving the living conditions of refugees and IDPs;
- improving the quality of affordable basic health and education services and ensuring equal access;
- developing social infrastructure and improving public utilities systems;
- improving the environmental situation and ensuring sustainable management of the environment;
- promoting and protecting gender equality;
- continuing institutional reforms and improving good governance.

#### STATE PROGRAMME ON SOCIO-ECONOMIC DEVELOPMENT OF REGIONS

The State Programme on Socio-Economic Development of Regions strengthens economic opportunities and economic independence. It aims at resolving all existing problems and social issues, including increases in wages, pensions, social benefits, targeted social assistance and the creation of social infrastructure.

### 3.2.3 EU4Business projects/programmes

Most EU4Business projects/programmes aim at improving SME access to finance (Table 3.3).

**Table 3.3**

*Overview of the EU4Business projects/programmes in place in Azerbaijan*

|  |   | STATUS  |
|--|---|---------|
| IMPROVING ACCESS TO FINANCE                          | • SME Finance Facility Phase I – EBRD/KfW including Phase II                | Ongoing |
|  | • SME Finance Facility Phase I – EIB  | Ongoing |
|  | • Women in Business   | Ongoing |
|  | • EFSE (Neighbourhood Window of the European Fund for South East Europe)    | Ongoing |
|  | • Financial Sector Institution Building and Crisis Response                 | Ongoing |
|  | • South Caucasus Sustainable Energy Finance Facility: Implementation Supp.  | Ongoing |
|  | • Green for Growth – Extension to NIF East Region                           | Ongoing |
| TACKLING INADEQUATE POLICY AND REGULATORY FRAMEWORKS | • STAREP (Strengthening Auditing and Reporting in the Countries of the EaP) | Ongoing |
|  | • SME Competitiveness Reforms in EaP countries                              | Ongoing |
| IMPROVING KNOWLEDGE BASE AND BUSINESS SKILLS         | • SBS Programme – EGP BAS Phase II  | Ongoing |
|  | • TAM/BAS   | Closed  |
|  | • SBS Programme – EGP BAS Phase I   | Closed  |
| IMPROVING ACCESS TO MARKETS                          | • East Invest I   | Ongoing |
|  | • East Invest II  | Ongoing |
|  | • Integrating SMEs from EaP countries into domestic and global value chains | Planned |

Source: EU4Business database

### 3.2.4 Conclusions

The **EU4Business projects/programmes** are coherent with the main national priorities set out in the Azeri national strategy on SMEs. Most of the national priorities are covered by the existing EU4Business programmes. The seven ongoing EU4Business projects/programmes address improving **access to finance** of the Azeri SME sector. Improving access to finance is particularly relevant for Azeri SMEs that lack domestic sources of finance. ‘Neighbourhood Window of the European Fund for South East Europe’, for example, contributes in this respect by providing loans and technical assistance to Azeri SMEs. Three EU4Business projects/programmes contribute to *improving knowledge base and business skills*. An ongoing ‘SBS Programme – EGP BAS Phase II’ provides services to improve management culture in the companies and supports them in initiating managerial and structural changes.

Three programmes in the category of improving access to markets (ongoing East Invest I and II and the planned programme ‘Integrating SMEs from EaP countries into domestic and global value chains’) address the SME internationalisation goals of the Government. East Invest facilitates the internationalisation process for participating SMEs throughout Azerbaijan, other EaP countries and the EU. To tackle **inadequate policy and regulatory frameworks**, two EU4Business programmes are relevant. Both contribute to the priority of the Government of improving its business and regulatory environment.

The **national programmes** are not specifically aimed at the SME sector and cover only a very small part of the Government’s priorities.

The lack of affordable and effective access to finance in Azerbaijan is also reflected in the OECD **SME Policy Index 2016**, which shows that in comparison to 2012 there was no notable improvement in SME access to finance. Although, according to the SME Policy Index 2016, there was an improvement in the Azeri SME internationalisation dimension, it was not as large as improvements in other dimensions. The index shows particularly large improvements in the dimensions that relate to the business and regulatory environment. Standards and technical regulations as well as the operational environment for SMEs have considerably strengthened in Azerbaijan relative to the period of four years ago. Nevertheless, there is still the need to improve the SME business and regulatory environment. The two EU4Business programmes ongoing in the area of policy and regulatory frameworks will contribute to reaching this objective.

**Table 3.4**

*Overview of the coverage of the national strategies, the EU4Business projects/programmes and the national projects/programmes in Azerbaijan.*

| EU4BUSINESS PRIORITIES | NATIONAL PRIORITIES  | EU4BUSINESS PROGRAMMES | NATIONAL PROGRAMMES |
|------------------------|--|------------------------|---------------------|
| ACCESS TO FINANCE      | Provision of affordable and effective access to finance of SMEs            | ✓                      |                     |
|                        | Improvement in the SME business environment and regulatory framework       | ✓                      | ✓                   |
| LEGAL AND REGULATORY   | Increase in the knowledge and skills of the SMEs                           | ✓                      |                     |
| SKILLS AND KNOWLEDGE   | Promotion of innovation, research and development in SMEs                  |                        |                     |
| ACCESS TO MARKETS      | Increase in the internationalisation and access to foreign markets of SMEs | ✓                      |                     |





## 3.3 Belarus

### 3.3.1 Strategic directions for developing the SME sector

The strategy for the development of the SME sector in Belarus covers four main areas. The SME support strategy is defined in the 'National Strategy for Sustainable Development of the Republic of Belarus until 2030', which was adopted in 2015. In this strategy, key areas for SME development have been defined for the 2016-20 and 2020-30 period respectively. The programmes for the two periods are connected; the programme 'SMEs in the Republic of Belarus' for 2016-20 specifically exists to achieve the goals set out by the National Strategy 2030.

The key objectives set out in the national strategy are:


- i) Improvement in the business environment;
- ii) Promotion of the development of SMEs;
- iii) Perfection of the environment and support for small entrepreneurs;
- iv) Development of positive attitudes towards entrepreneurial initiatives.


These key objectives can be translated into the four priorities of EU4Business as shown on Figure 3.3.


**Figure 3.3**


*Strategies for developing the SME sector in Belarus*

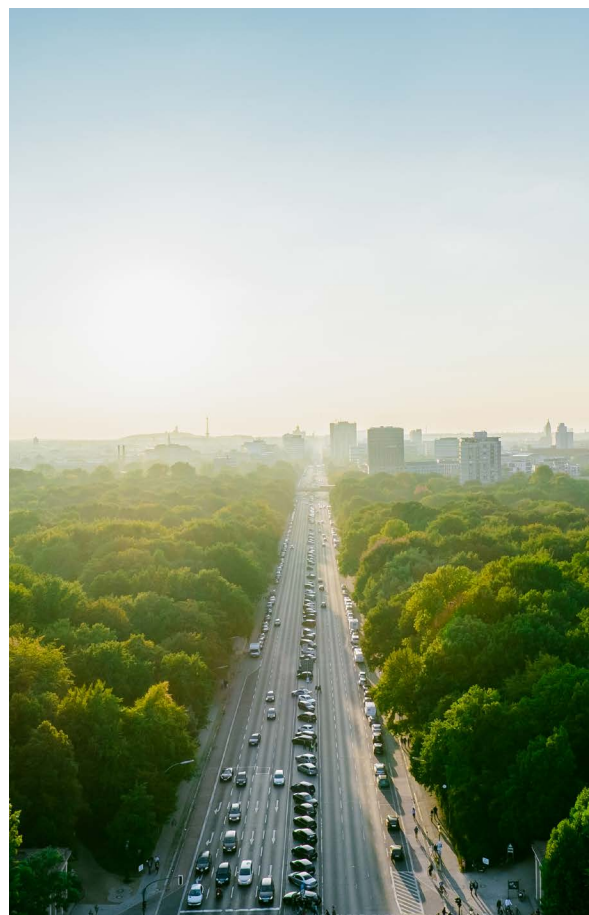


 Belarus' national objectives regarding **improving access to finance** concentrate on the development of new financing schemes, especially loan guarantee schemes, aimed at SMEs. Among the national schemes, funding from the Development Bank of Belarus is the largest source of financial assistance to SMEs.

 The objectives in **tackling inadequate legal and regulatory frameworks** are to reduce administrative barriers for SMEs and to optimise regulations regarding SMEs' commercial activities.

 The Belarusian national strategy does not have a specific focus on **improving knowledge base and business skills** amongst SMEs. There are 20 incubators and 93 SME support centres that aim to provide information, training and support to SMEs. However, these centres do not get much external funding.

 In the national strategy, there are no specific objectives with respect to **improving access to markets**.



### 3.3.2 National government's projects and programmes

There are three national projects/programmes set up by the Government to support the small business sector.

#### SMES IN THE REPUBLIC OF BELARUS 2016-20

- SMEs in the Republic of Belarus 2016-20 is an ongoing programme implemented by the Belarusian Ministry of Economy with a budget of USD 306 million. The budget of the State programme is EUR 317 million (at the exchange rate of 31/03/2017).
- The main beneficiaries of the programme are SMEs, individual entrepreneurs and Small Business Support organisations.
- The programme covers a range of schemes that aim to improve access to finance, skills and knowledge, and rules and regulations relating to SMEs.
- KPIs for this programme include the SME share in total added value for the Belarusian economy, the SME share in total employment, the number of SMEs per 1 000 employed persons, the number of entrepreneurs per 1 000 employed, the percentage of total revenue generated by SMEs, and the existence of SME support centres and business incubators.
- Funding for this last KPI is insufficient as the centres and incubators are expected to run a surplus.

#### DEVELOPMENT BANK OF THE REPUBLIC OF BELARUS (DBRB) SME LENDING FACILITY

- The Development Bank of the Republic of Belarus (DBRB) SME lending facility is a lending facility for commercial banks. The corresponding interest rate for loans funded through the facility is subsidised. Commercial banks add a small mark-up when lending to SMEs.
- The facility had a budget of EUR 35 million in 2016, providing loans for 600 investment projects. As of 01/01/2017, 712 investment projects had been financed by the DBRB since the start of the programme. The volume of credit investments amounted to EUR 42 million (at the exchange rate of 31/12/2016).

#### OBLAST ADMINISTRATIONS SME FUNDS

- Oblast administrations SME funds had a budget which amounted to EUR 4 million for 2016, and fund approximately 200 projects per year.

### 3.3.3 EU4Business projects/programmes

Half the EU4Business projects/programmes are aimed at improving access to finance, followed by projects/programmes improving the knowledge base and business skills of SMEs.

**Table 3.5**

*Overview of the EU4Business projects/programmes in place in Belarus*

|  |   | STATUS  |
|--|---|---------|
| IMPROVING ACCESS TO FINANCE                          | • SME Finance Facility Phase I – EBRD/KfW including Phase II                | Ongoing |
|  | • SME Finance Facility Phase I – EIB  | Ongoing |
|  | • Women in Business   | Ongoing |
|  | • EFSE (Neighbourhood Window of the European Fund for South East Europe)    | Ongoing |
|  | • Financial Sector Institution Building and Crisis Response                 | Ongoing |
| TACKLING INADEQUATE POLICY AND REGULATORY FRAMEWORKS | • STAREP (Strengthening Auditing and Reporting in the Countries of the EaP) | Ongoing |
|  | • SME Competitiveness Reforms in EaP countries                              | Ongoing |
| IMPROVING KNOWLEDGE BASE AND BUSINESS SKILLS         | • SBS Programme – EGP BAS Phase II  | Ongoing |
|  | • EU4Business: Advice for Small Businesses in Belarus                       | Planned |
|  | • TAM/BAS   | Closed  |
|  | • SBS Programme – EGP BAS Phase I   | Closed  |
| IMPROVING ACCESS TO MARKETS                          | • East Invest I   | Ongoing |
|  | • East Invest II  | Ongoing |
|  | • Integrating SMEs from EaP countries into domestic and global value chains | Planned |

Source: EU4Business database

### 3.3.4 Conclusions

EU4Business projects/programmes are coherent with the main national priorities described in the Belarusian national strategy on SMEs. The **EU4Business projects/programmes** contribute to all the objectives of the Government of Belarus in support of SMEs. The **policy and regulatory framework** is supported through the STAREP and 'SME Competitiveness Reforms in EaP countries' programmes. The former helps the participating countries to improve their frameworks for corporate financial reporting while the latter assists in the development of coherent and well-structured reforms to strengthen SME competitiveness. The development of SMEs is further promoted by five programmes on improving access to finance. Similarly, all the EU4Business programmes on **improving knowledge base and business skills** support the Government in forming positive attitudes towards entrepreneurial activities. The TAM/BAS and 'Programme – EGP BAS Phase I' are the two programmes that have already been completed. However, the 'SBS Programme – EGP BAS Phase II' is still ongoing and 'EU4Business: Advice for Small Businesses in Belarus' is planned. There is no specific focus in the country's SME strategy on improving **access to markets**, although other policies indirectly support this objective.

**National programmes** are also coherent with national priorities. All of them contribute to the access to finance objectives. The strategic document 'SMEs in the Republic of Belarus 2016-2020' <sup>(6)</sup> contributes to tackling inadequate policy and regulatory frameworks and to improving knowledge base and business skills as well.

According to the OECD **SME Policy Index 2016**, Belarus has shown only modest improvements in its scores relative to 2012. The most notable improvement can be seen in the internalisation of SMEs, despite the fact that access to markets is not among the priorities of the Belarus Government.

**Table 3.6**

*Overview of the coverage of the national strategies, the EU4Business projects/programmes and the national projects/programmes in Belarus.*

| EU4BUSINESS PRIORITIES | NATIONAL PRIORITIES   | EU4BUSINESS PROGRAMMES | NATIONAL PROGRAMMES |
|------------------------|---|------------------------|---------------------|
| ACCESS TO FINANCE      | Improving the business environment                            | ✓                      | ✓                   |
|                        | Promoting development of SMEs                                 | ✓                      | ✓                   |
| LEGAL AND REGULATORY   | Perfecting infrastructure and support for small entrepreneurs | ✓                      | ✓                   |
| SKILLS AND KNOWLEDGE   | Forming positive attitudes towards entrepreneurial activities | ✓                      | ✓                   |
| ACCESS TO MARKETS      |   | ✓                      |                     |

Entrepreneurial learning and enterprise skills have also shown relatively large increases, demonstrating the country's efforts in strengthening its human capital. The legal and regulatory environment however has shown little if any improvement when compared to 2012. Standard and technical regulations deteriorated while the operational environment for SMEs has improved only slightly. Access to finance remains an important dimension that needs improvement.



## 3.4 Georgia

### 3.4.1 Strategic directions for developing the SME sector

In the SME Strategy, the Government of Georgia has set five strategic priorities for strengthening its SME sector <sup>(7)</sup>. These are:

- i) Further improvement in legislative, institutional framework and operational environment for SMEs;
- ii) Improvement in access to finance;
- iii) Development of SME skills and promotion of entrepreneurial culture;
- iv) Export promotion and SME internationalisation;
- v) Facilitation of innovation and R&D in SMEs.

The national priorities can be clustered into the four objectives of EU4Business as presented on Figure 3.4.


**Source:**

<sup>(6)</sup> Dated: 23 February 2016


<sup>(7)</sup> SME Development Strategy of Georgia 2016-20


**Figure 3.4**  
Strategies for developing the SME sector in Georgia




 The first objective refers to **tackling inadequate policy and regulatory frameworks**. This includes the simplification of procedures for setting up a business. Simpler procedures to set up a business will support businesses in moving from inefficiency to efficiency. Furthermore, the national strategy priorities highlight the need to revise the definition of SMEs to match international and European definitions; this change has recently been implemented and will come into effect in 2018. This will enable the collection of more accurate and internationally comparable statistics, which is an area that the Georgian Government aims to improve. Besides this, there is a need to strengthen the SME support institutions and the public-private dialogue.

The latter is important as it would allow policy makers and stakeholders to jointly identify policies and necessary institutional reforms. Moreover, the legal and regulatory objectives include the creation of a Regulatory Impact Assessment (RIA) system, which is currently absent in the country, and the promotion of the use of International Financial Reporting standards.

 The next strategic direction concentrates on **improving access to finance**. The priority here is to first improve financial literacy among SMEs and to increase knowledge about fundraising. Besides this, the national strategy aims to attract SME-oriented private equity and venture capital funds to support the financing of start-ups. Financing of SMEs via grants is also an important goal within the national strategy. Finally, there is a need to support SMEs in increasing their access to finance through micro credit organisations.

 Two national strategic objectives focus on **improving knowledge base and business skills**. This priority aims at developing SME skills and promoting an entrepreneurial culture, as well as facilitating innovation and R&D in SMEs. The development of human capital is one of the top priorities, as there is currently a significant mismatch in the labour market in Georgia. In addition, this national priority is aimed at fostering innovation by Georgian SMEs as well as providing the infrastructure to support it.

 In the strategy, **access to markets** plans to improve this access by promoting exports and the internationalisation of SMEs. SMEs are encouraged to establish international trade relations and FDI links. Awareness will be raised regarding the DCFTA, and businesses will be supported in implementing its requirements.

### 3.4.2 National government's programmes

There are several State programmes in place in Georgia aimed at developing the SME sector.

#### **'PRODUCE IN GEORGIA – INDUSTRIAL MANUFACTURING SUPPORT'**

- 'Produce in Georgia – industrial manufacturing support' is aimed at SMEs operating in the industry sector. It facilitates the development of production, supports enterprises, stimulates the creation of new enterprises, and supports the expansion of existing enterprises by providing access to new equipment.
- The activities of the programme include:
  - Financial assistance;
  - Infrastructure support through the provision of State-owned infrastructure (land and/or buildings);
  - Consulting support via training to increase entrepreneurial skills and support in identifying and transferring contemporary technologies and fostering innovation.

#### **'PRODUCE IN GEORGIA – AGRICULTURE PROCESSING'**

- 'Produce in Georgia – agriculture processing' provides support to agricultural SMEs. The programme provides financing to primary agricultural enterprises (farms, greenhouses, etc.) and enterprises processing agricultural products, and to improve trade enterprises in agriculture (e.g. grain dryers).

#### **'PRODUCE IN GEORGIA – FILM INDUSTRY DEVELOPMENT'**

- 'Produce in Georgia – film industry development' aims to promote Georgia as the Eastern European filming destination by offering a 20% cash rebate on qualified expenses incurred in Georgia.

#### **'PRODUCE IN GEORGIA – HOTEL DEVELOPMENT'**

- 'Produce in Georgia – hotel development' promotes hospitality-oriented businesses across the country by providing improved access to finance. It aims to increase the number of tourists visiting Georgia, to create jobs and to develop each region of Georgia.

#### **SUPPORT TO START-UPS, MICRO AND SMALL ENTERPRISES**

- Support to start-ups, micro and small enterprises is designed to promote the provision of financial support and consulting to micro and small businesses across Georgia.
- The programme provides financial support for entrepreneurs to fulfil their business ideas, professional business consulting, business skills training and individual consultations.

#### **ACCESS TO FINANCE**

- Access to finance, a measure run by the Georgia Innovation and Technology Agency, combines several sub-programmes aimed at improving access to finance for innovative companies.
- The ongoing sub-programmes include the micro grants programme, start-up Georgia programme and matching grants programme.

#### **DEVELOPMENT OF INNOVATION INFRASTRUCTURE**

- Development of innovation infrastructure aims to increase the innovative activities of firms and individuals in the regions and their participation in the digital economy.

#### **TECHNICAL SUPPORT FOR INNOVATION AND ENTREPRENEURSHIP**

- Technical support for innovation and entrepreneurship aims to support and develop the start-up ecosystem.
- The main activities of the programme are designed to improve relevant entrepreneurial skills and knowledge.

#### **PLANT THE FUTURE**

- Plant the Future promotes the increased competitiveness of the agricultural sector. It aims at the stable development of high-quality production in which food safety norms and standards are ensured.
- The programme provides financing facilities for SMEs in the agricultural sector.



### **'GEORGIAN TEA' – GEORGIAN TEA PLANTATION REHABILITATION PROGRAMME**

- 'Georgian Tea' – Georgian Tea Plantation Rehabilitation Programme aims at maximising the use of Georgian tea potential and promoting high-quality tea production in Georgia, including for exports.
- The programme contributes by extending access to finance for enterprises.

### **CO-FINANCING OF AGRO PROCESSING AND STORAGE ENTERPRISES**

- Co-financing of Agro Processing and Storage Enterprises provides financing options to agricultural product processing enterprises and to storage enterprises.

### **PREFERENTIAL AGRO CREDIT PROJECT**

- The Preferential Agro Credit Project aims to improve the processes of primary agricultural production, processing, storage and sale by providing legal and natural entities with cheap, long-term and preferential funds.

### **AGRO INSURANCE**

- Agro Insurance aims to develop the insurance market in the agricultural sector. The goal is to promote agricultural activities, retain income for individuals with occupations in the activities mentioned and reduce risks.



### 3.4.3 EU4Business projects/programmes

Half of the EU4Business projects/programmes applicable to the country are aimed at improving SME access to finance, followed by projects/programmes improving knowledge and business skills (see Table 3.7)

**Table 3.7**

*Overview of the EU4Business projects/programmes in place in Georgia*

|  |   | STATUS  |
|--|---|---------|
| IMPROVING ACCESS TO FINANCE                          | • SME Finance Facility Phase I – EBRD/KfW including Phase II                                    | Ongoing |
|  | • SME Finance Facility Phase I – EIB  | Ongoing |
|  | • SME Finance Facility Phase II – EBRD  | Ongoing |
|  | • SME Finance Facility Phase II – KfW   | Ongoing |
|  | • Women in Business   | Ongoing |
|  | • EFSE (Neighbourhood Window of the European Fund for South East Europe)                        | Ongoing |
|  | • Financial Sector Institution Building and Crisis Response                                     | Ongoing |
|  | • DCFTA SME Direct Finance Facility   | Ongoing |
|  | • DCFTA Programme – EBRD  | Ongoing |
|  | • DCFTA Programme – EIB – part Georgia-Moldova  | Ongoing |
|  | • DCFTA SME Direct Finance Facility Phase II  | Planned |
|  | • South Caucasus Sustainable Energy Finance Facility: Implementation Supp.                      | Ongoing |
|  | • Green for Growth – Extension to NIF East Region   | Ongoing |
|  | • Framework for Capacity Building to support Financial Intermediaries in Azerbaijan and Georgia | Closed  |
| TACKLING INADEQUATE POLICY AND REGULATORY FRAMEWORKS | • STAREP (Strengthening Auditing and Reporting in the Countries of the EaP)                     | Ongoing |
|  | • SME Competitiveness Reforms in EaP countries  | Ongoing |
| IMPROVING KNOWLEDGE BASE AND BUSINESS SKILLS         | • SBS Programme – EGP BAS Phase II  | Ongoing |
|  | • DCFTA Adaptation Programme (DAP)  | Ongoing |
|  | • SME Development and DCFTA   | Ongoing |
|  | • Support to BSOs and CSOs on SME and DCFTA implementation                                      | Planned |
|  | • TAM/BAS   | Closed  |
|  | • SBS Programme – EGP BAS Phase I   | Closed  |
| IMPROVING ACCESS TO MARKETS                          | • East Invest I   | Ongoing |
|  | • East Invest II  | Ongoing |
|  | • Integrating SMEs from EaP countries into domestic and global value chains                     | Planned |

Source: EU4Business database

### 3.4.4 Conclusions

EU4Business projects/programmes are to a large extent coherent with the national strategy on supporting SMEs. The Government's priority of improving the legislative, institutional and operational environment for SMEs is addressed by two EU4Business programmes. Specifically, STAREP and 'SME Competitiveness Reforms in EaP countries' encourage SME competitiveness reforms and improve financial reporting by SMEs. Both contribute to **tackling inadequate policy and regulatory frameworks**.

