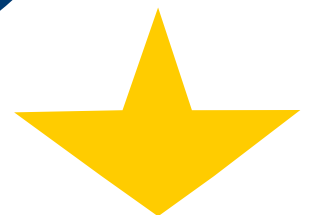




EU4Business

# ANNUAL REPORT

2021



[WWW.EU4BUSINESS.EU](http://WWW.EU4BUSINESS.EU)



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# FOREWORD



**Olivér Várhelyi**

European Commissioner for  
Neighbourhood  
and Enlargement

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Dear Reader,

To say that the last year has been challenging for everyone is an understatement. Yet, collectively we managed to address the unprecedented challenges we were faced with and deliver solid results. In this context, I am proud to say that our EU4Business initiative successfully provided support to our partners: businesses, governments and citizens.

The European Union has reacted swiftly and decisively to the COVID-19 pandemic. Not only we helped with the health emergency, we also acted to mitigate the immediate socio-economic consequences and more recently to help kick-start the post-pandemic recovery in the Eastern Partnership region. Working closely with international financial institutions and financing institutions from EU Member States, we provided a coordinated European response:

- ✦ €100 million programme to support SMEs, including the self-employed, to access credit more easily and boost their businesses after the crisis.
- ✦ €200 million in existing credit lines and grants to SMEs in local currency through the EU4Business Initiative.
- ✦ €500 million available for the EU Neighbourhood through the EU's major de-risking instrument, the European Fund for Sustainable Development, to provide liquidity across the region rapidly.
- ✦ €1.45 billion in EU macro-financial assistance to support governments that requested help balancing their payment crisis.



---

Despite difficult conditions, the EU through various support mechanisms has been delivering help to SMEs in partner countries during the ongoing pandemic. In 2020, EU4Business projects supported 72,000 SMEs across the Eastern Partnership region, allowing these SMEs to maintain incomes of €6.7 billion and sustain more than 500 000 jobs. Moreover, these SMEs created more than 50 000 new jobs and increased turnover by €1 billion. These are all businesses that managed to stay afloat and jobs that were not lost during the pandemic.

EU4Business projects also built the capacity of over 1,000 business support organisations that continue to help SMEs, and organised over 1,800 Business-to-Business events, mostly adapted from in-person to online. The EU continued to support reforms and improvements in the business environment in each country, including the reform of 897 laws, policies, regulations and procedures to make doing business easier, 1,298 public-private dialogue events, and capacity-building in more than 500 government institutions to engage more effectively with business.

Moving forward, the EU is focusing on transforming the economies of the Eastern Partners to make them more resilient and integrated. In order to improve business environment and investor confidence we will continue supporting strengthening the rule of law, reforming justice systems, fighting corruption, and ensuring the stability of the banking and insurance sectors.

In the coming years, the EU4Business initiative will support the implementation of the Economic and Investment Plan for the Eastern Partnership region. This Plan will mobilise €2.3 billion from the EU budget

in grants, blending and guarantees with the potential to leverage up to €17 billion in public and private investments. In this context, the EU will focus support towards key investments into connectivity (transport, digital, energy); increasing the competitiveness of SMEs and their integration into EU value chains; strengthening environment and climate resilience as well as health resilience and human capital development. The Plan includes country flagship initiatives, which have been jointly identified with the partner countries, in view of their priorities, needs and ambitions.

Regarding specifically support to SMEs, through this Plan we will:

- Support 500,000 SMEs or 20% of all SMEs in the Eastern Partnership region
- Provide at least €1.5 billion in local currency financing to SMEs with specific focus on developing female entrepreneurship. In addition, the Plan will mobilise potential investments of up to €1.4 billion in the green economy, including through green bonds.
- Accelerate SME integration into EU value chains investing €500 million of equity and promoting European Foreign Direct Investment in SMEs of the region.

I look forward to continuing our joint work towards boosting the economic development and supporting the post-pandemic recovery. Together we can bring a real change on the ground for the benefit of the businesses and people across the Eastern Partnership region.



# EXECUTIVE SUMMARY

## 2020 AT A GLANCE

The 2021 EU4Business Annual Report shows that the difficulties and challenges due to the COVID pandemic continue to affect SMEs and are equally challenging for the delivery of support by EU partners and implementers. The immediate EU response to the COVID pandemic was to increase the budget of the EU4Business Portfolio and reorient projects to meet these peculiar circumstances.

This means that in 2020, the budgets available to support SMEs in the EaP rose by

**+12%**



representing an increase in

**€94 million**



Despite this, the multiple lockdowns across much of 2020 meant disbursements fell

2019

**€187 million**

2020

**€145 million**

as projects, SMEs, and government closed down or worked remotely and travel restrictions were in force.

Despite this, EU4Business projects and programmes have supported

**71,851** SMEs in 2020

a decline of only **9%** compared with 2019



This is still a substantial proportion of the

**748,000**

micro-, small-, and medium-sized enterprises (based on national statistics data)

or **1/10** in



**SMEs in the EaP supported by the EU** (assuming each SME receives support once only).

## PORTFOLIO\*

**111** projects

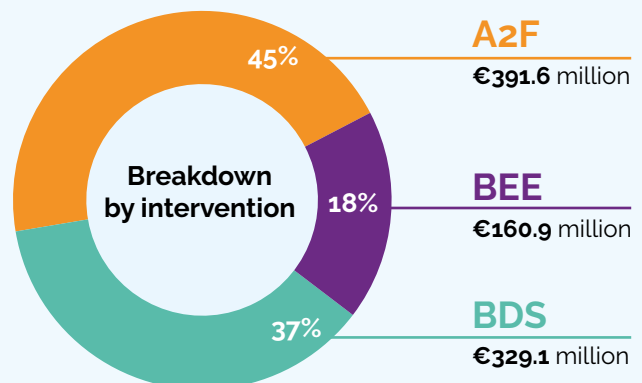
Total budget of

**€881.56** million

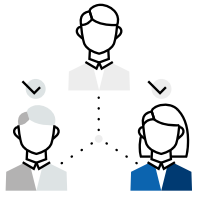
Of which

**€145.0** million

was disbursed

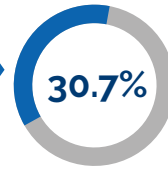


# RESULTS OF EU SUPPORT IN 2020



**71,851** →

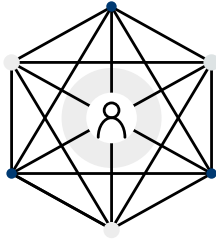
SMEs supported



women-owned



**50,466**  
new jobs created

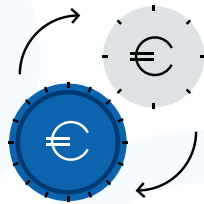


↑ **+17.4%**

growth in SME turnover

**€6.7**

billion total income of EU-supported SMEs



↑ **+10.4%**

increase in staff of supported SMEs

↑ **+1.7%**

increase in SMEs that started exporting

**€1**

billion extra income generated

↑ **+4.1%**

increase in exports among EU-supported SMEs

## IMPACT OF EU SUPPORT

For every million euro of EU support

**€1**  
million



**496**  
SMEs benefited



**348**  
new jobs were generated



**€6.9**  
million increase in income



# RESULTS PER PILLAR

## Access to Finance (A2F):

**5,439** SMEs received loans

**42.95%** to women-owned SMEs

**€175 million** total value of loans

**€31,250** average loan

**39** partner financial institutions working with EU4Business

## Business Development Services (BDS):

**1,013** business support organisations built their capacity

**62,999** consultancy services delivered to SMEs

**29.5%** women-owned

**1,863** SMEs participated in B2B events

## Business Enabling Environment (BEE):

**1,138** laws, policies, regulations and procedures reformed

**808** public-private dialogue events held

**158** government institutions built their capacity

## EU4BUSINESS FACILITY COMMUNICATIONS



**200+**

success stories and news items were generated, shared, and promoted in the reporting period

### Websites

Launch of **7** websites in 2020

**1** partner-oriented website  
**6** SME-focused websites, one for each EaP country



**47,392** visitors over September 2020 – April 2021

**142,998** webpages visited

**+11%** increase in webpage views

### Newsletters

Bi-monthly newsletters and COVID updates since August 2020

**2,073** subscribers with **+15%** increase since August 2020



**Mark Hellyer**  
Team Leader,  
EU4Business Facility



As businesses around the world continue to struggle with the effects of the COVID pandemic, the EU has demonstrated that it remains committed to supporting SMEs in the EaP region. Despite the challenges of delivering this support, EU4Business initiatives have continued to deliver support and the number of SMEs supported have grown in 2020 in relation to spending as compared to 2019. As we move forward into the post 2020 policy environment, with ambitious targets of support and impact, EU4Business will continue to respond to the challenges and, hopefully, in our 2022 annual report, we will be able to report on more support, stronger growth, and more jobs for SMEs across the region."





# INTRODUCTION

# EU4BUSINESS: KEY DEVELOPMENTS

EU4Business is an umbrella initiative that includes all EU support to small and medium-sized businesses (SMEs) in the Eastern Partnership countries—Armenia, Azerbaijan, Belarus, Georgia, Moldova and Ukraine. EU4Business supports SME growth by improving access to finance and business development services, and by promoting better business regulation.



EU4Business Facility is a Technical Assistance project financed by the EU and

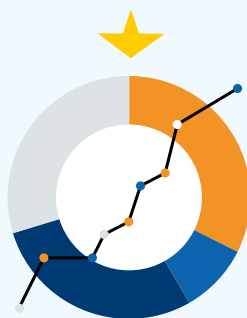
## OPERATES AS AN INFORMATION HUB

providing the EU, partners, and implementers with the big picture of support that the EU offers to SMEs.

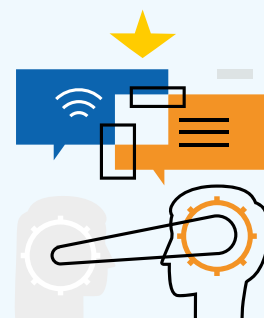
We work with the EU and partners to transmit the EU brand synergistically.

## main pillars

of EU4Business Facility work in 2020



performance monitoring of the portfolio (data collection)



communications

Key milestones in these areas are explained further.

# DATA COLLECTION

In 2020, the EU4Business Facility presented its Methodology Brochure, where the approach to monitoring is explained.

The objective of data collection by the EU4Business Facility is **to help stakeholders understand the overall results and impact of EU support to SMEs** in the Eastern Partnership.



Read the full version of the Methodology Brochure

## OUR AIM IS TO

provide an open, transparent, and defensible dataset for EU4Business that is based on statistically robust methodology.

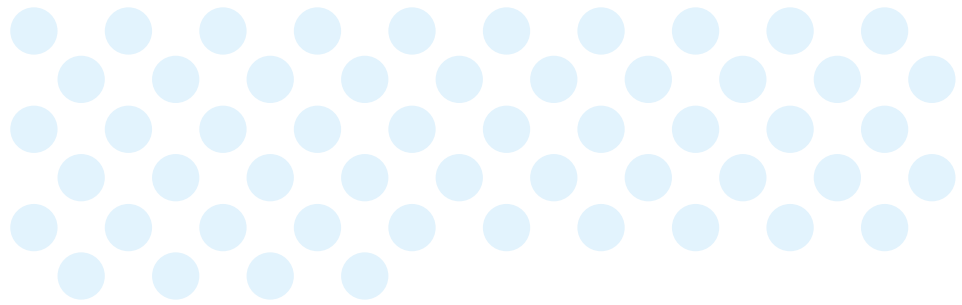
## TO ACHIEVE THIS

we take an instrument approach whereby data is collected, not by project, but by the instruments that these projects use to support SMEs.

➤ This allows for a better understanding of the effects of different tools on SME development.

➤ Makes it possible to include projects with cross-cutting objectives in the assessment by only including instruments that directly affect SME growth.

Data for  
**54**  
key performance  
indicators  
is collected across



**20**  
SME support  
instruments  
under the  
groupings:



# COMMUNICATION

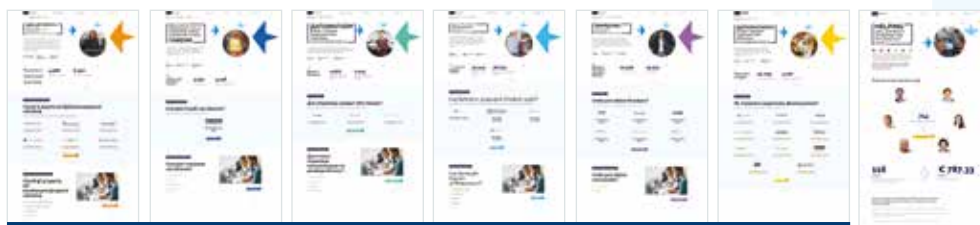
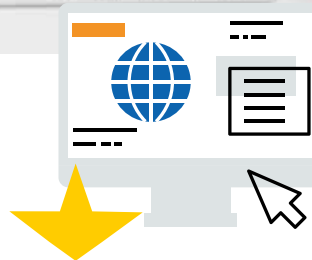
With all activities moving online and work being done remotely due to the global pandemic challenges, we continue to emphasise the importance of digitalising EU4Business communications.

We have modernised the EU4Business website to better match the needs of the initiative's main target audiences.



We have replaced the previous single consolidated web portal for the Eastern Partnership countries

with **7** new websites.



**6** of them are targeted at entrepreneurs in each of the EaP countries, while the seventh is geared towards the EU and donors.

This "decentralisation" provides each target group with a separate trimmed-down resource with quick access to all of the necessary information in the appropriate local language.

More details of communication are outlined in the Visibility section of this report.

# [ PARTNERS ] OF EU4BUSINESS

All EU support for SMEs is provided through organisations that operate as partners, working closely with the EU and the EU4Business Facility team. Altogether, 62 partners are currently implementing EU4Business projects and programmes, among them various international organisations such as the EBRD, EIB, KfW, OECD, World Bank, ITC and UNDP, as well as international consultancies, governments and government agencies, and NGOs.

## International Organizations



## Member State Governments and Agencies



## International NGOs



International Consultancies and private sector



EaP Government Agencies and NGOs



# THE EU4BUSINESS FACILITY TEAM



**Mark Hellyer**  
Team Leader

**Atena Duicu**  
Key Expert in SME  
Policy and Strategy



**Olga Seleznova**  
Head of  
Communications



**Victoria Sydoryk**  
Regional Project  
Coordinator



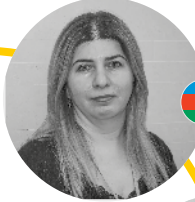
**Anton Zubenko**  
Data Specialist



**Sevak Hovhannisyan**



**Gulnara Mammadova**



## COUNTRY SME EXPERTS

**Olha Krasovska**



**Irina Tochitskaya**



**Anatolie Palade**



**David Okropiridze**



## COUNTRY COMMUNICATION EXPERTS

**Aghavni Harutyunyan**



**Esmira Aliyeva**



**Yuliia Tarkanovska**



**Taisia Charnukha**



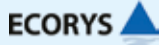
**Mihaela Babara**



**Nino Abdaladze**



Funded by the EU, the EU4Business Facility project is being implemented by a GFA-led Consortium of four partners:



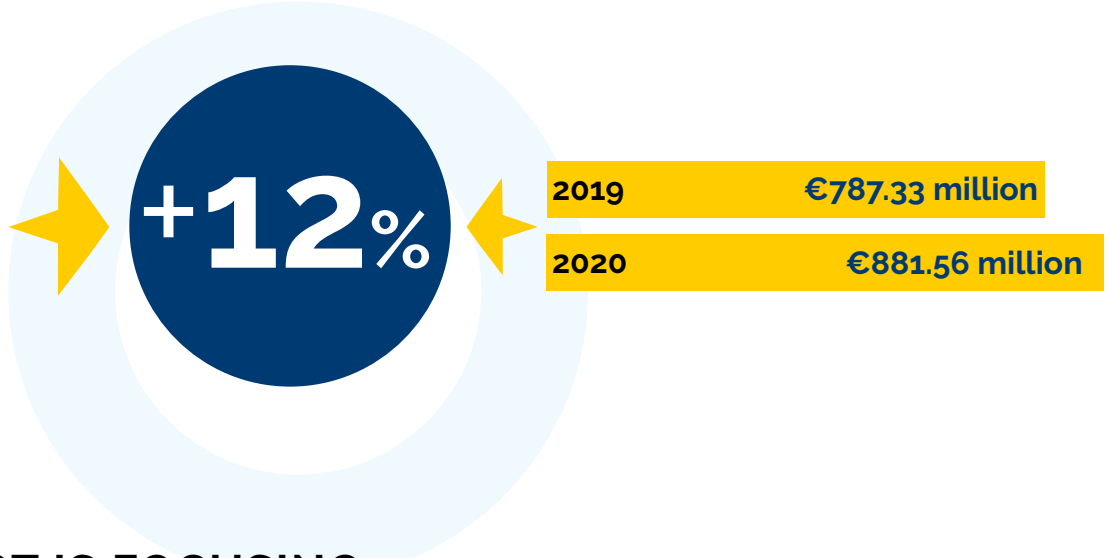


**EU SUPPORT  
TO SMES IN  
THE EASTERN  
PARTNERSHIP  
IN 2020**



# [ PORTFOLIO ] [ OVERVIEW ]

The European Union's support for SMEs in the Eastern Partnership grew in 2020 by



**EU SUPPORT IS FOCUSING ON THREE TYPES OF INTERVENTIONS:**



Access to Finance (A2F)



Business Development Services (BDS)



Business Enabling Environment (BEE)

**Across the six Eastern Partnership countries —**  
Armenia, Azerbaijan, Belarus, Georgia, Moldova, Ukraine



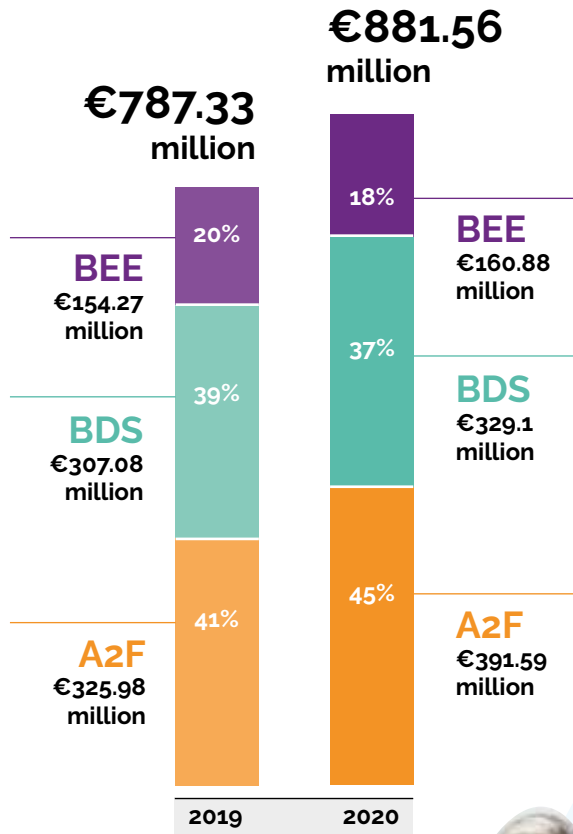
**111** projects provided support to SMEs in 2020

with a total budget of **€881.56** million

This is the total value of contracts being implemented, not disbursements in 2020.

# [BREAKDOWN]

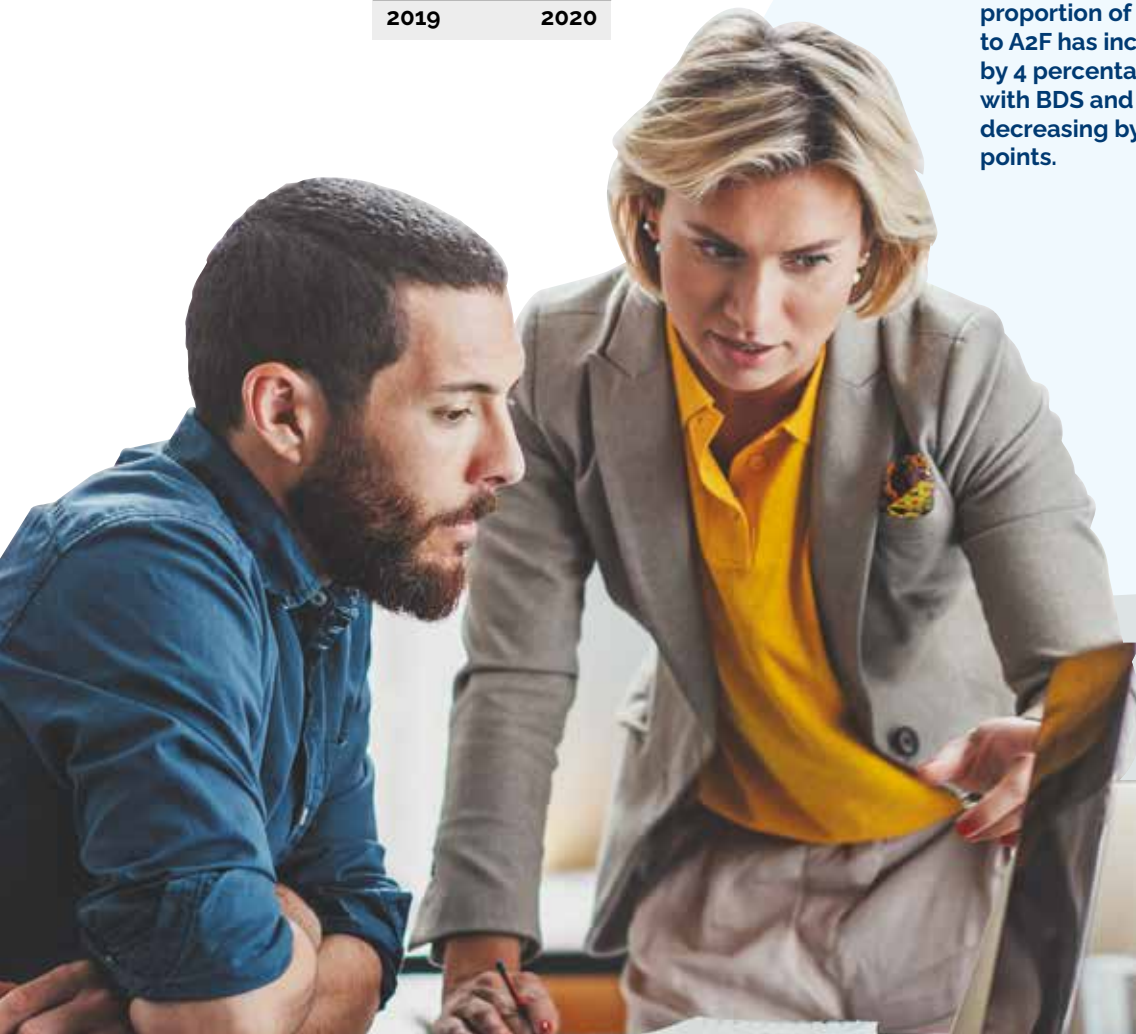
## BY INTERVENTION



Almost half (**45%**) of the funds allocated to projects in 2020 went to improving access to finance, with a further **37%** for improving business development services and the remaining **18%** for improving the business environment.

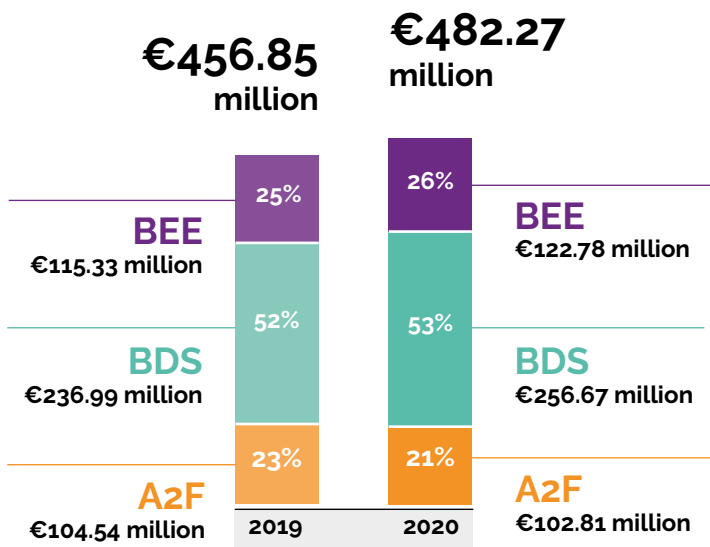


This shows that the proportion of support to A2F has increased by 4 percentage points with BDS and BEE each decreasing by 2 percentage points.