Fourteen EU4Business programmes address the **access to finance** priorities of the Georgian Government. Several of those (e.g. South Caucasus Sustainable Energy, Finance Facility: Implementation Supp.) focus on the financing of enterprises that promote green growth. The programmes provide a wide range of different financing options. 'SME Finance Facility Phase I – EBRD/KfW', for example, offers financing in the form of loans, guarantees and leasing. It also provides equity for local investment funds.



East Invest I and II and ‘Integrating SMEs from EaP countries into domestic and global value chains’ support Georgia’s priority of **improving access to markets** for SMEs. Six programmes contribute to **improving the knowledge base and business skills** of SMEs. Although they contribute to SME skills development and promote entrepreneurial culture, they do not contribute to facilitating the innovation and R&D of Georgian SMEs. To address this aspect, another EU initiative was launched in November 2016. Branded ‘EU4Innovation’, the initiative combines all EU activities that support the development of innovation capacities in EaP countries, including Georgia.

Georgia has shown a considerable improvement across several dimensions of the OECD **SME Policy Index 2016**. In comparison with 2012, there was a large improvement in the dimension of standards and technical regulations. This reflects the country’s efforts to improve its business and regulatory environment. The score for support services for SMEs and start-ups has also shown a sizeable increase. Other dimensions have demonstrated only marginal increases. Entrepreneurial learning and women’s entrepreneurship continues to have a relatively low score, reflecting the need for Georgia to improve the competitiveness of its human capital and lower its mismatch in the labour market.

Support for innovation and R&D by SMEs is largely provided by existing national programmes (e.g. ‘Development of innovation infrastructure’). **National programmes** are in place and relate to each of the priorities set out in the national SME strategy.

**Table 3.8**  
*Overview of the coverage of the national strategies, the EU4Business projects/programmes and the national projects/programmes in Georgia*

| EU4BUSINESS PRIORITIES | NATIONAL PRIORITIES   | EU4BUSINESS PROGRAMMES | NATIONAL PROGRAMMES |
|------------------------|---|------------------------|---------------------|
| ACCESS TO FINANCE      | Improvement of access to finance  | ✓                      | ✓                   |
| LEGAL AND REGULATORY   | Improvement of legislative and institutional framework and operational environment for SMEs | ✓                      |                     |
| SKILLS AND KNOWLEDGE   | SME skills development and promotion of entrepreneurial culture                             | ✓                      | ✓                   |
|                        | Facilitation of innovation and R&D in SMEs  |                        | ✓                   |
| ACCESS TO MARKETS      | Export promotion and SME internationalisation   | ✓                      | ✓                   |





## 3.5 Moldova

### 3.5.1 Strategic directions for developing the SME sector

The action plan for implementing the strategy for development of the SME sector in Moldova contains six priorities <sup>(8)</sup>:

- i) Adjustment of the normative and regulatory framework to the SME sector needs;
- ii) Improvement of access to financing for SMEs;
- iii) Development of human capital through promotion of competences and business culture;
- iv) Increase in SME competitiveness and stimulation of innovation spirit;

- v) Facilitation of SME development in the regions;
- vi) Business partnership development.

The six priorities of Moldova can be clustered under the four objectives of EU4Business as shown on Figure 3.5.

**Source:**

<sup>(8)</sup> Action Plan for Implementation of the Strategy for Development of the Small and Medium-sized Enterprise Sector for 2012-14

**Figure 3.5**  
*Strategies for developing the SME sector in Moldova*



With respect to **improving access to markets**, the goals of the strategy focus on ensuring that there is sustainable development of SMEs in Moldova. The target is to ease SMEs' access to domestic and foreign markets by providing advice and information services to SMEs. Customs procedures are planned to be simplified, especially for credible SMEs.

The first priority of the country refers to **tackling inadequate policy and regulatory frameworks**. The aim is to create a business environment that would contribute to improving the performance of SMEs. The priority includes reducing administrative barriers for SMEs and optimising regulations related to commercial activities of SMEs. Plans also include stimulating business partnerships, both public-to-private and business-to-business. The regulatory framework is to be improved to facilitate private sector participation.

**Improving access to finance** for SMEs includes the development of new financial support schemes such as the set-up of a loan guarantee system for SMEs. In addition, policy will be developed to attract long-term credit lines from international financial institutions. SMEs' access to public procurement should also be improved. Finally, there are plans to improve the efficiency of remittance transfers.

Several Government priorities focus on **improving knowledge base and business skills**. These plans include the development of business skills such as the promotion of entrepreneurial education and an entrepreneurial culture. In addition, innovation will be stimulated by, for example, implementing management systems based on international and European standards, which will improve SMEs' competitiveness.

### 3.5.2 National government's projects and programmes

At present, five programmes are running to support SMEs. The programmes are run by the Organisation for the Development of SMEs. This organisation was created in 2007 with the aims being to sustain and improve the development of the SME sector and to meet the priorities of the Government. Alongside the Government, the organisation is cooperating with other central and local public administrations, business associations, business support providers and SMEs.

#### NATIONAL PROGRAMME FOR YOUTH ECONOMIC EMPOWERMENT

- The National Programme for Youth Economic Empowerment aims at enhancing the entrepreneurial spirit among young people. It provides training and trade credits to people aged 18-35 who want to develop entrepreneurial skills and/or start their own or develop an existing business in rural areas.
- The programme covers the period 2008-17.
- Since the start of the programme, 1 678 sub-projects of the young beneficiaries have been funded to the tune of MDL 482.2 million.

#### PROGRAMME ON ATTRACTING REMITTANCES INTO THE ECONOMY 'PARE 1+1'

- The Programme on Attracting Remittances into the Economy 'PARE 1+1' is oriented towards migrant workers and their first-degree relatives who want to invest in starting or developing their own business.
  - Objectives of 'PARE 1+1'
    - increasing the awareness of Moldovan migrants, and migrating the recipients of remittances to business development opportunities in the country of origin;
    - enhancing entrepreneurial skills among migrants and remittance recipients;
    - stimulating the creation and development of SMEs by migrant workers and remittance recipients;
    - facilitating the access of migrants and remittance recipients to financial resources required for the creation / development of SMEs in Moldova;
    - promoting financial literacy and savings.
- The programme covers the period 2010-18.
- Since the start of the programme, access to grants for 900 businesses has been facilitated to the tune of MDL 158.77 million.

#### WOMEN IN BUSINESS – PILOT PROGRAMME

- The Women in Business – pilot programme is intended for women who are planning to start or expand their businesses, especially in rural areas, and provide support for women entrepreneurs.
  - Objectives of 'Women in Business'
    - increasing economic opportunities for women by reducing barriers to initiating or developing a business;
    - facilitating access to investment and business development assistance managed by women, designed to complement the financial and non-financial support currently available for women entrepreneurs;
    - creating national integrated support for the development of women entrepreneurship, aimed at different stages: from business planning (initiation) to newly established enterprises and growing businesses;
    - strengthening of the national infrastructure support to SMEs by extending the services offered to reduce the specific obstacles faced by women in business;
    - contributing to the achievement of priority policies on gender equality and economic development.
- The programme covers the period 2016-19.

#### EFFICIENT BUSINESS ADMINISTRATION

- The Efficient Business Administration programme aims at entrepreneurs of any age who practise economic activities in any legal form and who want to increase their skills in entrepreneurship to ensure effective management of the business.

#### CREDIT GUARANTEE FUND (CGF)

- The Credit Guarantee Fund (CGF) programme aims to improve the dialogue between banks and SMEs and to increase opportunities for SMEs to obtain the necessary financial resources.
- The programme runs until 2024.



### 3.5.3 EU4Business projects/programmes

More than half of the following EU4Business projects/programmes aim at improving SMEs' access to finance, and around one fifth fall under the category of improving knowledge base and business skills.

The remaining projects focus on improving access to markets and tackling inadequate policy and regulatory framework objectives (Table 3.9).

**Table 3.9**  
Overview of the EU4Business projects/programmes in Moldova

|  |   | STATUS  |
|--|---|---------|
| IMPROVING ACCESS TO FINANCE                          | • SME Finance Facility Phase I – EBRD/KfW including Phase II                | Ongoing |
|  | • SME Finance Facility Phase I – EIB  | Ongoing |
|  | • SME Finance Facility Phase II – EBRD                                      | Ongoing |
|  | • SME Finance Facility Phase II – KfW                                       | Ongoing |
|  | • Women in Business   | Ongoing |
|  | • EFSE (Neighbourhood Window of the European Fund for South East Europe)    | Ongoing |
|  | • Financial Sector Institution Building and Crisis Response                 | Ongoing |
|  | • DCFTA SME Direct Finance Facility   | Ongoing |
|  | • DCFTA programme – EBRD  | Ongoing |
|  | • DCFTA Programme – EIB – part Georgia-Moldova                              | Ongoing |
|  | • DCFTA SME Direct Finance Facility Phase II                                | planned |
|  | • Identification and promotion of energy efficiency investments             | Ongoing |
|  | • Green for Growth – Extension to NIF East Region                           | Ongoing |
| • Filière-du-Vin                                     | Closed  |         |
| TACKLING INADEQUATE POLICY AND REGULATORY FRAMEWORKS | • STAREP (Strengthening Auditing and Reporting in the Countries of the EaP) | Ongoing |
|  | • SME Competitiveness Reforms in EaP countries                              | Ongoing |
| IMPROVING KNOWLEDGE BASE AND BUSINESS SKILLS         | • SBS Programme – EGP BAS Phase II  | Ongoing |
|  | • TAM/BAS   | Closed  |
|  | • SBS Programme – EGP BAS Phase I   | Closed  |
| IMPROVING ACCESS TO MARKETS                          | • East Invest I   | Ongoing |
|  | • East Invest II  | Ongoing |
|  | • Integrating SMEs from EaP countries into domestic and global value chains | Planned |

Source: EU4Business database



### 3.5.4 Conclusions

The EU4Business projects/programmes are coherent with the priorities of the SME strategy of the Government of Moldova. The **EU4Business projects/programmes** address all the priorities of this strategy.

**Table 3.10**

*Overview of the national strategies, the EU4Business projects/programmes and the national projects/programmes in Moldova.*

| EU4BUSINESS PRIORITIES | NATIONAL PRIORITIES  | EU4BUSINESS PROGRAMMES | NATIONAL PROGRAMMES |
|------------------------|--|------------------------|---------------------|
| ACCESS TO FINANCE      | Improvement in access to financing for SMEs  | ✓                      | ✓                   |
| LEGAL AND REGULATORY   | Adjustment of the normative and regulatory framework to the SME sector needs       | ✓                      |                     |
|                        | Business partnership development   | ✓                      |                     |
| SKILLS AND KNOWLEDGE   | Development of human capital through promotion of competences and business culture | ✓                      | ✓                   |
|                        | Increase in SME competitiveness and stimulation of innovation spirit               | Partially              |                     |
| ACCESS TO MARKETS      | Facilitation of SME development in the regions                                     | ✓                      |                     |

In the category of improving access to finance, the Government of Moldova aims to develop new financial support schemes such as loan guarantees for SMEs. Most EU4Business access to finance projects/programmes are coherent with this objective. ‘SME Finance Facility Phase I – EBRD/KfW including Phase II’, for example, combines EBRD, EIB and KfW loans or guarantees to participating financial intermediaries, for on-lending to eligible SMEs. The EU4Business projects/programmes, STAREP and ‘SME Competitiveness Reforms in EaP countries’, contribute to the national priorities that include the adjustment of the inadequate policy and regulatory frameworks to the SME sector needs.

In the context of improving knowledge base and business skills, the SME strategy distinguishes two priorities: the development of human capital through promotion of competences and business culture, and the improvement in SME competitiveness and innovation. The latter is only partially addressed by EU4Business projects/programmes. At present, no targeted EU4Business project/programme exists to stimulate innovation among SMEs in Moldova. Innovation, however, is promoted via EU4Innovation, a recent EU initiative aimed at using existing funds to improve the scientific and innovation capacity of SMEs in EaP countries.

The priority of improving the competitiveness of SMEs is addressed by several EU4Business projects/programmes (e.g. SBS Programme – EGP BAS Phase II). The ongoing East Invest programmes are coherent with the national priorities of facilitating SMEs’ development in the regions. In this way, SME access to markets will be supported.

The planned programme ‘Integrating SMEs from EaP countries into domestic and global value chains’ will further support SME access to national and international markets.

National support programmes are aimed at improving access to finance and partially addressing the priorities of improving the knowledge base and business skills of SMEs in Moldova. There are no national schemes available to support innovation by SMEs.

According to the OECD SME Policy Index 2016, Moldova has shown a considerable improvement across several policy dimensions. There has been significant progress in the internationalisation of SMEs, SMEs’ access to finance, enterprise skills and participation of SMEs in a green economy. However, the regulatory and operational environment still remains a major impediment to the SME sector functionally successfully, with the index score being low and largely unchanged compared to 2012.



## 3.6 Ukraine

### 3.6.1 Strategic directions for developing the SME sector

The Small and Medium-sized Enterprise Development Strategy of Ukraine defines six strategic objectives:

- i) Improvement in the SME regulatory, institutional and business environment;
- ii) Improvement in SME access to finance;
- iii) Simplification of SME tax administration;
- iv) Promotion of entrepreneurial culture and development of competitive human capital and skills;


- v) Promotion of SME exports/internationalisation in the context of the AA/DCFTA;
- vi) Facilitation of SME competitiveness and innovation.

These objectives can be clustered into the four objectives of EU4Business as presented in Figure 3.6.


**Figure 3.6**

*Strategies for developing the SME sector in Ukraine*



 In the area of **tackling inadequate policy and regulatory frameworks**, an important action is improving SME information and statistics. A second target is the simplification of certain SME-related regulations covering, for example, the registration or deregistration of enterprises, contract enforcement, bankruptcy practices and issuing of licences and permits. The Government also sees a need to improve the flexibility of labour market regulations. Furthermore, it is considered important to simplify the tax administration, since this seems to be one of the major impediments to the development of SMEs.

 The **improving access to finance** objectives highlight the need to improve commercial bank financing for SMEs, diversify financial products (including guarantee schemes, leasing, factoring, export insurance and venture capital) and ensure that financial products are better suited to the needs of the SME sector. The need to improve start-up financing for innovative companies is also emphasised in the strategy.

 The **improving knowledge base and business skills** priorities of Ukraine include improving the entrepreneurial culture and developing human capital in the country. Important target groups are women entrepreneurs and other specific groups such as young entrepreneurs. Furthermore, there is a need

to improve the performance of SMEs with a focus on improving competitiveness, prices and innovativeness. This requires strengthening the business development services and business consulting, establishing an infrastructure for supporting start-ups and early growth enterprises, assisting enterprises in improving R&D, bringing SMEs in contact with foreign domestic investors and maximising SME access to EU initiatives.

 With respect to **improving access to markets**, the goals of the strategy include the promotion of SME exports and internationalisation in the context of the AA/DCFTA. Only 5.9% of Ukrainian SMEs export<sup>(9)</sup>. Therefore, efforts are needed to support SMEs in this respect. Moreover, the adoption of European standards for some product groups (e.g. industrial and agro-food products) has led to additional pressures when operating in the domestic market. Policies, education and technical support are therefore needed to support the SME sector in increasing their competitiveness.

Source:

<sup>(9)</sup> Small and Medium-sized Enterprise Development Strategy of Ukraine

### 3.6.2 National government's projects and programmes

To reach the objectives set out in the SME strategy, several national programmes have been introduced. Below we provide details on each of the programmes.

#### LAW OF UKRAINE ON DEVELOPMENT AND STATE SUPPORT FOR SMALL AND MEDIUM-SIZED ENTERPRISES

- The Law of Ukraine on Development and State support for Small and Medium-sized Enterprises comprises the following support to SMEs:
  - partial compensation of interest rates on loans, and of leasing and extra charges related to guarantees;
  - issuing of loans and micro-credit as well as loan guarantees;
  - financial support for environment-friendly technologies;
  - compensation of costs of cooperation between SMEs and large enterprises;
  - grants/loans for the purchase of new technologies.
- Additional support to SMEs is provided through the non-profit Government-funded Ukrainian Foundation for Entrepreneurship Supporting.
- Under the law, local authorities are allowed to finance SME development from their own budgets.
- In 2013, the Foundation issued 37 micro loans of UAH 9 million; no more loans were issued to SMEs. As of 2014, there are no active national measures directly related to SME development, including those stated in the Law, because there is no budget available.

#### ACTION PLAN FOR DEREGULATION OF BUSINESS ACTIVITY

- The Action Plan for Deregulation of Business Activity aims to reduce the administrative burden on business and consequently stimulate economic growth. The plan aims to do so by:
  - simplifying and improving the business environment in several regulatory areas;
  - simplifying taxation laws.
- The Parliament and the Government demonstrated progress in implementing this Plan in 2016 and continuing to adopt new laws and regulations or amend existing ones. Good progress is reported in the public domain.

#### ACTION PLAN ON THE IMPLEMENTATION OF BEST PRACTICES AND EFFECTIVE QUALITY CONTROLS

- The Action Plan on the Implementation of Best Practices and Effective Quality Controls, as reflected in the World Bank Group Rating Methodology 'Doing Business' aims to improve business regulation in Ukraine.
- Its objective is to improve Ukraine's position in the World Bank's 'Doing Business' ranking to 20th place in 2020. Ukraine is currently ranked 80th.
- Activities include quality controls and implementation of best practices in the areas of taxation, provision of loans, registration of enterprises, investor protection and enforcement of contracts, among others.

#### EXPORT PROMOTION OFFICE

- The Export Promotion Office aims to increase exports and assist Ukrainian enterprises in accessing new markets and expanding their presence on existing markets. Additionally, it aims to promote Ukrainian products and brands.
- The expected results are that more SMEs will enter new markets and that awareness of Ukrainian products abroad will increase.
- The support activities include the organisation of foreign business forums and trade missions, coordination of the national export strategy and export promotion through trade organisations.

#### UNLIMITED UKRAINE

- Unlimited Ukraine is an initiative of the European Business Association, supported by the Ministry of Economic Development and Trade of Ukraine. It aims at giving a boost to the growth of young Ukrainian businesses by providing them with modern production capacities that are congruent with EU standards in terms of skills, knowledge and business connections.
- The main forms of support are seminars and individual learning sessions for SMEs.
- About 100 SMEs have participated.
- The programme is financed by large private enterprises.

### 3.6.3 EU4Business projects/programmes

Most EU4Business projects/programmes are aimed at improving access to finance, followed by programmes aimed at improving the knowledge base and business skills of SMEs.

**Table 3.11**

*Overview of the EU4Business projects/programmes in Ukraine*

|  |   | STATUS  |
|--|---|---------|
| IMPROVING ACCESS TO FINANCE                          | • SME Finance Facility Phase I – EBRD/KfW including Phase II                | Ongoing |
|  | • SME Finance Facility Phase I – EIB  | Ongoing |
|  | • SME Finance Facility Phase II – EBRD                                      | Ongoing |
|  | • SME Finance Facility Phase II – KfW                                       | Ongoing |
|  | • Women in Business   | Ongoing |
|  | • EFSE (Neighbourhood Window of the European Fund for South East Europe)    | Ongoing |
|  | • Financial Sector Institution Building and Crisis Response                 | Ongoing |
|  | • DCFTA SME Direct Finance Facility   | Ongoing |
|  | • DCFTA programme – EBRD  | Ongoing |
|  | • DCFTA Programme – EIB – part Ukraine                                      | Ongoing |
|  | • DCFTA SME Direct Finance Facility Phase II                                | Planned |
|  | • Identification and promotion of energy efficiency investments             | Ongoing |
|  | • Green for Growth – Extension to NIF East Region                           | Ongoing |
| TACKLING INADEQUATE POLICY AND REGULATORY FRAMEWORKS | • STAREP (Strengthening Auditing and Reporting in the Countries of the EaP) | Ongoing |
|  | • FORBIZ  | Ongoing |
|  | • SME Competitiveness Reforms in EaP countries                              | Ongoing |
| IMPROVING KNOWLEDGE BASE AND BUSINESS SKILLS         | • EU4Business: Network of Business Support Centres in Ukraine               | Ongoing |
|  | • SBS Programme – EGP BAS Phase II  | Ongoing |
|  | • TAM/BAS   | Closed  |
|  | • SBS Programme – EGP BAS Phase I   | Closed  |
| IMPROVING ACCESS TO MARKETS                          | • East Invest I   | Ongoing |
|  | • East Invest II  | Ongoing |
|  | • Integrating SMEs from EaP countries into domestic and global value chains | Planned |

Source: EU4Business database

### 3.6.4 Conclusions

The EU4Business projects and programmes are coherent with the priorities of the Ukrainian Government as presented in the SME strategy. All priorities are addressed by EU4Business projects/programmes, except for simplification of the SME tax administration. This priority is part of the objective tackling inadequate policy and regulatory frameworks. In improving access to finance, the Government of Ukraine aims to improve SME financing and diversify financial products available to SMEs.

This is covered by most access to finance projects/programmes of EU4Business. ‘SME Finance Facility Phase II – EBRD’, for example, provides local currency lending to local SMEs. This is particularly relevant for small businesses that have limited foreign funds and cannot afford the associated high foreign exchange risk.





**Table 3.12**

Overview of the national strategy, the EU4Business projects/programmes and the national projects/programmes in Ukraine.

| EU4BUSINESS PRIORITIES | NATIONAL PRIORITIES  | EU4BUSINESS PROGRAMMES | NATIONAL PROGRAMMES |
|------------------------|--|------------------------|---------------------|
| ACCESS TO FINANCE      | Improve SME access to finance  | ✓                      | ✓                   |
| LEGAL AND REGULATORY   | Improve the SME regulatory, institutional and business environment               | ✓                      | ✓                   |
|                        | Simplify SME tax administration  |                        | ✓                   |
| SKILLS AND KNOWLEDGE   | Promote entrepreneurial culture and develop competitive human capital and skills | ✓                      | ✓                   |
|                        | Facilitate SME competitiveness and innovation                                    | Partially              | Partially           |
| ACCESS TO MARKETS      | Promote SME export/internationalisation in the context of the AA/DCFTA           | ✓                      | ✓                   |

In improving knowledge base and business skills, the objectives of the Government include promoting entrepreneurial culture, developing human capital and facilitating SME competitiveness and innovation. EU4Business projects/programmes are coherent with these objectives. The ‘EU4Business: Network of Business Support Centres in Ukraine’ and the ‘SBS Programme – EGP BAS Phase II’ contribute in this respect. The programmes carry out various mentoring, consulting and training activities for entrepreneurs and business support centres. The priority of the Government of facilitating SME competitiveness and innovation is only partially addressed, since there are no EU4Business projects/programmes that specifically aim at the promotion of innovation by SMEs. Innovation, however, is being promoted by EU4Innovation. Access to markets goals of the Government of Ukraine relate to the internationalisation of SME activities. This is addressed by, for example, East Invest or the ‘DCFTA Programme – EIB – part Ukraine’.

National support schemes are available and address each of the priorities set by the national government, with one exception. There are no national support schemes aimed at improving the innovativeness of SMEs specifically (indicated as partially).

According to the OECD SME Policy Index 2016, Ukraine has made significant progress in improving its standards and technical regulations. Improvement in other dimensions of the index has been however rather modest. Access to finance remains a challenge for Ukrainian SMEs although some improvement can be seen relative to 2012. Support services for SMEs and start-ups have shown almost no improvement.

The score remains very low and comparable to that of 2012. This also relates to the internationalisation of SMEs, the score for which has even decreased compared to 2012. Furthermore, the regulatory and operational environment needs considerable improvement.

#### 3.6.4 In summary: EU4Business is leading in the right direction

The analysis provided in the present chapter should not be regarded as exhaustive or as a final conclusion regarding the status of EU4Business in the EaP countries. There are factors other than the actual existence of coherence that influence the final impact of the EU4Business initiative and its way forward.

The political and economic environment in the EaP region is quite dynamic, and changes in key aspects of the business environment are frequent.

The conclusions of the present analysis can be used for marking out a general path for future EU4Business initiatives, but further expert opinion and factual research is needed. Chapter 5 of this report aims at showing the potential development of EU4Business in the EaP region and in each of the six countries individually. Some of the ideas showcased may be a solid basis for bilateral actions, while others could cover more countries due to common needs of the respective SME sectors. The most important aspect identified so far is that the EU4Business initiative is heading in the right direction, being fully coherent with the strategies of the national governments, but there is still more to be done in terms of supporting SMEs in the EaP region.



EU4Business

# SUCCESS STORIES

## EAST INVEST I: BSO EXCHANGES LARGELY CONTRIBUTED TO THE KNOWLEDGE BUILDING OF BSOs

Under the East Invest I project, eight exchanges have been completed (including EaP involvement: one Georgia to Italy; one Moldova to Italy; two Ukraine to Spain; three Belarus to Ukraine).

These exchanges turned out to be very beneficial for the participating BSOs:

- EaP BSOs trained on: strategy & planning; regional development; membership; marketing; finance & accounting; advocacy; networking & partnership
- all rated as excellent (value of the exchange for the BSO & personal development)
- positive side-effects, such as: extracurricular meetings; in-depth consideration of the topics; Memorandum of Understanding signing; cooperation beyond the exchange; extreme dedication & professionalism from the EU side
- the exchanges led to concrete initiatives with regard to the application of knowledge, e.g. improving business services, internal and external communication, extending services to the regional level, launching of a new committee and developing services for women entrepreneurs, improvement in the work of the business incubator & business club, and the review of the strategy

## EAST INVEST I: EXTENSIVE CAPACITY BUILDING FOR BSOs THROUGH THE BSO ACADEMIES

As part of the East Invest I programme, four BSO Management Academies were organised.

*“With the participation of 109 EaP BSO representatives from Ukraine, Georgia and Moldova. It covered 20 courses on Advocacy, Strategic HR Management, Income Generation & Services and Membership”.*

The 5th BSO Strategic Academy will take place in May 2017. The Academy was very well received by the participants, with a 100% satisfaction rate ‘excellent’ so far. The content was highly appreciated, as important aspects for BSOs were covered, as was the interactive approach.

As a result, participants reported an improvement in the BSO work on the topics that were covered and the incorporation of the new concepts learned. Furthermore, new services and initiatives were launched by BSOs, such as new information and consultancy services, seminars on VET and DCFTAs and the set-up of working groups. BSO strategies and marketing have also been improved.

“This training was a very positive and productive way to communicate our values, and it encouraged sharing the experience in many fields. In this connection, I would like to emphasize that the BSO Exchanges are a great motivation for improvement, motivation to create **POSITIVE CHANGES** (CCI role strengthening, new business support services development, activities diversification), **SELF-ASSESSMENT** and **NETWORKING**. It is a great practical tool for different forms of cooperation establishment.”

### Moldovan participant in the exchange with Italy

November 2016



## CHAPTER 4:

# ACHIEVEMENTS OF THE EU4BUSINESS INITIATIVE

EU4Business sets high ambitions for economic development in terms of achieving concrete deliverables for citizens in the EaP countries.

Despite the fact that half of the programmes and projects started quite recently, the different EU4Business programmes and projects have already generated considerable achievements and will generate even more in the coming years. The outreach to SMEs is wide, in terms of providing both finance as well as knowledge transfer and capacity building.

For instance, through EU4Business, the following has been achieved since 2009:

- Almost 100 000 enterprises have received 190 000 sub-loans for a total value of EUR 1.5 billion;
- Well over 20 000 people working with or for SMEs, BSOs and PFIs in the targeted countries have had the opportunity to participate in training and events such as workshops and seminars;
- More than 93 000 jobs in SMEs have been supported through by EU4Business SME business advice projects, and the Initiative has created more than 10 000 new jobs as a result of these projects;
- In different countries, a large number (almost 40) of proposals for policy strategies and legal reforms have been made, contributing to a favourable business environment and acting as an important catalyst for change;
- A reduction in CO<sub>2</sub> emissions of 172 444 t-CO<sub>2</sub>/year and energy savings of almost 820 000 MWh/year <sup>(1)</sup> has been registered.

The regional and bilateral programmes and projects under EU4Business are the key tool for making a real impact on SME development, complemented by the countries' national reform plans. Overall, the programmes and projects supported by EU4Business are successfully being implemented. For those programmes that set specific targets, either these are overachieved or the programme is well on track to reaching the targets set.

Projects are monitored by means of a set of indicators (see Annex B). The indicators are grouped based on the four strategic priority areas as formulated in the SME Flagship Strategy endorsed in 2014 <sup>(2)</sup>. The indicators have evolved over the years, as every new programme pays more attention to the reporting on indicators. Therefore, we cannot expect that these indicators were reported on right from the beginning of EU4Business. Hence, the progress reports on the programmes/projects provide partial information on the indicators, some more consistently than others. For instance, the amount of sub-loans provided by participating financial intermediaries (PFIs) or the reduction in CO<sub>2</sub> emissions and energy savings is generally monitored and reported. For other indicators, however, not all programmes/projects report in a consistent manner, such as on the number of people participating in training or an event. Nevertheless, the progress reports are providing ample success stories and cumulative figures which are showing the impact of EU4Business.

This chapter provides an overview of the achievements of the EU4Business programmes/projects portfolio since its inception. It is based on an analysis of the progress reports that were made available by 20 April 2017. The structure follows the four EU4Business objectives and their related operational objectives, which are presented in the intervention logic overleaf. The intervention logic also includes the indicators attached to the different objectives. These indicators are used for the quantitative assessment of the progress to the extent that figures were available in the projects' progress reports.

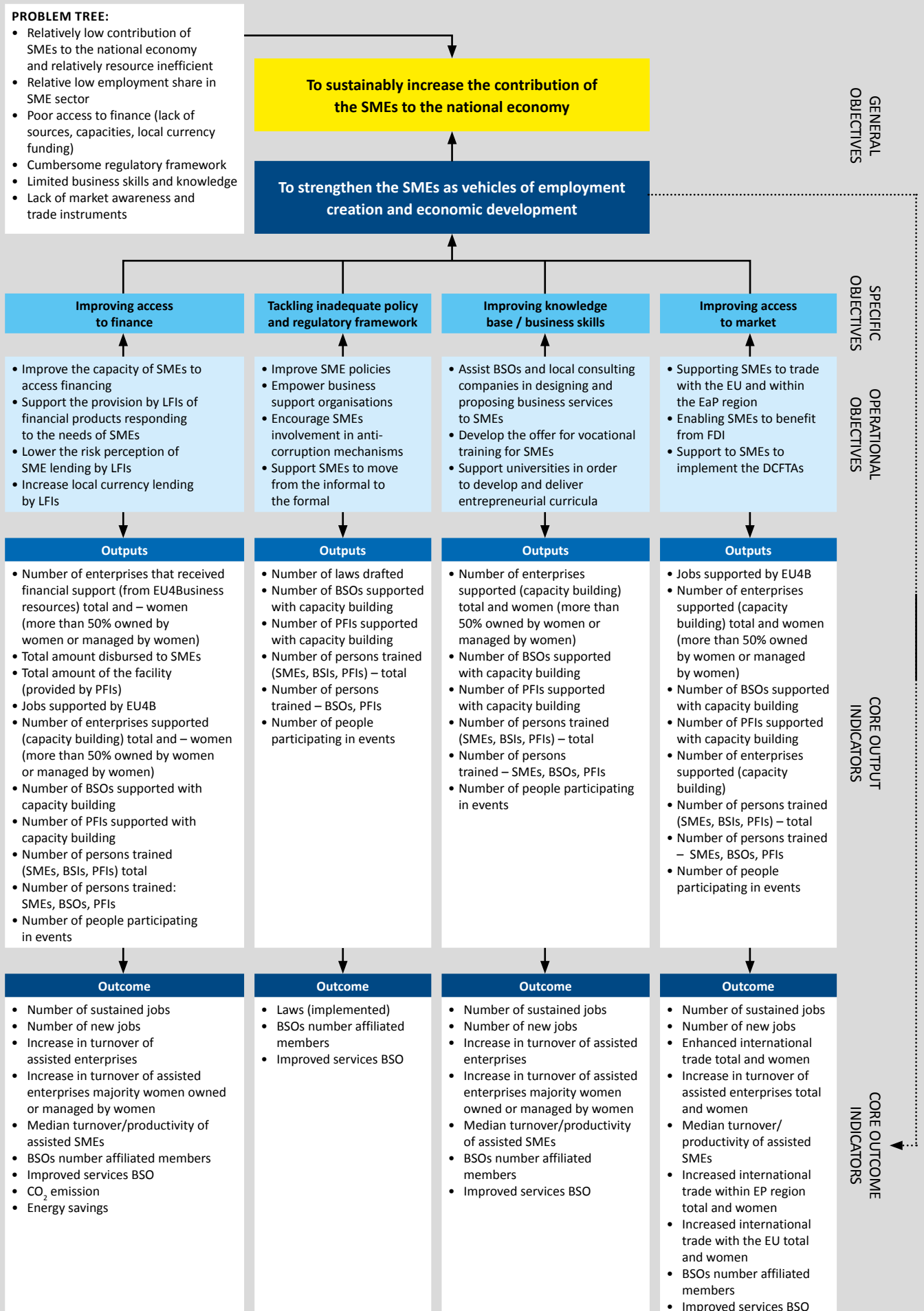
#### Source:

<sup>(1)</sup> The average household in the EU consumes 3.6 MWh per year (2014). Hence, the energy saving of 820 000 MWh/year equals the consumption of 228 000 households. Source: <https://www.wec-indicators.enerdata.eu/household-electricity-use.html> (no comparative available for the EaP countries).

<sup>(2)</sup> 'EU support to SMEs in the Eastern Partnership countries 2014-20. The way forward for the SME Flagship Initiative'. See also Chapter 1.2 – The EU4Business strategic framework.

<sup>(3)</sup> Produced based on the strategy document 'EU support to SMEs in the Eastern Partnership countries 2014-20. The way forward for the SME Flagship Initiative'.

**Figure 4.1**  
Intervention logic EU4Business (²)



## 4.1 Objective 1: Improving access to finance

In order to strengthen SMEs as a vehicle for employment creation and economic development, it is not only crucial that PFIs offer adequate financial instruments to SMEs, but also that SMEs have the right capacity to access these financial instruments. Therefore, Objective 1 targets both SMEs as well as 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 both establish financial products that respond to the needs of SMEs and also increase local currency lending. To ensure that PFIs will indeed increase the level of lending to SMEs, EU4Business addresses lowering the risk perception of SME lending by PFIs.

Within the programmes and projects financed under EU4Business, different financial instruments have been set up that provide a broad range of financing opportunities for the SME sector in the region.

The different funds have their own objectives and can either finance a broad range of investments or be more targeted. For instance, some of them are specifically directed at the facilitation of green growth, women's entrepreneurship or the DCFTA process. In addition, some programmes are mainly directed at capacity building of PFIs.

The current portfolio of programmes and projects financed under Objective 1 is presented in the table below, followed by a description of the main achievements. It has to be noted that the geographical coverage is different per programme and that the portfolio contains one bilateral project.

There are currently two projects in the pipeline, namely an extension of the DCFTA Facility of the EBRD and the extension of the SME Financing Facility of the EIB.

### 4.1.1 EU4Business contributes to economic growth, the green economy and accessing markets

#### **A RANGE OF FINANCIAL INSTRUMENTS HAVE BEEN SET UP TO BOOST ECONOMIC GROWTH**

The total EU budget of the programmes that have established financial facilities is EUR 131 million, with the total of the facilities provided to the PFIs amounting to EUR 597 million<sup>(4)</sup>. This resulted in around 190 000 granted sub-loans (SMEs and households), involving almost 100 000 enterprises for a total value of EUR 1.5 billion.

As a result, PFIs are able to provide more financial products responding to the needs of SMEs. The fact that relatively little use has been made of the risk-sharing funds in the various financial facilities, indicates the overall good quality of the loan project portfolios. This most likely contributed to a lowered risk perception of micro, small and medium sized enterprises (MSMEs) lending by PFIs.

The financial facilities cover either the region as a whole or a selection of countries from the region (Table 4.1). Most EU4Business programmes are comprised of blended instruments: financial facilities in the form of loans to PFIs for on-lending to eligible MSMEs in the EaP countries combined with risk-sharing funds (guarantees) for PFIs and/or funds for credit incentives to the end-borrowers.

One of the large facilities is the **SME Finance Facility Phase I and II**. This Facility addresses the expansion of financing options available to the real economy and to support the expansion of private and entrepreneurial initiatives. It also aims to rebuild both PFIs' confidence in extending financing to MSMEs following the financial crisis and the capacity building of PFIs to effectively engage with MSMEs. The part of the facility implemented by the EBRD/KfW was particularly successful in Georgia, where it was launched as the Georgian Agricultural Finance Facility (GAFF). Based on a EUR 40 million loan from the EBRD, more than EUR 114 million was on-lent by five Georgian PFIs to more than 19 000 farmers and SMEs. In addition, under the KfW segment, three Georgian microfinance institutions were assisted in participating in the GAFF. In the period 2012 (when the technical assistance started) to 2015, the agricultural portfolios of these three PFIs increased by 185%, 220% and 260%. Under the EIB window (No 2)<sup>(5)</sup>, the EU/NIF contribution consists of credit enhancement support (an interest subsidy of up to 10% of a traditional EIB loan) to leverage the amount of new on-lending by financial intermediaries to SMEs in Georgia and Moldova. By the end of 2015, in total, 373 Armenian SMEs, 1 556 Georgian SMEs and 697 Moldovan SMEs had benefitted from the loan and credit enhancement support.

#### Source:

<sup>(4)</sup> The projects/programmes that have established financial facilities can be found under number 1 to 10 in Table 4.1.

<sup>(5)</sup> Here and hereafter in this chapter, this number refers to the project number as registered in the EU4Business database. Furthermore, it refers to the respective project number in the overview table of projects per objective (Table 4.1 in this section).

<sup>(6)</sup> The number relates to the number of the project in the table 'Information on the EU4Business projects'.



**Table 4.1**

Information on the EU4Business projects under Objective 1 from 2008-2016

| PROJECT / PROGRAMME   | IMPLEMENTER | START-END DATE | TOTAL BUDGET (EUR) (1) | EU BUDGET (EUR)   | COUNTRIES                          |
|---|-------------|----------------|------------------------|---|------------------------------------|
| 1. SME Finance Facility Phase I and II <sup>(2)</sup>                                     | EBRD / KfW  | 2010-2020      | 146 480 000            | Phase I EBRD/<br>KfW: 10 200 000<br>Phase II KfW:<br>5 200 000<br>Phase II EBRD:<br>5 200 000<br>Total:<br>20 600 000 | Region,<br>GE-MD-UA <sup>(3)</sup> |
| 2. SME Finance Facility Phase I   | EIB         | 2011-2020      | 45 000 000             | 5 100 000   | Region,<br>AM-GE-MD <sup>(3)</sup> |
| 3. EFSE (Neighbourhood Window of the European Fund for South East Europe - ENR component) | KfW         | 2009-2019      | 70 000 000             | 5 100 000   | Region                             |
| 4. Women in Business  | EBRD        | 2016-2022      | 43 400 000             | 5 035 000   | Region                             |
| 5. DCFTA Programme <sup>(4)</sup>   | EIB         | 2017-2021      | 62 740 000             | 22 740 000<br>40 000 000  | GE-MD<br>UA                        |
| 6. DCFTA Programme <sup>(4)</sup>   | EBRD        | 2016-2026      |                        | 19 430 000  | GE-UA-MD                           |
| 7. Green for Growth - Extension to NIF East Region  | EIB         | 2014-2018      | 96 100 000             | 13 350 000  | AM-AZ-<br>GE-MD-UA                 |
| 8. DCFTA SME Direct Finance Facility  | EBRD        | 2015-2026      | 69 000 000             | 10 220 000  | GE-UA-MD                           |
| 9. Identification and promotion of energy efficiency investments                          | EBRD        | 2007-2016      | 46 965 800             | 9 500 000   | MD-UA                              |
| 10. South Caucasus Sustainable Energy Finance Facility                                    | EBRD        | 2013-2020      | 69 920 000             | 5 300 000   | AM-AZ-GE                           |
| 11. Financial Sector Institution Building and Crisis Response                             | EBRD        | 2009-2018      | 12 300 000             | 12 300 000  | Region                             |
| 12. Framework for Capacity Building to support Financial Intermediaries                   | EBRD        | 2009-2018      | 3 030 000              | 2 880 000   | AZ-GE                              |
| 13. Filière-du-Vin  | EIB         | 2014-2016      | 2 000 000              | 2 000 000   | MD                                 |

Source: EU4Business database

EFSE (No 3) <sup>(6)</sup> is the world's largest microfinance fund with around EUR 1 billion of capital commitments, of which ca. 30% applies to EaP countries.

In the period 2009-15, almost 125 000 sub-loans were granted to over 33 000 end-borrowers, comprising MSMEs (64% of the end-borrowers), private clients for housing loans (15%) and rural customers (21%). The largest share of loans is given to MSMEs in the trade sector (42%), followed by the agricultural sector (29%), industry/production sector (16%) and services sector (13%). The share of sub-loans disbursed of less than EUR 20 000 amounts to 86%, while the average sub-loan was only EUR 7 418.

Most EFSE loans are granted through commercial banks and to a lesser extent microfinance banks and microcredit organisations.

**Notes table 4.1:**

- <sup>(1)</sup> The total budget is equal to the sum of all contributions from all donors/finance institutions to the respective project/programme.
- <sup>(2)</sup> This project consists of different contracts; the reporting so far concerns Phase I.
- <sup>(3)</sup> Although set up as a regional programme, in the reported period the EBRD/KfW Facility covers Georgia, Moldova and Ukraine and the EIB facility Armenia, Georgia and Moldova.
- <sup>(4)</sup> First Progress Report expected by the end of April 2017.

## GREEN GROWTH IS ACTIVELY SUPPORTED

One of the cross-cutting objectives of EU4Business is the stimulation of green growth<sup>(7)</sup>. Three programmes under the Objective 'Access to Finance' are directed at this cross-cutting objective, encouraging investments in energy efficiency and renewable energy:

- 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).

For the latter two programmes, sub-borrowers receive investment incentives in the range of 5%-20% to overcome barriers to sustainable energy investments, such as below market rate energy tariffs, high interest rates, and higher cost of best available technologies. Results include improved technical expertise of local engineers to identify and prepare bankable proposals, improved capacity of PFIs to appraise and finance energy efficiency and small-scale renewable energy investment projects and government advice to improve the enabling environment for energy efficiency. **The main impact of the loans and incentives provided is a reduction in CO<sub>2</sub> emissions of 172 444 t-CO<sub>2</sub>/year and energy savings of almost 820 000 MWh/year.**

## SPECIAL FACILITIES TO BOOST WOMEN'S ENTREPRENEURSHIP

Another cross-cutting issue is to promote women's entrepreneurship. Although in other programmes attention may also be paid to women, there is one programme – covering the whole region – which is specifically addressing women: the Women in Business project.

The Women in Business project (No 4) 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. Dedicated credit lines with an approved total volume ceiling of up to EUR 43.3 million are being provided by the EBRD to eligible PFIs for on-lending to eligible women SMEs. Also, a first loss risk cover of up to EUR 4.3 million is made available in respect of sub-loans signed by the PFI with relevant sub-borrowers. By the end of 2016, out of the signed EUR 30.4 million for on-lending to women SMEs, EUR 15.8 million had been disbursed to PFIs, leading to 37 sub-loans equal to an amount of EUR 1 874 680. Furthermore, technical assistance is being provided to build the capacity of PFIs to address the needs of women-led businesses.

In its first year, the project finalised a baseline assessment with six PFIs in Armenia, Belarus and Georgia.

## EU4BUSINESS HELPS TO INCREASE COMPETITIVENESS AND CREATES TRADE OPPORTUNITIES

As explained in Chapter 1, the EU has established the DCFTA Facility for SMEs jointly with the EBRD and the EIB. SMEs benefit from the EU grants by accessing four types of support: risk-sharing mechanisms, currency hedging, investment incentives and technical assistance. The DCFTA Facility will receive around EUR 200 million from the EU budget to unlock at least EUR 2 billion of new investments. The following DCFTA programmes have already been committed:

- Part of the above-mentioned **SME Finance Facility (EBRD/KfW)**, namely Phase II, supports the DCFTA, working via local banks to enable lending in the local currency in Ukraine. A second phase of this Facility of the EIB is in the pipeline.
- The **DCFTA SME Direct Support Facility (No 8)** provides EUR 9 million of risk-sharing on financing SMEs and EUR 1 million for technical assistance to develop SMEs and ensure that the financed projects are prepared and implemented well. **The EUR 9 million risk-sharing funds are supposed to trigger a financing programme of EUR 69 million.** The implementation started in September 2014 and by the end of 2015 had resulted in **three loans (one in Georgia, one in Moldova and one in Ukraine) with a cumulative loan amount of EUR 5.6 million and an accompanying risk-sharing commitment of EUR 0.73 million.** Two of the three loans were structured as co-financing with local banks, thereby assisting those banks in improving their credit decision-making skills and long-term lending capacity. The SME financed in Moldova is run by a prominent local female executive. An extension of this programme is in the pipeline.