# [BREAKDOWN]

## BILATERAL PROJECTS



The majority of support to SMEs was provided through bilateral projects and programmes, with **55%** of the total budget being country-specific. Although, this is less than in 2019 where **58%** was bilateral.\*

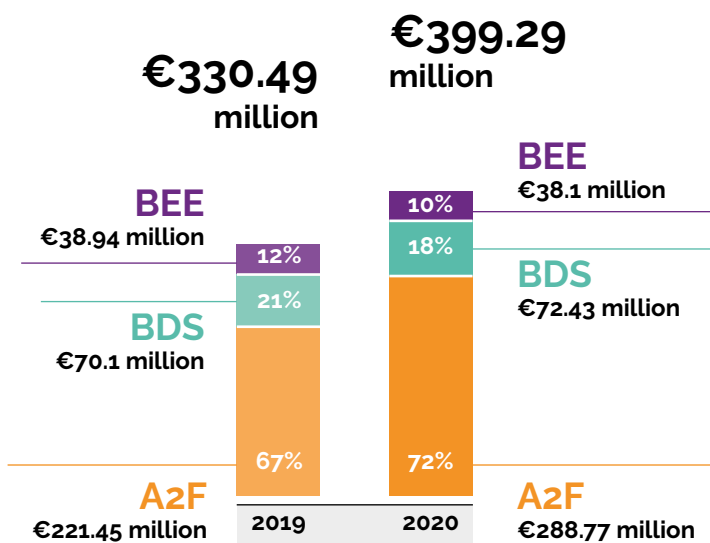
Whilst the proportion of bilateral projects in total budgets have fallen, the allocation of budgets by intervention remains broadly similar to 2019.

This reflects the fact that in 2020, the budgets of bilateral projects supporting SMEs rose by **5.6%** whereas budgets for regional projects grew by **20.8%**.

There are also big differences in the type of intervention at a regional versus bilateral level. The majority of bilateral budgets (**53%**) focuses on BDS, amounting to almost **€257 million**. Around **26%** of bilateral funds are allocated to improving the business environment and only **21%** to access to finance.

# [BREAKDOWN]

## REGIONAL PROJECTS

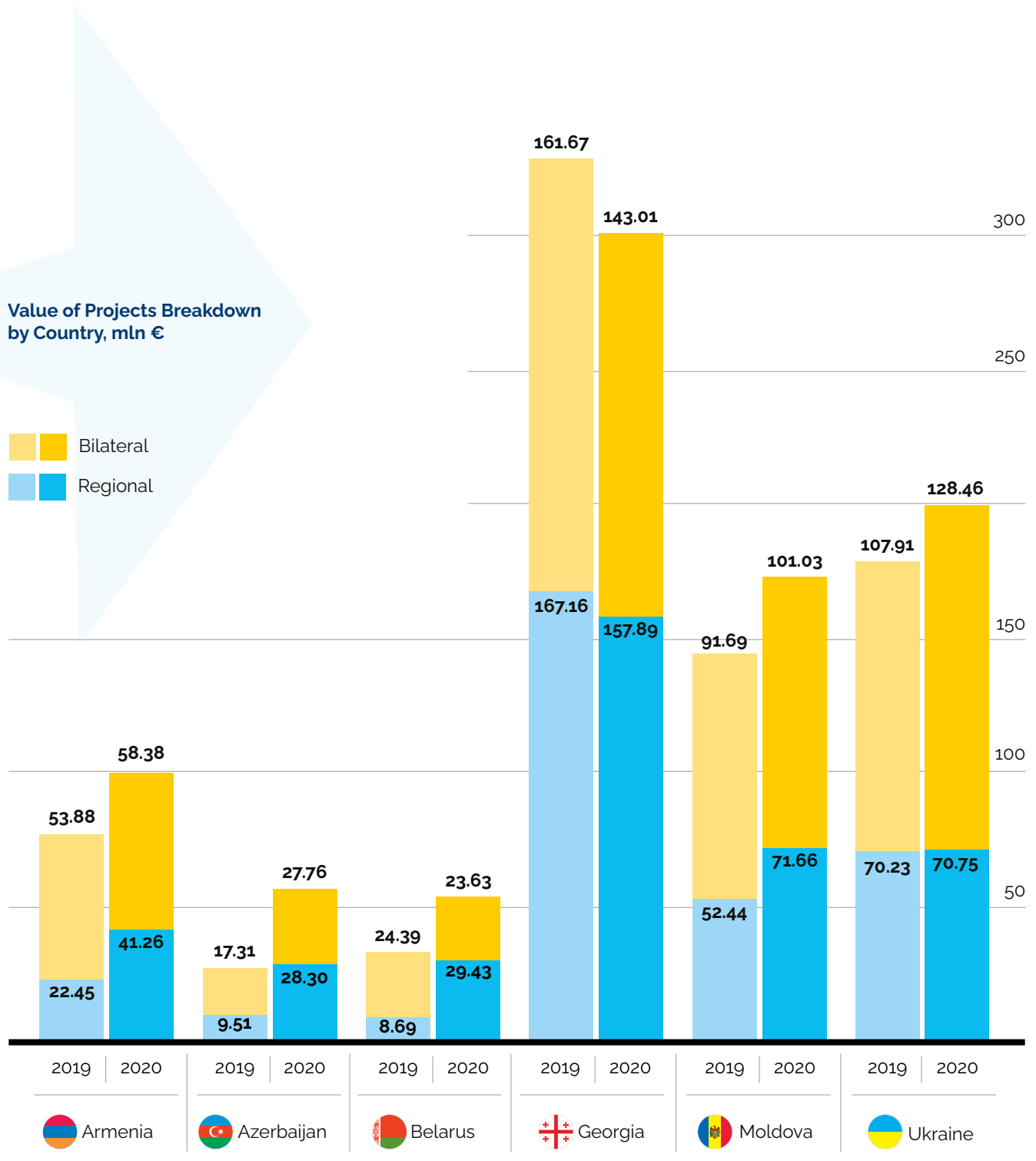


By contrast, almost three quarters (**72%**) of regional budgets to support SMEs are aimed at improving access to finance, adding up to **€289 million** in 2020. A further **18%** of regional interventions focused on improving business development services and only **10%** on improving the business enabling environment.

\* Bilateral projects are those run out of EUDs that come from EU country programmes, whereas regional projects are managed by the EU HQs in Brussels and come from EU regional funds.

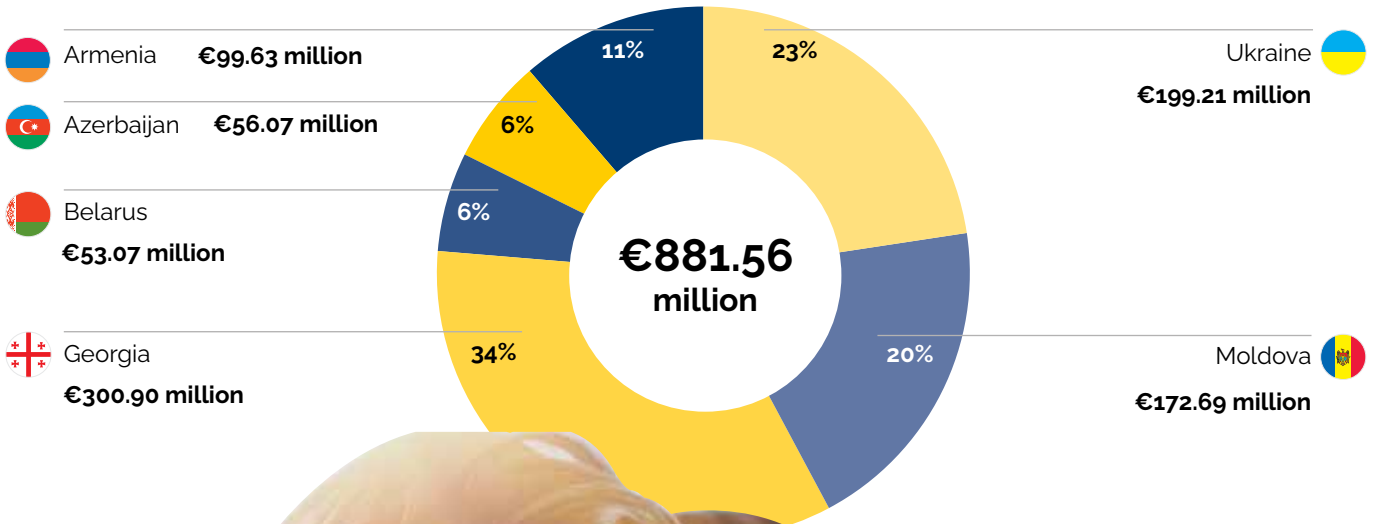
# COUNTRY PORTFOLIOS

Around **34%** of active project budgets in 2020 were allocated to Georgia, almost equally from bilateral and regional projects. This is a shift from **42%** in 2019. Ukraine has the next largest share with **23%** of active projects, followed by Moldova with **20%**. Armenia is a further **11%** and Azerbaijan and Belarus **6%** each.



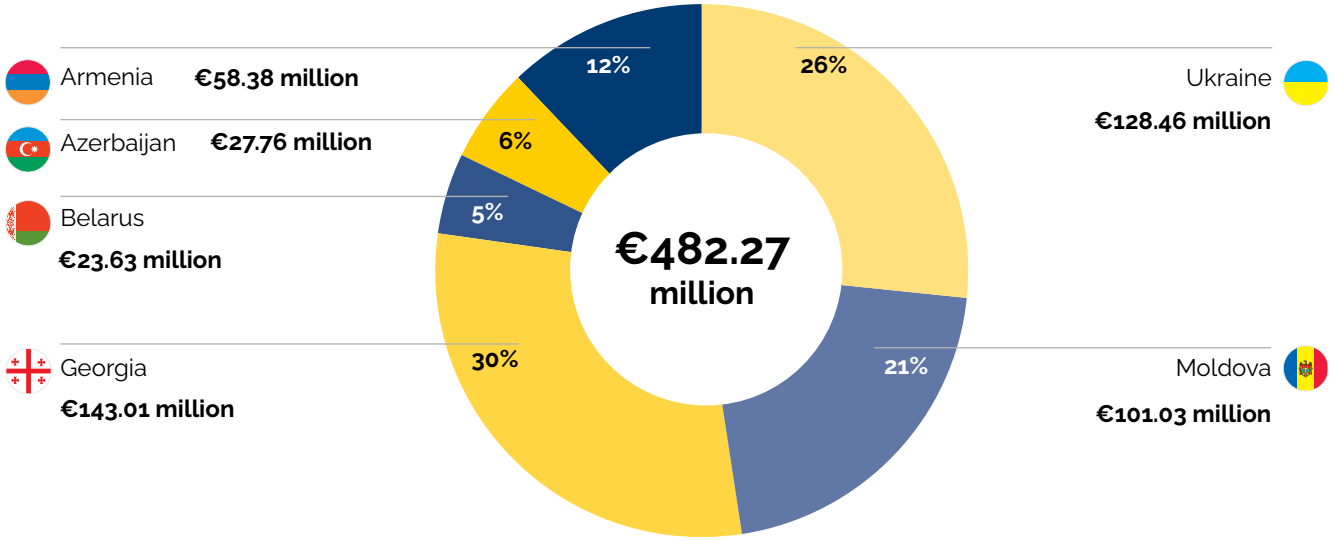
# BREAKDOWN

## OF ACTIVE PROJECTS BY COUNTRY (TOTAL REGIONAL AND BILATERAL)



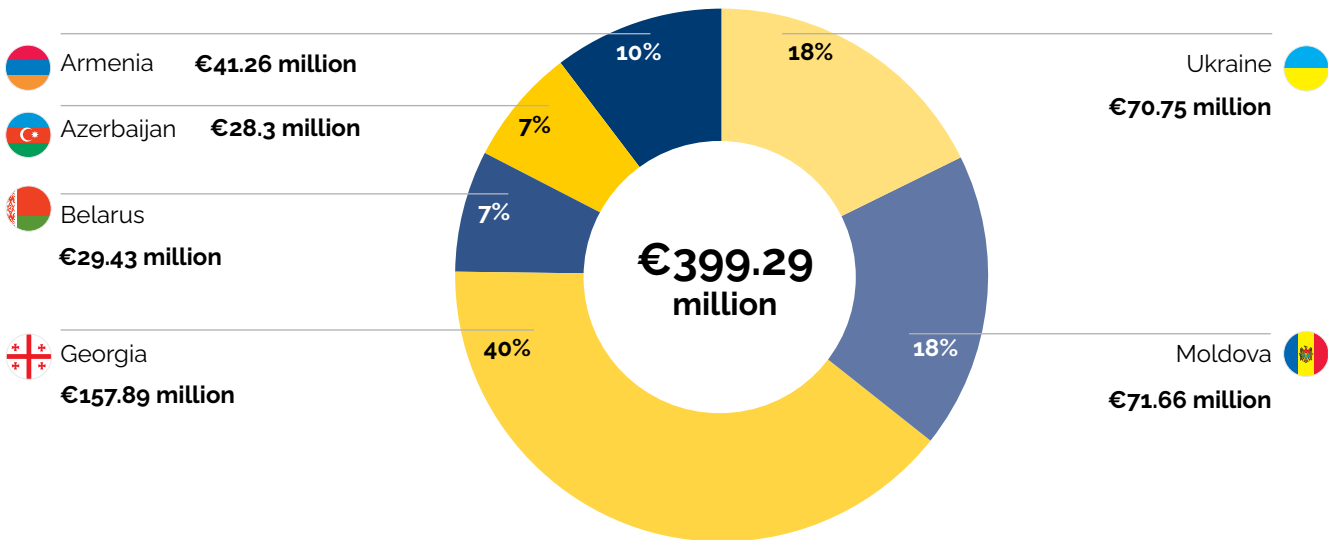
# BREAKDOWN

## OF ACTIVE PROJECTS BY COUNTRY (BILATERAL)



# BREAKDOWN

## BREAKDOWN OF ACTIVE PROJECTS BY COUNTRY (REGIONAL)



# ARMENIA

Total Value

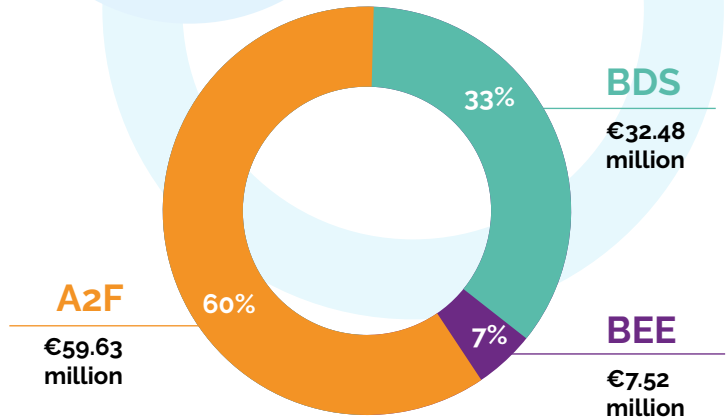
€99.63  
million\*



+30.1%  
compared with 2019

Breakdown of Active Projects in Armenia by intervention (total regional and bilateral)

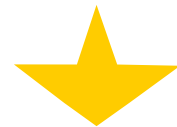
24  
EU4Business Projects  
in 2020



# AZERBAIJAN

Total Value

€56.07  
million\*

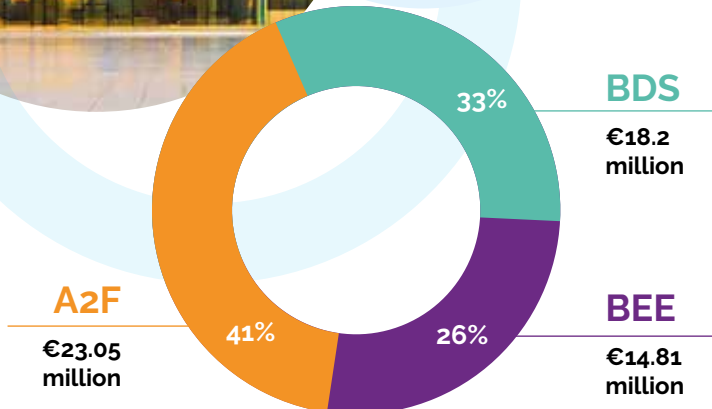


+109.1%  
compared with 2019

Breakdown of Active Projects in Azerbaijan by intervention (total regional and bilateral)



43  
EU4Business Projects  
in 2020



\* This was the total value of contracts being implemented, not disbursements in 2020

# BELARUS

Total Value

**€53.1**  
million\*



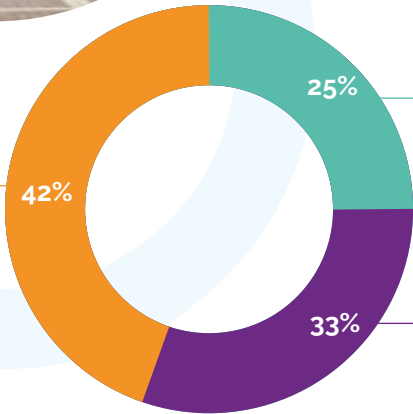
**+60.4%**  
compared with 2019



**20**

**EU4Business Projects**  
in 2020

**A2F**  
€22.28 million



**BDS**  
€13.08 million

**BEE**  
€17.71 million

**Breakdown of Active Projects in Belarus by intervention**  
(total regional and bilateral)

# GEORGIA

Total Value

**€300.9**  
million\*



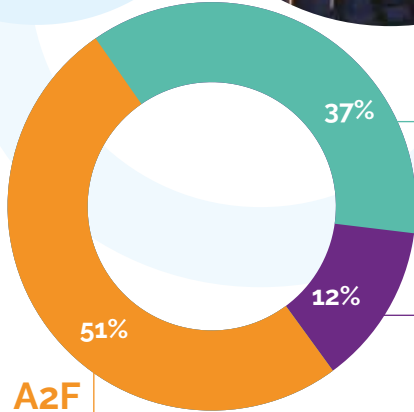
**-8.5%**  
compared with 2019

**38**

**EU4Business Projects**  
in 2020



**A2F**  
€153.89 million



**BDS**  
€110.46 million

**BEE**  
€36.56 million

**Breakdown of Active Projects in Georgia by intervention**  
(total regional and bilateral)

\* This was the total value of contracts being implemented, not disbursements in 2020



# MOLDOVA

Total Value

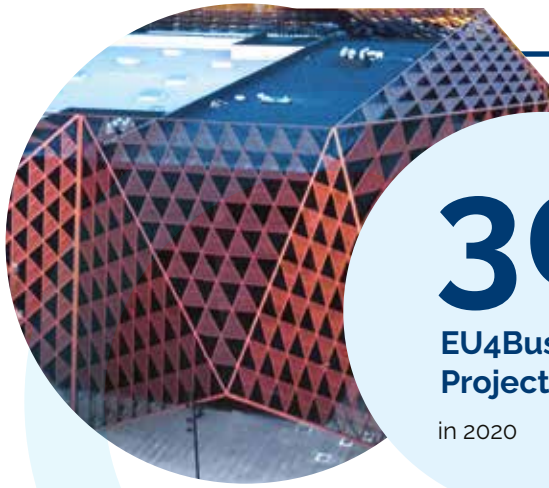
# €172.69

million\*



# +19.8%

compared with 2019



# 30

## EU4Business Projects

in 2020

Breakdown of Active Projects in Moldova by intervention (total regional and bilateral)

### A2F

€48.58 million

28%

59%

### BDS

€102.31 million

13%

### BEE

€21.8 million

# UKRAINE

Total Value

# €199.21

million\*

# 37

## EU4Business Projects

in 2020



# +11.8%

compared with 2019

### A2F

€84.16 million

42%

27%

### BDS

€52.56 million

31%

### BEE

€62.48 million

Breakdown of Active Projects in Ukraine by intervention (total regional and bilateral)

\* This was the total value of contracts being implemented, not disbursements in 2020

# OVERVIEW

## BY TYPE OF INTERVENTION

### ACCESS TO FINANCE (A2F)

A2F remains the largest area of EU intervention to support SMEs in the EaP and in 2020 saw an increase in budgets of €65.6 million.

A total of  
**€391.59**  
 million

**+20.1%**  
 compared with 2019

in EU support was allocated to unlock access to finance in 2020\* through

**9**

support instruments that the EU4Business initiative uses for enabling access to finance, as defined below:

**A1**

Capped Loss Recovery

This is a risk-sharing instrument in the form of a grant that the EU provides to an IFI. This grant is used by the IFI to partially cover the loss that any PFI, such as a local bank, would carry as a result of SMEs not repaying part or all of its loan. In this way, the PFIs feel more comfortable and are willing to use the credit lines from IFIs to lend to SMEs. However, the EU grant only partially covers the potential loss that PFIs could claim. The recovery of loss covered by this EU risk sharing instrument is

generally up to 10% of the total loan portfolio of the respective PFI (total value of the loans disbursed by the PFI from the respective credit line of the IFI) and generally up to 50% of each individual sub-loan. This actually means that if an SME does not pay back the loan to the local bank, the EU grant for capped loss recovery can actually cover half of the loss of the bank. In this way, the local banks are more willing to disburse loans to SMEs which are generally perceived as high-risk borrowers.

**A2**

Interest Subsidy

This instrument is a grant given by the EU to IFIs in order to lower the cost of their loans to SMEs in the EaP. The grant provides interest subsidies of up to 10%, which is applied to the

regular interest rate, with which the IFI lends to PFIs and further on to SMEs. The purpose of this instrument is to lower the final cost of finance for SMEs in the EaP.

**A3**

Targeted Assistance (TA) to PFIs

This instrument consists of technical assistance to PFIs in the form of consultancy services, mentoring, and specialised training. The main effect of this instrument is that the PFIs (local banks and microfinance institutions) become

more familiar with the modus operandi of the big IFIs, the characteristics of their credit lines, their reporting requirements, as well as the standards regarding financial and risk analysis of the potential borrowers.

\* This was the total value of contracts being implemented, not disbursements in 2020.



## A4

### Capped Guarantees

This instrument consists of a guarantee given to IFIs in order to lower the risk of lending to SMEs via local PFIs through guarantees to reduce collateral requirements of SMEs. This is a guarantee that enables improved access to finance through the reimbursement of a portion of the loss caused by the SME portfolio. These guarantees are generally capped at up to 25%

of the total portfolio of the respective partner financial institution and to generally 70%-80% of each individual sub-loan. In the case of the DCFTA facility phase 1 EIB/ EIF, the guarantee is 25%/70%, for EIF COSME support the guarantee is 50%/70%, for DCFTA facility phase 2 the guarantee is 25%/80%.

## A5

### Currency Hedging Subsidy

This instrument is given to IFIs in order to enable them to disburse loans to PFIs (and ultimately to SMEs) in local currency. Traditionally, the IFIs only provide credit lines in euros or dollars. In order to sign credit contracts in national currency, the IFIs need to protect their investment through "currency hedging". This is a currency risk coverage facility provided by specialised agencies (that would cover the cost of currency devaluation, therefore

the IFIs do not lose any money) at a certain cost. Without the EU grant to cover the cost of "currency hedging", the IFIs would add this additional cost in the lending contract with PFIs and the loans for SMEs in local currency would naturally become more expensive. Due to the EU grant, the IFIs and subsequently the PFIs can offer loans in local currency to SMEs at a competitive price.