### Example of support from the DCFTA SME Direct Support Facility helps firms to increase exports

The EBRD is providing a 7-year loan of up to USD 3.8 million to the Ukrainian pharmaceutical company Ecopharm. Ecopharm specialises in the manufacturing of patented herbal antivirus medicines. The loan will be used to finance the completion of construction of a manufacturing facility, which will be compliant with good manufacturing practices (GMP). These are regulations which require that manufacturers, processors and packagers of drugs, medical devices and some food take proactive steps to ensure that their products are safe, pure and effective. The financing will help Ecopharm to increase its exports to the CIS market, enhance its research and development capacity and ensure full compliance with GMP standards.

- The **DCFTA programmes** of the EIB and EBRD have just started, with a total EU contribution of EUR 82 million (EUR 40 million for Ukraine only) and a **total Fund size of EUR 462 million**.

The EIB programme provides microfinance, market access and a guarantee facility, the EBRD part covers an EU grant of EUR 19 million for incentive payments to SMEs wishing to take up credits for DCFTA-compliant investments; they are operational in Georgia and Moldova. Phase II of the Facility is currently under preparation, with the focus on activities in Ukraine.

### **INCREASED CAPACITIES OF THE SME SECTOR, PFIS AND BSOS IN THE FIELD OF FINANCE**

Within the programmes that have set up financial instruments, technical assistance is also provided, either through assisting the PFIs in implementing the loan schemes (for example, through training PFI loan officers) or through supporting MSMEs in submitting a loan application. Next to this, the EU has committed **EUR 17 million** to projects that focus exclusively on providing technical assistance to PFIs and a project targeting the **Moldovan wine sector**.

The different programmes and projects reported that **144 SMEs and 68 PFIs have been addressed with capacity building activities**<sup>(8)</sup>. In reality, the number of supported SMEs is most probably higher, as not all programmes and projects have reported on the number of SMEs addressed. The same applies to the number of people trained.

The technical assistance and training provided in the programmes that created financial facilities are for instance also, directly or indirectly, aiming at rebuilding PFIs' confidence in extending financing to MSMEs. Following the financial crisis, the capacity building of PFIs to effectively engage with MSMEs and to address the needs of women-led businesses, is of high importance. Technical assistance to SMEs is provided to help them prepare for projects and to ensure that the financed projects are prepared and implemented well.

The project **Financial Sector Institution Building and Crisis Response** (No 11) provided assistance to more than 50 PFIs in the six EaP countries to help them cope with the consequences of the financial crisis of 2008. The sub-actions focus on areas such as institutional strengthening, portfolio restructuring and bad debt workout, trade finance, promoting financing of MSMEs and advice on the development of a foreign exchange risk participation instrument. The results are likewise fairly broad and include rescuing a Ukrainian PFI from bankruptcy, the opening of micro-lending units and strengthening the MSME portfolio of PFIs in Belarus.

#### **Source:**

- <sup>(7)</sup> Strategy document 'EU support to SMEs in the Eastern Partnership countries 2014-20. The way forward for the SME Flagship Initiative'.
- <sup>(8)</sup> The number of individual PFIs supported is 68. Several PFIs are supported multiple times through different programmes: in total, PFIs are supported through capacity building 113 times.

#### **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 are:*

##### **MOLDOVA**

- **Beer production company** investing in a new production building and new 60 HI semi-automated brewing system improving product quality and H&S - 10 March 2017.
- Company processing and preserving **fruit and vegetables** implements a new production facility for drying fruit and leaves - 10 March 2017.
- Company operating in **road construction** and rehabilitation invests in its own asphalt production plant - 10 March 2017.
- **Aluminium locksmith producer** upgrades facilities and benefits from higher quality, improved occupation health and meets EU directives that enable trade with EU countries - 8 September 2016.

##### **GEORGIA**

- **Garment producer** is investing in new multi-storey production building and production equipment - 18 April 2017.
- **Meat processing company** - company replaces old coal boilers with modern LPG boilers and invests in new smoking rooms, livestock trailers and compliance with Health & Safety and environmental legislation - 13 October 2016.
- **Building materials company** - company invests in modern cutting equipment and thereby also improves occupational health for the process - 2 October 2016.
- **Furniture company** invests in new machinery and ventilation. The company improves product quality and capacity through this investment whilst aligning with EU standards - 10 September 2016.

The **Framework for Capacity Building** to support Financial Intermediaries in Azerbaijan and Georgia (No 12) through to mid-2016 concerned eight different actions, ranging from trade finance workshops, improving internal audit and risk management practices, support to five Georgian banks in implementing the Georgian Agricultural Finance Facility (part of SME Finance Facility, Phase I) and SME credit advisory services in general. Regarding the trade finance workshops, 98% of the participants considered that the training was of benefit to them in their business activities.

The **Filière du Vin project** (No 13) of the EIB (with the GFA Consulting Group as contracting partner) supported the modernisation and development of the Moldovan wine sector in accordance with national legislation. Wine sector stakeholders (especially grape and wine producers) were supported in recovering from previous operational and financial stress, and in establishing a sound technical and economic base for the future development of the Moldovan wine sector. Results have been achieved in various areas: institution building (e.g. the development of the National Office of Vine and Wine, NOVW), legal approximation (e.g. the technical regulation 'Organisation in the wine market' entered into force), improvement in the knowledge level of sector organisations (e.g. a study for NOVW members and regional wine associations on the system of producing wines), and the introduction of new marketing and financial tools (e.g. the presentation of a guarantee mechanism for EIB loans to all relevant actors).

However, the number of loans and the amount of funds borrowed by SMEs have not significantly increased through this project. It should be noted that during the technical assistance (TA) intervention, the country's socio-economic situation has progressively worsened, causing difficulties in executing parts of the initially planned actions.

**Table 4.2**

Presents the results achieved in the indicators applicable to the projects/programmes under Objective 1.

| INDICATOR  | ACTUAL NUMBER 2008-2016 (ACCUMULATIVE) |
|--|--|
| Total amount of the Facility (provided to PFIs)                                    | EUR 612 million                        |
| Total amount disbursed to SMEs by PFIs   | EUR 1 502 million                      |
| Number of enterprises that received financial support (from EU4Business resources) | 99 253 <sup>(2)</sup>                  |
| Number of enterprises supported (capacity building)                                | 144                                    |
| Number of BSOs supported with capacity building                                    | 4 <sup>(*)</sup>                       |
| Number of PFIs supported with capacity building                                    | 113 (68 individual PFIs)               |
| Number of people trained – total   | 3 439 <sup>(1)</sup>                   |
| Of whom: Number of people trained – PFIs   | 2 490 <sup>(1)</sup>                   |
| Of whom: Number of people trained – SMEs   | 7351 <sup>(1)</sup>                    |
| Number of people participating in events   | 1 588                                  |
| Reduced CO <sub>2</sub> emission (in t CO <sub>2</sub> /year)                      | 172 444                                |
| Energy savings (in MWh/year)   | 817 260                                |

Source: EU4Business database, for the underlying sources and underlying figures, see Annex C

**Notes table 4.2:**

- <sup>(1)</sup> The figures do not add up because, for some training, no subdivision was presented for PFIs and SMEs.
- <sup>(2)</sup> For all programmes, apart from EFSE, the number of sub-loans is used as a proxy for the number of enterprises that obtained a loan. The total amount of sub-loans in EFSE is 124 260.
- <sup>(\*)</sup> Actual amount is likely to be higher in reality.

## 4.2 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 to effectively start and run a business. Hence, EU4Business aims at improving the SME policies in line with the Small Business Act. As the involvement of the sector is an important condition for preparing policies which are relevant to the sector, EU4Business also aims at empowering BSOs to be able to represent SMEs effectively in the policy dialogue. The strategy furthermore aims at encouraging SMEs' involvement in anti-corruption mechanisms and supporting them in moving from the informal to the formal sector.

Three programmes under EU4Business help contribute to Objective 2, all having a different character. Two of the programmes and projects cover the region as a whole, while the biggest programme in terms of EU contribution, FORBIZ, targets Ukraine only.

**Table 4.3**

Information on the EU4Business projects under Objective 2 from 2008-2016

| PROJECT / PROGRAMME   | IMPLEMENTER | START-END DATE | TOTAL BUDGET | (EUR) EU BUDGET | (EUR) COUNTRIES |
|---|-------------|----------------|--------------|-----------------|-----------------|
| 14. SME Competitiveness Reforms   | OECD        | 2013-2017      | 2 780 000    | 2 500 000       | Region          |
| 15. STAREP (Strengthening Auditing and Reporting in the Countries of the EaP) | World Bank  | 2013-2018      | 5 850 000    | 1 000 000       | Region          |
| 16. FORBIZ  | GFA         | 2016-2019      | 6 824 680    | 6 824 680       | UA              |

Source: EU4Business database

### 4.2.1 EU4Business contributes to the improvement in SME policies and legal reforms

Under EU4Business, progress has been made in the improvement in SME policies in the region, even though the relevant projects are mostly in their preliminary stages. The SME Competitiveness reform has successfully defined roadmaps for changes for Armenia, Moldova and Georgia and has drafted targeted SME strategies for Georgia and Ukraine. The peer-to-peer reviews not only contribute to improved quality in the documents, but also help in building the capacities of the people involved. A substantial number of amended laws (36) enhancing the business environment have been produced, especially in Ukraine under the FORBIZ programme (26 amended laws). Furthermore, the STAREP project contributed to aligning the national legislation with EU requirements, which has led to approval of the Accounting & Auditing Law by the Georgian Parliament. As the programmes are still running, more achievements in the field of law and policy formulation are expected to come. The empowerment of BSOs is targeted by capacity building in providing contributions to policies and by involving them in working groups. To date, a total of more than 600 people have been trained in the different programmes, and more than 3 200 people have participated in events.

The programmes do not directly encourage the involvement of SMEs in anti-corruption mechanisms or the support to SMEs in moving from the informal to the formal sector. However, improved SME policies and especially the review of the legal arrangements and the improvement in auditing practices do indirectly contribute to these aims.

Supporting SME Competitiveness Reforms (No 14) is a capacity building project aimed at establishing policy reform plans and SME development strategies. An important result of the support is the roadmaps for reforms, which are peer reviewed by international peers and discussed during international round tables. So far, the roadmaps of Armenia, Moldova and Georgia have been discussed. Although it is a regional project, tailor-made support is provided for each country. For instance, for Georgia an SME development strategy was drafted, while in Armenia policy handbooks were produced. Stakeholders are included in capacity building activities and contribute to the policy formulation and roadmaps through their participation in working groups.



STAREP (No 15) targets the accounting and auditing standards in the region, especially for SMEs. To date, the project has contributed 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. This has contributed to the approval of the Accounting & Auditing Law by the Georgian Parliament, and changes and draft amendments to national legislation in several other countries, ensuring greater alignment with EU requirements and international best practices. The project also contributed to strengthened capacity of professional accountancy organisations (PAOs), enabling them to better support their members and to promote convergence with international best practices for PAOs. It also increased the capacity of supervisors in accounting and auditing and International Financial Reporting Standards (IFRS). Furthermore, an increased number of universities are accredited by an internationally recognised professional association.

FORBIZ (No 16) targets the capacity of the Ukrainian Ministry of Economic Development and Trade (MEDT) and State Regulatory Service (SRS), the Regulatory Impact Assessment (RIA) and the recently created Better Regulation Delivery Office (BRDO, an independent Non-Governmental Organisation). The project is in its first year of implementation (total duration three years). It targets deregulation, SME strategies and capacity building of institutions and SMEs. In terms of deregulation, the project is strengthening the capacity of the BRDO and the cooperation between relevant Ministries. A methodology for reviewing regulatory acts was produced and supported by the relevant ministries. The project supported the MEDT successfully in redrafting the SME strategy, which was adopted. Currently, the related action plans are drafted. In the near future, the project will contribute to, among other things, an inventory of legal norms with a view to business friendliness, including corruption vulnerability.

This should lead to recommendations and redrafting of the legal texts. The project will further support capacity strengthening in policy making, support to stakeholders in policy dialogue and the establishment of an SME development office. Events planned under this project will further raise awareness (such as a Roadshow).

Under one of the project components, support is provided with regard to the deregulation policy and implementation actions of the Ukrainian authorities at all relevant levels with a particular focus on SMEs in priority sectors. The FORBIZ project, together with the BRDO, identified seven key sectors for review, namely the Construction Industry, Agriculture and Food, IT and Telecom, Power and Utilities, Transport and Infrastructure, International Trade and Market Surveillance and Horizontal Reform. In the period from 1 April to 31 August 2016, the BRDO reviewed 1 043 regulatory acts, finding 183 of them ready for removal, including 77 in Construction, 21 in Energy, five in Market Surveillance, 77 in Agriculture and two in Transport.

The review also determined 319 outdated acts, including 62 acts in Construction, 11 in Energy, 23 in Market Surveillance, 181 in Agriculture and eight in Transport.

Based on these reviews, around 25 drafts for legal acts/amendments have been created throughout the priority sectors, such as:

- **Agriculture & Food Sector:** Draft Law 'On local agricultural markets' - introduction of local agricultural markets regulation in Ukraine (in line with EU practice);
- **Construction:** Draft Law of Ukraine 'On Amendments to Certain Legislative Acts Regarding Licensing of Business Activities in the Construction Sector';
- **Market Surveillance Sector:** Amendments to the Law of Ukraine on Licensing Certain Types of Economic Activity.



### 4.3 Objective 3: Improving knowledge base and business skills

In order to assist the SME sector, it is important that there are sufficient and high-quality business support services available. Under Objective 3, the aim is to improve these services by building the capacity of the BSOs and the local consultancy firms. Furthermore, EU4Business aims at the development of the vocational training offer for SMEs and the development of entrepreneurial curricula within universities, and strengthening the skills of the people working in the SME sector.

A range of capacity building programmes is being supported by EU4Business, mainly aiming at increasing the business support services. Some of the programmes have a more general nature, developing different services for SMEs, while others have a direct link with the DCFTA.

The EBRD Small Business Support (SBS) instruments, Business Advisory Services (BAS) and Enterprise Growth Programme (EGP) Phase II are part of the DCFTA Facility (see Objective 1 also), while the SME

Development and DCFTA and DCFTA Adaptation Programme (DAP) are part of the bilateral DCFTA support in Georgia (see Table 4.5).

The development of the offer for vocational training and support services for SMEs is targeted through the assistance of local consultants and BSOs. For instance, local consultants are trained to be qualified to provide training and advice to SMEs. This should contribute to the alignment between the professional qualification and the market's needs in the EaP countries. The support to universities for developing and delivering entrepreneurial curricula for students and vocational training for entrepreneurs is not addressed by the current projects under EU4Business. Direct assistance to SMEs is provided through the EBRD Small Business Support programme.

Only a part of the programmes targets the region as a whole, while the majority consists of bilateral programmes and projects.

**Table 4.5**  
Information on the EU4Business projects under Objective 3 from 2008-2016

| PROJECT / PROGRAMME  | IMPLEMENTER | START-END DATE | TOTAL BUDGET | (EUR) EU BUDGET | (EUR) COUNTRIES |
|--|-------------|----------------|--------------|-----------------|-----------------|
| 17. SBS programmes – BAS+EGP in EaP countries (TAM/BAS)      | EBRD        | 2010-2015      | 13 126 000   | 10 000 000      | Region          |
| 18. SBS programmes – BAS+EGP Phase I                         | EBRD        | 2013-2016      | 8 000 000    | 8 000 000       | Region          |
| 19. SBS programmes – BAS+EGP Phase II                        | EBRD        | 2015-2018      | 10 700 000   | 8 000 000       | Region          |
| 20. SMEDA (Support to SME Development in Armenia)            | GIZ         | 2016-2019      | 6 530 611    | 6 400 000       | AM              |
| 21. Community development through social entrepreneurship    | IKZ         | 2015-2017      | 366 302      | 289 379         | AM              |
| 22. Support to the European Business Association Armenia     | EBA         | 2016-2017      | 60 000       | 60 000          | AM              |
| 23. SME Development and DCFTA                                | GIZ         | 2015-2019      | 5 033 940    | 5 033 940       | GE              |
| 24. DCFTA Adaptation Programme (DAP)                         | EBRD        | 2015-2019      | 5 532 000    | 4 500 000       | GE              |
| 25. EU4Business: Network of Business Support Centres Ukraine | EBRD        | 2016-2020      | 43 292 500   | 40 000 000      | UA              |

Source: EU4Business database

#### 4.3.1 EU4Business contributes to professionalisation of the sector, both in support services and in SMS capacities

The outreach of the different programmes and projects under this objective has been substantial. **At least 3 727 SME managers/owners and consultants of BSOs are supported with capacity building, covering almost 1 700 SMEs.** According to the progress reports of the different programmes, the capacity building activities have supported over 90 000 jobs and resulted in over 10 000 new jobs. In terms of awareness-raising and knowledge-sharing, the programmes reached more than 7 000 people through events.

##### MANAGEMENT EFFECTIVENESS AND MARKET PERFORMANCE IMPROVED LEADING TO INCREASED TURNOVER, INVESTMENTS AND JOBS

For the regions as a whole, the EBRD Small Business Support (SBS) programmes are achieving good results. The EBRD SBS instruments, Business Advisory Services (BAS) and Enterprise Growth Programme (EGP) connect SMEs to local consultants and international advisors who can help transform a large variety of businesses by providing high-quality consultancy services, industry expertise and management skills. In addition to direct support to enterprises, the programme organises market and sector development activities, such as training, workshops, visibility events and round tables. By December 2016, under BAS, 1 454 projects<sup>(9)</sup> with local consultants had been implemented, and were mainly aimed at increasing management effectiveness and improving the market performance of assisted enterprises. An evaluation showed that 78% of these projects were considered successful or highly

successful by the assisted enterprises<sup>(10)</sup>. An impressive 75% of the assisted enterprises showed an increase in turnover of 67% on average for a total of EUR 531 million; and 20% of the assisted enterprises received investments adding up to a total amount of EUR 84.8 million<sup>(11)</sup>. The projects with international consultants were rated as (highly) successful by 95% of the participants<sup>(12)</sup>. In total, more than 10 000 jobs were created by the supported enterprises<sup>(13)</sup>. Phase II of this programme, which recently started, specifically targets the DCFTA.

##### POLICY DIALOGUE STRENGTHENED IN ARMENIA AND SOCIAL ENTREPRENEURSHIP SUPPORTED

As mentioned above, the other programmes and projects supported are bilateral programmes. There are three programmes in Armenia, which are all different in nature. The project Community development through social entrepreneurship<sup>(14)</sup> (No 21),

##### Source:

<sup>(9)</sup> This figure includes 28 projects implemented as part of the DCFTA Adaptation Programme (DAP) – Support for SME competitiveness in Georgia.

<sup>(10)</sup> Based on information on 1 089 evaluated projects.

<sup>(11)</sup> Source: SBS Programmes – BAS and EGP in EaP Countries, Progress Report, January 2017, p. 3.

<sup>(12)</sup> Based on 43 evaluated projects.

<sup>(13)</sup> SBS Programmes – BAS and EGP in EaP Countries, Progress Report, January 2017, p. 3.

<sup>(14)</sup> Inter-cultural centre.

contributes to capacity building in social entrepreneurship, targeting Civil Society Organisations (CSOs) in the country. The project is half way and will establish a crowdfunding instrument for Social Entrepreneurship.

Through the project Support to the European Business Association (EBA) in Armenia (No 22), EBA aims to be the linking pin between EU businesses in Armenia and the Armenian authorities in order to overcome current difficulties in the business environment. It strives to enhance the competitiveness of the private sector through strengthening the capacity of companies and increasing the transparency of governance and the business environment. In its first year, its main accomplishments included a study and a Forum on business impediments in Armenia and the set-up of initial discussions and meetings between the main stakeholders.

The SMEDA project (No 20) started recently. To date, it has provided policy making and coordination capacity building as well as the establishment of a dialogue between policy makers and BSOs. The National Centre for Business Development is supported with the drafting of a quality management system. With its future activities, the project will contribute to the capacity of Business Membership Organisations (BMOs) in providing services to SMEs, as well as to the establishment of links between research institutions and the business sector. Furthermore, activities will be directed towards improving the design and the management of economic clusters. An agreement with the EIF was concluded to create a diversified financing portfolio. In order to ensure that SMEs will profit from the fund, SMEDA will build capacity in project management.

### **Additional bilateral support to the DCFTA process in Georgia strengthens the SME sector and the institutional and regulatory reforms**

In Georgia, two bilateral capacity building programmes are financed to support the DCFTA Adaptation programmes, with actions that are complementary to the regional SBS instruments Phase II. These are the DCFTA Adaptation Programme – Support for SME competitiveness (No 23) and SME Development and DCFTA (No 24). The first project targets Georgian SMEs, helping them to converge with EU standards so they can fully take advantage of the DCFTA established between Georgia and the EU.

In its first year, 30 business advice projects were initiated, and projects evaluated so far indicate the creation of more than 200 jobs. The second project is part of the Sector Reform Contract with the EU to assist the Georgian Government in the implementation process of the DCFTA.

The project supports the implementation of the DCFTA-related institutional and regulatory reforms, focusing on strengthening the capacities of Georgian SMEs to increase their competitiveness and to ensure their adaptation to the new regulatory environment. Major activities in its first year are related to support for the Government in implementing the SME Development Strategy 2016-20 and the creation of the roadmap for development of the country's export potential. Furthermore, it strengthens the capacity of SME support institutions such as the Georgian Chamber of Commerce and Industry.

### **Support services to SMEs strengthened in Ukraine**

The Network of Business Support Centres Ukraine (No 25) aims to improve the competitiveness and bankability of Ukrainian SMEs through the provision of business advice (through local consultants or via international organisations) and capacity building. Furthermore, the action envisions supporting BSOs in 15 pre-selected regions in setting up the network of EU4Business Business Support Centres (BSCs). In its first year, activities were mainly focussed on the effective roll out and scoping of the BSC network. Also, a first round of direct assistance support, training and communications-related activities was provided to the main beneficiaries (SMEs and consultants). For instance, 27 advisory projects were started, all specifically tailored to the needs of the benefiting SMEs – such as on improving management effectiveness or improving market performance<sup>(15)</sup>.

In the table below, the above-presented quantitative results are summarised. Due to the fact that not all programmes report separately per trained target group, the figures of people trained from SMEs and BSOs do not add up to the total number of people trained.

#### 4.4 Objective 4: Improving access to markets

One of the barriers to SMEs' growth perspective is the lack of expansion of their markets. EU4Business addresses this issue by providing support to SMEs in trading with the EU and within the EaP region and also in implementing the DCFTAs. The Initiative also aims at enabling the SMEs to benefit from foreign direct investment (FDI).

The portfolio of programmes and projects covers two projects under this objective, namely East Invest I and II (see Table 4.7), which covers the region as a whole. However, the aims of improving access to markets is also supported by the DCFTA-related programmes and projects grouped under 'Access to finance' and 'Improving knowledge base and business skills'. Hence, the results for this objective are much higher than just the results of East Invest I and II.