## A6

### SME Incentive Grants (linked to loans)

This instrument is different from regular grant schemes as the incentive grants are not given directly to SMEs as a "pure grant". The SME signs a loan contract from one of the credit lines of the IFIs via the PFIs. After the loan is disbursed, there is a verification process to check if the loan was used for the purpose listed in the business plan or feasibility study

and of the other pre-conditions for the loan disbursement. Once the verification report confirms compliance, a part of the loan is transformed into a grant, so that the total "cost" of financing is lowered. The most common incentive grants are between 10% and 15% of the loan value as is the case for the EBRD DCFTA facility 1 and 2.

## A7

### Grants to SMEs

These grants are non-reimbursable and generally modest in value in order to support as many SMEs as possible. In general, SME grants are disbursed in order to target specific economic development goals such as

development in rural areas, poor communities, or a response to various types of crises. These grants are usually disbursed through Non-governmental Agencies (NGOs) with links into targeted communities.

## A8

### Structured Funds

This instrument is implemented directly by EU participation as opposed to risk-sharing with IFIs. Typically, this involves direct loans or equity investment in a financial instrument or fund. As the EU does not have the capacity to disburse

direct loans to SMEs, this function is assigned to an intermediary. The most important EU investment in Direct Finance is shares in the European Fund for Southeastern Europe (EFSE).

## A9

### Equity

Equity is a direct investment instrument for funding SMEs by buying participation (shares) in the respective company. This type of support instrument involves more risk and is for now it is

only active in Armenia, where the EU provides a first loss guarantee for the Amber Equity Fund that invests equity in SMEs of Armenia.

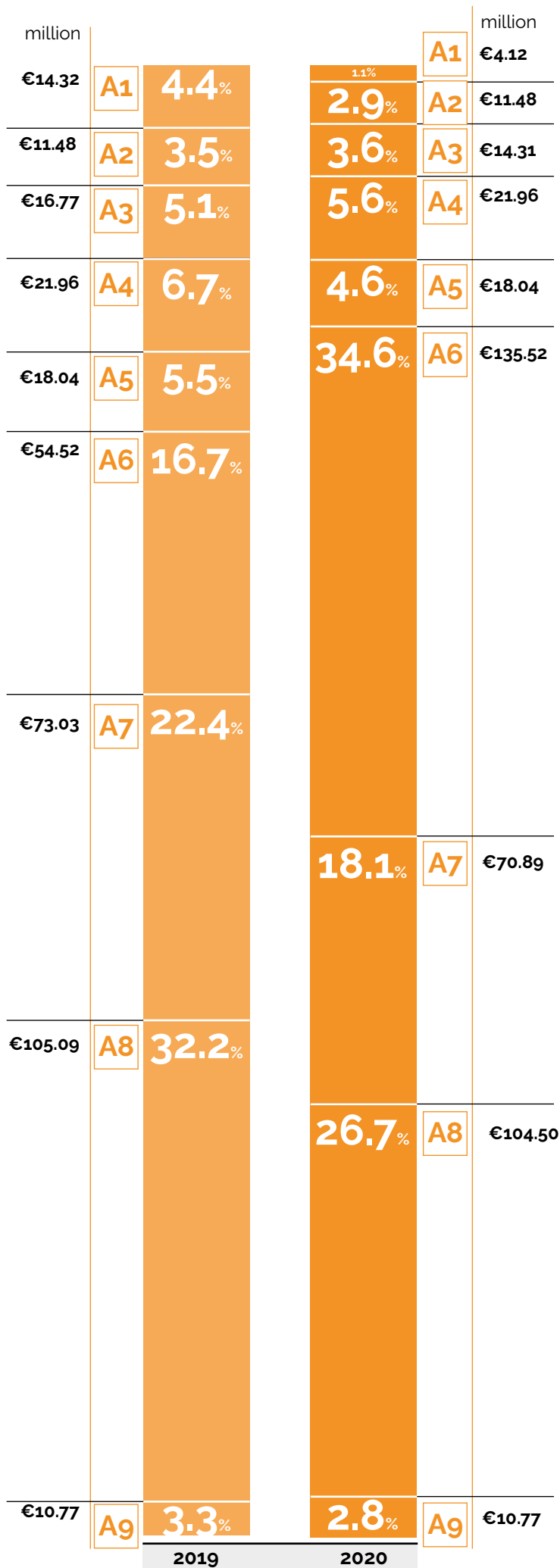
## Allocation of A2F Budgets by Instrument

There might be some round-off errors in some figures throughout the report

The budgets for most A2F instruments remained stable between 2019 and 2020 with the majority of increase in budget coming from A6 (SME Incentive Grants linked to loans) which grew from **€54.5 million** in 2019 to **€135.5 million** 2020. Budgets for capped loss recovery declined by **€10.2 million** and TA by **€2.4 million**.

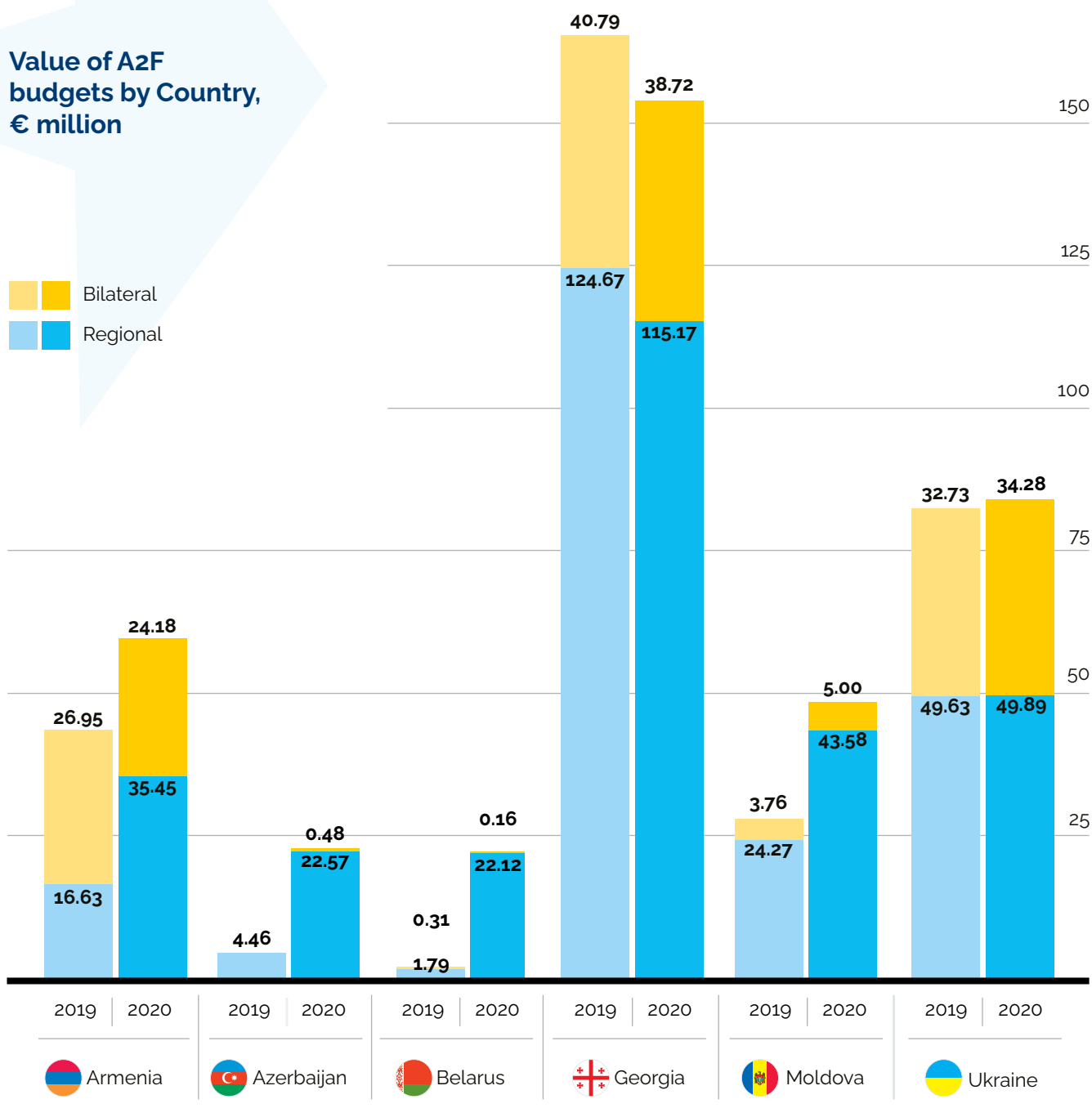
The support instruments used to increase access to finance for SMEs in the Eastern Partnership region cover a large spectrum of interventions. The regional programmes are mainly implemented through International Financial Institutions (IFIs). The main purpose is to motivate Partner Financial Institutions (PFIs), which include local banks and microfinance institutions, to lend more easily to SMEs. Bilateral projects mainly use direct grants to SMEs.

- A1** Capped Loss Recovery
- A2** Interest Subsidy
- A3** TA to PFIs
- A4** Capped Guarantees
- A5** Currency Hedging Subsidy
- A6** SME Incentive Grants (linked to loans)
- A7** Grants to SMEs
- A8** Structured Funds
- A9** Equity



EU budgets for Access to Finance in the EaP are highest in Georgia, accounting for **39%** of all A2F interventions (but significantly lower than the **51%** share in 2019), followed by Ukraine with **21%** (slightly lower than the **25%** share in 2019), and Armenia with **15%** (compared to **13%** in 2019). The major shift in A2F projects were to Azerbaijan and Belarus which increased their share in A2F budgets from **1.3%** and **0.6%** respectively in 2019, to **5.9%** each in 2020.

In contrast to other interventions, A2F is mainly delivered through regional projects.



## BUSINESS DEVELOPMENT

### SERVICES (BDS)

BDS is again the second largest area of EU intervention to support SMEs in the EaP and in 2020 saw an increase in budgets of €22.02 million.

A total of

**€329.1**

million



**+7.2%**

compared with 2019

in EU support was allocated to improving business development services in 2020 through



**7** support instruments that the EU4Business initiative uses for improving business development services and knowledge to SMEs, as defined below:

**B1**

Consultancy Services for SMEs

Through this instrument, the EU4Business Initiative aims to directly increase the knowledge and skills of SMEs in EaP countries through the direct provision (fully or partly paid) of non-financial business services (these can range from basic start-up and registration, accounting, marketing, input

supply, technology and product development, training and technical assistance, infrastructure support, and advocacy). These services can be delivered through both international and/or local consultants, in both private firms/individuals, and/or business support organisations.

More than

**60%**

of all BDS interventions are direct consultancy services to businesses in EaP countries,

**B2**

Capacity Building of BSOs

This instrument aims at increasing the capacity of Business Support Organisations (such as chambers of commerce, SME associations, professional bodies, the Sector Trade Association, training institutes, etc) to deliver BDS services to

SMEs (whether members or not). The capacity building is achieved through mentoring, training trainers, advisory services, and study tours to either enhance existing services, build new ones, or improve organisational structures.

with

**26%**

being allocated to capacity building amongst business support organisations to develop and deliver better business development services.

## B3

### Incubators

The business incubator is an organisation designed to accelerate the growth and success of entrepreneurial companies through an array of business support resources and services that could include physical space, capital, coaching, common services, and networking connections.

The EU4Business Incubators Instrument generally shares the cost with the local authorities where

the EU bears the cost of refurbishment and cost-sharing arrangements for the running costs and/or service provision. One of the most important aspects related to this instrument is sustainability. As operation costs are high, the initial financial set-up is crucial for keeping the incubators viable after the EU4Business intervention ends.

## B4

### Clusters

This instrument involves group support to SMEs involved in the same field of activity but on different positions in the value chain or with common interests. The basis of the clusters approach is the synergy of creating a more

effective value chain within the cluster. The success of the SME cluster is tightly related to the level of value added in the respective field of activity.

## B5

### Trade Information

This instrument provides SMEs already exporting, exporting infrequently, or those interested in exporting with the range of information needed to move closer to exporting. This instrument can include generating the necessary information

(brochures, guides, market reports) or developing tools for accessing online resources and intelligent searches and covers market information, marketing guides, and market access requirements.

## B6

### B2B Activities

Business to Business (B2B) Activities support SMEs to make specific contact with nominally interested buyers (company decision makers in target export markets who regularly buy the export on offer). These can include participation in online buyer auctions, trade fair participation,

inward and outward trade missions, buyer meetings, etc. and EU4Business support can range from organisation, logistics, preparation and advice, as well as covering the costs of travel and/or stand and event costs.

## B7

### Export Strategies

This instrument is used at a national or sector level to develop a policy to increase a country's exports. This instrument is typically based on studies, analysis, and stakeholder consultation that assesses national production, market requirements, and export constraints and then, working with government and stakeholders, builds a common sector or national approach

(and action plan) to develop the exports of competitive products in target markets. In addition, this instrument can also include support in coordination with implementation of the strategy itself as well as national visibility and branding, support programmes, and stakeholder dialogue.

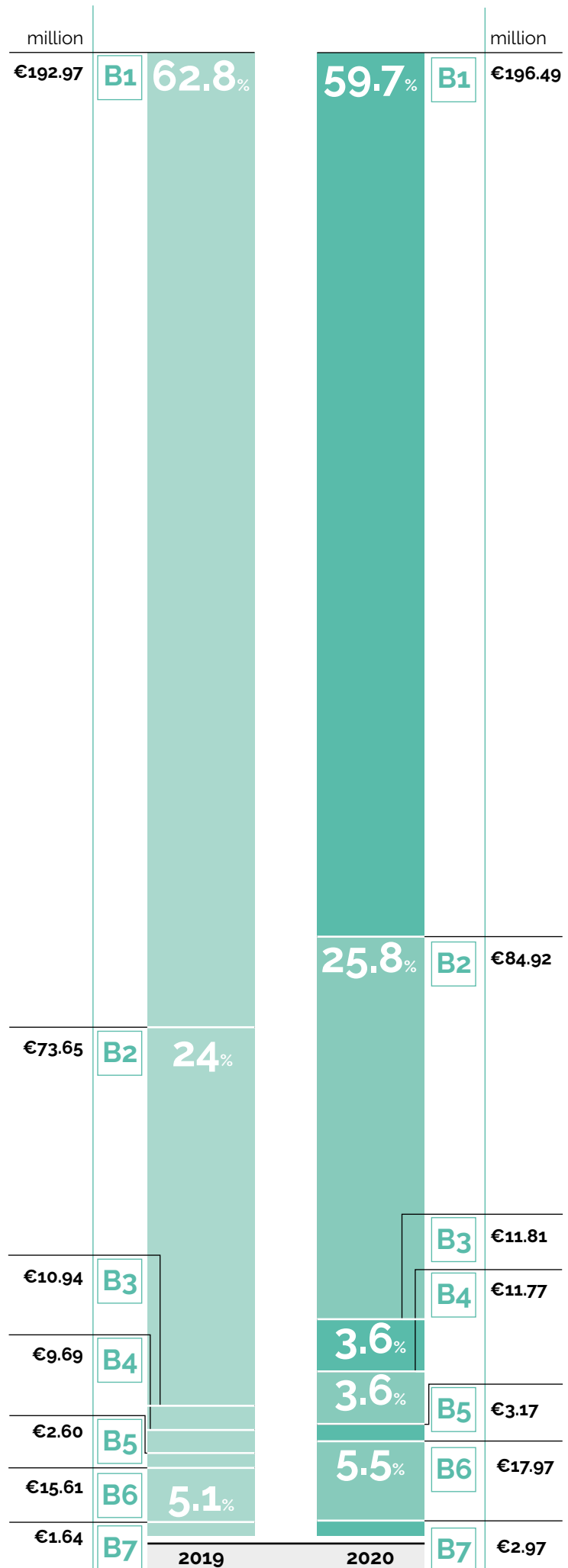


## BDS Portfolio by Instrument

\* There might be some round-off errors in some figures throughout the report

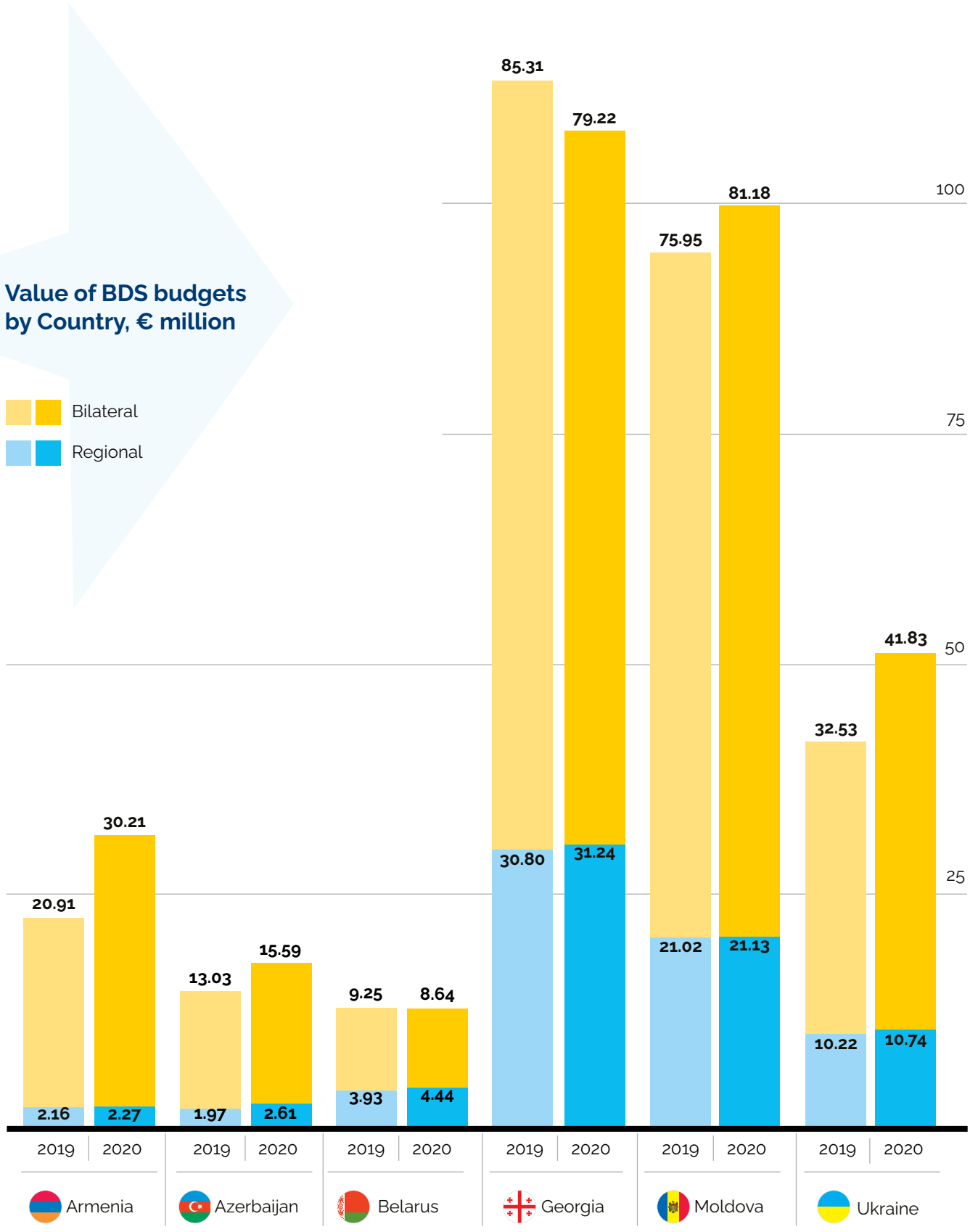
There were small shifts in importance of BDS instruments compared with 2019, with slightly less emphasis on consultancy services and rises in share of incubators and clusters in particular.

- B1** Consultancy Services for SMEs
- B2** Capacity Building of BSOs
- B3** Incubators
- B4** Clusters
- B5** Trade Information
- B6** B2B Activities
- B7** Export Strategies





By country, EU support to improving BDS was highest in Georgia, representing **34%** of all BDS budgets, although again this share is lower than the **38%** share in 2019. Moldova received **31%** of BDS budgets (broadly the same as in 2019), and Ukraine **16%** (slightly higher than 2019). BDS was mainly delivered through bilateral projects (Georgia – **72%** of BDS bilateral; Moldova – **79%** bilateral; Ukraine – **80%** bilateral)



# BUSINESS ENABLING ENVIRONMENT (BEE)

BEE budgets to support SMEs in the EaP increased by €6.61 million in 2020.

A total of

**€160.88** → **+4.3%**

million

in EU support was allocated to improving the business enabling environment in 2020,\* through

compared with 2019



## 4 support instruments that the EU4Business initiative uses for contributing to a business enabling environment, as defined below:

### C1 Capacity Building among Policymakers and Regulators

Through this instrument, EU4Business interventions aim at strengthening the capacity of staff of various government agencies to ensure better, more transparent, and open policies and regulations that affect business, whilst ensuring appropriate controls in the six Eastern Partnership countries. This can

include making and amending policies, laws, and administrative procedures based on need and risk assessment. Through this instrument, EU4Business interventions deliver direct advisory, mentoring services, and study tours to the relevant staff involved in policymaking.

### C2 PPD (Public Private Dialogue)

Public Private Dialogue is an instrument for more inclusive and targeted policymaking. Specifically, it involves effective consultation and collaboration between government and

the private sector and/or its representatives, in order to achieve effective reform and administration of regulations that affect SMEs.

### C3 Regulatory Reform

Through this instrument, EU4Business interventions support the EaP countries to improve the regulatory environment based on best practices and most often approximation (to align their SME related legislations, rules, and regulations with

those of the EU). Approximation occurs in all six Eastern Partnership countries, but it is more intensely applied in the three DCFTA countries, which are committed to widespread adoption of EU business acquis under the Association Agreement (AA).

### C4 Information and Communication to SMEs

Through this instrument, EU4Business interventions support government to inform SMEs on reforms and implications for their

business and steps to compliance with regulatory reform.

\* This was the total value of contracts being implemented, not disbursements in 2020.

## BEE Portfolio by Instrument

\* There might be some round-off errors in some figures throughout the report

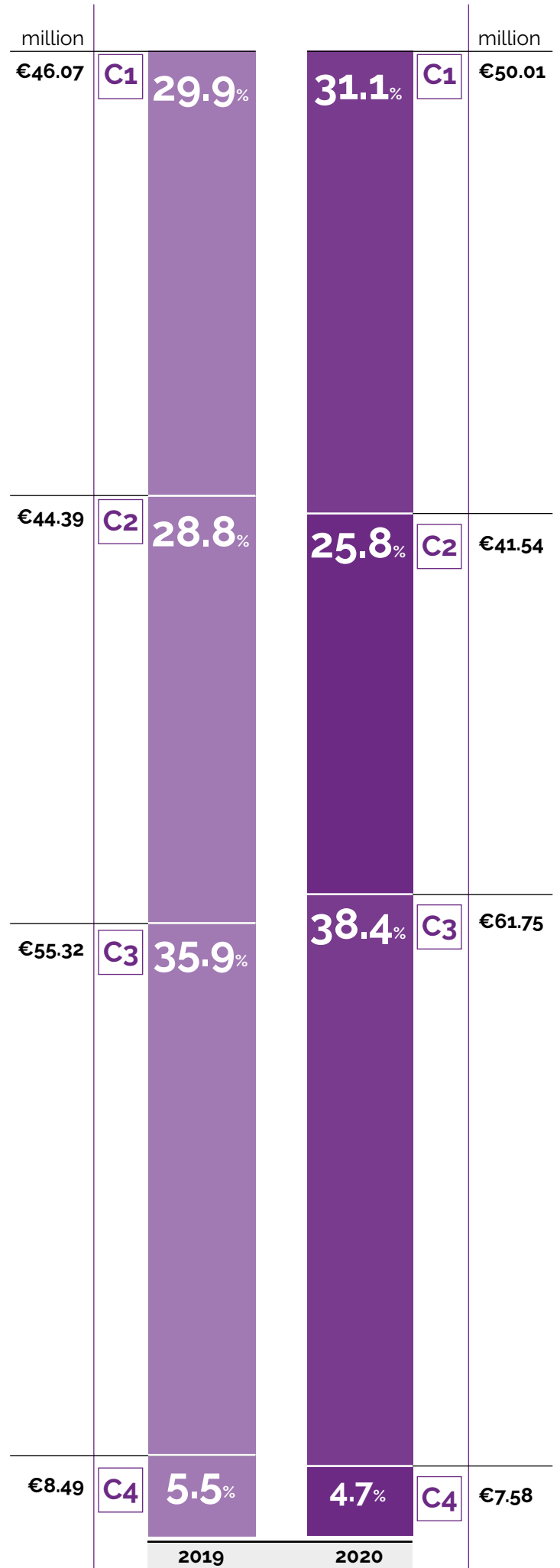
The instruments for improving the business enabling environment were more evenly distributed, with budgets for regulatory reform comprising **38%** of BEE, capacity building among regulators at **31%**, and public private dialogue representing **26%**.