**Table 4.6**  
Quantitative results of the EU4Business projects under Objective 3 from 2008-2016

| INDICATOR   | ACTUAL NUMBER 2008-2016 (ACCUMULATIVE) |
|---|--|
| Number of jobs supported  | 91 559                                 |
| Number of new jobs  | 10 230                                 |
| Number of enterprises supported (capacity building)                                   | 1 695                                  |
| Number of SME managers/owners and consultants of BSO supported with capacity building | 3 727                                  |
| Number of people trained  | 87758                                  |
| (SMEs, BSOs, PFIs, etc.) – total  | 627                                    |
| Number of people trained – SMEs   | 150                                    |
| Number of people trained – BSOs   | 7 041                                  |
| Number of people participating in events  | 20                                     |
| BSOs (affiliated members)   | 1 588                                  |
| Reduced CO <sub>2</sub> emission (in t CO <sub>2</sub> /year)                         | 172 444                                |
| Energy savings (in MWh/year)  | 817 260                                |

Source: EU4Business database, for the underlying sources and underlying figures, see Annex C

**Table 4.7**  
Information on the EU4Business projects under Objective 4 from 2008-2016

| PROJECT            | IMPLEMENTER  | START-END DATE | TOTAL BUDGET (EUR) | EU BUDGET (EUR) | COUNTRIES |
|--------------------|--------------|----------------|--------------------|-----------------|-----------|
| 26. East Invest I  | Eurochambres | 2010-2017      | 8 750 000          | 7 000 000       | Region    |
| 27. East Invest II | Eurochambres | 2014-2017      | 6 500 000          | 6 500 000       | Region    |

Source: EU4Business database



*Awareness-raising, knowledge and networking leads to concrete new business contracts*

The East Invest programmes support the different aims of the objective. SMEs are assisted in developing trade relations with the EU and within the EaP region, for example through facilitating interconnections between EU and EaP companies. The support to SMEs in implementing the DCFTAs is targeted through stimulating the participation of SMEs in the DCFTA process and awareness-raising of BSOs and SMEs on the obligations deriving from the DCFTA agreements. Enabling SMEs to benefit from FDI is targeted through, for instance, the creation of networking mechanisms. These mechanisms raise awareness among EU companies of the opportunities that the EaP countries provide to invest in, and inform local SMEs about opportunities to work with EU companies. This should ultimately lead to EaP SMEs being able to integrate into value chains involving European companies.

East Invest I (No 26) promotes and facilitates investment and economic cooperation between the EU and the EaP countries, and within the region. It targets both EaP BSOs and SMEs, through capacity building and networking. For instance, project management courses, investment conferences, business to business meetings, study visits, twinning opportunities and BSO exchanges are organised.

One of the most important activities of the programme is the SME Roadshow Facility. This Facility enables BSOs and SMEs to strengthen their collaboration and to expand their network with local private and public stakeholders. During the Roadshows, 22 business contracts between EU and EaP SMEs were signed <sup>(16)</sup>.

**Source:**

<sup>(16)</sup> EU4Business: Network of Business Support Centres in Ukraine, First Progress Report, p. 21.

<sup>(16)</sup> East Invest I Fifth Annual Technical Report, p. 6.

**EAST INVEST I: BSO exchanges largely contributed to the knowledge building of BSOs**

Under the East Invest I project, eight exchanges have been completed (including EaP involvement: one Georgia to Italy; one Moldova to Italy; two Ukraine to Spain; three Belarus to Ukraine). These exchanges turned out to be very beneficial for the participating BSOs:

- EaP BSOs trained on: strategy & planning; regional development; membership; marketing; finance & accounting; advocacy; networking & partnership;
- all rated as excellent (value of the exchange for the BSO & personal development);
- positive side-effects, such as: extracurricular meetings; in-depth consideration of the topics; Memorandum of Understanding signing; cooperation beyond the exchange; extreme dedication & professionalism from the EU side;
- the exchanges led to concrete initiatives with regard to the application of knowledge, e.g. improving business services, internal and external communication, extending services to the regional level, launching of a new committee and developing services for women entrepreneurs, improvement in the work of the business incubator & business club, and the review of the strategy.

**EAST INVEST I: Extensive capacity building for BSOs through the BSO Academies**

As part of the East Invest I programme, four BSO Management Academies were organised, with the participation of 109 EaP BSO representatives from Ukraine, Georgia and Moldova. It covered 20 courses on Advocacy, Strategic HR Management, Income Generation & Services and Membership. The 5th BSO Strategic Academy will take place in May 2017. The Academy was very well received by the participants, with a 100% satisfaction rate 'excellent' so far. The content was highly appreciated, as important aspects for BSOs were covered, as was the interactive approach.

As a result, participants reported an improvement in the BSO work on the topics that were covered and the incorporation of the new concepts learned. Furthermore, new services and initiatives were launched by BSOs, such as new information and consultancy services, seminars on VET and DCFTAs and the set-up of working groups. BSO strategies and marketing have also been improved.



“This training was a very positive and productive way to communicate our values, and it encouraged sharing the experience in many fields. In this connection, I would like to emphasize that the BSO Exchanges are a great motivation for improvement, motivation to create positive changes (CCI role strengthening, new business support services development, activities diversification), self-assessment and networking. It is a great practical tool for different forms of cooperation establishment.”

**Moldovan participant in the exchange with Italy, November 2016**

East Invest II (No 27) focuses more specifically on DCFTAs and provides training to BSOs and SMEs on doing business with the EU, which is complemented by visiting potential EU business partners and learning how to do business in Europe on site through the Roadshow Facility of East Invest I. The project contains three main pillars: (1) BSO capacity building (Twinning, BSO Exchanges and Academies); (2) SME Academies; and (3) Public Private Dialogue Activities.

The East Invest programmes reported having trained over 1 000 people and 1 300 participants in events. Furthermore, 140 enterprises are concretely supported. These efforts have already led to 22 concluded business contracts.

**Table 4.8**  
Quantitative results of the EU4Business projects under Objective 4 from 2008-2016

| INDICATOR   | ACTUAL NUMBER 2008-2016 (ACCUMULATIVE) |
|---|--|
| Number of enterprises supported (capacity building) | 143 <sup>(1)</sup>                     |
| Number of people trained                            | 1 067                                  |
| (SMEs, BSIs, PFIs, etc.) – total                    | 456                                    |
| Number of people trained – SMEs                     | 611                                    |
| Number of people trained – BSOs                     | 1 302                                  |
| Number of people participating in events            | 113 (68 individual PFIs)               |

Source: EU4Business database, for the underlying sources and underlying figures, see Annex C

**Notes table 4.8:**

<sup>(1)</sup> This number is based on information on project [26], the other numbers are based on information on projects [26] and [27].

**4.4.1 In summary: EU4Business well on track in contributing to its objectives**

EU4Business intervenes at different levels, targeting systemic changes needed to facilitate growth in the SME sector, as well as providing concrete means to assist the individual SMEs. Programmes and projects supported under the Initiative mostly target more than one objective, providing a programmatic approach. For instance, in order to increase access to markets, policy and legal issues are addressed combined with networking and capacity building activities as well as providing funding for investments to ensure that production processes of individual firms are compliant with EU directives. This proves that the different objectives of EU4Business show strong coherence and complementarity.

Under EU4Business, the financing opportunities for the SME sector in the EaP countries have increased considerably. The aim of the different facilities differs from very broad to specifically targeting one of the EU4Business objectives, such as facilitating the implementation of the DCFTA, the green economy or women’s entrepreneurship. With these instruments, EU4Business contributes to economic growth, the green economy and accessing markets.

The regulatory and policy reforms are in their preliminary stages and EU4Business is expected to contribute further to this process in the coming years. A strong point of the current approach is peer exchange, which contributes not only to the quality of the policies and strategies, but also to the learning process.

The activities under the objective improving the knowledge base and business skills support the quality of the process further, as it is directed towards building the capacity of business support organisations to be actively involved and to contribute to the policy making process. At the same time, it is clear that, for each country, a tailored approach is being taken.

EU4Business contributes to increased capacity in different fields, on the policy making level, business support level and SME level. For the SMEs supported, the capacity building has concretely contributed to better management, marketing and entrepreneurial skills, directly leading to a higher market performance and an increase in turnover, investments and jobs.







## CHAPTER 5:

# EU4BUSINESS - THE WAY FORWARD

The scope of the present chapter provides indicative directions on the EU4Business way forward.

This chapter is based on the reviews and analyses presented in this report and the EU4Business Country Reports 2017, as well as on experts' views. The indicative directions outlined below are offering 'food for thought' rather than rigid recommendations. They are intended to stimulate discussions with EU4Business stakeholders in order to help shape new actions under EU4Business.

### 5.1 Common issues

All Eastern Partnership (EaP) countries share the burden of a long and painful transition towards functional market economies. The way forward looks different for each country, but there are common needs that could be addressed through potential future interventions at regional level, while other types of support could be best provided via bilateral envelopes. Most programmes that are active in the region promote improved knowledge and skills at a general level, dealing with the basics such as export, entrepreneurial and management education. SME performance in the six countries could be increased by promoting more specialised and focussed assistance, in terms of targeted sectors and beneficiaries. The recommendation is to reinforce the use of specific and effective enterprise development tools tailored to perhaps smaller, but more coherent in their needs, groups of SMEs.

#### Improving access to finance

Access to financial support will continue to be crucial for SMEs in the EaP region. It is important to provide tailored finance, adapted to the real needs of targeted enterprises, going beyond traditional bank loans with stringent collateral. The vast majority of bank loans provided to the SME sector are at present in foreign currencies, which adds an exchange rate risk to an already fragile and unpredictable business environment. As a result, ensuring that loans are available in the local currency is a priority throughout the EaP region. Moreover, the development of the non-banking financial sector, such as micro finance

organisations, SME-specialised investment funds, and the provision of equity and quasi-equity for healthy, risk-sharing growth, is one way of broadening the EU4Business assistance.

In addition to the issue of regional SMEs accessing finance, an important priority is to address financial sector regulation gaps. These include making further efforts to strengthen the creditor's rights and implementing insolvency legislation.

#### Policy and legal reforms, and innovation

Regulatory and policy reforms are still needed in the EaP countries in order to create a supportive business environment. Although some reforms have been started, there is a need for continuous efforts here. The priority includes reducing administrative barriers for SMEs and optimising regulations related to commercial activities of SMEs. Furthermore, there is a need to improve the rule of law and how the commercial justice system operates, as these are important vehicles for attracting foreign direct investments, a viable component for enterprise development.

There is also a somewhat low level of innovation among SMEs in the EaP region. The lack of resources for innovation is only one of the explanations for this situation. There is also the absence of an innovation culture, which affects the SME sector as well. Yet, all EaP countries have the research and development capacities to build a more innovation-oriented economy. Building a national ecosystem for innovative entrepreneurship and SMEs is an effort on its own. It is also a relatively expensive process, as innovation brings high risk, something that SMEs cannot bear. Across the EU and beyond, SMEs and entrepreneurs are supported by a wide variety of instruments throughout their innovation journey. Good practices can help develop similar support schemes for SMEs in EaP countries, taking local circumstances into account.



### **Improving skills of SMEs and relevant Business Support Organisations (BSOs)**

There is enormous potential in using further, specialised assistance to improve the skills of enterprises and BSOs, especially in the area of quality entrepreneurship. This could cover how the assistance is designed and tailored for specific industries, stages of enterprise life spans, market situations, geographical locations, and so on.

Furthermore, SMEs indicate difficulties in finding the right skilled labour. This issue is experienced by many countries in the EU as well. Close cooperation with the EU, especially in supporting reforms of the education sector and shaping the vocational training system, could help provide a more timely response to the above needs of SMEs.

### **Enabling greater access to markets**

Further assistance in accessing new markets could be better channelled through a careful selection of sectors with real potential for growth and healthy enterprises with promising market prospects. Enabling access to new markets requires blending various instruments, financial and non-financial, in order to increase the impact of the current EU4Business programmes. Taking into account the diversity of EaP countries, it would be beneficial to take an approach in which the EU becomes a catalyst for regional cooperation by using economic diplomacy as a major vehicle for enterprise development.

EU4Business could consider setting up a regional facility to enhance cooperation between EU and EaP enterprises. This facility could cover sectoral investment fora, market development missions and other specific investment promotion activities. However, it is important to remember that any promotional and networking activities, related to enabling better access to markets, can only be effective in combination with specific interventions aimed at increasing the competitiveness of SMEs in the six EaP countries.

## **5.2 Indicative directions per country**

### **Armenia**

#### **Improvement in access to markets and export promotion**

Due to the geographical location and political situation, accessing new markets is a high priority for Armenia, and this was stated in the Government strategy for SME sector support. Some of the instruments successfully used by the EU in its assistance could serve as best practice for new interventions in the field of export promotion and access to new markets. The Armenian Government has already started to promote access to markets in the rural communities, through its programme entitled 'Partnerships for Rural Prosperity'. Any new intervention could build on this recently acquired expertise and extend the programme to aim at urban areas by adding an export promotion dimension.

### **Azerbaijan**

#### **Improvement in the legal and regulatory system and SME support institution building**

The Government of Azerbaijan has put more emphasis on developing the SME sector following the shocks caused by the sharp drop in the oil price and the significant decrease in the banking sector. Diversification of the economy became an obvious need, and development of smaller enterprises as opposed to large dominating oil corporations is now regarded as a strategic priority.

In December 2016, a strategic document was adopted, dedicating a chapter to SME sector development. Consequently, an Agency for SME development is being set up, with EU support provided in this process.

However, taking into consideration the magnitude of the capacity building needed by the Ministry of Economy and the Centre of Economic Reforms to promote the SME sector, large-scale EU4Business bilateral support would be useful.



### Improvement in access to markets

The recent reduction in oil production and prices has severely affected the economy of Azerbaijan, one of the factors leading to a steep depreciation of the national currency. Next to diversifying its economy and making a substantial progress to increase the number of SMEs, the country needs also diversified markets. Identification of new markets would influence the development of new economic sectors, increasing the number of SMEs as well as triggering healthy growth among existing enterprises. EU4Business could tap into its vast experience and valuable expertise to support Azerbaijan in its efforts to develop competitive SMEs with real opportunities to access new markets, promote exports and diversify the economy.

### Belarus

#### Strengthening the SME non-financial support infrastructure

In Belarus, there is a general lack of entrepreneurial tradition and the current business skills and knowledge are based on the experience of state-owned enterprises. This impacts the potential of the SME sector to absorb any financial and non-financial support. SMEs in Belarus need a different management style: more flexible, open to new opportunities and most of all market-oriented.

The existing non-financial support is limited and it is perceived as an 'obligatory step' in order to get access to finance. This perception needs to change by introducing high-quality, non-financial programmes and blended support instruments combining the provision of finance with the transfer of know-how. It is essential for the development of a sound and growing SME sector that Belarus 'builds all the pillars of entrepreneurial competence: not just financial literacy, but also creativity and the ability to deal with risks and opportunities' <sup>(1)</sup>.

#### Improvement in access to markets and exports

Former Soviet countries are the main market for Belarusian SMEs at present. This situation could change through new interventions of EU4Business based on best practices. The successful implementation of programmes, aimed at accessing new markets, can only be achieved in combination with improvements in the legal and regulatory system, so that the business environment becomes more conducive and oriented towards improving competitiveness in the SME sector.

The experience of the East Invest I and II EU4Business programmes, dealing partially with exposing SMEs to the EU market, could be a good starting point for designing dedicated and tailor-made interventions dealing with export promotion and access to new markets, and targeting Belarusian SMEs.

### Georgia

#### Diversification of access to finance

Georgian SMEs' access to finance is addressed by both EU4Business and the national Government. However, getting bank loans remains problematic for Georgian SMEs, mainly due to the minimum size of loans and high collateral coverage. A new area of intervention could be the development of non-banking instruments, in order to provide a more flexible alternative to traditional bank loans.

Micro finance institutions have developed strongly in the past decade due to SMEs' need for smaller loans, disbursed in a more flexible manner and with lower collateral coverage. The shorter approval time and better understanding and sound judgment of the business proposal per se have made non-banking financing a good complement to the traditional banking sector. The banking sector needs to become more competitive, so that it facilitates sustainable access to finance for Georgian SMEs. Last but not least, 'allowing secured creditors to seize collateral after reorganisation would help increase bank lending to SMEs' <sup>(2)</sup>.

#### Closing the knowledge and skills gap

Improving specific knowledge and skills among Georgian entrepreneurs and their staff is becoming a priority, especially in the context of the serious mismatch seen in the labour market. This type of disfunctionality in the labour force market can lead to a slowdown in economic growth in general, and in the SME sector in particular, since smaller enterprises do not have systems in place for internal training. There is a need, particularly in the area of vocational training, for very specific skills to be developed to meet the requirements of SMEs that are scaling up. EU4Business can help with shaping programmes specifically addressing the multi-faceted issue of the mismatch in the labour market, including entrepreneurial learning.

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#### Source:

<sup>(1)</sup> OECD, SME policy index EaP countries 2016.

<sup>(2)</sup> Idem.

## Moldova

### **Improvement in the innovation infrastructure**

Moldovan SMEs need a substantially improved innovation support infrastructure. The crucial element of this infrastructure is access to finance for innovation. The financial crisis and lack of credibility of the banking sector, peaking in 2015, are one of the barriers. Although the situation has improved in 2016, resulting in less restrictive access to funds for SMEs, financing for innovation remains problematic.

Another important element of the innovation infrastructure is the lack of an innovation network, nationally and internationally. Also, instruments for technology transfer would add value to the innovation ecosystem and to the Moldovan SME sector.

### **Enhancing SME development in Moldova's regions**

As per the EU4Business Country Report 2017, 64% of Moldovan SMEs are concentrated in Chisinau and 75% in the Centre Region. The economic disparity between the Chisinau area and the rest of the country is also leading to a concentration of the SME support infrastructure in Chisinau and the Centre Region. Growth in the SME sector in the other regions of Moldova is a priority, from both an economic and socio-demographic point of view. An integrated, strategic rural development programme for SMEs could enhance past and ongoing rural development initiatives and develop Moldova's rural regions in a more balanced and sustainable way.

## Ukraine

### **Improvement in the innovation infrastructure**

Innovation is a field for further development in Ukraine. Ukrainian enterprises do not have the necessary know-how or affinity for innovation due to a lack of information, resources and specialised support services. However, the country has good innovation potential. Setting up a network for innovation, with incubation and science parks where Ukrainian SMEs active in high tech can find incentives to scale up, can be a fruitful area to support. This could also result in spin-offs of innovative new enterprises.

### **Improving access to finance in the regions of Ukraine**

Especially for SMEs active in the remote regions/oblasts of Ukraine, access to finance is still problematic. The recent efforts in setting up an EU4Business network of SME support centres in the regions of Ukraine are expected to improve the dissemination of information on EU4Business sources of finance. This initiative could be complemented with specific instruments and regional networks that will enable more effective and direct access to finance throughout Ukraine.

In addition to the issue of regional SMEs accessing finance, there is still an urgent need to address the financial sector regulation gaps, such as improving creditors' rights and implementing the 2013 insolvency legal provisions, as already indicated in the OECD SME policy index report (2016). These actions, combined with improvements in the local financing infrastructure, would pave the way towards a better supported SME sector.



## ANNEX A:

# EU4BUSINESS LIST OF PROJECTS/ PROGRAMMES BY OBJECTIVE

### OBJECTIVE 1: IMPROVING ACCESS TO FINANCE

|                            |   |
|----------------------------|---|
| <b>PROJECT / PROGRAMME</b> | <b>SME FINANCE FACILITY PHASE I AND II <sup>(1)</sup></b>   |
| <b>IMPLEMENTER</b>         | EBRD / KfW  |
| <b>START-END DATE</b>      | 2010-2020   |
| <b>DESCRIPTION</b>         | The project is part of a swift response from the EU and the European financial institutions to reduce the impact of the financial crisis on MSME access to bank credit in the Eastern Neighbourhood. Covering all eligible Eastern Partnership countries, it combines EBRD, EIB and KfW loans or guarantees to participating financial intermediaries, for on-lending to eligible MSMEs, with EU grant resources for credit enhancement and technical assistance. Working in collaboration with the EU, the three financial institutions (EIB, EBRD and KfW) pursue the following objectives through the regional SME Finance Facility: rebuild financial intermediaries' confidence to extend financing to SMEs, including micro-enterprises, following the financial crisis; enhance financial intermediaries' capacity to assess and monitor the related risks and manage their SME financing; strengthen and deepen the SME credit markets; expand financing options available to the real economy; promote continued development of market-based financial institutions and contribute to institution building; and support the expansion of private and entrepreneurial initiatives, working with local and international financial intermediaries. |
| <b>EU BUDGET (EUR)</b>     | 20 600 000  |
| <b>COUNTRIES</b>           | Region, GE-MD-UA <sup>(2)</sup>   |
| <b>PROJECT / PROGRAMME</b> | <b>SME FINANCE FACILITY PHASE I</b>   |
| <b>IMPLEMENTER</b>         | EIB   |
| <b>START-END DATE</b>      | 2010-2020   |
| <b>DESCRIPTION</b>         | The Eastern Partnership SME Finance Facility aims to rebuild the confidence of financial intermediaries to extend financing to SMEs, including micro-enterprises, following the financial crisis. It seeks to enhance their capacity to assess and monitor the related risks and manage their SME financing, to strengthen and deepen SME credit markets, to expand financing options available to the real economy, promote the continued development of market-based financial institutions and contribute to institution building, and to support the expansion of private and entrepreneurial initiatives, working with local and international financial intermediaries. In Phase II, emphasis is given to stimulating local currency lending particularly for micro, small and medium-sized enterprises that are not earning foreign currency and could not afford the associated high costs of borrowing. The ultimate objective is to improve access to finance for SMEs.   |
| <b>EU BUDGET (EUR)</b>     | 5 100 000   |
| <b>COUNTRIES</b>           | Region, AM-GE-MD <sup>(2)</sup>   |

#### Notes:

<sup>(1)</sup> This project consists of different contracts; the reporting so far concerns Phase I.

<sup>(2)</sup> Although set up as a regional programme, in the reported period the EBRD/KfW facility covers Georgia, Moldova and Ukraine and the EIB facility Armenia, Georgia and Moldova.

**OBJECTIVE 1: IMPROVING ACCESS TO FINANCE**

|                            |  |
|----------------------------|--|
| <i>PROJECT / PROGRAMME</i> | <b>EFSE (NEIGHBOURHOOD WINDOW OF THE EUROPEAN FUND FOR SOUTH EAST EUROPE – ENR COMPONENT)</b>  |
| <i>IMPLEMENTER</i>         | KfW  |
| <i>START-END DATE</i>      | 2009-2019  |
| <i>DESCRIPTION</i>         | The Fund aims to foster economic development and prosperity in the South East Europe & Caucasus region through the sustainable provision of additional development finance, notably to micro and small-sized enterprises (MSEs) and private households, via qualified local financial institutions. The objective of this Action is to manage the participation of the Commission in EFSE (hereafter referred to as ‘The Fund’) in line with its mission as specified in the Articles of Incorporation of the Fund. The expected results are: economic development and prosperity fostered in the South East Europe region and in the European Eastern Neighbourhood region through the sustainable provision of additional development finance, notably to MSEs and private households, via qualified financial institutions. Furthermore, it aims at attracting additional investors to the South East Europe region and to the European Eastern Neighbourhood region and to offer them an attractive financial return in line with market expectations. |
| <i>EU BUDGET (EUR)</i>     | 5 100 000  |
| <i>COUNTRIES</i>           | Region   |

|                            |  |
|----------------------------|--|
| <i>PROJECT / PROGRAMME</i> | <b>WOMEN IN BUSINESS</b>   |
| <i>IMPLEMENTER</i>         | EBRD   |
| <i>START-END DATE</i>      | 2015-2022  |
| <i>DESCRIPTION</i>         | The aim of the Programme is to promote women’s entrepreneurship and access to finance, and more broadly women’s participation in business in the SME sector in the EaP countries, by facilitating access to finance and advice for women-led SMEs. The Programme will help the PFIs to develop, test and roll out financial products suitable specifically for Women’s SMEs through technical assistance and strengthen their capacities to effectively reach out to the target segment via marketing activities. The activities are specifically targeted at women-led enterprises limited in their growth by a lack of access to know-how and/or businesses. The Programme support in this area will include: advisory services projects; entrepreneurial skills training courses; business coaching and mentoring, and Women in Business’ awareness-raising and networking opportunities. Advisory projects in areas such as strategy or accounting and financial reporting will be an important tool for encouraging potential and existing women-led enterprises to access finance under the Programme. Basic diagnostic services will be provided to women, helping them to identify their needs for finance and know-how in order to establish or develop their businesses. These services will be delivered alongside the PFIs’ ‘smart marketing’ efforts and outreach activities. |
| <i>EU BUDGET (EUR)</i>     | 5 035 000  |
| <i>COUNTRIES</i>           | Region   |

**OBJECTIVE 1: IMPROVING ACCESS TO FINANCE**

|                            |  |
|----------------------------|--|
| <i>PROJECT / PROGRAMME</i> | <b>DCFTA PROGRAMME</b>   |
| <i>IMPLEMENTER</i>         | EIB  |
| <i>START-END DATE</i>      | 2017-2021  |
| <i>DESCRIPTION</i>         | <p>The project provides support to the private sector, SMEs in particular, so that they can cope with the relevant requirements and seize new opportunities. DCFTA Initiative East consists of three pillars, which have been designed to address the market failures in the region:</p> <ul style="list-style-type: none"> <li>• <b>Pillar 1 – Risk Capital:</b> will be aimed particularly at funding Microfinance operations, by supporting microfinance service providers with the purpose of providing financing to local microenterprises in line with the policy objectives of the DCFTA.</li> <li>• <b>Pillar 2 – Market Access:</b> supports market access in the agro-food sector, given its strategic importance and significant potential on both domestic and international markets. It does so through the provision of partial credit guarantees for individual sub-projects supplemented with investment support schemes.</li> <li>• <b>Pillar 3 – Guarantee Facility:</b> will be aimed at improving access to finance for SMEs in light of the DCFTA objectives through providing first loss portfolio guarantees for SME loans and leases and supporting local currency lending.</li> </ul> |
| <i>EU BUDGET (EUR)</i>     | 62 740 000   |
| <i>COUNTRIES</i>           | GE-UA-MD   |

|                            |   |
|----------------------------|---|
| <i>PROJECT / PROGRAMME</i> | <b>DCFTA PROGRAMME</b>  |
| <i>IMPLEMENTER</i>         | EBRD  |
| <i>START-END DATE</i>      | 2016-2026   |
| <i>DESCRIPTION</i>         | <p>The primary objective of the Programme is to support DCFTA-related priority improvements in SMEs following the signing of AA/DCFTAs in 2014. The EBRD DCFTA Programme will assist the development of the SME sector through a variety of investments supported by grant funding from the EU for risk mitigation, investment incentives to SMEs and technical assistance. The programme provides incentives to SMEs to improve the affordability and risk-return profile of their DCFTA-related investment projects. Blended financing is provided to PFIs, meaning credit lines provided by the EBRD to PFIs on a commercial basis for their on-lending to eligible SMEs, blended with EU grant-supported instruments. Business advice will be provided under Small Business Support programmes to export-oriented SMEs in areas such as export strategy, export marketing, financial management and reporting. In addition, for SMEs in priority sectors such as agribusiness and manufacturing, advice will be provided to either adopt or make progress towards EU standards in areas such as quality management, information and communication technology, financial management and reporting, energy efficiency and environmental management.</p> |
| <i>EU BUDGET (EUR)</i>     | 19 430 000  |
| <i>COUNTRIES</i>           | GE-UA-MD  |



**OBJECTIVE 1: IMPROVING ACCESS TO FINANCE**

|                            |  |
|----------------------------|--|
| <b>PROJECT / PROGRAMME</b> | <b>GREEN FOR GROWTH – EXTENSION TO NIF EAST REGION</b>   |
| <b>IMPLEMENTER</b>         | EIB  |
| <b>START-END DATE</b>      | 2014-2018  |
| <b>DESCRIPTION</b>         | The Green for Growth Fund (GGF) is a structured fund (public private partnership) providing financing and technical assistance for energy efficiency and renewable energy. It provides refinancing for investments in energy efficiency and renewable energies to SMEs and households, primarily via local financial institutions. It contributes to overcoming the lack of sufficient legal, policy and other framework conditions by providing long-term financing instruments. GGF promotes energy efficiency in its target region and aims at the reduction of CO <sub>2</sub> emissions. GGF's investments seek to achieve a 20% reduction in energy consumption and/or a 20% reduction in CO <sub>2</sub> emissions. This is done through refinancing financial institutions (local commercial banks, non-bank financial institutions such as microfinance institutions and leasing companies and other selected financial institutions) providing loans to households, businesses, municipalities and the public sector for energy efficiency measures or renewable energy projects. Investments through financial institutions constitute the majority of GGF's investments. Direct financing is provided to non-financial institutions (companies, energy service companies, renewable energy companies or projects, and small-scale renewable energy and energy efficiency service and supply companies) that meet GGF energy saving and/or emissions targets and comply with the technical criteria and GGF exclusion list. |
| <b>EU BUDGET (EUR)</b>     | 13 350 000   |
| <b>COUNTRIES</b>           | AM-AZ-GE-MD-UA   |

|                            |   |
|----------------------------|---|
| <b>PROJECT / PROGRAMME</b> | <b>DCFTA SME DIRECT FINANCE FACILITY</b>  |
| <b>IMPLEMENTER</b>         | EBRD  |
| <b>START-END DATE</b>      | 2015-2026   |
| <b>DESCRIPTION</b>         | The project intends to blend EU and Organisation funds to provide financing and technical assistance to the SME sector in order to improve conditions for SME lending. The EU and the EBRD share the risk of financing SMEs, allowing the EBRD to increase financing beyond the amounts currently possible. The beneficiaries are: Agribusiness: investment in food processing, primary agriculture, organised retailing, warehousing and distribution; Manufacturing and Services: investment in construction materials, health services, logistics, freight, paper and cardboard, pharmaceuticals and health sector supplies, and automotive parts; Property and Tourism: investment in commercial real estate, residential real estate, warehousing/ logistics, hotels and light industrial real estate; Information and Communication Technologies: investment in broadband infrastructure, internet service providers and alternative telephony; Small Power Projects: investment in small hydro and renewable power projects; and Non-Bank Financial Services: investment in insurance companies and pension fund management companies. |
| <b>EU BUDGET (EUR)</b>     | 10 220 000  |
| <b>COUNTRIES</b>           | GE-UA -MD   |

**OBJECTIVE 1: IMPROVING ACCESS TO FINANCE**

|                            |   |
|----------------------------|---|
| <b>PROJECT / PROGRAMME</b> | <b>IDENTIFICATION AND PROMOTION OF ENERGY EFFICIENCY INVESTMENTS</b>  |
| <b>IMPLEMENTER</b>         | EBRD  |
| <b>START-END DATE</b>      | 2007-2016   |
| <b>DESCRIPTION</b>         | The 'Identification and promotion of energy efficiency investments' is an awareness-raising campaign on Energy Efficiency (EE), establishment of credit lines within local banks and provision of technical, financial, legal and environment expertise to beneficiaries. The main objectives of the programme are to reduce energy dependency and improve security of energy supply in the countries concerned, by improving prospects for energy market integration, through the harmonisation of electricity standards, and by promoting EE in the industry and household sectors through relevant support to IFI investment. The activities: awareness-raising campaigns on EE in Ukraine and Moldova; establishment of credit lines within local banks; and provision of technical, financial, legal and environment expertise to beneficiaries. |
| <b>EU BUDGET (EUR)</b>     | 9 500 000   |
| <b>COUNTRIES</b>           | MD-UA   |

|                            |   |
|----------------------------|---|
| <b>PROJECT / PROGRAMME</b> | <b>SOUTH CAUCASUS SUSTAINABLE ENERGY FINANCE FACILITY</b>   |
| <b>IMPLEMENTER</b>         | EBRD  |
| <b>START-END DATE</b>      | 2013-2020   |
| <b>DESCRIPTION</b>         | The Facility provides credit lines to Participating Financial Institutions (PFIs) for on-lending to private sector borrowers. It aims to achieve increased market awareness and transfer of skills related to rational energy utilisation as well as savings in energy consumption and reduction in CO <sub>2</sub> emissions, channelled through PFIs in the three Caucasus countries to increase their investment portfolios in energy efficiency (EE) projects and renewable energy (RE) projects. The Facility is currently supported by a Project Consultant providing general implementation technical assistance (TA or TC) and funded by the Austrian Ministry of Finance. The overall objective is to provide credit lines to PFIs for on-lending to private sector borrowers, including SMEs and households, in support of sustainable energy investments backed by incentive payments. The beneficiaries are PFIs and private sector borrowers, including SMEs and households. |
| <b>EU BUDGET (EUR)</b>     | 5 300 000   |
| <b>COUNTRIES</b>           | AM-AZ-GE  |

|                            |   |
|----------------------------|---|
| <b>PROJECT / PROGRAMME</b> | <b>FINANCIAL SECTOR INSTITUTION BUILDING AND CRISIS RESPONSE</b>  |
| <b>IMPLEMENTER</b>         | EBRD  |
| <b>START-END DATE</b>      | 2009-2018   |
| <b>DESCRIPTION</b>         | This TA aims at restoring access to credit for MSMEs in the Eastern Neighbourhood region by providing assistance to financial institutions which have been particularly affected by the financial crisis. The project is an immediate response to the exceptional situation created by the economic and financial crisis and aims to prevent the risks of contagion of bank failures across the region and a sudden shrinking of the real economy. Consultants engaged within the framework will provide assistance to financial intermediaries focusing on specific projects and clients. In addition, the individual projects may support the wider application of the internationally acceptable banking practices in the region, promote competition and have a demonstration effect. Some PFIs will be assisted in expanding their regional outreach and diversifying the client base, so that they provide high-quality services to MSMEs and retail customers. |
| <b>EU BUDGET (EUR)</b>     | 12 300 000  |

**OBJECTIVE 1: IMPROVING ACCESS TO FINANCE**

|                            |  |
|----------------------------|--|
| <i>COUNTRIES</i>           | Region   |
| <i>PROJECT / PROGRAMME</i> | <b>FRAMEWORK FOR CAPACITY BUILDING TO SUPPORT FINANCIAL INTERMEDIARIES IN AZERBAIJAN AND GEORGIA</b>   |
| <i>IMPLEMENTER</i>         | EBRD   |
| <i>START-END DATE</i>      | 2009-2018  |
| <i>DESCRIPTION</i>         | On 16 June 2009, the EC and the EBRD signed a Contribution Agreement under which EUR 2.88 million (total agreement amount EUR 3.03 million including management fee) has been approved by the EC for allocation to the EBRD to finance technical cooperation (TC) to support its clients – financial intermediaries (FIs) – in Azerbaijan and Georgia (the ‘Action’). The objectives of the Action and respective TC activities for the FIs in these countries are as follows: a) improving the efficiency, effectiveness and transparency of the financial sector, resulting in the provision of better access to financing for enterprises, particularly MSMEs; and b) creating successful and healthy institutions that finance the real economy operating on market principles and follow sound business practices, thus supporting sustainable financial intermediaries. By mid-2016, nine sub-actions had been approved, of which seven were completed (including ‘Azerbaijan: Financial Sector Framework – SME Credit Advisory Services and Institution Building’ which was terminated before the original end date), one (‘Azerbaijan: Mugan Bank Institutional Building Plan’) was cancelled and de-committed and only one is under implementation. |
| <i>EU BUDGET (EUR)</i>     | 2 880 000  |
| <i>COUNTRIES</i>           | AZ-GE  |
| <i>PROJECT / PROGRAMME</i> | <b>FILIÈRE-DU-VIN</b>  |
| <i>IMPLEMENTER</i>         | EIB  |
| <i>START-END DATE</i>      | 2014-2016  |
| <i>DESCRIPTION</i>         | The Wine Sector Restructuring Programme was conceived by the Government of the Republic of Moldova and the European Investment Bank (EIB) in order to resolve the structural weaknesses in the Moldovan wine industry and to create an administrative, technical, financial and educational framework which will support wine sector stakeholders, and wine producers in particular. The results have been achieved by offering financial instruments to the final beneficiaries, i.e. (i) loans provided through financial intermediaries and (ii) leasing of equipment and machinery. TA is aimed at the production of bottled wines of ‘Protected Designation of Origin’ (PDO) and/or ‘Protected Geographical Indication’ (PGI), by (i) restructuring the wine industry, (ii) improving the quality and consistency of wine produced in Moldova from the quality of vineyards to the final packaging and dispatch of products, and (iii) diversifying the country’s export markets.   |
| <i>EU BUDGET (EUR)</i>     | 2 000 000  |
| <i>COUNTRIES</i>           | MD   |

**OBJECTIVE 2:****TACKLING INADEQUATE POLICY AND REGULATORY FRAMEWORK**

|                            |   |
|----------------------------|---|
| <b>PROJECT / PROGRAMME</b> | <b>SME COMPETITIVENESS REFORMS</b>  |
| <b>IMPLEMENTER</b>         | OECD  |
| <b>START-END DATE</b>      | 2013-2017   |
| <b>DESCRIPTION</b>         | Country-level activities were provided for those countries which have expressed a high-level political commitment to implementing SME policy reforms and agreed to undergo a peer review examination of these reforms. The OECD Eurasia Competitiveness Programme was launched in 2008 to support Eurasian economies in developing more vibrant and competitive markets. The programme uses OECD instruments and tools in order to assess where and how to enhance the competitiveness of countries, sectors and regions in order to generate sustainable growth.   |
| <b>EU BUDGET (EUR)</b>     | 2 500 000   |
| <b>COUNTRIES</b>           | Region  |
| <b>PROJECT / PROGRAMME</b> | <b>STAREP (STRENGTHENING AUDITING AND REPORTING IN THE COUNTRIES OF THE EAP)</b>  |
| <b>IMPLEMENTER</b>         | World Bank  |
| <b>START-END DATE</b>      | 2013-2018   |
| <b>DESCRIPTION</b>         | STAREP aims to help the participating countries both to improve their frameworks for corporate financial reporting and to raise the capacity of local institutions to implement these frameworks effectively. In particular, the programme has a strong focus on providing participants with the tools needed to improve the ability of already qualified accountants and auditors to implement international standards such as International Financial Reporting Standards (IFRS) and International Standards on Auditing (ISA). The goal is to build capacity among and assist the accounting and auditing profession, regulators, students and other stakeholders to develop and practice an institutional framework for corporate financial reporting in the countries of the EU's Eastern Partnership which is in accordance with international accounting, auditing and accounting education standards. |
| <b>EU BUDGET (EUR)</b>     | 1 000 000   |
| <b>COUNTRIES</b>           | Region  |
| <b>PROJECT / PROGRAMME</b> | <b>FORBIZ</b>   |
| <b>IMPLEMENTER</b>         | GFA   |
| <b>START-END DATE</b>      | 2016-2019   |
| <b>DESCRIPTION</b>         | This is part of the EU SURE (EU Support to Ukraine to Relaunch the Economy) programme and aims to support the deregulation policy of the Ukrainian authorities. FORBIZ will address the challenge of reducing regulatory burden and lessening risk for businesses. The independent think tank Better Regulation Delivery Office (BRDO) will contribute to EU4Business with an unprecedented number of highly competent legal experts and sectoral analysts. BRDO will provide technical expertise for better, business-focused regulations in the priority sectors of Agriculture, Construction, Energy, Transport and Infrastructure, Control and Supervision, International Trade and Information Technologies.   |
| <b>EU BUDGET (EUR)</b>     | 6 824 680   |
| <b>COUNTRIES</b>           | UA  |

|                            |  |
|----------------------------|--|
| <b>PROJECT / PROGRAMME</b> | <b>SBS PROGRAMMES – BAS+EGP IN EAP COUNTRIES (TAM/BAS)</b>   |
| <b>IMPLEMENTER</b>         | EBRD   |
| <b>START-END DATE</b>      | 2010-2015  |
| <b>DESCRIPTION</b>         | The EBRD Small Business Support (SBS) instruments – Business Advisory Services (BAS) and Enterprise Growth Programme (EGP) – connect SMEs to local consultants (BAS) and international advisors (EGP) who can help transform a large variety of businesses by providing high-quality consultancy services, industry expertise and management skills, which give entrepreneurs access to unique insights, advice and know-how to take their companies to another level. They also aim to develop a sustainable infrastructure of local BAS, which will ensure improved services for the MSME sector. In 2010, the EU, represented by the EC, provided EUR 5 million for implementation of the SBS activities in the Eastern Partnership region over a period of 36 months under EU4Business. In December 2011, a time and budget extension was granted to continue SBS operations at a cost of EUR 10 million, increasing the total implementation period to 48 months to carry out approximately 60-70 projects with international advisors and 600 projects with local consultants. Both EGP and BAS operate on a cost-sharing basis (including Phase I and II), the average client contribution for all EGP projects to the end of 2016 being 14% and 48% for BAS and EGP, respectively. |
| <b>EU BUDGET (EUR)</b>     | 10 000 000   |
| <b>COUNTRIES</b>           | Region   |
| <b>PROJECT / PROGRAMME</b> | <b>SBS PROGRAMMES – BAS+EGP PHASE I</b>  |
| <b>IMPLEMENTER</b>         | EBRD   |
| <b>START-END DATE</b>      | 2013-2016  |
| <b>DESCRIPTION</b>         | In October 2013, EUR 8 million was provided by the EU to continue SBS operations in the Eastern Partnership (EaP) countries under EU NIF, Phase I. The programme has also provided services to enterprises wishing to improve their access to foreign markets, within the frame of DCFTA.  |
| <b>EU BUDGET (EUR)</b>     | 8 000 000  |
| <b>COUNTRIES</b>           | Region   |
| <b>PROJECT / PROGRAMME</b> | <b>SBS PROGRAMMES – BAS+EGP PHASE II</b>   |
| <b>IMPLEMENTER</b>         | EBRD   |
| <b>START-END DATE</b>      | 2015-2018  |
| <b>DESCRIPTION</b>         | In December 2015, another EUR 8 million was provided under EU NIF, Phase II. The programme is also providing services to enterprises wishing to improve their access to foreign markets, within the frame of DCFTA. In terms of bilateral funding, the following Agreements have been signed in Armenia, Georgia and Ukraine: (1) SME Finance and Advice Facility (the 'Financial Instrument') in Armenia, signed in December 2015 (no information yet, not included in the overview figures); (2) DCFTA Adaptation Programme (DAP) Support for SME competitiveness in Georgia, signed in December 2015 (see programme 24 below); and (3) Network of Business Support Centres in Ukraine, signed in December 2015 (see programme 25 below).  |
| <b>EU BUDGET (EUR)</b>     | 8 000 000  |
| <b>COUNTRIES</b>           | Region   |



**OBJECTIVE 3: IMPROVING KNOWLEDGE BASE AND BUSINESS SKILLS**

|                            |  |
|----------------------------|--|
| <b>PROJECT / PROGRAMME</b> | <b>SMEDA (SUPPORT TO SME DEVELOPMENT IN ARMENIA)</b>   |
| <b>IMPLEMENTER</b>         | GIZ  |
| <b>START-END DATE</b>      | 2016-2019  |
| <b>DESCRIPTION</b>         | This project is part of a comprehensive support programme funded by the EU and implemented by different partners aiming to strengthen the organised private sector, SME coordination mechanism, link between research and the economy as well as access to finance for SME as the most relevant fields necessary for their adequate development. |
| <b>EU BUDGET (EUR)</b>     | 6 400 000  |
| <b>COUNTRIES</b>           | AM   |

|                            |  |
|----------------------------|--|
| <b>PROJECT / PROGRAMME</b> | <b>COMMUNITY DEVELOPMENT THROUGH SOCIAL ENTREPRENEURSHIP</b>                                   |
| <b>IMPLEMENTER</b>         | IKZ  |
| <b>START-END DATE</b>      | 2015-2017  |
| <b>DESCRIPTION</b>         | Capacity building of Civil Society Organisations (CSOs) in Armenia while promoting innovation. |
| <b>EU BUDGET (EUR)</b>     | 289 379  |
| <b>COUNTRIES</b>           | AM   |

|                            |  |
|----------------------------|--|
| <b>PROJECT / PROGRAMME</b> | <b>SUPPORT TO THE EUROPEAN BUSINESS ASSOCIATION ARMENIA</b>  |
| <b>IMPLEMENTER</b>         | EBA  |
| <b>START-END DATE</b>      | 2016-2017  |
| <b>DESCRIPTION</b>         | The European Business Association (EBA) will function as the voice of EU businesses in Armenia to direct their needs toward Armenian authorities and advocate their interests regarding the elimination of relevant obstacles. It will promote fair, open and meaningful relationships between business and the Government and the financing of an operating grant for the EBA annual work programme to support representatives of the European Business Community in Armenia and facilitate integration and cooperation between Armenia and the EU as well as improve the business environment, encourage foreign investments and improve the corresponding legislative framework. The core members of the EBA are foreign and Armenian businesses with foreign and local capital, interested in the activity of the Association. Both commercial and non-commercial entities may become members of the EBA. The beneficiaries are EU-affiliated businesses in Armenia and their Business Support Organisations (BSOs). |
| <b>EU BUDGET (EUR)</b>     | 60 000   |
| <b>COUNTRIES</b>           | AM   |