**C1** Capacity Building among Policymakers and Regulators

**C2** PPD (Public Private Dialogue)

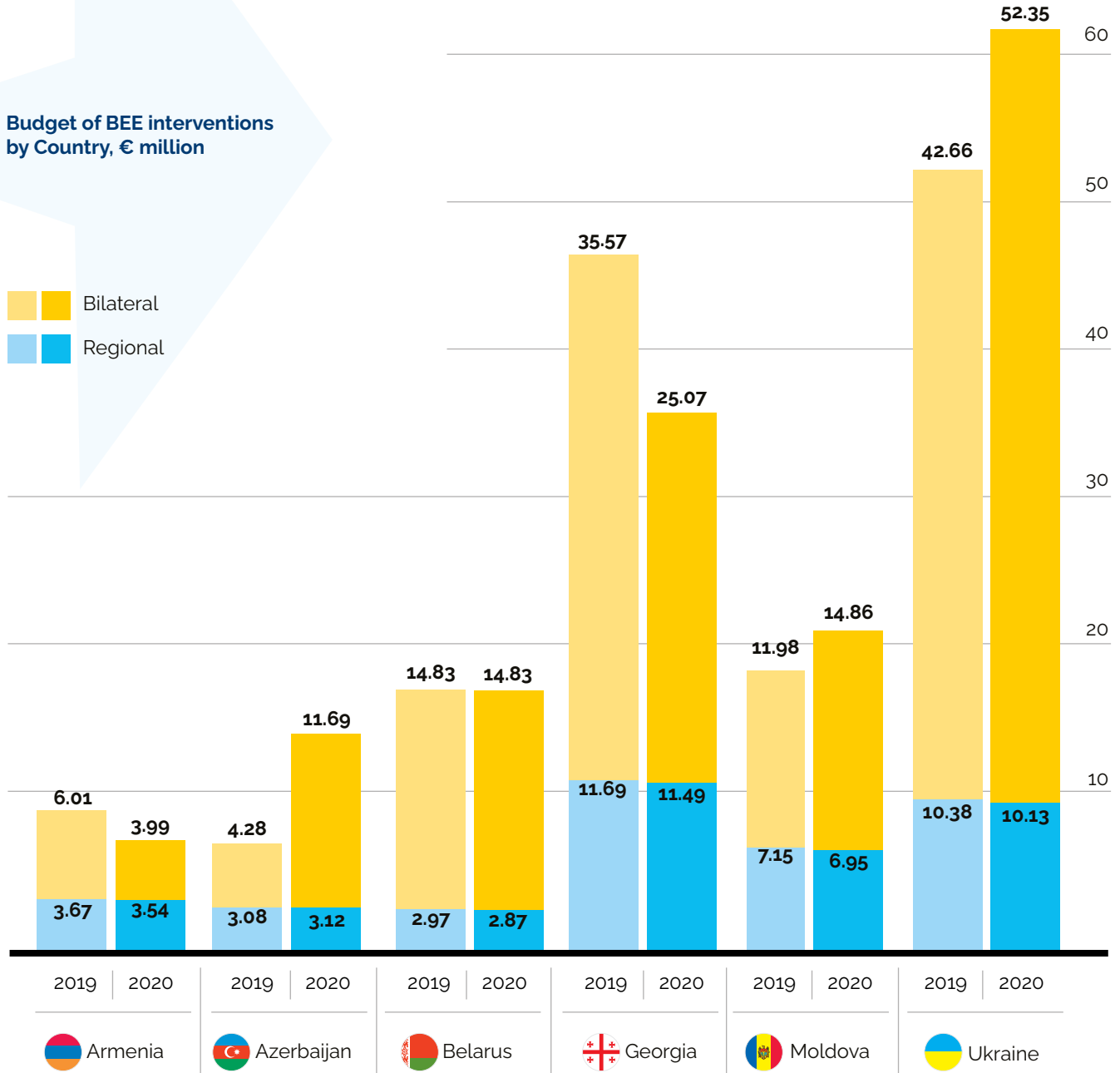
**C3** Regulatory Reform

**C4** Information and Communication to SMEs



By country, EU support to improve BEE was highest in Ukraine, which represents **39%** of all BEE interventions (up from **34%** in 2019) and **84%** from bilateral projects. Georgia represents a further **23%** of BEE interventions (down from **34%**) with **69%** from bilateral projects, while Moldova had **14%** (up from **12%**) and Belarus stable at **11%** of total BEE interventions.

Budget of BEE interventions by Country, € million



GEORGIA



## EU4BUSINESS AND GIZ HELP CREATIVE OVERALL MAKER SHIFT GEARS WITH COVID-19

When the pandemic challenged the garment industry, EU4Business and GIZ helped Kombinizona quickly adjust to the new reality. Through the Clusters4Development project, the company was able to actually increase its capacity, expand its workforce, and shift production to making antibacterial face masks and protective gear—the most in-demand product in shortage during the initial crisis. Kombinizona also launched the #1yours1mine campaign, channelling 30% of its income to charity.



*The EU support helped us in procuring equipment, so the production did not have to stop, and we employed more people, produced more PPE, distributed lots of free masks, and ultimately contributed to helping the country overcome the crisis."*

**Gano Melitauri**  
Kombinizona's Founder

[Read full story](#)





# [HOW EFFECTIVE IS EU4BUSINESS?]

## KEY FINDINGS FOR 2019



average across the EAP region

*Assuming each SME supported by the EU receives only one service or loan.*

EU-supported SMEs grew

**1.1 percentage point**

more than average SMEs across the region.

EU-supported SMEs generated

**9.8 percentage point**

more new jobs than average SMEs across the region.

Each euro disbursed across the portfolio generates

**3.6 times**

more income for supported SMEs.

Every

**€1,613**

disbursed by EU4Business projects has generated one new job at supported SMEs.

EU-supported loans are

**17 months**

longer

**€6,065**

cheaper

lower interest and repayment costs

## OVERALL ASSESSMENT

EU support to SMEs in the Eastern Partnership has been measured for results and impact since 2019, and for the first time, this provides an indication of the EU's contribution to SME development across the region. Key performance indicators provide an overview and can now be contextualised by analysing the performance of various instruments in the EU4Business portfolio and benchmarking this against unsupported SMEs in the region.

EU support to SMEs in EaP countries has helped SMEs to grow, generate jobs, and start exporting more than if they had not received this support. These SMEs have also gained access to larger loans for longer terms, at a lower interest rate.

Analysing results at a country level, two different strategies for the application of EU support can be distinguished. In Ukraine and Belarus, the programme has followed a more

concentrated strategy, with lower coverage of national SMEs, higher intensity of support, and greater focus on larger SMEs. The remaining four countries focus on smaller enterprises and therefore are able to support a larger number of SMEs. The result of this concentration strategy has been higher turnover growth with more SMEs starting to export in larger supported firms, but fewer new jobs generated compared with smaller supported enterprises.

## COUNTRY DIFFERENCES IN TYPES OF SMEs TARGETED IN THE EAP

EU4Business has supported 10.6% of all SMEs in EaP countries, with around **one third of these companies owned or managed by women**, although this information cannot be benchmarked at the country level for lack of data. There are significant differences in the coverage of SMEs in each country, which reflects the number of SMEs actually supported (see Figure 1) as well as in the size of supported SMEs (see Figure 2). Note that EU4Business has supported smaller than average SMEs in all countries except Ukraine and, to a lesser extent, Belarus.

Figure 1. Percentage and number of supported SMEs by country and region (2019)

% of SMEs supported

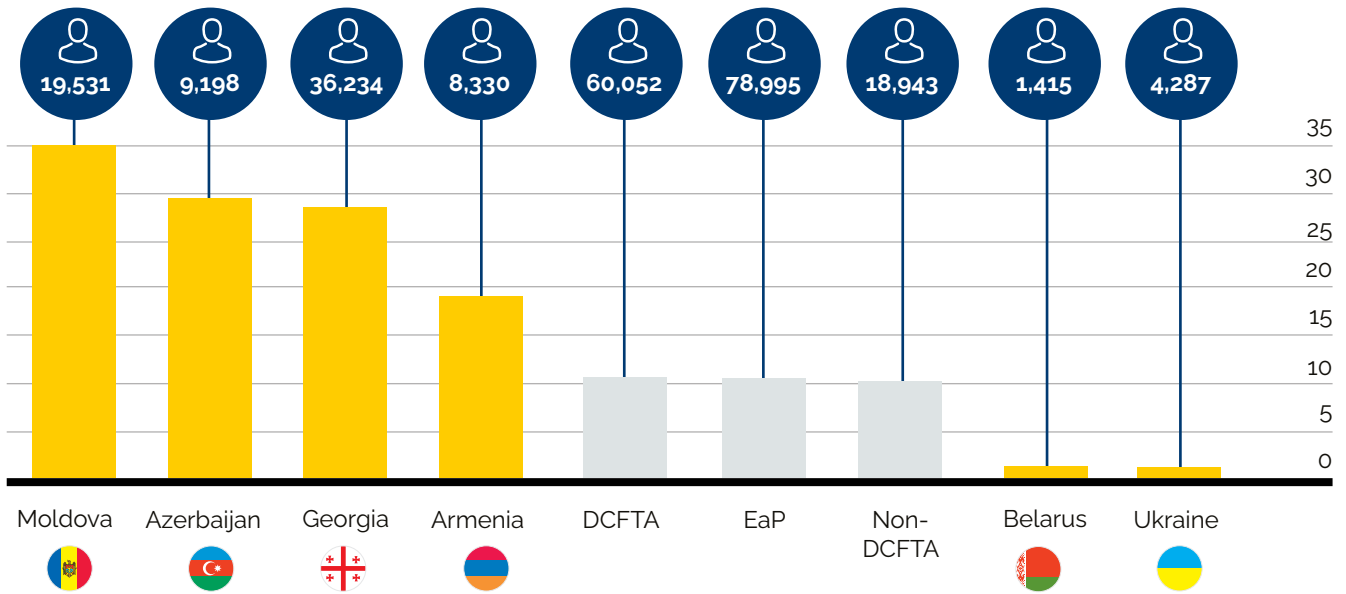


Figure 2. Average number of employees by country and region (2019)

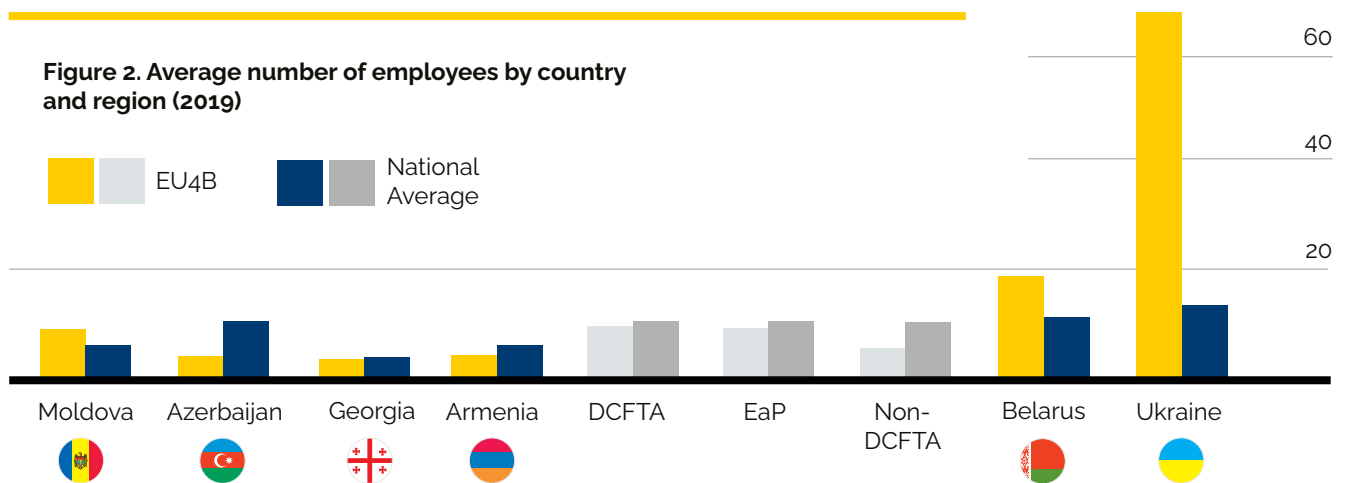
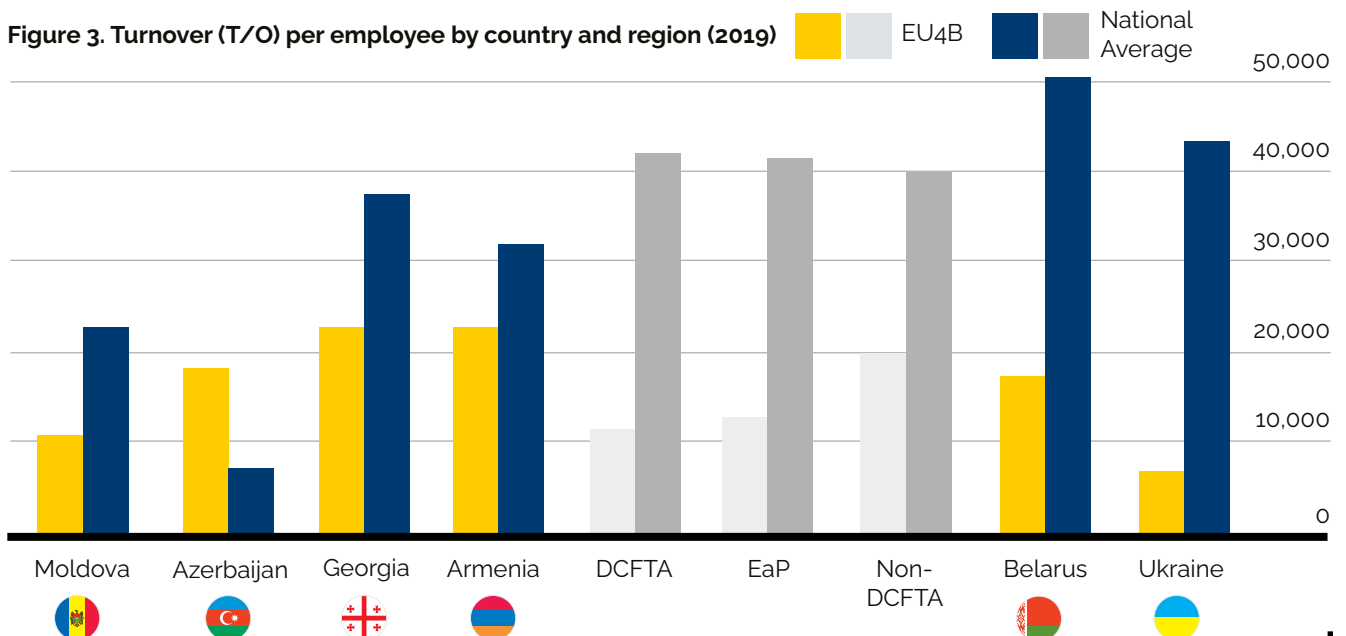


Figure 3 shows how the EU4Business portfolio has focused on SMEs with lower income per employee than the average SME across the whole region and by country: supported SMEs have a similar number of employees, except in the case of Ukraine, but are smaller in terms of average turnover. This suggests that the programme has supported more vulnerable, low-tech enterprises that rely on labour rather than capital and have lower added value.

Figure 3. Turnover (T/O) per employee by country and region (2019)



Assuming that turnover and employee data from national statistics, and KPI indicators are fully comparable, the findings suggest that EU support to SMEs across the EaP countries follows two approaches:



In Moldova, Azerbaijan, Georgia and Armenia, EU has a larger reach to SMEs, with 19%-35% supported in each country, while the intensity of this support is low, ranging from €1,267 to €2,199 per SME on average. The supported companies were generally smaller, with an average below 10 employees, and turnover was equally smaller, averaging below €107,000.



In Ukraine and Belarus, the support has a smaller reach, covering only around 1% of SMEs in each country, but the intensity was higher, averaging €11,099 in Ukraine and €6,005 in Belarus. The supported enterprises averaged 67.4 employees in Ukraine and 21.7 in Belarus, while turnover averaged over €373,000. In the case of Ukraine, however, turnover per employee was lower than in other countries at €7,555, suggesting that although the SMEs are larger, they are even more labour intensive and low-tech than the rest.

## EFFECTIVENESS

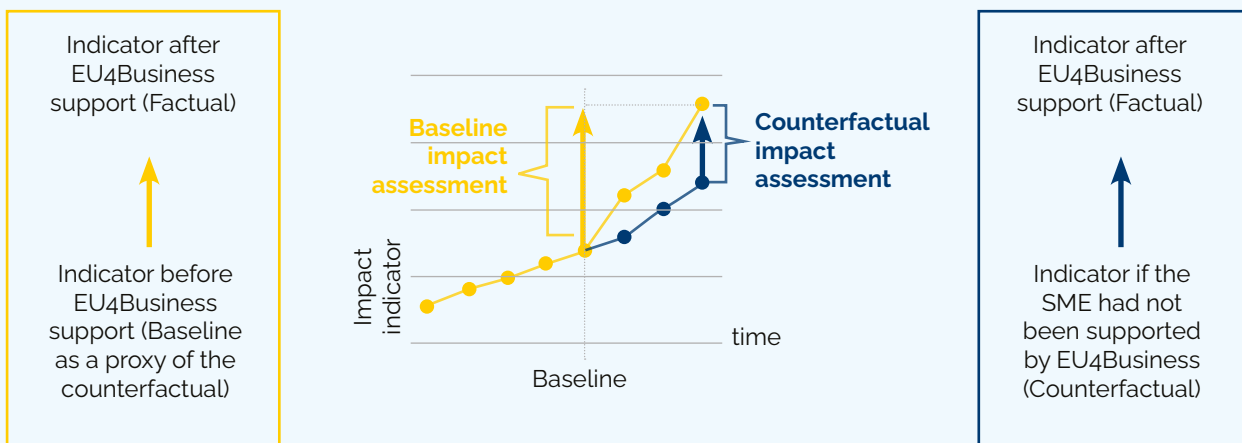
The effectiveness of EU support to SMEs in the EaP can be assessed by benchmarking the performance of supported SMEs to all national SMEs. The average SME profile in each country was obtained from official sources.

The key challenge for impact assessment is to discriminate

which part of the final KPIs after EU4Business support is a direct consequence of participation in the programme. A mere change in a KPI before and after EU4Business support, which is used in baseline evaluation methods, combines the direct impact of the support and the impact of the overall environment. Thus, in a negative context such

as the COVID 19 pandemic with massive job losses, the baseline impact measurement of a policy instrument can even be negative, since the potentially positive impact of participating in the programme cannot compensate the very negative impact of the economic situation (see Figure 4).

Figure 4. Approaches to impact assessment



To avoid this type of cross-effect, the relative impact of the EU4Business portfolio instruments has been estimated by comparing the performance of SMEs supported under each instrument, that is, by

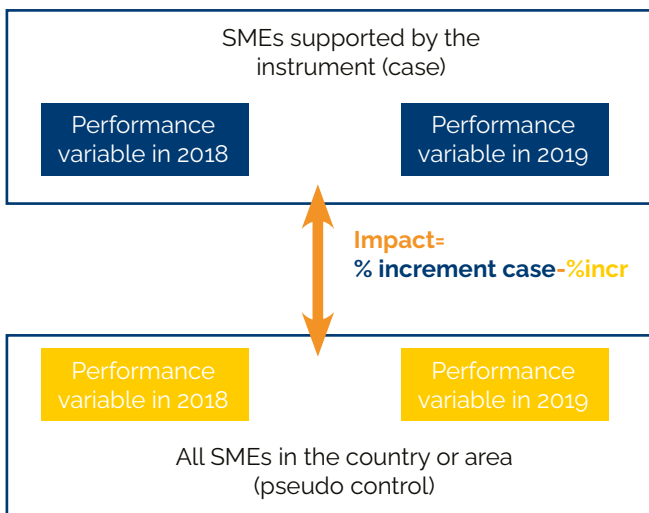
case group, and the performance of all national SMEs, as a pseudo-control group.

Instead, a double difference approach has been used. In other

words, the impact is measured as the difference in percentage points (pp) between the percentage increments of the performance variable from 2018 to 2019.



**Figure 5. Double difference methodology for impact assessment**

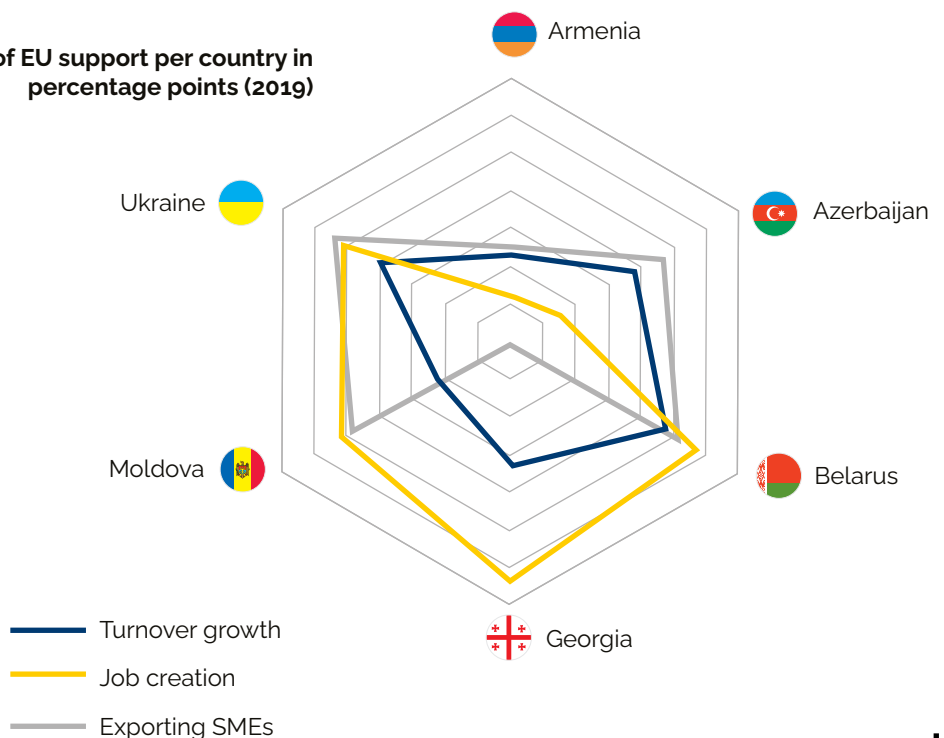


The difference measured using this methodology is presented in Table 1 and Figure 6. Impact measurement demonstrates that EU support has had a positive impact on turnover in growth and especially job generation among supported SMEs. These increased their annual turnover by more than 1.1pp and generated new jobs by 9.8pp, representing €7.6 million additional turnover and 11,568 new jobs attributable to EU support, over and above what would be expected based on average SME performance. In some countries, however, EU-supported SMEs grew less than average SMEs—in Moldova and Armenia, they grew around 4pp slower—but still demonstrated better performance in generating new jobs. Although few instruments were focused on promoting exports and no positive impact has been detected in the volume of exports, EU4Businesses has contributed to increasing the number of exporting SMEs, especially in those countries with the largest companies and greater intensity of support, Ukraine and Belarus. There an increase in exporting SMEs of more than 10pp can be attributed to EU-support programmes.