**OBJECTIVE 3:****IMPROVING KNOWLEDGE BASE AND BUSINESS SKILLS**

|                            |   |
|----------------------------|---|
| <b>PROJECT / PROGRAMME</b> | <b>SME DEVELOPMENT AND DCFTA</b>  |
| <b>IMPLEMENTER</b>         | GIZ   |
| <b>START-END DATE</b>      | 2015-2019   |
| <b>DESCRIPTION</b>         | SME Development and DCFTA seeks to assist the Georgian Government in the implementation process of the DCFTA, supporting the development of the SME sector to adapt to DCFTA regulations and facilitating Georgia's economic integration into the EU market. The project includes the following components: (1) improved enterprise development framework and SME participation in political dialogue; (2) comprehensive capacity development for SME support institutions with a focus on improved service delivery; (3) enterprise development and promotion via clustering and support to business networks on national, sector and local levels; and (4) business cluster and network integration into relevant existing EU networks for enterprise development, investment and trade promotion.  |
| <b>EU BUDGET (EUR)</b>     | 5 033 940   |
| <b>COUNTRIES</b>           | GE  |
| <b>PROJECT / PROGRAMME</b> | <b>DCFTA ADAPTATION PROGRAMME (DAP)</b>   |
| <b>IMPLEMENTER</b>         | EBRD  |
| <b>START-END DATE</b>      | 2015-2019   |
| <b>DESCRIPTION</b>         | The European Bank for Reconstruction and Development (EBRD) and the European Union (EU) are stepping up their support for businesses in Georgia with a joint programme to help domestic small and medium-sized enterprises (SMEs) converge with EU standards so that they can take full advantage of the opportunities offered by the Deep and Comprehensive Free Trade Area (DCFTA) agreement between Georgia and the EU. Implemented in close collaboration with the EBRD SBS programme, the objectives are: strengthened SME competitiveness; export facilitation; adoption of new standards; raised awareness of the DCFTA; improved access to finance; and increased use and improved quality of local business advisory services.   |
| <b>EU BUDGET (EUR)</b>     | 4 500 000   |
| <b>COUNTRIES</b>           | GE  |
| <b>PROJECT / PROGRAMME</b> | <b>EU4BUSINESS: NETWORK OF BUSINESS SUPPORT CENTRES UKRAINE</b>   |
| <b>IMPLEMENTER</b>         | EBRD  |
| <b>START-END DATE</b>      | 2016-2020   |
| <b>DESCRIPTION</b>         | The action is part of the Delegation Agreement between the European Commission and the EBRD for implementing the establishment of a network of Business Support Centres (BSC). In the context of this action, the EBRD will expand its current portfolio of financing and advisory assistance to small and medium-sized enterprises improving the competitiveness and bankability of Ukrainian SMEs by offering them business advice either through local consultants or international industry advisers and capacity building for improved growth potential. The action will make business more productive and/or expand their markets, reaching at least 30 000 beneficiaries among SMEs and consultants, who will benefit from targeted technical advisory support workshops, seminars and networking events. It addresses SMEs operating in all sectors, with a special focus on businesses from the selected sub-sectors of: agriculture; food processing and packaging; tourism; innovation; ICT; manufacturing and professional services; logistics; fast moving consumer goods (FMCG); and the green economy. |
| <b>EU BUDGET (EUR)</b>     | 40 000 000  |
| <b>COUNTRIES</b>           | UA  |

|                     |                                    |
|---------------------|------------------------------------|
| <b>OBJECTIVE 4:</b> | <b>IMPROVING ACCESS TO MARKETS</b> |
|---------------------|------------------------------------|

|                            |  |
|----------------------------|--|
| <b>PROJECT / PROGRAMME</b> | <b>EAST INVEST I</b>   |
| <b>IMPLEMENTER</b>         | Eurochambres   |
| <b>START-END DATE</b>      | 2010-2017  |
| <b>DESCRIPTION</b>         | East Invest is a regional trade facilitation project. It contributes to the economic development of the Eastern ENPI region and to the improvement of its business environment within the context of developing networking, on one hand between the EU and the Eastern ENPI partners and on the other hand between the Eastern partners, in productive sectors identified as priorities. East Invest also facilitates the internationalisation process for participating SMEs within the Eastern Partners and the EU. The target groups are Business Support Organisations and SMEs from the EU and the six Eastern Partnership countries, who have a potential for developing mutual cooperation and investment relations. Some of the SMEs have shown interest in finding an EU supply chain for distributing their products in the EU market. |
| <b>EU BUDGET (EUR)</b>     | 7 000 000  |
| <b>COUNTRIES</b>           | Region   |

|                            |   |
|----------------------------|---|
| <b>PROJECT / PROGRAMME</b> | <b>EAST INVEST II</b>   |
| <b>IMPLEMENTER</b>         | Eurochambres  |
| <b>START-END DATE</b>      | 2014-2017   |
| <b>DESCRIPTION</b>         | East Invest II is a regional programme supporting the economic development of the Eastern Neighbourhood region. It follows a successful first phase that saw the creation of an East Alliance network of the EU and Eastern Partnership BSOs as well as SMEs learning to access the EU market and attract investment. East Invest II is funded by the EU and implemented by EUROCHAMBRES (Association of European Chambers of Commerce and Industry) and UEAPME (European Association of Craft, Small and Medium-Sized Enterprises). The final beneficiaries are SMEs and the private sector at large in the six Eastern Partnership countries. |
| <b>EU BUDGET (EUR)</b>     | 6 500 000   |
| <b>COUNTRIES</b>           | Region  |

## ANNEX B:

# KEY PERFORMANCE INDICATORS

| NR. |                      | INDICATORS RELATED TO MULTIPLE OBJECTIVES   |  |
|-----|----------------------|---|--|
| 1a  | INDICATOR            | <b>JOBS SUPPORTED BY EU4BUSINESS</b>  |  |
|     | INDICATOR TYPE       | Output  |  |
|     | INDICATOR DEFINITION | Number of jobs in the SMEs receiving support at their inclusion date in the portfolio and at the end date for: access to finance; access to market  |  |
|     | MEASUREMENT UNIT     | Number of FTEs (full-time equivalents)  |  |
|     | RELEVANT OBJECTIVE   | A. Improving access to finance<br>C. Improving knowledge base / business skills<br>D. Improving access to markets   |  |
| 1b  | INDICATOR            | <b>NUMBER OF SUSTAINED JOBS</b>   |  |
|     | INDICATOR TYPE       | Outcome   |  |
|     | INDICATOR DEFINITION | Number of sustained jobs  |  |
|     | MEASUREMENT UNIT     | Number of FTEs (full-time equivalents)  |  |
|     | RELEVANT OBJECTIVE   | A. Improving access to finance<br>C. Improving knowledge base / business skills<br>D. Improving access to markets   |  |
| 1c  | INDICATOR            | <b>NUMBER OF NEW JOBS</b>   |  |
|     | INDICATOR TYPE       | Outcome   |  |
|     | INDICATOR DEFINITION | Number of jobs created (difference in the number of jobs: start of project and end of project)<br><i>NB. This indicator will be for new EU4Business projects and for completed/ongoing ones that already provide information on the indicator</i> |  |
|     | MEASUREMENT UNIT     | Number of FTEs (full-time equivalents)  |  |
|     | RELEVANT OBJECTIVE   | A. Improving access to finance<br>C. Improving knowledge base / business skills<br>D. Improving access to markets   |  |
| 2a  | INDICATOR            | <b>NUMBER OF ENTERPRISES SUPPORTED (CAPACITY BUILDING)</b>  |  |
|     | INDICATOR TYPE       | Output  |  |
|     | INDICATOR DEFINITION | The following type of support received by enterprises (including farmers):<br>• advisory / information services<br>• training<br>• networking support   |  |
|     | MEASUREMENT UNIT     | Number of enterprises   |  |
|     | RELEVANT OBJECTIVE   | A. Improving access to finance<br>C. Improving knowledge base / business skills<br>D. Improving access to markets   |  |

**NR. INDICATORS RELATED TO MULTIPLE OBJECTIVES**

|    |                             |  |
|----|-----------------------------|--|
| 2b | <b>INDICATOR</b>            | <b>NUMBER OF ENTERPRISES SUPPORTED (CAPACITY BUILDING) – WOMEN (MORE THAN 50% OWNED BY WOMEN OR MANAGED BY WOMEN)</b>  |
|    | <b>INDICATOR TYPE</b>       | Output   |
|    | <b>INDICATOR DEFINITION</b> | The following type of support received by enterprises (including farmers) that are women owned/operated/controlled or have a majority of women employed: <ul style="list-style-type: none"> <li>• advisory / information services</li> <li>• training</li> <li>• networking support</li> </ul> |
|    | <b>MEASUREMENT UNIT</b>     | Number of enterprises  |
|    | <b>RELEVANT OBJECTIVE</b>   | A. Improving access to finance<br>C. Improving knowledge base / business skills<br>D. Improving access to markets  |
| 3  | <b>INDICATOR</b>            | <b>NUMBER OF PEOPLE TRAINED – SMEs</b>   |
|    | <b>INDICATOR TYPE</b>       | Output   |
|    | <b>INDICATOR DEFINITION</b> | Number of people that received training/coaching under the EU4Business projects from SMEs  |
|    | <b>MEASUREMENT UNIT</b>     | Number   |
|    | <b>RELEVANT OBJECTIVE</b>   | A. Improving access to finance<br>C. Improving knowledge base / business skills<br>D. Improving access to markets  |
| 4a | <b>INDICATOR</b>            | <b>INCREASE IN TURNOVER OF ASSISTED ENTERPRISES</b>  |
|    | <b>INDICATOR TYPE</b>       | Outcome  |
|    | <b>INDICATOR DEFINITION</b> | Number of assisted enterprises that report an increase in turnover at the end of the project and/or one year after project completion  |
|    | <b>MEASUREMENT UNIT</b>     | Number   |
|    | <b>RELEVANT OBJECTIVE</b>   | A. Improving access to finance<br>C. Improving knowledge base / business skills<br>D. Improving access to markets  |
| 4b | <b>INDICATOR</b>            | <b>INCREASE IN TURNOVER OF ASSISTED ENTERPRISES – MAJORITY WOMEN OWNED OR MANAGED BY WOMEN</b>   |
|    | <b>INDICATOR TYPE</b>       | Outcome  |
|    | <b>INDICATOR DEFINITION</b> | Number of assisted enterprises that are women owned (more than 50%)/ managed by women and that report an increase in turnover at the end of the project and/or after one year of project completion  |
|    | <b>MEASUREMENT UNIT</b>     | Number   |
|    | <b>RELEVANT OBJECTIVE</b>   | A. Improving access to finance<br>C. Improving knowledge base / business skills<br>D. Improving access to markets  |
| 4c | <b>INDICATOR</b>            | <b>MEDIAN TURNOVER/PRODUCTIVITY OF ASSISTED SMEs</b>   |
|    | <b>INDICATOR TYPE</b>       | Outcome  |
|    | <b>INDICATOR DEFINITION</b> | Median turnover/productivity   |
|    | <b>MEASUREMENT UNIT</b>     | Percentage   |
|    | <b>RELEVANT OBJECTIVE</b>   | A. Improving access to finance<br>C. Improving knowledge base / business skills<br>D. Improving access to markets  |



**NR. INDICATORS RELATED TO MULTIPLE OBJECTIVES**

|    |                             |   |
|----|-----------------------------|---|
| 5a | <b>INDICATOR</b>            | <b>NUMBER OF BSOs SUPPORTED WITH CAPACITY BUILDING</b>  |
|    | <b>INDICATOR TYPE</b>       | Output  |
|    | <b>INDICATOR DEFINITION</b> | Number of BSOs receiving capacity building support, such as advisory / information services, training, networking support and other forms of support    |
|    | <b>MEASUREMENT UNIT</b>     | Number of BSOs  |
|    | <b>RELEVANT OBJECTIVE</b>   | All objectives  |
| 5b | <b>INDICATOR</b>            | <b>NUMBER OF PFIs SUPPORTED WITH CAPACITY BUILDING</b>  |
|    | <b>INDICATOR TYPE</b>       | Output  |
|    | <b>INDICATOR DEFINITION</b> | Number of PFIs receiving capacity building support, such as advisory / information services, training, networking support and other forms of support    |
|    | <b>MEASUREMENT UNIT</b>     | Number of PFIs  |
|    | <b>RELEVANT OBJECTIVE</b>   | All objectives  |
| 6a | <b>INDICATOR</b>            | <b>NUMBER OF PEOPLE TRAINED (SMEs, BSOs, PFIs, ETC.) – TOTAL</b>  |
|    | <b>INDICATOR TYPE</b>       | Output  |
|    | <b>INDICATOR DEFINITION</b> | Number of people that received training/coaching under the EU4Business projects   |
|    | <b>MEASUREMENT UNIT</b>     | Number  |
|    | <b>RELEVANT OBJECTIVE</b>   | All objectives  |
| 6b | <b>INDICATOR</b>            | <b>NUMBER OF PEOPLE TRAINED – BSOs</b>  |
|    | <b>INDICATOR TYPE</b>       | Output  |
|    | <b>INDICATOR DEFINITION</b> | Number of people that received training/coaching under the EU4Business projects from BSOs   |
|    | <b>MEASUREMENT UNIT</b>     | Number  |
|    | <b>RELEVANT OBJECTIVE</b>   | All objectives  |
| 6c | <b>INDICATOR</b>            | <b>NUMBER OF PEOPLE TRAINED – PFIs</b>  |
|    | <b>INDICATOR TYPE</b>       | Output  |
|    | <b>INDICATOR DEFINITION</b> | Number of people that received training/coaching under the EU4Business projects from PFIs   |
|    | <b>MEASUREMENT UNIT</b>     | Number  |
|    | <b>RELEVANT OBJECTIVE</b>   | All objectives  |
| 7  | <b>INDICATOR</b>            | <b>NUMBER OF PEOPLE PARTICIPATING IN EVENTS</b>   |
|    | <b>INDICATOR TYPE</b>       | Output  |
|    | <b>INDICATOR DEFINITION</b> | Number of people (SMEs, BSOs and PFIs) that participated in events (conferences, fairs, information sessions), organised under the EU4Business projects |
|    | <b>MEASUREMENT UNIT</b>     | Number  |
|    | <b>RELEVANT OBJECTIVE</b>   | All objectives  |

**NR. INDICATORS RELATED TO MULTIPLE OBJECTIVES**

|   |                             |  |
|---|-----------------------------|--|
| 8 | <b>INDICATOR</b>            | <b>BSOs</b>  |
|   | <b>INDICATOR TYPE</b>       | Outcome  |
|   | <b>INDICATOR DEFINITION</b> | Number of members affiliated to BSOs at the completion of the relevant EU4Business projects, which supports BSO development      |
|   | <b>MEASUREMENT UNIT</b>     | Number   |
|   | <b>RELEVANT OBJECTIVE</b>   | All objectives   |
| 9 | <b>INDICATOR</b>            | <b>BSOs (2)</b>  |
|   | <b>INDICATOR TYPE</b>       | Outcome  |
|   | <b>INDICATOR DEFINITION</b> | Number of supported BSOs that reported improved services and/or operational performance (such as increased turnover of services) |
|   | <b>MEASUREMENT UNIT</b>     | Number   |
|   | <b>RELEVANT OBJECTIVE</b>   | All objectives   |

**NR. INDICATORS RELATED TO OBJECTIVE 1: IMPROVING ACCESS TO FINANCE**

|     |                             |   |
|-----|-----------------------------|---|
| 10a | <b>INDICATOR</b>            | <b>NUMBER OF ENTERPRISES THAT RECEIVED FINANCIAL SUPPORT (FROM EU4BUSINESS RESOURCES)</b>   |
|     | <b>INDICATOR TYPE</b>       | Output: for direct support<br>Outcome: for indirect support   |
|     | <b>INDICATOR DEFINITION</b> | The enterprises (including farmers) that received financial support (grants, loans, guarantees) either from EU4Business resources only or blended with third-party resources.<br><br><i>(For current projects, if the number of enterprises is not reported, the number of loans provided to SMEs is reported as a proxy indicator)</i> |
|     | <b>MEASUREMENT UNIT</b>     | Number of enterprises   |
|     | <b>RELEVANT OBJECTIVE</b>   | A. Improving access to finance  |
| 10b | <b>INDICATOR</b>            | <b>NUMBER OF ENTERPRISES THAT RECEIVED FINANCIAL SUPPORT (FROM EU4BUSINESS RESOURCES) – WOMEN (MORE THAN 50% OWNED BY WOMEN OR MANAGED BY WOMEN)</b>  |
|     | <b>INDICATOR TYPE</b>       | Output: for direct support<br>Outcome: for indirect support   |
|     | <b>INDICATOR DEFINITION</b> | The enterprises (including farmers) that received financial support (grants, loans, guarantees) either from EU4Business resources only or blended with third-party resources<br><br><i>(For current projects, if the number of enterprises is not reported, the number of loans provided to SMEs is reported as a proxy indicator)</i>  |
|     | <b>MEASUREMENT UNIT</b>     | Number of enterprises   |
|     | <b>RELEVANT OBJECTIVE</b>   | A. Improving access to finance  |

**NR. INDICATORS RELATED TO OBJECTIVE 1: IMPROVING ACCESS TO FINANCE**

|           |                             |  |
|-----------|-----------------------------|--|
| <b>11</b> | <b>INDICATOR</b>            | <b>TOTAL AMOUNT OF THE FACILITY (PROVIDED BY PFIs)</b>   |
|           | <b>INDICATOR TYPE</b>       | Output (in the sense that the support is not directly provided by the implementing organisations)                          |
|           | <b>INDICATOR DEFINITION</b> | Total amount of the facility (all sources)   |
|           | <b>MEASUREMENT UNIT</b>     | Euro   |
|           | <b>RELEVANT OBJECTIVE</b>   | A. Improving access to finance   |
| <b>12</b> | <b>INDICATOR</b>            | <b>TOTAL AMOUNT DISBURSED TO SMEs</b>  |
|           | <b>INDICATOR TYPE</b>       | Output   |
|           | <b>INDICATOR DEFINITION</b> | Volume of the actual disbursement  |
|           | <b>MEASUREMENT UNIT</b>     | Euro   |
|           | <b>RELEVANT OBJECTIVE</b>   | A. Improving access to finance   |
| <b>13</b> | <b>INDICATOR</b>            | <b>CO<sub>2</sub> EMISSIONS</b>  |
|           | <b>INDICATOR TYPE</b>       | Outcome  |
|           | <b>INDICATOR DEFINITION</b> | Amount of CO <sub>2</sub> emissions reduced per year, following EU4Business interventions (ideally based on energy audits) |
|           | <b>MEASUREMENT UNIT</b>     | t-CO <sub>2</sub> /year  |
|           | <b>RELEVANT OBJECTIVE</b>   | A. Improving access to finance   |
| <b>14</b> | <b>INDICATOR</b>            | <b>ENERGY SAVINGS</b>  |
|           | <b>INDICATOR TYPE</b>       | Outcome  |
|           | <b>INDICATOR DEFINITION</b> | Energy savings generated per year, following EU4Business interventions (ideally based on energy audits)                    |
|           | <b>MEASUREMENT UNIT</b>     | MWh/year   |
|           | <b>RELEVANT OBJECTIVE</b>   | A. Improving access to finance   |

**NR. INDICATORS RELATED TO OBJECTIVE 2: TACKLING INADEQUATE POLICY & REGULATORY FRAMEWORK**

|            |                             |  |
|------------|-----------------------------|--|
| <b>15a</b> | <b>INDICATOR</b>            | <b>LAWS (DRAFTED)</b>  |
|            | <b>INDICATOR TYPE</b>       | Output   |
|            | <b>INDICATOR DEFINITION</b> | Number of drafted / changed laws as a result of an EU4Business project   |
|            | <b>MEASUREMENT UNIT</b>     | Number   |
|            | <b>RELEVANT OBJECTIVE</b>   | B. Tackling inadequate policy & regulatory framework                     |
| <b>15b</b> | <b>INDICATOR</b>            | <b>LAWS (IMPLEMENTED)</b>  |
|            | <b>INDICATOR TYPE</b>       | Outcome  |
|            | <b>INDICATOR DEFINITION</b> | Number of adopted laws implemented as a result of an EU4Business project |
|            | <b>MEASUREMENT UNIT</b>     | Number   |
|            | <b>RELEVANT OBJECTIVE</b>   | B. Tackling inadequate policy & regulatory framework                     |

**NR. INDICATORS RELATED TO OBJECTIVE 4: IMPROVING ACCESS TO MARKETS**

|            |                             |   |
|------------|-----------------------------|---|
| <b>16a</b> | <b>INDICATOR</b>            | <b>ENHANCED INTERNATIONAL TRADE</b>   |
|            | <b>INDICATOR TYPE</b>       | Outcome   |
|            | <b>INDICATOR DEFINITION</b> | Number of assisted enterprises that report an increase in their international trade flows   |
|            | <b>MEASUREMENT UNIT</b>     | Number  |
|            | <b>RELEVANT OBJECTIVE</b>   | D. Improving access to markets  |
| <b>16b</b> | <b>INDICATOR</b>            | <b>ENHANCED INTERNATIONAL TRADE – WOMEN</b>   |
|            | <b>INDICATOR TYPE</b>       | Outcome   |
|            | <b>INDICATOR DEFINITION</b> | Number of assisted enterprises that are women owned/managed and that report an increase in their international trade flows  |
|            | <b>MEASUREMENT UNIT</b>     | Number  |
|            | <b>RELEVANT OBJECTIVE</b>   | D. Improving access to markets  |
| <b>17a</b> | <b>INDICATOR</b>            | <b>INCREASED INTERNATIONAL TRADE WITHIN EAP REGION</b>  |
|            | <b>INDICATOR TYPE</b>       | Outcome   |
|            | <b>INDICATOR DEFINITION</b> | Number of assisted enterprises that report an increase in their trade flows with other countries of the EaP region  |
|            | <b>MEASUREMENT UNIT</b>     | Number  |
|            | <b>RELEVANT OBJECTIVE</b>   | D. Improving access to markets  |
| <b>17b</b> | <b>INDICATOR</b>            | <b>INCREASED INTERNATIONAL TRADE WITHIN EAP REGION – WOMEN</b>  |
|            | <b>INDICATOR TYPE</b>       | Outcome   |
|            | <b>INDICATOR DEFINITION</b> | Number of assisted enterprises that are women owned/managed and that report an increase in their trade flows within the EaP region  |
|            | <b>MEASUREMENT UNIT</b>     | Number  |
|            | <b>RELEVANT OBJECTIVE</b>   | D. Improving access to markets  |
| <b>18a</b> | <b>INDICATOR</b>            | <b>INCREASED INTERNATIONAL TRADE WITH THE EU</b>  |
|            | <b>INDICATOR TYPE</b>       | Outcome   |
|            | <b>INDICATOR DEFINITION</b> | Number of assisted enterprises that report an increase in their trade flows with the EU   |
|            | <b>MEASUREMENT UNIT</b>     | Number  |
|            | <b>RELEVANT OBJECTIVE</b>   | D. Improving access to markets  |
| <b>18b</b> | <b>INDICATOR</b>            | <b>INCREASED INTERNATIONAL TRADE WITH THE EU – WOMEN</b>  |
|            | <b>INDICATOR TYPE</b>       | Outcome   |
|            | <b>INDICATOR DEFINITION</b> | Number of assisted enterprises that are women owned/operated/controlled or have a majority of women employed and that report an increase in their trade flows with the EU |
|            | <b>MEASUREMENT UNIT</b>     | Number  |
|            | <b>RELEVANT OBJECTIVE</b>   | D. Improving access to markets  |

## ANNEX C:

# DETAILS ON DATA SOURCES

**Table C.1**

Sources of information per EU4Business project/programme under Objective 1 from 2008-2016

| NR. | PROJECT   | IMPLEMENTER | MOST RECENT INFORMATION  | REMARKS   |
|-----|---|-------------|--|---|
| 1.  | <i>SME Finance Facility Phase I and II</i>  | EBRD / KfW  | PR Jan-Dec 2015<br>Update for 2016 report on TA component of KfW | The information in the PR concerns Phase I only. Also analysed: PR 2014 and KfW updates for 2013, 2014 and 2015 reports |
| 2.  | <i>SME Finance Facility Phase I</i>   | EIB         | Annual PR Dec 2010-Dec 2014<br>Annual PR Jan-Dec 2015            |   |
| 3.  | <i>EFSE (Neighbourhood Window of the European Fund for South East Europe – ENR component)</i> | EBRD        | Annual Narrative PR 2015   |   |
| 4.  | <i>Women in Business</i>  | EBRD        | Annual PR Jan-Dec 2016   |   |
| 5.  | <i>DCFTA Programme</i>  | EIB         | No progress reports available                                    |   |
| 6.  | <i>DCFTA Programme</i>  | EBRD        | No progress reports available                                    |   |
| 7.  | <i>Green for Growth – Extension to NIF East Region</i>  | EIB         | Until end of 2016  | Direct communication from the EIB   |
| 8.  | <i>DCFTA SME Direct Finance Facility</i>  | EBRD        | PR Sep 2014-Dec 2015   |   |
| 9.  | <i>Identification and promotion of energy efficiency investments</i>                          | EBRD        | PR Jun-Dec 2016 (MoSEFF)<br><br>Final results for UKEEP II       | UKEEP II was terminated in May 2013; the results were taken from project [11], PR Nov 2012-Oct 2013 (pp.13-14)          |
| 10. | <i>South Caucasus Sustainable Energy Finance Facility</i>                                     | EBRD        | PR Jan-Jun 2016  | PRs for H2 2014, H1 2015 and H2 2015 also analysed  |
| 11. | <i>Financial Sector Institution Building and Crisis Response</i>                              | EBRD        | PR Nov 2015-Oct 2016   | <b>Also analysed:</b><br>PR Nov 2012-Oct 2013<br>PR Nov 2010-Oct 2011<br><i>Other PRs not available</i>                 |
| 12. | <i>Framework for Capacity Building to support Financial Intermediaries</i>                    | EBRD        | AR Jul 2015-Jun 2016   | <b>Also analysed:</b><br>AR Jul 2014-Jun 2015<br>AR Jul 2013-Jun 2014<br><i>Older PRs not available</i>                 |
| 13. | <i>Filière-du-Vin</i>   | EIB         | Final report   | <b>Also analysed:</b><br>IR Sep-Nov 2014<br>PR Apr-Jun 2015<br>PR Jul-Sep 2015<br>PR Jan-Mar 2016<br>PR Apr-Jun 2016    |

Source: EU4Business database

Note: IR is Inception Report, AR is Annual Report, PR is Progress Report



**Table C.2**

Financial information on EU4Business projects under Objective 1 from 2008-2016

| PROJECT   | IMPLEMENTER | TOTAL AMOUNT PROVIDED TO PFIs (THOUSAND EUR) | TOTAL AMOUNT DISBURSED TO SMEs (THOUSAND EUR) | NO OF ENTERPRISES THAT OBTAINED A LOAN <sup>(1)</sup> | OF WHICH: >50% OWNED OR MANAGED BY WOMEN |
|---|-------------|--|---|---|--|
| 1 <i>SME Finance Facility Phase I</i>   | EBRD / KfW  | 80 000                                       | 140 960                                       | 20 070  | n.a.                                     |
| 2 <i>SME Finance Facility Phase I</i>   | EIB         | 60 950                                       | 56 292  | 2 626   | n.a.                                     |
| 3 <i>EFSE (Neighbourhood Window of the European Fund for South East Europe – ENR component)</i> | EBRD        | 277 700                                      | 1 165 100                                     | 33 637 <sup>(1)</sup>                                 | n.a.                                     |
| 4 <i>Women in Business</i>  | EBRD        | 15 755                                       | 1 874   | 37  | 33 <sup>(2)</sup>                        |
| 7 <i>Green for Growth – Extension to NIF East Region</i>  | EIB         | 76 841                                       | 51 354  | 5 098   | n.a.                                     |
| 8 <i>DCFTA SME Direct Finance Facility</i>  | EBRD        | 5 589  | 5 589   | 3   | 1  |
| 9 <i>Identification and promotion of energy efficiency investments</i>                          | EBRD        | 48 141                                       | 43 534  | 153   | n.a.                                     |
| 10 <i>South Caucasus Sustainable Energy Finance Facility</i>                                    | EBRD        | 47 757                                       | 37 670  | 37 629  | n.a.                                     |
| <b>Total</b>  |             | <b>612 733</b>                               | <b>1 502 373</b>                              | <b>99 253</b>   | <b>n.a.</b>                              |

**Source:** EU4Business database, for the underlying sources see Table C.1.**Note:** n.a. is not available.

<sup>(1)</sup> For all programmes, apart from EFSE, the number of sub-loans is used as a proxy for the number of enterprises that obtained a loan. In EFSE, the figure refers to the number of unique end-borrowers, which includes a small proportion of households. The total amount of sub-loans in EFSE is 124 260.

<sup>(2)</sup> Although explicit information is lacking in the progress report, we assume that 90% of all enterprises that obtained a loan are in fact >50% owned or managed by women (the report states that out of EUR 34 million of signed loans from the EBRD to PFIs, EUR 30.4 million is lending to PFIs for on-lending to women's SMEs).

**Table C.3**

Environmental outcomes reported in EU4Business projects under Objective 1 from 2008-2016

| PROJECT   | IMPLEMENTER  | REDUCTION IN CO <sub>2</sub> EMISSION<br>(THOUSAND t-CO <sub>2</sub> /YEAR) |              | ENERGY SAVINGS<br>(THOUSAND MWH/YEAR) |
|---|--------------|---|--------------|---------------------------------------|
|   |              |   |              |                                       |
| 11 <i>Green for Growth – Extension to NIF East Region</i>               | EIB          |   | 76.2         | 402.9                                 |
| 12 <i>Identification and promotion of energy efficiency investments</i> | EBRD         |   | 55.1         | 213.1                                 |
| 13 <i>South Caucasus Sustainable Energy Finance Facility</i>            | EBRD         |   | 41.1         | 201.3                                 |
|   | <b>Total</b> |   | <b>172.4</b> | <b>817.3</b>                          |

Source: EU4Business database, for the underlying sources see Table C.1.

**Table C.4**

People trained and participants in events in EU4Business projects under Objective 1 from 2008-2016

| PROJECT   | IMPLEMENTER  | NUMBER OF PEOPLE TRAINED |      |                  |                    | PEOPLE IN EVENTS |
|---|--------------|--------------------------|------|------------------|--------------------|------------------|
|   |              | TOTAL                    | BSOs | PFI              | SMEs               |                  |
| 4 <i>Women in Business</i>  | EBRD         | 460                      |      |                  | 460 <sup>(1)</sup> |                  |
| 7 <i>Green for Growth – Extension to NIF East Region</i>                      | EIB          | 761                      |      | 761              |                    | 120              |
| 9 <i>Identification and promotion of energy efficiency investments</i>        | EBRD         | 441                      |      | 441              |                    | 1011             |
| 10 <i>South Caucasus Sustainable Energy Finance Facility</i>                  | EBRD         | 378                      |      | 378              |                    | -                |
| 11 <i>Financial Sector Institution Building and Crisis Response</i>           | EBRD         | 1 162                    |      | 887              | 275                | 457              |
| 12 <i>Framework for Capacity Building to support Financial Intermediaries</i> | EBRD         | 195                      |      | >23              | >0                 | -                |
| 13 <i>Filière-du-Vin</i>  | EIB          | 42                       | ?    | ?                | ?                  |                  |
|   | <b>Total</b> | <b>3 439</b>             |      | <b>&gt;2 490</b> | <b>&gt;735</b>     | <b>1 588</b>     |

Source: EU4Business database, for the underlying sources see Table C.1.

Note: <sup>(1)</sup> The number relates to women's SMEs.

**Table C.5**

Information on the EU4Business projects under Objective 1 from 2008-2016

| PROJECT   | IMPLEMENTER  | NUMBER OF ORGANISATIONS SUPPORTED<br>(CAPACITY BUILDING) |             |   |                          |
|---|--------------|--|-------------|---|--------------------------|
|   |              | BSOs   | Enterprises | Of which: >50% owned<br>or managed by women | PFI                      |
| 1 <i>SME Finance Facility Phase I</i>   | EBRD / KfW   |  |             |   | 3                        |
| 2 <i>SME Finance Facility Phase I</i>   | EIB          |  |             |   | No TA<br>provided        |
| 3 <i>EFSE (Neighbourhood<br/>Window of the European<br/>Fund for South East Europe –<br/>ENR component)</i> | EBRD         |  |             |   | Unclear                  |
| 4 <i>Women in Business</i>  | EBRD         |  |             |   | 6                        |
| 7 <i>Green for Growth – Extension<br/>to NIF East Region</i>  | EIB          |  |             |   | 12                       |
| 8 <i>DCFTA SME Direct Finance<br/>Facility</i>  | EBRD         |  | 1           | n.a.  | 7                        |
| 9 <i>Identification and promotion<br/>of energy efficiency<br/>investments</i>                              | EBRD         |  | 143         | n.a.  |                          |
| 10 <i>South Caucasus Sustainable<br/>Energy Finance Facility</i>  | EBRD         |  |             |   | 16                       |
| 11 <i>Financial Sector Institution<br/>Building and Crisis Response</i>                                     | EBRD         |  |             |   | 56                       |
| 12 <i>Framework for Capacity<br/>Building to support Financial<br/>Intermediaries</i>                       | EBRD         |  |             |   | 13                       |
| 13 <i>Filière-du-Vin</i>  | EIB          | 4  | Unclear     |   |                          |
|   | <b>Total</b> | <b>4</b>   | <b>144</b>  |   | <b>113<sup>(1)</sup></b> |

Source: EU4Business database, for the underlying sources see Table C.1.

Note: n.a. is not available.

<sup>(1)</sup> Several PFIs are supported through different programmes. The number of unique PFIs supported is 68, of which 15 are in AM, eight in AZ, 15 in BY, 10 in GE, 13 in MD and seven in UA.

**Table C.6**

Drafted and implemented laws in EU4Business projects under Objective 1 from 2008-2016

| PROJECT                  | IMPLEMENTER  | LAWS (DRAFTED) | LAWS (IMPLEMENTED) |
|--------------------------|--------------|----------------|--------------------|
| 13 <i>Filière-du-Vin</i> | EIB          | 1              | 2                  |
|                          | <b>Total</b> | <b>1</b>       | <b>2</b>           |

Source: EU4Business database, for the underlying sources see Table C.1.

**Table C.7**

Sources of information per EU4Business project/programme under Objective 2 from 2008-2016

| PROJECT   | IMPLEMENTER | MOST RECENT INFORMATION | REMARKS  |
|---|-------------|-------------------------|--|
| 14 <i>SME Competitiveness Reforms</i>   | OECD        | IR Nov 2014-Mar 2016    | <b>Also analysed:</b><br>IR Nov 2013-Oct 2014<br>IR Nov 2014-Oct 2015                    |
| 15 <i>STAREP (Strengthening Auditing and Reporting in the Countries of the EaP)</i> | World Bank  | PR 2016                 | <b>Also analysed:</b><br>Programme Plan<br>Apr-Dec 2013<br>PR 2013<br>PR 2014<br>PR 2015 |
| 16 <i>FORBIZ</i>  | GFA         | PR Mar-Sep 2016         | 2  |

Source: EU4Business database

Note: IR is Inception Report, PR is Progress Report.

**Table C.8**

People trained and participants in events in EU4Business projects under Objective 2 from 2008-2016

| PROJECT   | IMPLEMENTER  | NUMBER OF PEOPLE TRAINED | PEOPLE IN EVENTS     |
|---|--------------|--------------------------|----------------------|
| 14 <i>SME Competitiveness Reforms</i>   | OECD         |                          | 1 006                |
| 15 <i>STAREP (Strengthening Auditing and Reporting in the Countries of the EaP)</i> | World Bank   | 598                      | 2 010 <sup>(1)</sup> |
| 16 <i>FORBIZ</i>  | GFA          | 10                       | 250                  |
|   | <b>Total</b> | <b>608</b>               | <b>3 266</b>         |

Source: EU4Business database, for the underlying sources see Table C.7.

Note: <sup>(1)</sup> The actual number of people participating in events is most likely higher as the reports do not always include the amount of participants per event held.**Table C.9**

Drafted and implemented laws in EU4Business projects under Objective 2 from 2008-2016

| PROJECT   | IMPLEMENTER  | LAWS (DRAFTED)    | LAWS (IMPLEMENTED) |
|---|--------------|-------------------|--------------------|
| 14 <i>SME Competitiveness Reforms</i>   | OECD         |                   | 1                  |
| 15 <i>STAREP (Strengthening Auditing and Reporting in the Countries of the EaP)</i> | World Bank   | 10 <sup>(1)</sup> | 1                  |
| 16 <i>FORBIZ</i>  | GFA          | 26                |                    |
|   | <b>Total</b> | <b>36</b>         | <b>2</b>           |

Source: EU4Business database, for the underlying sources see Table C.7.

Note: <sup>(1)</sup> Number is an indication as the PRs do not always specify the amount of drafted laws.

**Table C.10**

Sources of information per EU4Business project/programme under Objective 3 from 2008-2016

| PROJECT  | IMPLEMENTER | MOST RECENT INFORMATION   | REMARKS  |
|--|-------------|---|--|
| 17 <i>SBS programmes – BAS+EGP in EaP countries (TAM/BAS)</i>      | EBRD        | <b>Final Report</b><br>Dec 2010-Dec 2015                        | <b>Also analysed:</b><br>PR H1 2012<br>PR H1 2015<br>(combined reporting on project 1 and 2) |
| 18 <i>SBS programmes – BAS+EGP Phase I <sup>(1)</sup></i>          | EBRD        | <b>PR H1 2016</b><br>(combined reporting on project 2, 3 and 8) | <b>Also analysed:</b><br>PR H1 2015<br>(combined reporting on project 1 and 2)               |
| 19 <i>SBS programmes – BAS+EGP Phase II <sup>(1)</sup></i>         | EBRD        | <b>PR H2 2016</b><br>(combined reporting on project 3 and 8)    | <b>Also analysed:</b><br>PR H1 2016 (combined reporting on project 2, 3 and 8)               |
| 20 <i>SMEDA (Support to SME development in Armenia)</i>            | GIZ         | <b>IR</b><br>Jan 2016-Jan 2017                                  |  |
| 21 <i>Community development through social entrepreneurship</i>    | IKZ         | <b>Interim Report</b><br>Oct 2015-Oct 2016                      |  |
| 22 <i>Support to the European Business Association Armenia</i>     | EBA         | <b>AR</b><br>2016   | <b>Also analysed:</b><br>Presentation on AR (Feb 2017)                                       |
| 23 <i>SME Development and DCFTA</i>                                | GIZ         | <b>AR</b><br>Nov 2015-Nov 2016                                  | <b>Also analysed:</b><br>Presentation on the project (Mar 2017)                              |
| 24 <i>DCFTA Adaptation Programme (DAP)</i>                         | EBRD        | <b>PR H2</b><br>2016 (reporting on project 3 and 8)             | <b>Also analysed:</b><br>PR H1 2016 (reporting on project 2, 3 and 8)                        |
| 25 <i>EU4Business: Network of Business Support Centres Ukraine</i> | EBRD        | <b>PR</b><br>Apr-Sep 2016                                       |  |

Source: EU4Business database.

**Note:** IR is Inception Report, AR is Annual Report, PR is Progress Report.

<sup>(1)</sup> Due to combined reporting, the numbers in the following tables are presented together.



**Table C.11**

People trained and participants in events in EU4Business projects under Objective 3 from 2008-2016

| PROJECT      | IMPLEMENTER  | NUMBER OF PEOPLE TRAINED |                    |            | PEOPLE IN EVENTS |              |
|--------------|--|--------------------------|--------------------|------------|------------------|--------------|
|              |  | Total                    | BSOs               | SMEs       |                  |              |
| 17           | SBS programmes – BAS+EGP in EaP countries (TAM/BAS)      | EBRD                     | 90                 | 90         | 2 956            |              |
| 18/<br>19    | SBS programmes – BAS+EGP Phase I and II                  | EBRD                     | 35                 | 35         | 2 474            |              |
| 20           | SMEDA (Support to SME development in Armenia)            | GIZ                      | 100 <sup>(1)</sup> |            | 480              |              |
| 21           | Community development through social entrepreneurship    | IKZ                      | 309                |            | 120              |              |
| 22           | Support to the European Business Association Armenia     | EBA                      |                    |            | 190              |              |
| 23           | SME Development and DCFTA                                | GIZ                      | 299                |            | 271              |              |
| 24           | DCFTA Adaptation Programme (DAP)                         | EBRD                     | 19                 |            | 550              |              |
| 25           | EU4Business: Network of Business Support Centres Ukraine | EBRD                     | 25                 | 25         |                  |              |
| <b>Total</b> |  |                          | <b>877</b>         | <b>150</b> | <b>627</b>       | <b>7 041</b> |

Source: EU4Business database, for the underlying sources see Table C.10.

Note: n.a. is not available.

<sup>(1)</sup> The total number of people trained for SMEDA includes people from both BSOs and SMEs.

**Table C.12**

Information on jobs in EU4Business projects under Objective 3 from 2008-2016

| PROJECT      | IMPLEMENTER   | NUMBER OF SUPPORTED JOBS | NUMBER OF NEW JOBS |               |
|--------------|---|--------------------------|--------------------|---------------|
| 17           | SBS programmes – BAS+EGP in EaP countries (TAM/BAS) | EBRD                     | 44 891             | 7 596         |
| 18/<br>19    | SBS programmes – BAS+EGP Phase I and II             | EBRD                     | 45 111             | 2 423         |
| 24           | DCFTA Adaptation Programme (DAP)                    | EBRD                     | 1 557              | 211           |
| <b>Total</b> |   |                          | <b>91 559</b>      | <b>10 230</b> |

Source: EU4Business database, for the underlying sources see Table C.10.

Note: <sup>(1)</sup> Number is an indication as the PRs do not always specify the amount of drafted laws.

**Table C.13**

Information on the EU4Business projects under Objective 3 from 2008-2016

| PROJECT      | IMPLEMENTER  | NUMBER OF ENTERPRISES SUPPORTED (CAPACITY BUILDING) | NUMBER OF SME MANAGERS/OWNERS AND CONSULTANTS OF BSOs SUPPORTED WITH CAPACITY BUILDING | BSOs (AFFILIATED MEMBERS) |
|--------------|--|---|--|---------------------------|
| 17           | SBS programmes – BAS+EGP in EaP countries (TAM/BAS)      | EBRD  | 773  |                           |
| 18 / 19      | SBS programmes – BAS+EGP Phase I and II                  | EBRD  | 856  |                           |
| 21           | Community development through social entrepreneurship    | IKZ   |  | 20                        |
| 23           | SME Development and DCFTA                                | GIZ   |  | 6                         |
| 24           | DCFTA Adaptation Programme (DAP)                         | EBRD  | 30   |                           |
| 25           | EU4Business: Network of Business Support Centres Ukraine | EBRD  | 36   | 3 721                     |
| <b>Total</b> |  |   | <b>1 695</b>   | <b>3 727</b>              |
|              |  |   |  | <b>20</b>                 |

Source: EU4Business database, for the underlying sources see Table C.9.

**Table C.10**

Sources of information per EU4Business project/programme under Objective 3 from 2008-2016

| PROJECT | IMPLEMENTER    | MOST RECENT INFORMATION | REMARKS   |
|---------|----------------|-------------------------|---|
| 26      | East Invest I  | Eurochambres            | <b>AR</b><br>2015   |
|         |                |                         | <b>Also analysed:</b><br>AR 2011<br>AR 2012<br>AR 2013<br>AR 2014   |
| 27      | East Invest II | Eurochambres            | <b>Interim Report</b><br>Apr-Sep 2016   |
|         |                |                         | <b>Also analysed:</b><br><b>IR</b><br>Sep 2014-Mar 2015<br><b>Interim Report</b><br>Apr-Sep 2015<br><b>Interim Report</b><br>Oct 2015-Mar 2016<br><b>Presentation East I and II achievements,</b><br><b>Steering Committee meeting DG NEAR</b><br>28 April 2017 |

Source: EU4Business database.

Note: IR is Inception Report, AR is Annual Report.

**Table C.15**

People trained and participants in events in EU4Business projects under Objective 4 from 2008-2016

| PROJECT                    | IMPLEMENTER  | NUMBER OF PEOPLE TRAINED |            |            | PEOPLE IN EVENTS |
|----------------------------|--------------|--------------------------|------------|------------|------------------|
|                            |              | Total                    | BSOs       | SMEs       |                  |
| 26 <i>East Invest I</i>    | Eurochambres | 711                      | 405        | 306        | 1 202            |
| 27 <i>East Invest II</i>   | Eurochambres | 356                      | 206        | 150        | 100              |
| <b>Total<sup>(1)</sup></b> |              | <b>1 067</b>             | <b>611</b> | <b>456</b> | <b>1 302</b>     |

**Source:** EU4Business database, for the underlying sources see Table C.14.

**Note:** <sup>(1)</sup> Numbers have been aggregated as a best effort, as reporting over the years has not been done consistently (e.g. varying between reporting on aggregated or country level).

**Table C.16**

Number of enterprises supported (capacity building) in EU4Business projects under Objective 4 from 2008-2016

| PROJECT                    | IMPLEMENTER  | NUMBER OF SUPPORTED JOBS |             |  |
|----------------------------|--------------|--------------------------|-------------|--|
|                            |              | BSOs                     | Enterprises | Of which: >50% owned or managed by women |
| 26 <i>East Invest I</i>    | Eurochambres |                          | 143         | n.a.                                     |
| 27 <i>East Invest II</i>   | Eurochambres | 5                        |             |  |
| <b>Total<sup>(1)</sup></b> |              | <b>5</b>                 | <b>143</b>  |  |

**Source:** EU4Business database, for the underlying sources see Table C.14.

**Note:** <sup>(1)</sup> The actual amount of supported SMEs and BSOs might be higher: the ARs mainly reported on trained SME and BSO representatives or participating in events, which is shown in table C.15. The amount of supported BSOs and SMEs was not indicated on a structural basis.

**ANNEX D:**

# EU4BUSINESS COUNTRY REPORTS 2017

Available as separate documents on [www.eu4business.eu](http://www.eu4business.eu)







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