**Table 1. Impact of EU support per country and region in percentage points (2019)**

Country	T/O	Jobs growth	Export growth	Propensity to start exporting
EaP	1.12	11.17	-3.48	5.55
AM	-4.63	7.86	-12.39	-2.48
AZ	3.81	-7.52	17.28	6.89
BY	8.32	14.75	-12.55	10.86
Non DCFTA	1.61	4.19	4.52	5.91
GE	1.54	18.30	-5.05	-14.56
MD	-4.19	10.97	-3.82	9.07
UA	4.92	10.46	-14.59	11.60
DCFTA	2.05	12.32	-6.19	4.92

**Figure 6. Impact of EU support per country in percentage points (2019)**



The various instruments and pillars have had a diverse impact. A2F contributes greater to turnover growth, at 6.0pp, and job generation at 5.9pp, but not to the promotion of exporting SMEs. On the other hand, BDS instruments have a positive impact on generating jobs, at 10.3pp, and promoting new exporting SMEs, at 6.2pp, but not on turnover.

# EFFICIENCY

For every €100,000 disbursed under the EU4Business portfolio, turnover of supported SMEs increased 3.62 times (see Table 2). This multiplying effect is more intense for BDS instruments, at 6.36 times: in Ukraine and Belarus where, despite the smaller reach and the larger size of labour-intensive SMEs supported, turnover increased 14.57 and 11.13 times.

**Table 2. Impact per €100,000 Disbursed per country and region (2019)**

Country	Annual increase in turnover (100,000 EUR)			Jobs created			Annual increase in exports (100,000 EUR)		
	A2F	BDS	EU4B	A2F	BDS	EU4B	A2F	BDS	EU4B
EaP	1.97	6.36	3.62	18.05	122.20	62.46	0.06	0.89	0.43
AM	0.71	10.14	4.19	25.83	34.14	25.05	0.02	1.01	0.39
AZ	0.18	6.51	3.53	2.60	61.81	33.73	0.03	2.47	1.33
BY	11.19	11.13	6.83	45.44	107.36	53.70	1.19	2.71	1.36
Non-DCFTA	1.94	9.00	4.57	23.48	59.96	34.01	0.17	1.91	0.89
GE	1.21	3.78	2.54	15.99	63.58	41.43	0.03	0.47	0.28
MD	1.82	4.49	3.22	33.20	122.61	85.05	0.05	0.70	0.46
UA	3.10	14.57	4.50	14.77	523.11	106.76	0.05	0.57	0.14
DCFTA	2.18	5.35	3.28	16.78	137.29	69.79	0.05	0.54	0.27

A similar impact was achieved in Armenia, at 10.14 times. In some cases, the multiplier effect of the programme can be low and even below one. This does not mean that the EU4Business support had no effective impact. Rather, the impact of instruments is multidimensional, affecting employment growth, export support, access to finance, and so on, in each combination of instrument and country.

The effectiveness of EU support to SMEs also varies by type of intervention or pillar and instrument in each country. On average, **every €100,000 spent contributed to generating 62 new jobs**, with an average of 70 in DCFTA countries and 34 in non-DCFTA countries. **BDS instruments generated 122 new jobs per €100,000 disbursed, indicating that they are more effective here than A2F instruments,**

**at 18/€100,000.** In Ukraine, where supported SMEs have the largest number of employees, every €100,000 spent on BDS generated 523 new jobs whilst A2F only created 15. Overall, the effectiveness with export growth was higher in Ukraine, Belarus and Moldova, at 11.29, 10.38 and 9.05 new exporting SMEs per €100,000.

# CONCLUSIONS AND RECOMMENDATIONS

Based on the available limited data, all aggregated at country level, this analysis suggests the relative effectiveness of EU support to SMEs in the EaP, but it is only the start of an ongoing process. Possible strategies to go beyond these limitations and provide more detailed information to optimise EU support could be:



requiring the data necessary to estimate KPIs as part of the information justification of a project.



collecting administrative information from supported SMEs as part of the justification process and/or undertaking an SME survey in order to start analyzing at the microdata level. The former approach is strongly recommended, since it should provide complete microdata at a lower collection cost.

The incorporation of new observations from 2020 and upcoming years will enlarge the database and make it easier to analyse the relationship between profile and impact indicators.



# [FUTURE LEAP POLICY]

# RECOVERY, RESILIENCE, AND REFORM: EASTERN PARTNERSHIP PRIORITIES FOR 2025

*The following are extracts from the European Commission JOINT STAFF WORKING DOCUMENT issued by the HIGH REPRESENTATIVE OF THE UNION FOR FOREIGN AFFAIRS AND SECURITY POLICY on 2<sup>nd</sup> July, 2021. These extracts are taken verbatim and relate specifically to targets and policies aimed at supporting SMEs in the EaP.*

**[...] Through its ambitious '20 Deliverables for 2020' reform agenda the EAP has delivered tangible results on the ground and improved people's lives. The final overview report on the implementation of the agenda shows good progress in particular in areas relating to the economy, digital, and stronger societies with continuing challenges as regards justice and anti-corruption.**

Work on a successor agenda began in 2019 with a broad and inclusive **consultation**. The resulting **Joint Communication** "Eastern Partnership Policy beyond 2020: Reinforcing Resilience – an Eastern Partnership that delivers for all" (March 2020). [...] It identified **strengthening resilience** as an overarching policy, with

five long-term policy objectives: together for resilient, sustainable, and integrated economies; together for accountable institutions, the rule of law, and security; together towards environmental and climate resilience; together for a resilient digital transformation; and together for resilient, fair, and inclusive societies.

These objectives, as acknowledged at the Eastern Partnership Leaders videoconference, held in June 2020, form a solid basis for a joint agenda focusing on recovery, resilience, and reform. [...] With the overall objective of strengthening and generating concrete benefits to the people, the new agenda will be structured around two pillars:

➤ Investment, to be supported by an Economic and Investment Plan

➤ Governance

These two pillars will be supported through the various EU tools and modalities, including the new Neighbourhood, Development and International Cooperation Instrument (NDICI) – Global Europe instrument and the Team Europe initiatives, cross-border cooperation programmes and the partners' own investments.

As part of a comprehensive agenda of joint commitments, a selection of **Top Ten Targets** has been identified. Together with the flagship initiatives, these will contribute to maximising impact and visibility on the ground.

\* [https://ec.europa.eu/neighbourhoodenlargement/sites/near/files/joint\\_communication\\_on\\_the\\_eap\\_policy\\_beyond\\_2020.pdf](https://ec.europa.eu/neighbourhoodenlargement/sites/near/files/joint_communication_on_the_eap_policy_beyond_2020.pdf)

# TOP TEN TARGETS FOR 2025

## Investing in Competitive & Innovative Economies

500,000 SMEs supported

## Investing in sustainable and smart Connectivity

3,000 km of priority roads and railways built or upgraded

## Investing in people and knowledge societies

70,000 individual mobility opportunities for students and staff, researchers, young people and youth workers

## Investing in Sustainable Energy

250,000 households reduce energy consumption by at least 20%

## Investing in Environment & Climate

Another 3 million people gain access to safe water services

Air quality monitored and improved in 300 cities

## Investing in Rule of Law

All high level officials declare their economic assets and these declarations are verified

## Investing in security and cyber resilience

A strengthened framework in place for identifying and addressing hybrid threats; strengthened partners' capacities to increase cyber resilience and tackle cyber crime, including through fully implementing the Council of Europe Budapest Convention on cyber crime

## Investing in Inclusive Gender Equal and Diverse societies, and strategic communications

2,500 local Civil Society organisations supported, 120 independent media outlets and 2,000 Journalists supported

## Investing in Health Resilience

850,000 health workers vaccinated and benefit from improved therapeutics, equipment and conditions

## Investing in Digital Transformation

80% of households have affordable access to high-speed internet

**Together for resilient, sustainable, and integrated economies**

## 1A Trade and economic integration

To deepen economic and trade integration, and further increase EU/EaP:

- strengthen the business environment and facilitate trade and investment while ensuring a level playing field, in order to diversify exports including with less carbon intensive products and services, and increase trade between EU and partner countries at a rate exceeding total world trade growth.
- accelerate implementation of the deep and comprehensive trade areas (DCFTAs) with Georgia, Moldova and Ukraine, the Armenia-EU comprehensive and enhanced partnership agreement (CEPA) and other trade arrangements in order inter alia to ensure better access to the EU internal market, focusing in particular on regulatory approximation in the areas of public procurement, technical barriers to trade, sanitary and phytosanitary measures, customs and services;
- work to establish a system that allows preferential proofs of origin to be issued and/or submitted electronically with Georgia, Moldova and Ukraine;
- achieve Mutual Recognition Agreements of Authorised Economic Operator Programmes between the EU and interested EAP countries;
- work towards interested partner countries' accession to the Common Transit Convention and use of the single administrative document;
- promote good governance in taxation, in particular transparency and exchange of information, and fair taxation; and
- take the necessary steps to enable partner countries to join the Single European Payment Area, which would facilitate cross-border euro transfers and support a stronger international role for the euro.

## 1B Investment and access to finance

Access to finance, in particular in local currencies, is key for small and medium enterprises (SMEs) looking to invest in their future and finance their growth plans. In partnership with international financial institutions (IFIs), the EU will provide at least €1 billion of local currency financing for SMEs, and support 500 000 SMEs (20% of all SMEs in the region). It will also develop a specific programme for women in business.

Top Ten Target:

**500,000**

SMEs supported

**20%** of all SMEs in the region

In addition, the EU, its member states, and Eastern Partners will:

- ▶ invest **€500 million of equity** to help SMEs to strengthen the start-up ecosystem, sustain economic development, promote women's entrepreneurship, create quality jobs, and pursue the green and digital transition; the new European Innovation Council will help to develop and scale up game changing innovations;
- ▶ support **structural reforms** and **reduce corruption**.
- ▶ strengthen engagement outside capital cities and unleash the economic potential of rural and coastal areas, including by investing in the sustainable food sector, easing agricultural lending and supporting diversification of activities, promoting more efficient use of resources, limiting emissions; and
- ▶ develop a 'portfolio investment' approach for at least 50 municipalities, to respond better to complexity, adapt to uncertainty and the consequences of climate change, and improve resilience and well-being.

## ANNEX 1:

### AN ECONOMIC AND INVESTMENT PLAN FOR THE EASTERN PARTNERSHIP: INVESTING IN RESILIENT AND COMPETITIVE ECONOMIES AND SOCIETIES

#### Investing in access to finance: support to SMEs.

To move towards a sustainable and low-carbon, inclusive and fair economy that delivers for all, and to support economic reconstruction after the COVID-19 pandemic, the economic and investment plan will provide support for 500,000 SMEs, i.e. 20% of all SMEs in the region. Access to finance, in particular in local currencies, is often a constraint for SMEs looking to invest in their future and finance growth plans. Through the IFI partners, the plan will provide SMEs with at least €1.5 billion of local currency financing. Specific attention will be devoted to innovative SME projects resulting from smart specialisation strategies, developing female entrepreneurship (women in business will benefit from a further €720 million of loans), and to facilitate a switch to sustainable, resource and energy efficient production models. In addition, the plan will mobilise potential investments of up to €1.4 billion in the green economy by issuing of green bonds.

#### Investing in access to finance: strengthening competitiveness and further integration in EU value chains

€500 million of equity will be invested in SMEs to accelerate their integration into wider EU value chains and promote diversification of trade, supporting green and digital transition. European foreign direct investment in EaP SMEs will be mutually beneficial and will further integrate economies. Other actions supporting further integration of EaP countries in EU markets such as implementing the DCFTA and CEPA trade agreements, recognition of authorised economic operators programmes, increasing EU-EaP cross-border e-commerce by 50%, operationalising key digital transport corridors to complement improvements in physical transport connectivity in line with the indicative extension of the core TEN-T networks, targeting 30% of documents transferred cross-border being digitally signed, and joining the single euro payment area (SEPA).

Given the importance of agriculture in the economies of the region, the Plan will mobilise potential investments of up to €500 million.

**The partner countries, the EU and its Member States, as well as civil society have a joint responsibility to ensure that this new agenda delivers, ensuring that the EaP remains robust and relevant and continues to benefit the whole of society. Working together towards recovery, resilience and reform will benefit people in all partner countries, and will contribute to building a stronger Europe in the world.**



# AMBITIOUS BUT ACHIEVABLE:

## HOW CAN WE ATTAIN THE TARGETS FOR EASTERN PARTNERSHIP PRIORITIES FOR 2025?

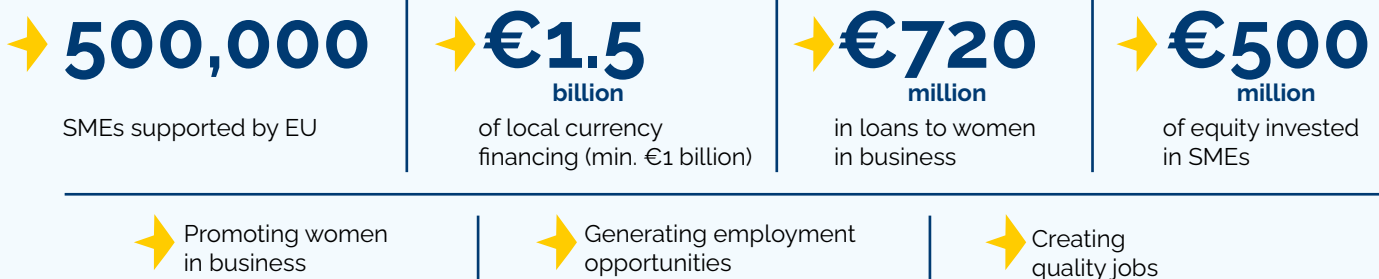
### SCOPE OF SME TARGETS FOR 2025

As stated in the Joint Staff Working Document, we all have a responsibility to ensure delivery of the 2025 targets and the EU4Business Facility will continue to monitor, assess effectiveness and efficiency, and inform the EU and other

stakeholders on progress towards achieving the targets relating to SME development. This will allow debate, discussion, and refocusing efforts to guide policy and prioritisation of delivery tools to achieve success.

Using past data, particularly recent analysis on the effectiveness of EU support to SMEs, with 2020 as the base year, we can discuss whether the targets set for 2021-2025 are realistic and what trajectory is needed to achieve them.

The key targets set out in the Joint Staff Working Document are:



### THE KEY TARGETS SPECIFICALLY AIMED AT SMEs

The headline target is supporting 500,000 SMEs in the EaP over the next five years. In 2020, despite the COVID challenges, the EU supported an estimated 72,000 SMEs across the EaP. Clearly, to achieve the 500,000 target, the number of SMEs supported must increase year on year, as, at the current rate of support, only 360,000 SMEs would be supported over five years.

Between 2016 and 2018, the number of SMEs supported by the EU grew by an average of 6.7% per annum. If this rate continued, this would mean that around 440,000 SMEs would

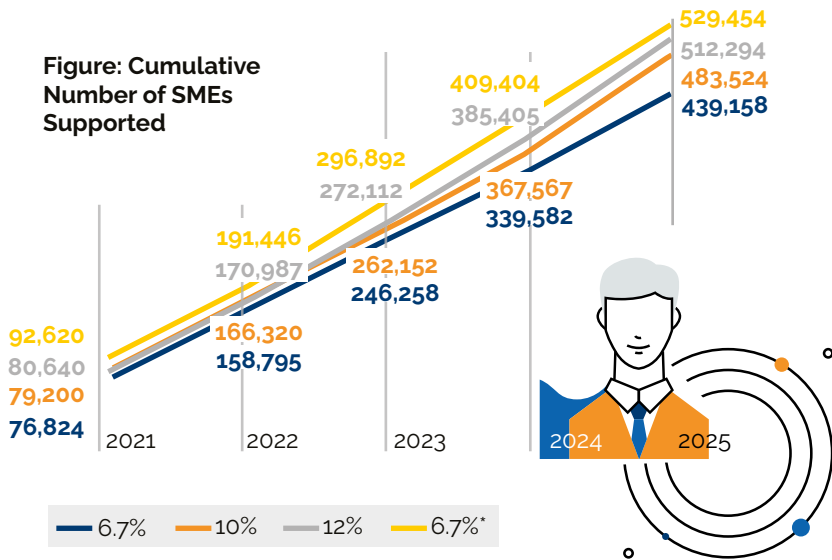
be supported between 2021 and 2025. In order to achieve the required target, a 12% annual growth rate in SMEs would be required to achieve a cumulative 512,000 SMEs by 2025 from a base of 72,000 in 2020.

However, the 2020 base figure may be artificially low as the number of SMEs supported was 8.8% less than 2019, largely because of the impact of COVID and reduced disbursement (by 22.9%). By contrast, budgets for the EU4Business portfolio have risen by 25%, which means it would be expected that the number of supported SMEs

would significantly rise post COVID (in 2021 and 2022). Based on a 25% disbursement of the 2020 budget in 2021 (as experienced in 2019) and an efficiency rate of 42.1 SMEs supported per €100,000 disbursed (again as experienced in 2019), then 2021 (or 2022 if recovery is delayed) could reasonably see around 93,000 SMEs supported\* rather than the 77,000 predicted based on 6.7% growth from the current baseline. Then, using the historical trend post COVID, the ambitious target of number of SMEs supported by 2025 could surpass 529,000 (all things being equal).

\* 25% of the current €880 million would equate to €220 million disbursed post COVID and with an efficiency rate of 42.1. As measured in 2019, 92,620 SMEs are likely to be supported post COVID.

Figure: Cumulative Number of SMEs Supported



Therefore, it seems that despite COVID, and based on the efficiency rates of EU support to SMEs in the EaP in 2019,

**the EU TOP TEN TARGET OF 500,000 SMEs supported by 2020 is achievable.**

Whilst this target looks feasible, it will require **careful monitoring and selection of instruments** that can target high number of SMEs in the EaP. Examining EU support in 2019, the most efficient instruments used by the EU in terms of most SMEs supported were:

- ▶ Interest Rate subsidies (A2) result in **174 SMEs** supported for every €100,000 disbursed.
- ▶ Consultancy services (B1) result in **95 SMEs** supported for every €100,000 disbursed.
- ▶ B2B activities (B6) result in **60 SMEs** supported for every €100,000 disbursed.
- ▶ Clusters (B4) result in **31 SMEs** supported for every €100,000 disbursed.
- ▶ Capped-loss Recovery (A1) result in **26 SMEs** supported for every €100,000 disbursed.

**The size of SMEs targeted** will also affect the number of SMEs that can be supported for each €100,000 of EU support. Though we do not explicitly differentiate impact by size of company, we can observe differences in different countries of the EaP where support of average-sized SMEs differs (although this could also be due to country differences as well):

- ▶ SMEs with a turnover less than €80,000 (Azerbaijan) resulted in the highest number: **79 SMEs** supported per €100,000 disbursed.
  - ▶ SMEs with a turnover more than €500,000 (Ukraine) resulted in the lowest number: **9 SMEs** supported per €100,000 disbursed.
- It should be noted that this analysis is based on efficiency measures from one year of data only, which should be considered tentatively and will be refined yearly as more data and learning becomes available.

## SO, WHAT ABOUT THE OTHER TARGETS SET OUT IN THE JOINT STAFF WORKING DOCUMENT?

1

The first target is a minimum €1 billion of local currency financing (€1.5 billion expected as detailed in the Annex). Currently, the only local currency loans leveraged through EU support are through Currency Hedging (A5) and Structured Funds (A8) instruments. In 2019, local currency loans leveraged through EU support totalled €81.7 million (16.3% of total lending) and €79.4 million in 2020 (45.4% of total lending). Over a five-year period, this would amount to around €400 million in local currency lending, so **to achieve the target of more than €1 billion by 2025, the current share of local currency lending in total loans needs to be maintained post COVID**; this would mean 45% of €500 million in lending (as in 2019), or €225 million per annum could be local currency loans, giving a total of €1.125 billion between 2021 and 2025.

2

In terms of the value of loans to women-led business, a target of €720 million in loans between 2021 and 2025 has been set. In 2020, 42.8% of EU-leveraged loans was received by women, valued at around €62.2 million. However, lending was substantially lower in 2020 than in 2019 where 26.5% of the €503 million leveraged loans was given to women in business, valued at €133 million. A constant 2019 level of lending to women-owned business (in normal non-COVID years) would provide a total lending of €665 million over five years, so only a small annual growth in lending to women is required over the period and **the target of lending €720 million to women is very achievable.**



# 3

Equity is a very new instrument for the EU with only a few projects now starting. In 2019 and 2020 there was no equity placed in any SMEs in the EaP from EU sources. **To achieve the €500 million of equity invested in SMEs by 2025, an increased focus will be needed.** Lessons from existing equity programmes such as those in Armenia (see article: USING EQUITY INVESTMENT AS AN EU A2F INSTRUMENT) will be invaluable in taking this forward.

**Other goals were also detailed in the Joint Staff Working Document without setting targets, including promoting women entrepreneurship, creating jobs, and ensuring quality jobs. Suggested measures and achievable targets for consideration are outlined below.**

1

Promoting women's entrepreneurship could simply mean an increase in the percentage of women-led business supported by the EU. In 2019, around 29.8% of the 78,995 SMEs supported by the EU were women-led, and in 2020 this rose to 30.7% of the 71,851 SMEs supported. Whilst striving for equality, any target should be realistic and is limited by the numbers of women-led SMEs in the EaP. Therefore, success in promoting women's entrepreneurship could mean at least a rate of 40% of SMEs supported by the EU are women-led by 2025, or averaging **33% of all SMEs supported between 2021 and 2025 are women-led.**

2

Generating employment opportunities could simply be measured by total jobs created by SMEs supported by the EU between 2021 and 2025. Setting a realistic target should be based on the number of SMEs supported. In 2020, each SME supported by the EU generated 0.70 jobs, but in 2019, this was 1.5 jobs. So, based on a target of 500,000 SMEs, and using the 2019 jobs ratio (as non-COVID), success in generating employment opportunities could mean **750,000 new jobs created by SMEs supported by the EU between 2021 and 2025.**

3

According to the OECD, the factors\* that contribute to quality jobs are wages, job market stability, and quality of working environment. Turnover per employee provides a measure of labour-capital intensity and has been used to understand the type of jobs and type of SMEs being supported. In general, jobs with high turnover per employee tend to be less labour-intensive with better working environments and certainly have greater scope for better wages than those with small turnover per employee. This could then provide a proxy measure for quality of job. Therefore, for SMEs to be improving the quality of jobs (or potential for quality jobs), an improved turnover per employee would be observed in EU-supported SMEs. In 2019, the average SME supported by the EU decreased turnover per employee by 3.4%. However, in 2020, the turnover per employee of supported SMEs increased by 8%, employment being lower than expected because of COVID, meaning there is no clear pattern. Success in creating quality jobs could simply mean **a positive increase in turnover per employee\* over the whole period** without specific magnitude determined, especially since the proxy measures short-term changes and improving the quality of jobs in existing firms may be more longer term.



\* <https://www.oecd.org/statistics/job-quality.htm>

\*\* Positive weighted annual average change in turnover per employee, 2021-2025



## SACOSE.MD MAKES ECO BAGS AFTER SINGLE-USE BAN IN MOLDOVA

With the ongoing adaptation of Moldovan consumers to European standards, the eco bag-making business started in Moldova. It entered a new stage of development when a grant obtained under EU4Business-EBRD Credit Line allowed Denis Corabliov, the owner of a company called Sacose.md — “sacose” meaning bags — bought an automated production line that helped him diversify his offerings. Driven by EU support, Sacose.md increased both its production capacity and the size of its workforce by three people. During the pandemic, due to its high production capacity, Sacose.md also began to export medical equipment to countries like France and Italy.



*We've managed to become more competitive and to automate the production of eco packages. Thanks to EU4Business-EBRD Credit Line, we were able to purchase an automated production line."*

**Denis Corabliov**  
Owner of Sacose.md

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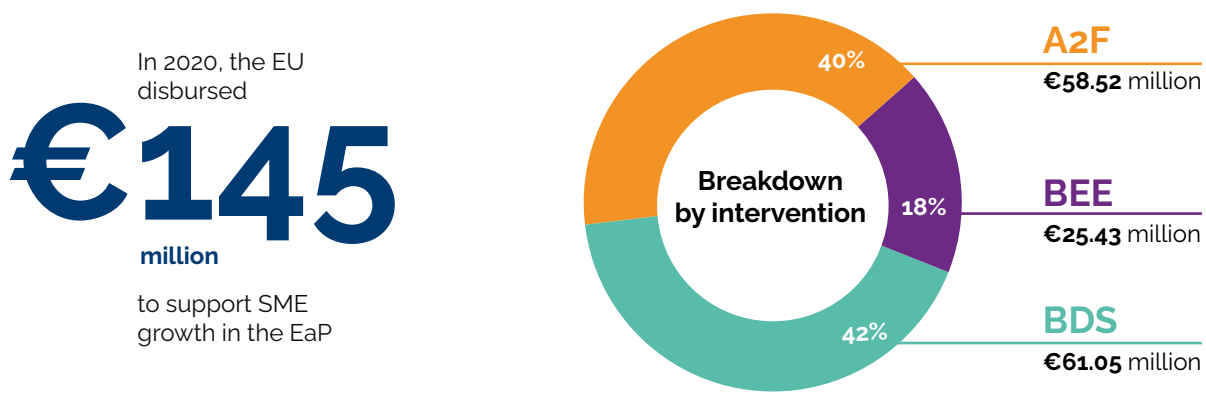




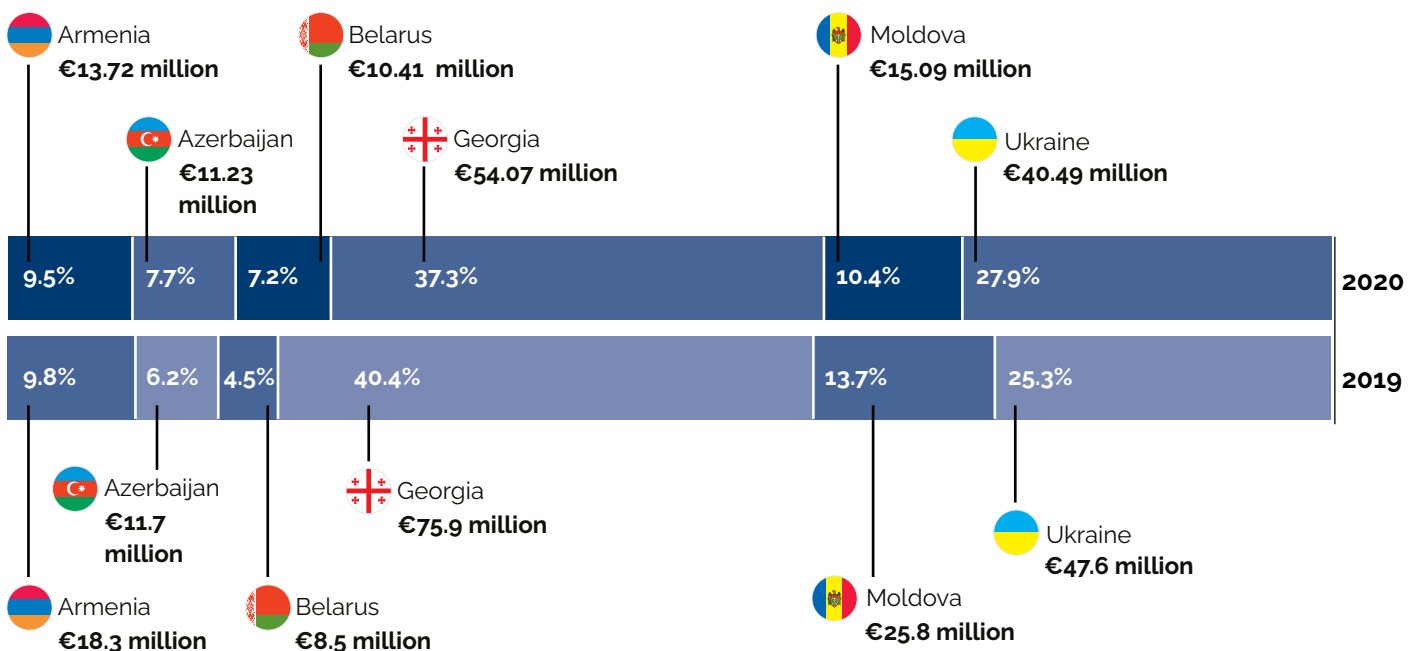
# [ACHIEVEMENTS] LIN 2020

# [ AGGREGATED RESULTS ] ACROSS THE EAP

Despite an increase in budgets of 12% allocated to SME development in 2020, due to the challenges of COVID in terms of national lockdowns, restrictions on travel, and restrictions in business and government office operations, the level of disbursement of EU support fell by 23% in 2020 from €188 million in 2019. Whilst partners adapted to new ways of working so that the maximum number of SMEs were supported at this crucial time, the budgets remain in place to support the build-back process as soon as the situation normalises.



Georgia remains the biggest recipient of EU support for SMEs in the EaP but with a reduced share in disbursements. All countries except Belarus experienced a decline in value of disbursements, however, there were differences in the rates of decline, including in Georgia. In addition, Moldova saw a decline in share of budgets disbursed, while Azerbaijan, Belarus, and Ukraine increased shares, and Armenia's share stayed fairly constant.



# NUMBER OF SMEs SUPPORTED

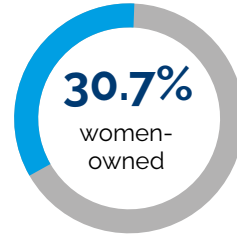
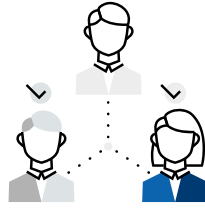
Overall, the EU supported

# 71,851

SMEs across the EaP in 2020

# -9%

from 2019



Although the number of SMEs supported fell by **9%** from **78,995** in 2019, given the **23%** decline in disbursements due to COVID, the number of SMEs benefiting from EU support is impressive. Moreover, the share of women-led business has also increased by **1 percentage point**.

## SMEs supported



received improved business development services (BDS)



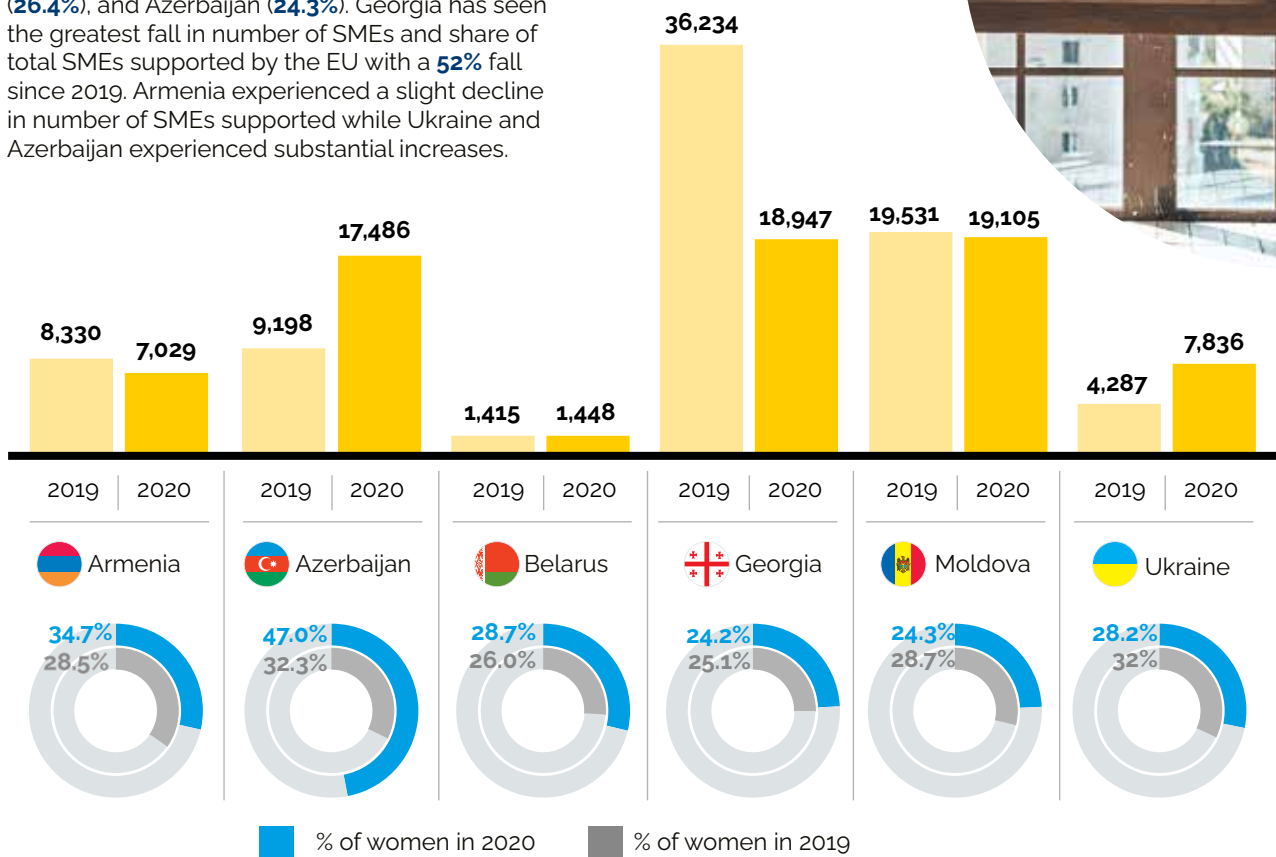
received access to finance (A2F)



While improvements to the Business Enabling Environment (BEE) would support and benefit a whole range of SMEs, this has not been included in the analysis as it is difficult to exactly quantify the number of beneficiaries and specific impact of reforms.



The majority of SMEs supported in the EaP were in Moldova (**26.6%**), followed closely by Georgia (**26.4%**), and Azerbaijan (**24.3%**). Georgia has seen the greatest fall in number of SMEs and share of total SMEs supported by the EU with a **52%** fall since 2019. Armenia experienced a slight decline in number of SMEs supported while Ukraine and Azerbaijan experienced substantial increases.



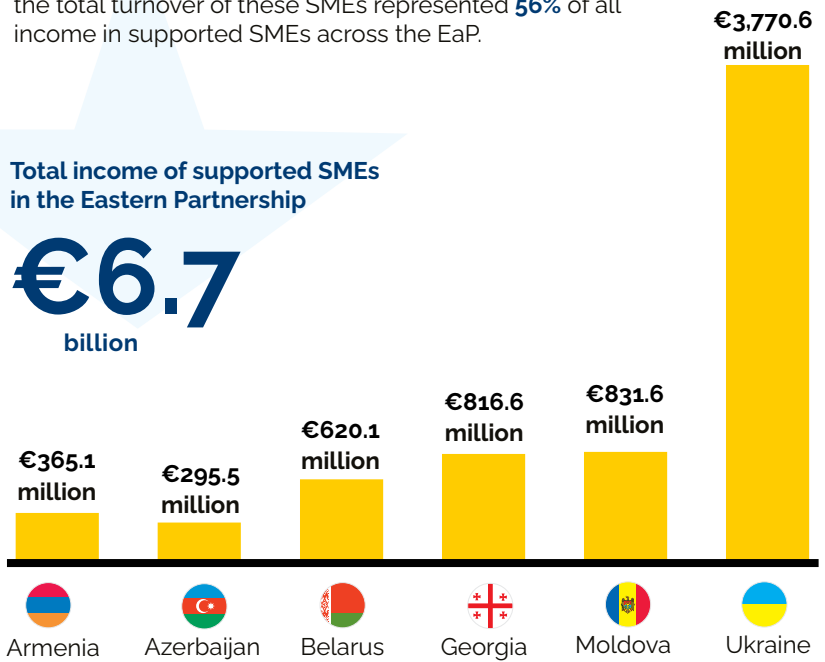
Azerbaijan supported the highest proportion of women-led or women-owned business at **47%** (up from **32.3%** in 2019). Women in business were **28%** of SMEs supported in Armenia, Belarus, and Ukraine (lower than 2019 in the case of Armenia and Ukraine, with **35%** and **32%** respectively). Moldova and Georgia were also slightly down since 2019, from **29%** and **25%** respectively.

Similarly to 2019, Ukraine accounts for only **11%** of supported SMEs but **28%** of disbursements due to the difference in size of SME supported. On average, SMEs in Ukraine had a turnover of **€374,240** (lower than the 2019 average turnover of **€510,000**) but still well above the **€79,394** average supported across the EaP.

Although far fewer SMEs were supported in Ukraine, the total turnover of these SMEs represented **56%** of all income in supported SMEs across the EaP.

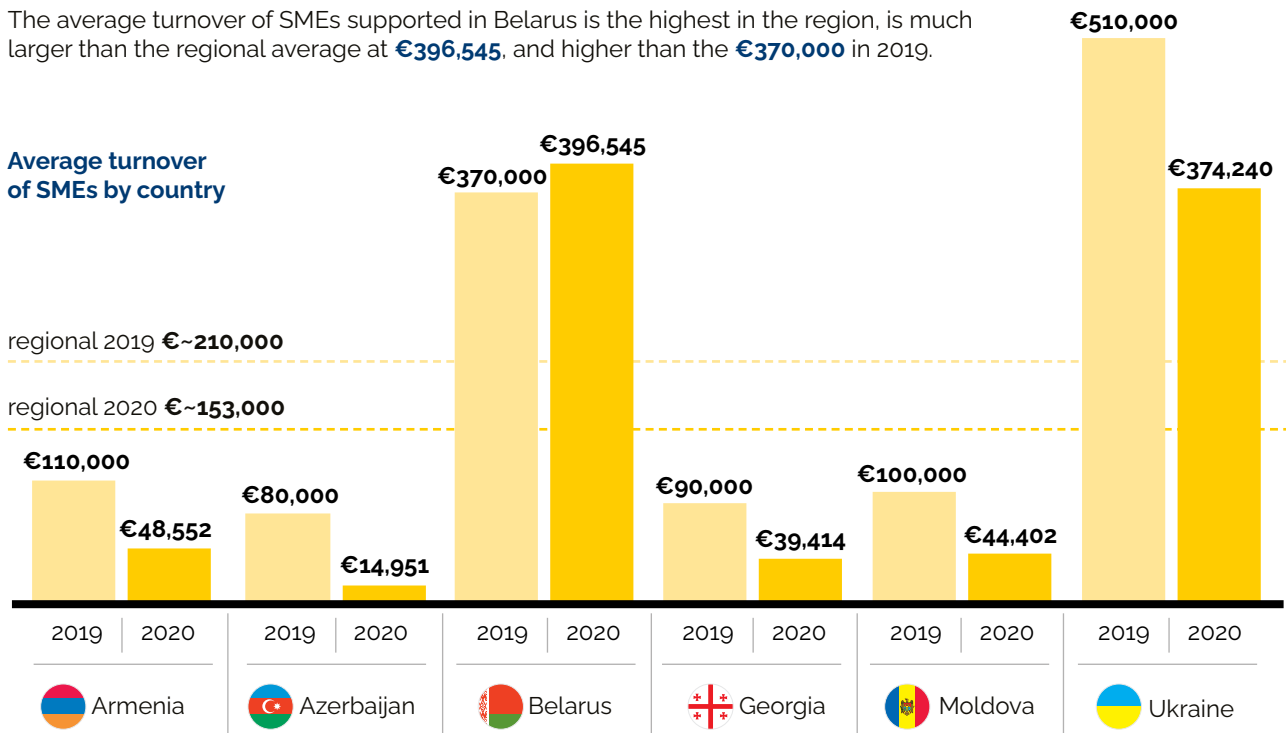
**Total income of supported SMEs in the Eastern Partnership**

**€6.7**  
billion



The average turnover of SMEs supported in Belarus is the highest in the region, is much larger than the regional average at **€396,545**, and higher than the **€370,000** in 2019.

**Average turnover of SMEs by country**



The EU supported much smaller SMEs in 2020, averaging a turnover of **€79,394** compared with **€123,000** in 2019. The size of SMEs supported in 2020 were also much smaller in Georgia and Moldova than in 2019, but were the smallest of all in Azerbaijan, explaining the large rise in number of SMEs supported there in 2020.

ARMENIA



## PHYTO TEA BLENDS FROM ARMENIA ARE SET TO CONQUER NEW MARKETS

The EU4Business support, implemented by ITC allowed Ar Phyto-Pharm, a small tea company from the remote Armenian province of Tavush, to develop the branding and packaging of a new product line consisting of 10 tea blends thanks to the international expertise on design and blends. Moreover, the Hazard Analysis Critical Control Points (HACCP) international food safety system was put in place at Ar Phyto Pharm, which will bring it wider exposure to international markets along with other opportunities for growth. Ar Phyto-Pharm will soon launch a new website to raise its profile and connect it with new buyers and potential partners.



*The HACCP and the website are part of the support we have received to strengthen our position in the local and international markets. We've been picking the best herbs for more than 15 years but the unique assistance we received helped intensify our work to grow the company and generate new jobs."*

**Armine Asiryan**  
Ar Phyto-Pharm's Deputy Director

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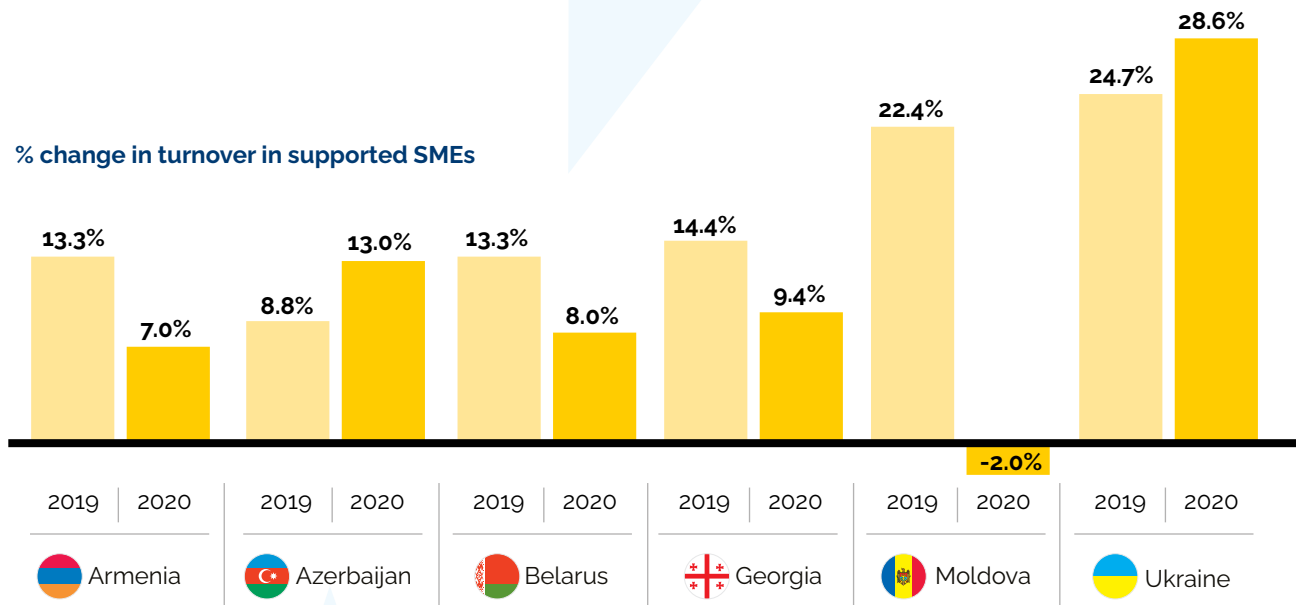
## INCREASE IN TURNOVER

↑ Across the region, SMEs supported by the EU grew by **+17.4%** on average, in 2020 compared with **+16.1%** in 2019



**€1 billion** of extra income was generated by SMEs for their domestic economies down from **€1.3 billion** in 2019 (exactly in line with disbursements which were also down 23%)

% change in turnover in supported SMEs



Azerbaijan saw the highest percentage point increase in turnover growth amongst supported SMEs (whereas it had the slowest growth in 2019) followed closely by supported SMEs in Ukraine. Supported SMEs in Armenia, Belarus, and Georgia grew between 7% and 9.4% in 2020, down on growth in 2019. However, supported SMEs in Moldova shrank by 2%.

## UKRAINE



### FROM INDUSTRIAL RUIN TO INDUSTRY LEADER: ARDENZ HEATS ALL OF UKRAINE



Ardenz, a plant producing boilers installed in every Ukrainian city with a population of more than 200,000, recently acquired a new laser machine through OTP Leasing within the EU4Business-EBRD Credit Line. The laser cutter consumes less energy and significantly speeds up processes. 2020 was a record year for the company, with a turnover of about UAH 100 million. In 2021, this is expected to increase by another 20%.



*The 10% loan compensation provided by the European Union was a very significant support for us. If not for this programme, we would not use leasing."*

Roman Kazanko, founder of SolarGaps

[Read full story](#)



## NUMBER OF SUSTAINED JOBS

EU-supported SMEs  
in the EaP employed

**536,586** people  
in 2020

compared with

**672,584**

in 2019



with the average SME supported  
by the EU employing

**6.8** workers

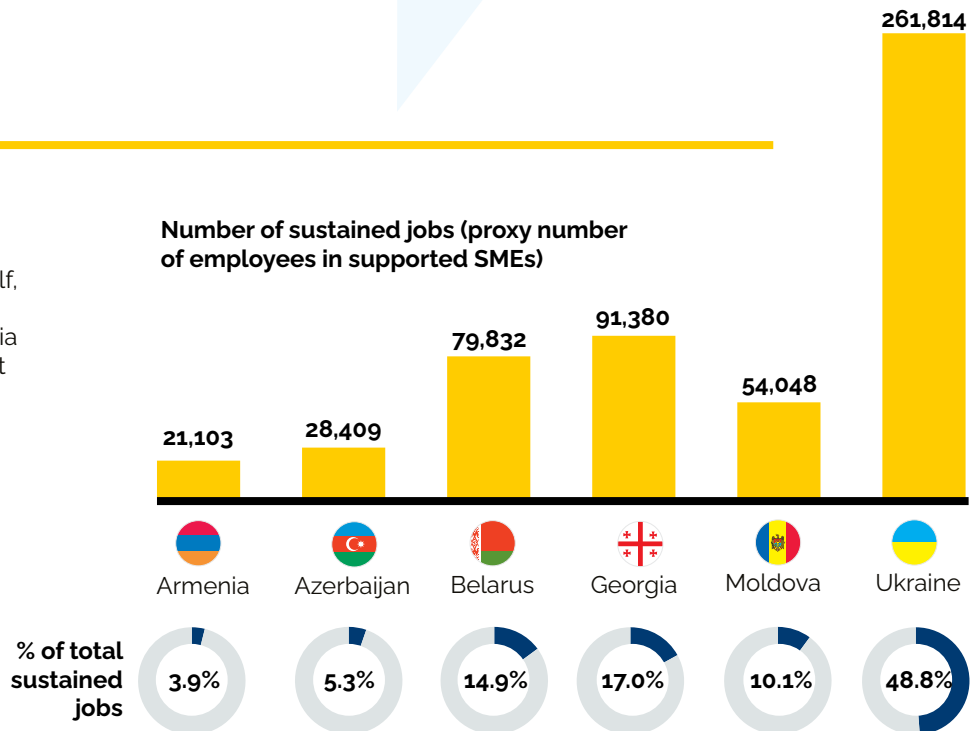
compared with

**8.5**

in 2019

The largest number of jobs sustained was in Ukraine, which accounts for almost half, and reflects the larger size of enterprises supported. Georgia represents the second largest share of jobs sustained due to the large number of SMEs supported.

Number of sustained jobs (proxy number of employees in supported SMEs)



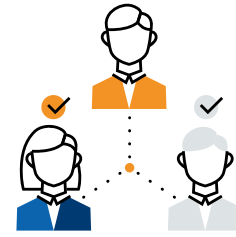
Belarus supported the largest number of jobs per SME, as well as the largest number of jobs per €100,000 in SME income, suggesting these are labour-intensive jobs as is similarly the case in Georgia, Azerbaijan, and Ukraine. Armenia and Moldova support less labour-intensive SMEs.

	Average jobs/ supported SME	Average income/ supported SME	Number of employees/ €100,000 income	Average annual income/employee at supported SME
Armenia	2.8	€48,552	5.8	€17,359
Azerbaijan	1.6	€14,951	10.4	€9,635
Belarus	51.1	€396,545	12.9	€7,766
Georgia	4.3	€39,414	10.9	€9,183
Moldova	2.2	€44,402	5.0	€19,899
Ukraine	30.8	€374,240	8.2	€12,146

# NUMBER OF JOBS CREATED

In 2020, the EU supported SMEs in the EaP countries generating

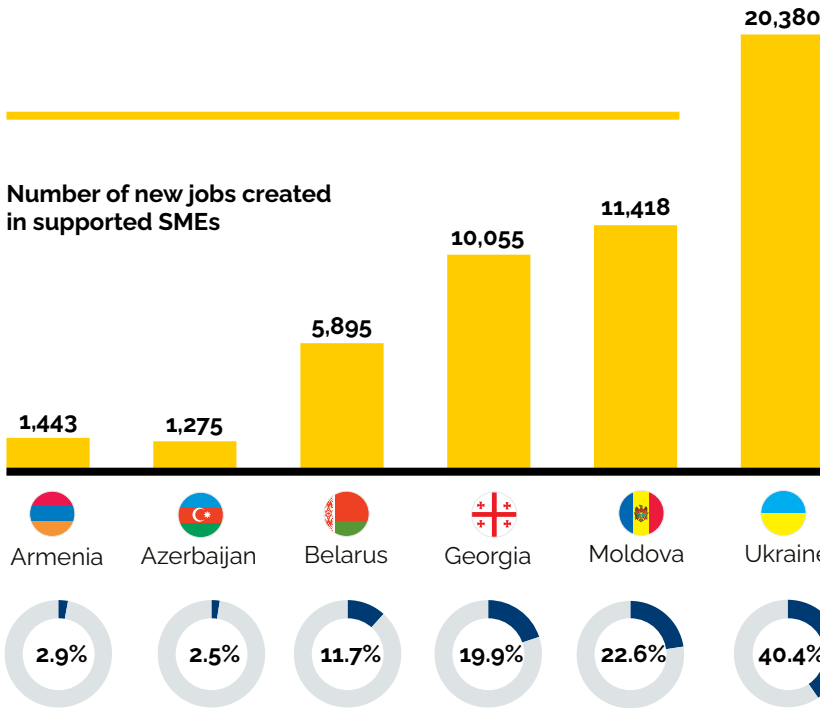
**50,466** new jobs  compared with **117,254** in 2019



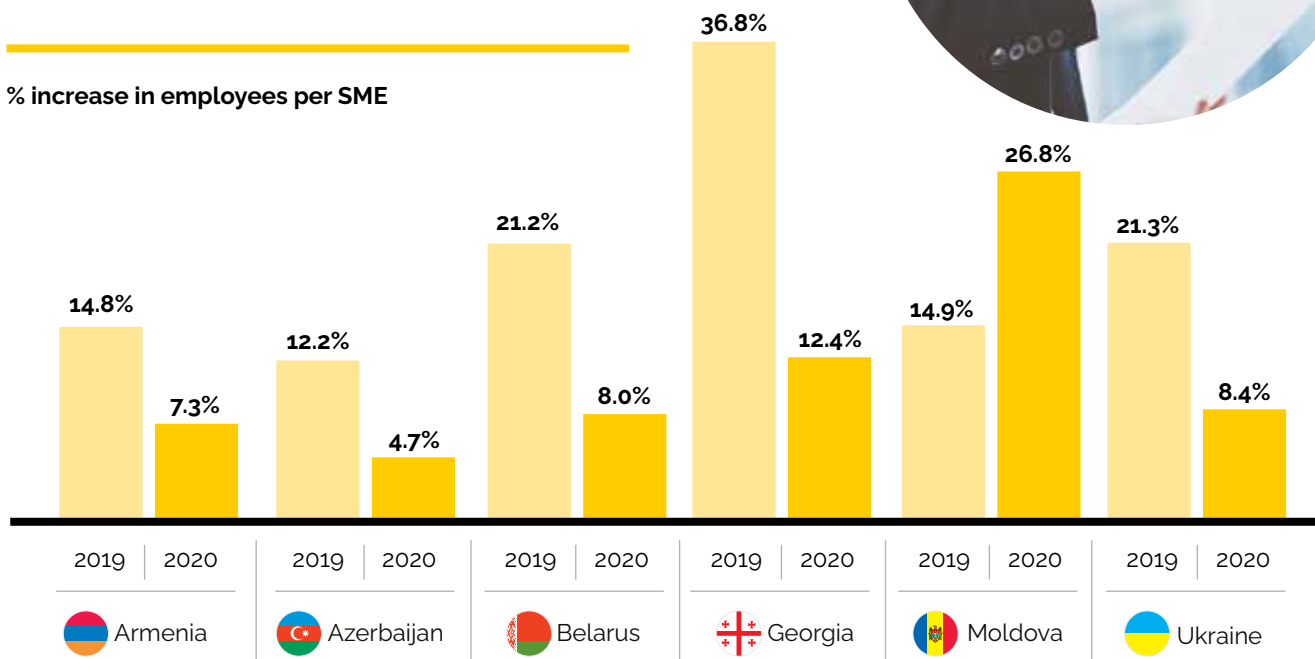
The number of new jobs created by SMEs supported by the EU in 2020 was **57%** less than in 2019, despite a fall of only **9%** in the number of SMEs supported. However, given the COVID-related uncertainties, perhaps this caution in terms of jobs creation is to be expected.

Ukraine has the highest share in number of new jobs created, accounting for **40.4%** of all new jobs in EU-supported SMEs, followed by Moldova and Georgia.

Number of new jobs created in supported SMEs



% increase in employees per SME



In all countries except Moldova, the number of jobs created by SMEs supported by the EU were less in 2020 than in 2019. Moldova supported SMEs with a much smaller average number of jobs per €100,000 turnover (five jobs) but these SMEs created many more jobs.

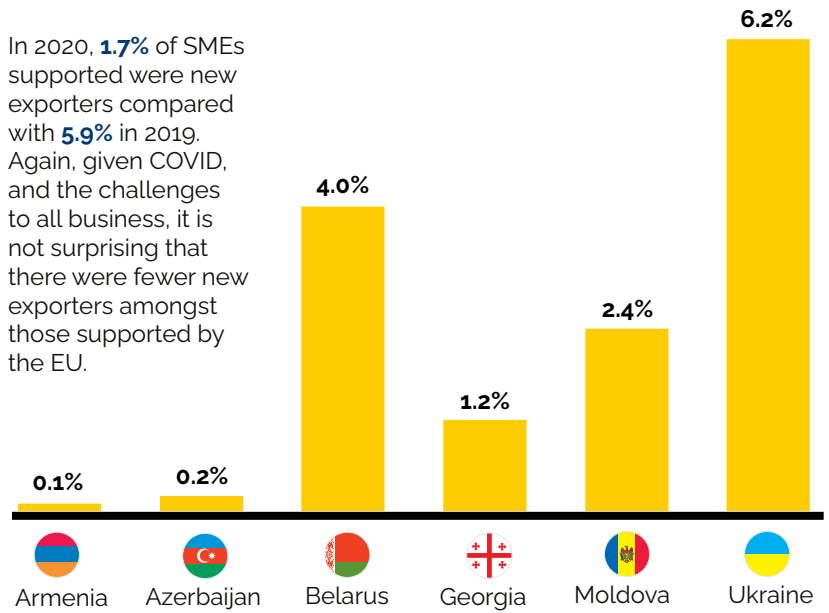
## INCREASE IN EXPORTING SMEs



**+1.72%**

of EU-supported SMEs started exporting

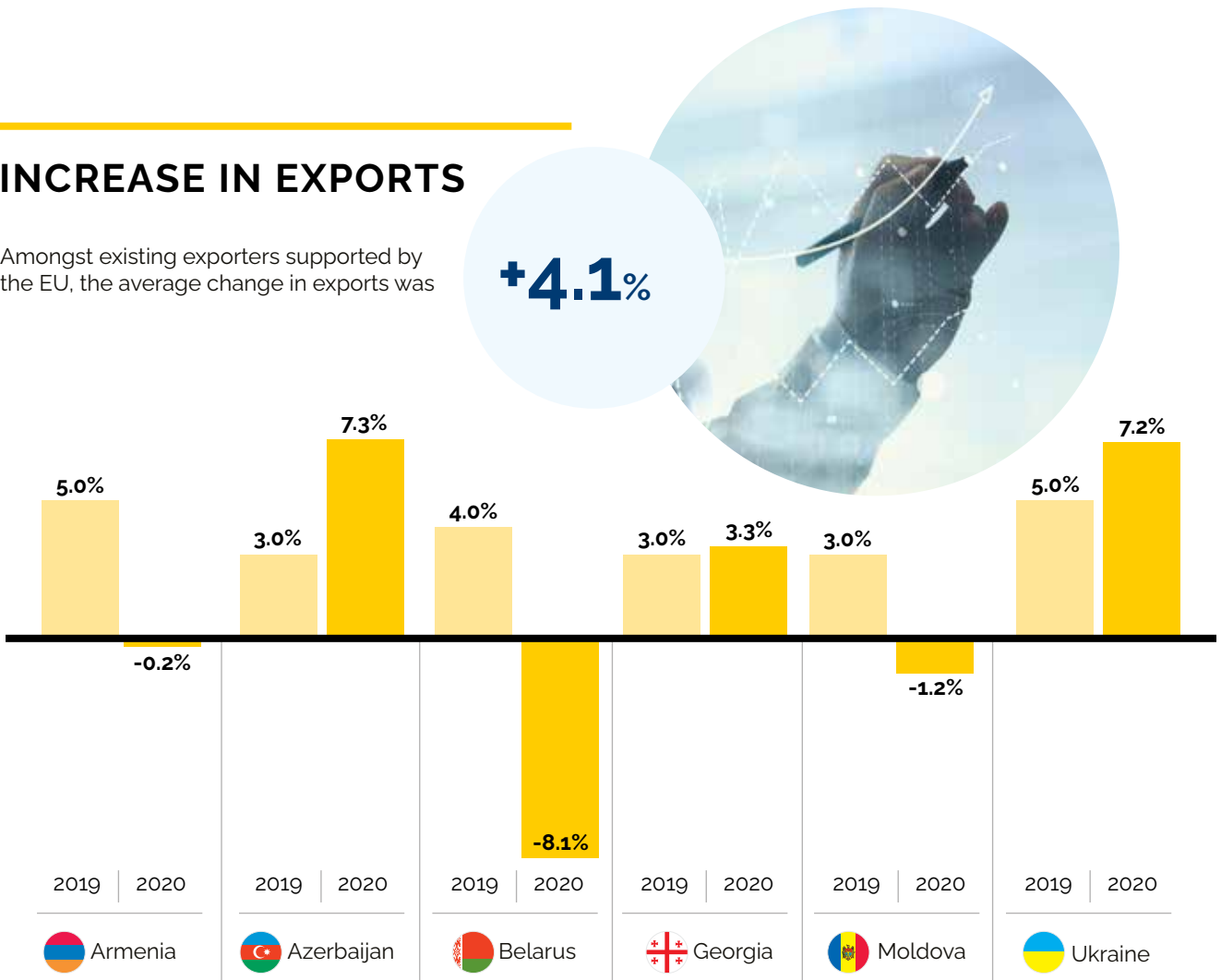
In 2020, **1.7%** of SMEs supported were new exporters compared with **5.9%** in 2019. Again, given COVID, and the challenges to all business, it is not surprising that there were fewer new exporters amongst those supported by the EU.



## INCREASE IN EXPORTS

Amongst existing exporters supported by the EU, the average change in exports was

**+4.1%**



In 2020, the growth in exports amongst EU-supported SMEs was highest in Azerbaijan and Ukraine, and these, along with exporting SMEs in Georgia, grew exports more than in 2019. By contrast, EU-supported exporting SMEs in Armenia, Belarus, and Moldova saw a decline in exports.



## FROM TREE TO TABLE, AZERI DRIED FRUIT IS A BIG HIT AT HOME AND ABROAD

With EU support, Rafael Sulkhayev's family not only managed to open a dried fruit business in 2020, just as the coronavirus pandemic raged, but to even export hundreds of tonnes of its product to both local and foreign markets. After his business idea was approved and he attended a specialized workshop, Sulkhayev and his cooperative's members were given a grant through Azerbaijan Micro-finance Association (AMFA), which helped him to buy the necessary equipment and set up a small enterprise. Last year, Magic Food exported 5,500 t of dried persimmons to Russian markets. Many supermarket chains in Baku also sell the company's products. It took less than a year to implement his concept.



*"First of all, this allows villagers to sell their products. When a new enterprise is set up, new jobs appear. New products are made that enter both domestic and foreign markets. And new opportunities for profit appear, too."*

**Rafael Sulkhayev**  
Executive director of Magic Food

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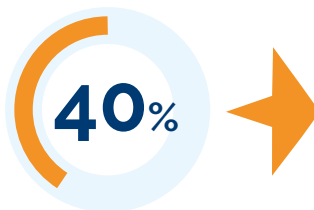


# RESULTS BY INTERVENTION



## ACCESS TO FINANCE (A2F)

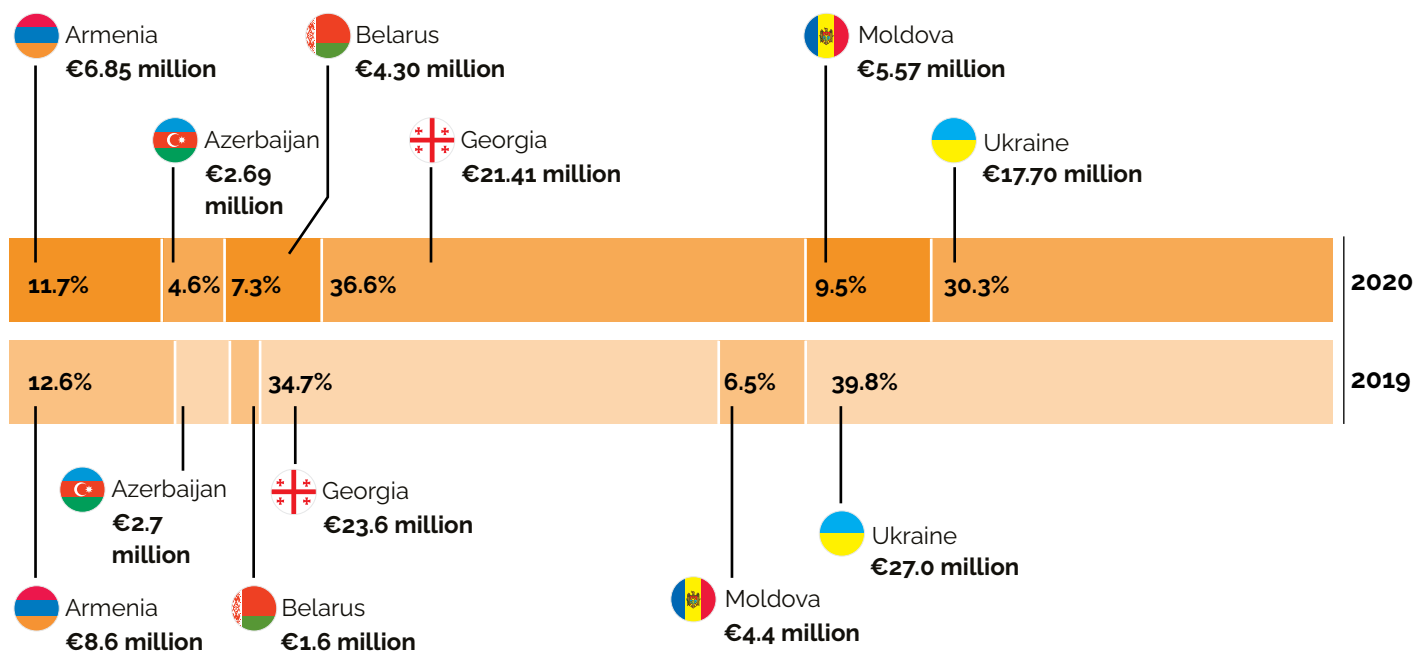
The amount of EU funds disbursed to improve Access to Finance for SMEs in the EaP in 2020 was



total EaP  
disbursed for A2F  
in 2020 was  
**€58.52**  
million

The total value disbursed by the EU in A2F declined by **€9.46** million in 2020 from **€67.98** in 2019, which represents a **13.9% fall** but is much lower than the **23%** fall in overall disbursements in 2020. As a result, the share of EU disbursements for A2F increased from **36%** in 2019 to **40%** in 2020.

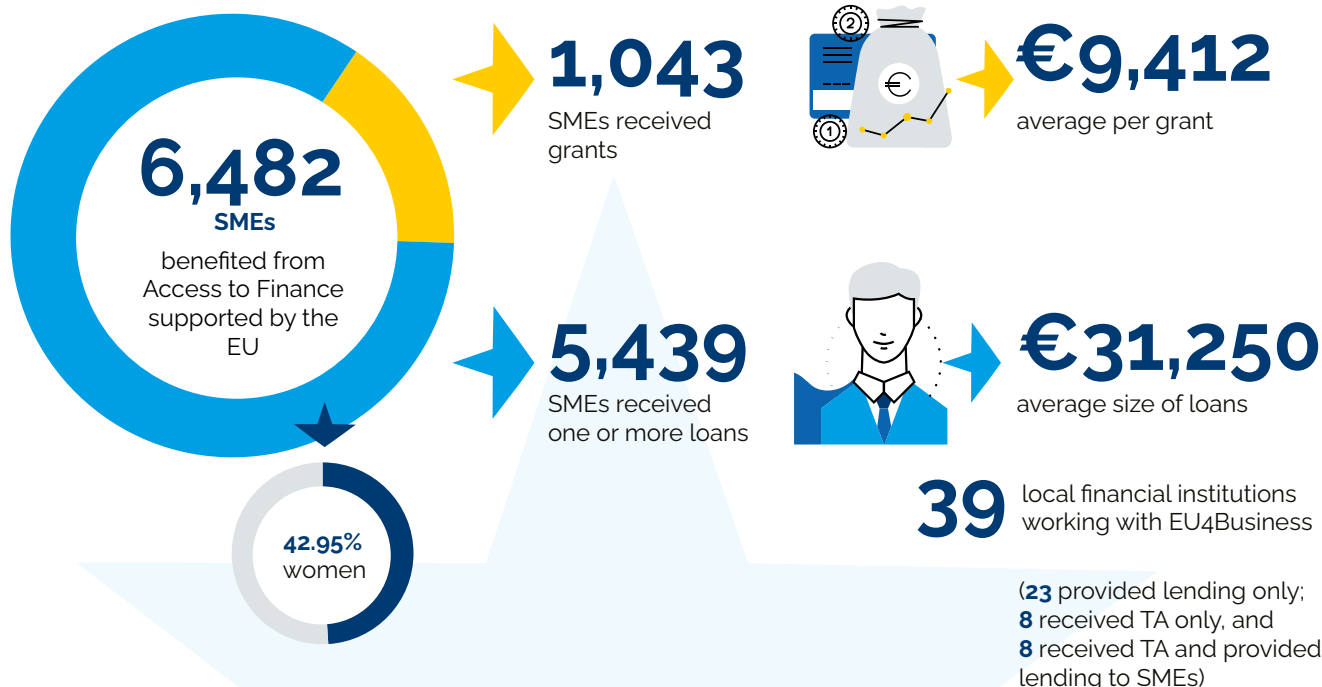
The majority of A2F support (**36.6%**) went to Georgia despite a slight fall in value of A2F disbursed by **€2.2 million**, which resulted in a **2 percentage point** higher share than in 2019. Ukraine saw a significant fall in share of A2F disbursements, as did Armenia. All other countries increased shares in A2F disbursed.



In 2020, **€42.59 million** was disbursed through International Financial Institutions (IFIs) to leverage almost

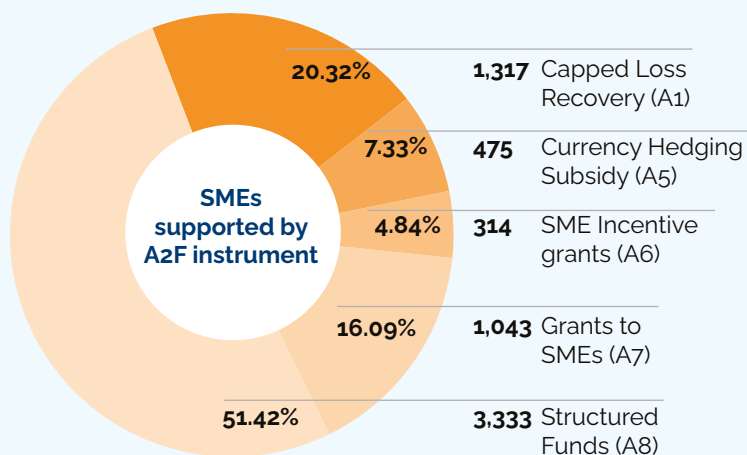
**€175 million**

in loans to SMEs through national Partner Financial Institutions (PFIs) across the EaP, compared with **€55.38 million** used to leverage **€504 million** in 2019.



Despite the reduction in loans leveraged in 2020, only **249** fewer loans were provided to SMEs, which led to a reduction in the size of average loans from **€88,395** in 2019 to **€31,250** in 2020.

By contrast, the number of direct grants to SMEs was **17%** lower (**215** less) but the average size of grant rose from **€8,273** in 2019 to **€9,412** in 2020.



Over **50%** of SMEs were supported by Structured Funds where the EU participated in a fund that lent directly to SMEs, generating **3,333** loans. The second biggest contributor to SMEs supported by A2F was Capped Loss Recovery risk sharing with IFIs, which accounted for **20%** of loans and was significantly higher than the **6.9%** in 2019. The share of SMEs supported through direct grants fell by 2 percentage point from **18.1%** in 2019 to **16.1%** in 2020. EU support programmes no longer provided interest rate subsidies in 2020 whereas they supported **13.5%** of A2F supported SMEs in 2019.

# VOLUME OF LOANS TRIGGERED IN THE EASTERN PARTNERSHIP

The total volume of loans triggered across the EaP was

**€174.81 million**

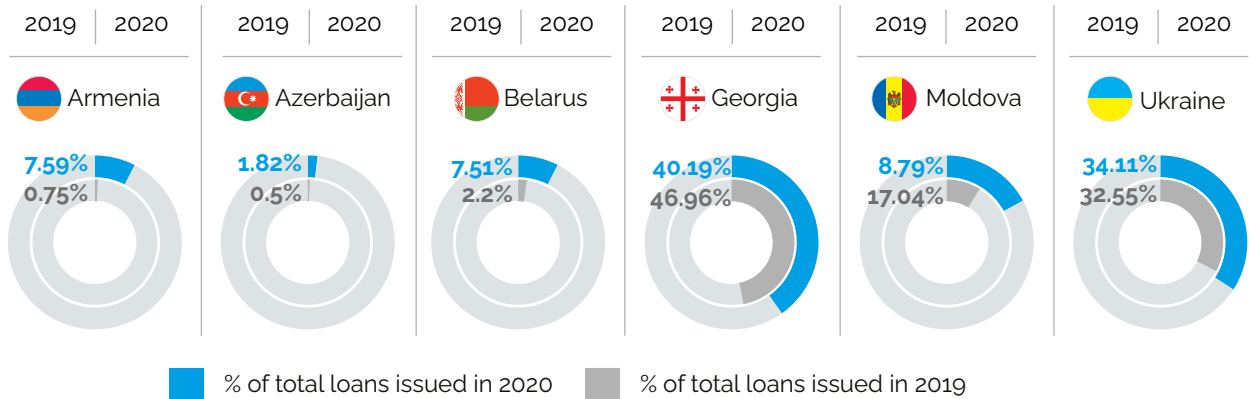
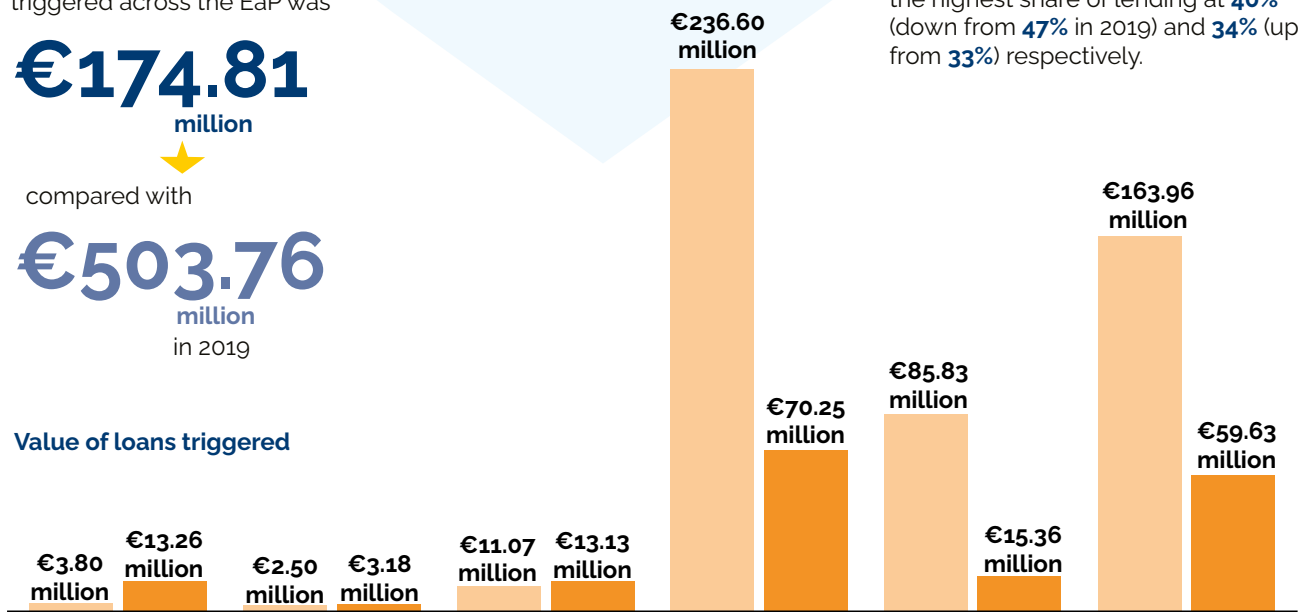


compared with

**€503.76 million**  
in 2019

In terms of loans triggered, the values of loans declined significantly in both Georgia and Ukraine whilst rising in all other countries of the EaP. Despite this, Georgia and Ukraine still had the highest share of lending at **40%** (down from **47%** in 2019) and **34%** (up from **33%**) respectively.

## Value of loans triggered



## GEORGIA



### GEORGIAN FAMILY EXPANDS ITS DAIRY FARM TO INCLUDE CATTLE FEED



Maro Khozrevanidze and her family have been expanding their farm in the village of Krtsanisi in Gardabani Municipality. They received a matching grant from FAO and EU and purchased a new tractor, a cultivator, a disk mower, and other much-needed equipment, along with some new cows. As a result, the family did not have to borrow equipment anymore and was able to increase the herd of cows to 20, while most of the families in the village have at most 5-6. This meant higher milk production and, eventually, more sales.



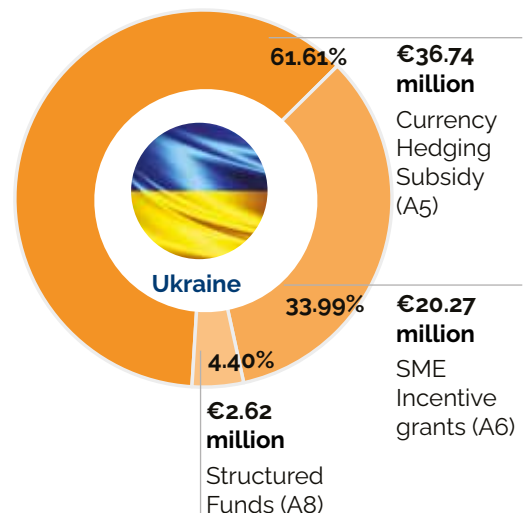
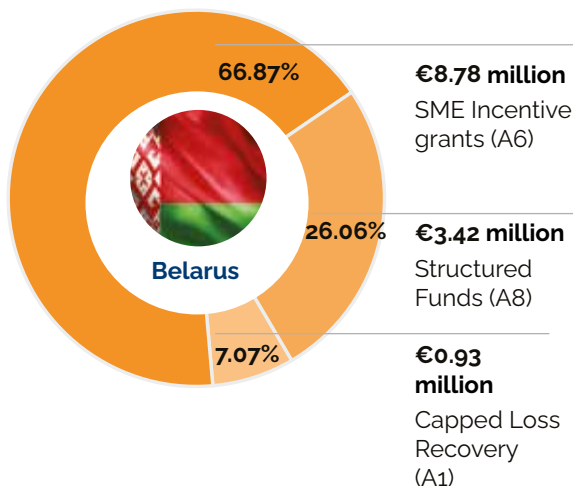
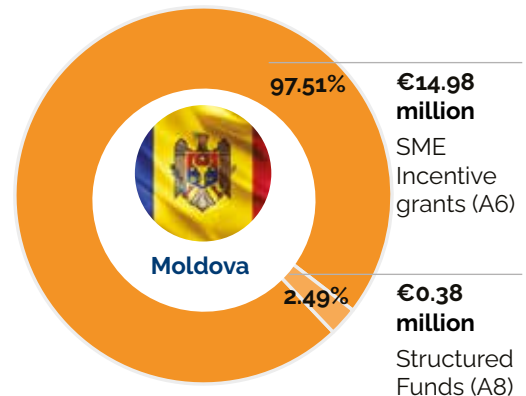
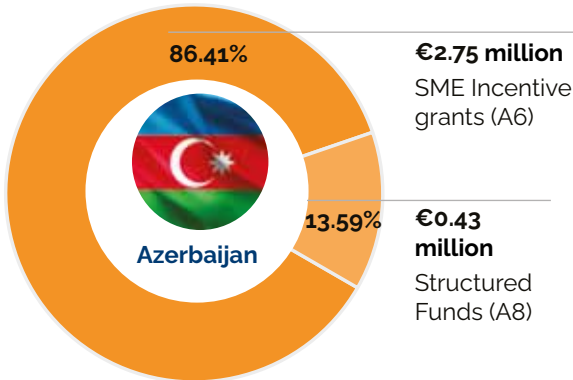
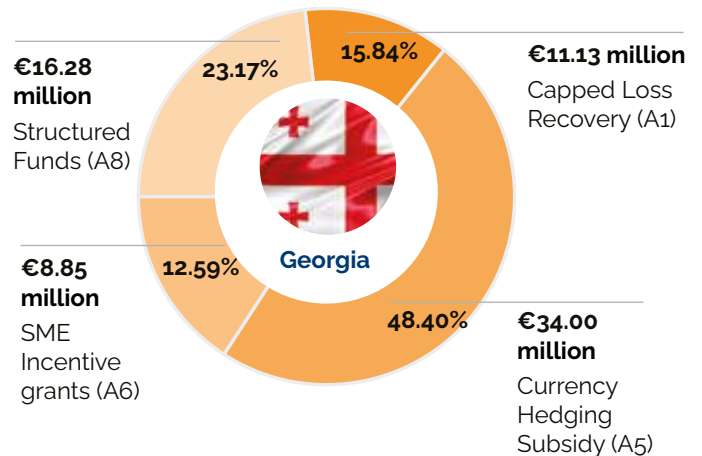
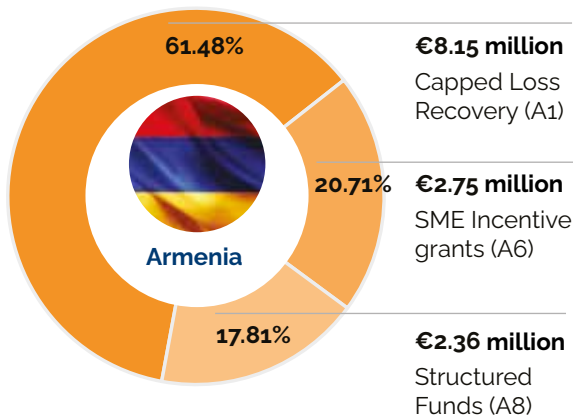
# VOLUME OF LOANS TRIGGERED BY COUNTRY

In 2020, the number of A2F instruments used in Armenia, Azerbaijan, and Belarus expanded greatly from only Structured Funds in Armenia and Azerbaijan, and Structured Funds and Capped Loss Recovery in Belarus to include SME Incentive Grants in all markets and the addition of Capped Loss Recovery in Armenia.

In 2019, interest rate subsidies were only used in Georgia and Moldova, which were not used in 2020. However, Currency Hedging was introduced into Georgia and represented almost half of all loans. Moldova used only

Capped Loss Recovery and Structured Funds in 2020 with Incentive Grants representing **98%** (up from **72%** in 2019) and **2%** Structured Funds (up from **0.8%** in 2019).

Ukraine no longer used the Capped Loss Recovery instrument which accounted for **18%** of loans in 2019. Currency Hedging remained the most-used instrument and rose from **42%** of volume of loans in 2019 to **62%** in 2020, while SME Incentive-backed Loans rose from **29%** to **34%** in 2020 and Structured Funds fell from **11.3%** in 2019 to **4.4%** in 2020.





MOLDOVA



## EU4BUSINESS-EBRD CREDIT LINE HELPS MOLDOVAN HONEY-MAKER COMPETE

Regina Naturii, a well-known Moldovan maker of natural honeys without chemical additives, has been able to scale up its business to new heights. The company benefited from an EU4Business-EBRD Credit Line, received a loan and up to 15% cashback supported by the EU. The EU and EBRD also supported the company to establish a recognized brand identity, smart packaging, and catchy web design to boost sales. When the coronavirus pandemic hit the Moldovan economy, Regina Naturii found itself prepared, with an appealing website and so their employees were kept as busy as their bees. The company also distributed jars of honey to doctors and patients in hospitals.



***‘The investment covered Regina Naturii’s main operations. We invested in equipment to prolong the shelf life and quality of our honey, machines to clean the honey of impurities and preheat the raw product to liquefy it before further processing, as well as transportation vehicles, storage facilities and more.’***

Nicanor Negru, Regina Naturii CEO

[Read full story](#)





## AZERI WOMEN IN THE SPOTLIGHT AS BUSINESSES EXPAND DESPITE PANDEMIC

### FROM A TO Z: A TAILOR LEARNS TO SPEND WISELY AND GROW HER BUSINESS

A tailor in Ganja, the second largest city of Azerbaijan, Elza Rzayeva has been engaged in her favourite work for some 14 years. Artistic flair and hard work have made Rzayeva an experienced professional tailor in her hometown. At the same time, she has always looked for ways to expand her business and acquire quality materials as well as her dream sewing machine. An EU-funded program ADSMIRRA helped Rzayeva do exactly that.

The new computerized sewing machine can perform many complex stitches, making a sewer's work better and easier. As it turned out, the pandemic did not have a negative impact on Elza Rzayeva's business. On the contrary, her customer base has nearly doubled.



### TOVUZ TEACHER TURNED CAKE-MAKER BUYS EQUIPMENT TO EXPAND CUSTOMER BASE



Shafag Aliyeva is a cake-maker in Tovuz County in Azerbaijan. In a short period of time, her cakes became very popular in the town of Govlar. Aliyeva's hand-made designs decorated the tables at every family event. Through workshops provided by the EU-funded ADSMIRRA program, she was able to expand her knowledge how to run a business. The project also made it possible for her to buy new equipment and expand her business.

### NEW DEVICE HELPS TO WOMAN FARMER DEVELOP SAMUKH POULTRY BUSINESS

One of the most successful in Samukh County is a business established by Turkan Asadova in the village of Sarkar to expand poultry farms in the area. Asadova started her own business with the support of the ADSMIRRA project, through which she met entrepreneurs working in different areas. At present, an incubating device installed in her yard makes it possible for up to 16,000 eggs to be laid at the same time. According to Asadova, the eggs hatch after 21-22 days in the apparatus.



[Read full story](#)



# USING EQUITY INVESTMENT AS AN EU A2F INSTRUMENT: THE CASE OF THE EU-ARMENIA SME FUND

The EU has several tools at its discretion to support SMEs within the framework of the Eastern Partnership, with the latest addition being the Equity instrument, part of Access to Finance (A2F).

This instrument was piloted in Armenia, where the EU, with support from the EBRD, made a commitment of 10 million USD (€8.2 million) to the EU-Armenia SME Fund – a private equity fund managed by Amber Capital, which is mandated to pursue appropriate risk adjusted

returns by investing in Armenian SMEs. In this way, EU funds are being managed by a professional asset manager for investments in the share capital of local SMEs to fund capital expenditures and expansion projects.

## The Equity instrument

is structured with two important investment enhancement mechanisms to help the fund manager raise additional funds from other investors.



### Firstly,

the EU is providing a first loss guarantee to other investors, meaning that in the case of underperformance other investors of the EU-Armenia SME Fund have a downside protection of up to 10 million USD (€ 8.2 million) before their capital is at risk.



### Secondly,

the EU does not participate in returns on its invested capital, meaning that the other investors receive the benefit of the returns on EU invested capital pro-rata to their commitments in the Fund.

These enhancements provided by the EU were instrumental to enticing other investors to join the Fund and thereby provide access to finance to Armenian SMEs.

## 1. EQUITY AND DEBT AS SOURCES OF CAPITAL

Why is access to institutional equity finance so important? Whilst bank finance is readily available in the Armenian market, very few SMEs are able to secure financing terms at attractive rates. Generally, the USD-denominated bank debt available to Armenian SMEs has interest rates of between 7% - 9% and a tenure of between one and three years. For local currency denominated debt the respective rates are c. 3% higher. In addition to the relatively high interest rate, the business is required to post significant amounts of collateral – from fixed assets all the way to personal guarantees by business owners. Whilst some companies are able to tap the capital markets and issue bonds at more attractive rates, these are usually

larger entities from the financial sector with established corporate governance practices and audited financial statements – a pre-condition for listing any instrument on the local exchange.

The result is a significant debt overhang in the economy. Overleveraged SMEs are unable to attract more funding at affordable rates, which in turn stifles growth prospects and keeps the potential of the companies at artificially depressed levels. During times of economic downturn, many SMEs that have amassed a disproportionate amount of debt on the balance sheet face significant cash deficits to service the interest payments, bringing them to the brink of restructure or even bankruptcy.

**Institutional equity finance provides a way out for SMEs that are facing the debt conundrum. The main advantages of equity financing have been proven time and time again and can be summarised as follows:**

- An equity investor becomes a partner in the business, sharing the risks and rewards with the existing shareholders.
- With an equity investment there are no interest payments, so in times of underperformance the business does not have the pressure of additional cash outflows, which can instead be allocated to fund its operations.
- The equity injection very often results in balance sheet optimisation and a better capital structure, which in turn reduces the risk profile of the company and helps to lower the cost of debt.
- Institutional equity has significant elements of smart capital – i.e. the investor brings in not only fresh money, but also initiates knowledge transfer, experience sharing, and places a significant focus on financial literacy and corporate governance.
- Institutional investors are increasingly focused on environmental and social governance (ESG), thus enhancing company valuations in the longer term by embedding sustainable practices and market-leading standards in the core of their operations.
- Institutional equity investments help SMEs transform from a key-man organisation into corporates with appropriate internal controls, financial reporting, and governance standards, which in turn positions them for future capital market transactions through the listing of bonds and IPOs.
- Last but certainly not least, equity capital is usually invested to grow the business and fund expansion projects, bringing the SME to a critical size to harvest important economies of scale.

**There are numerous advantages to equity financing and private equity funds play a vital role in the development of local markets and corporate landscapes around the world. At the same time, the market needs to be ready to absorb equity capital. This requires a sufficient number of local companies to be at the right stage of development, which has a number of elements to it, such as:**



## Size:

Private equity funds generally operate lean structures and avoid making a large number of small investments due to the resources necessary for each investment, subsequent monitoring, and exits. Generally, a single fund with a critical size of at least 30 million USD (€ 24.7 million) would look to make between 10-15 investments, which implies an average ticket size of 2 million USD (€ 1.6 million) per investment. Since PE funds generally take minority investments, such a ticket size would mean that the company in question must already have reached a certain size prior to receiving an equity injection from an institutional player.



## Financials:

Whilst SMEs generally do not produce audited accounts, good quality reliable management accounts are nevertheless required to prepare financial analyses, produce projections, and conduct a valuation exercise. Usually this goes hand-in-hand with the size and development stage of the company.



## Culture:

SMEs are typically managed by original founders of the business, who may have a strong emotional connection to the company they created and do not adhere to the notion of corporate separate personality. In practice, before equity financing can take place, the owner of the business must not only be willing to welcome a new partner on board, but also adopt a new corporate culture and way of doing business, such as ceasing informal practices, minimising any cash transactions, bringing the books of the company into good order, etc.

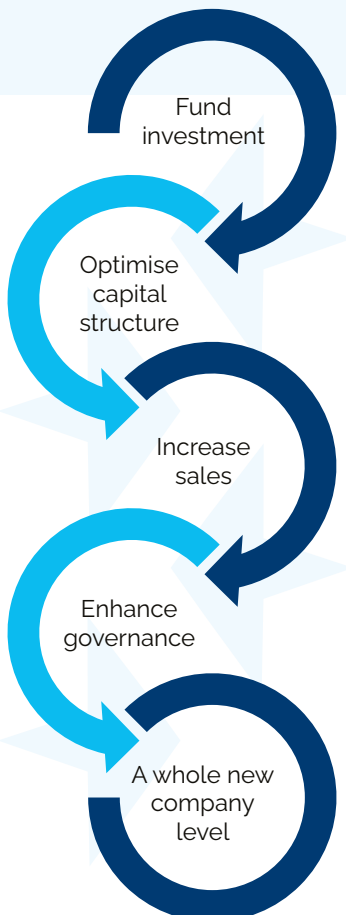
## 2. THE ARMENIAN EXPERIENCE

The EU's Equity instrument has been utilised for the first time in Armenia through the EU-Armenia SME Fund, managed by Amber Capital, which launched in January 2020. The Fund itself is a single-country fund, focused on providing growth equity capital to Armenian SMEs. Given the fact that the country does not have a track record of institutional equity funds, the instrument created by the

EU has played a crucial role in the fundraising process, as the single-country risk and the lack of track record have been partially offset with the first loss guarantee and return enhancement structural elements embedded in EU participation, thereby allowing the Fund to attract investments from domestic and international players.

### EU-Armenia SME fund: value creation themes

Balance sheet optimization	Operational efficiency	Expansion & Growth delivery	Corporate Governance
Issue	Issue	Issue	Issue
Lack of equity funding in Armenia has led to excess corporate leverage, debt overhang and barrier for growth.	Lack of company management expertise has led to inefficient business practices and underperformance in terms of return on capital employed.	Relatively low level penetration of Armenian corporations into regional markets, despite favourable trade regimes.	Underdeveloped corporate culture resulted in a lack of effective performance monitoring and reporting processes.
Opportunity	Opportunity	Opportunity	Opportunity
Capital restructuring, removal of debt overhang, reduction of cost of debt and reposition SMEs for growth.	Potential to enhance the target companies' profitability by providing management access to the relevant know-how and incentivizing the delivery on performance.	Target companies to transition from "national champions" to "regional champions" through regionally focused growth strategy, taking advantage of new international economic partnerships	Corporate reorganization to define a clear business plan and introduce effective performance monitoring, reducing the risk of missing targets. Creation of a board of directors and a financial reporting unit with CFO proposed by Amber Capital



On the investment front, the Fund focuses on deploying capital in key sectors of the economy, employing a combination of top-down and bottom-up analysis and investing in national champions which operate in growing and attractive sectors. Notwithstanding a challenging 2020, the Fund has already successfully deployed capital, with the first investment in the renewables sector at a deal size of ~ 3 million USD (€ 2.4 million). This investment is part of the Fund's renewables strategy, which aims to build a critical size portfolio of clean energy assets, bolstered with high standards of environmental and social governance, transparent financial reporting, and western-style corporate governance, so as to either list the company on the local market or exit to potential industrial buyers.

In other segments of the economy, the Fund is currently pursuing a number of opportunities in its key sectors of interest, including high-tech agriculture, manufacturing, tourism, healthcare, and textiles. The investment team at the Fund have identified a large number of investment opportunities in the Armenian market where they are looking to implement the Fund's investment thesis by optimising the balance sheet, de-leveraging and improving cost of capital, diversifying the funding sources of SMEs, and providing capital to allow SMEs to expand their business.



The ultimate goal of the Fund is to transform its pipeline of "national champions" into a collection of "regional champions", equipped with best standards of governance, financial literacy, strategic vision, and the means necessary to implement it.

The emergence of similar funds is extremely important for all economies, and even more so for smaller economies such as Armenia. Following the COVID-19 pandemic, the necessity of making capital available to SMEs is even more pressing, as the contracting economies are putting pressure on margins and resulting in cash deficits, which, in most cases, SMEs are unable to fund through local banks. At the same time, the Fund's involvement acts as an important catalyst for the development of local capital markets, by introducing the pre-requisites of listing fixed income and equity instruments such as audited financial accounts and guiding SMEs toward the benefits of listing.

This smart capital angle, brought forth by the Fund, has other benefits as well, including close cooperation with the EU and international financial institutions on such matters as technical assistance and grant programmes aimed at strengthening the SME sector. For example, one of the Fund's pipeline companies is currently a beneficiary of a technical assistance programme from a leading IFI, helping the company to enhance its marketing efforts, improve financial governance, and develop a business strategy – all key elements in the development of SMEs. The Fund targets similar programmes to be implemented in other portfolio companies, making a systematic shift to higher standards.

**As one would expect, the introduction of a similar instrument in the market also presents challenges. During the one year of operations of the Fund, several themes have been identified:**

### ➔ Understanding the instrument

SMEs in general have a lack of knowledge of different sources of capital, as the main type of funding they are familiar with is bank debt. The Armenian experience shows once again that institutional equity investors need to spend significant time and resources educating the

owners of SMEs and future portfolio companies about the benefits of equity capital, how it differs from debt, and how the two sources of funding can complement each other to create long-term sustainable value.

### ➔ Resistance to change

The introduction of an institutional equity partner brings many positive changes. However, those who have founded and developed a business across many years have a natural reaction to push back against initially unfamiliar concepts, such as the inclusion of new partners in the decision-making process, financial reporting requirements, the creation of a Board of Directors, overall increased accountability, and the costs that the implementation of sound internal control systems and corporate governance would entail. The investment team found that SMEs often take a short-term perspective on value creation and hesitate to invest in projects that do not yield immediate results.

Again, the investment team has had to engage in a significant

amount of educational activities, at times supplemented by technical assistance from IFIs, helping company owners to view the cash outflows as an investment, rather than an expense. On this point, while each individual case is different, it usually helps to highlight that the ultimate exit from the company will be significantly enhanced and facilitated if these mechanisms are already in place – there will be more buyers for the asset and the asset will attract a higher valuation. Exit-oriented SME owners are more easily convinced to change the way of doing business if there are case studies from local or international markets showcasing the benefits of transforming their businesses from key-man organisations to larger-scale corporates.

### ➔ Valuation

Given the early stage development of private equity in Armenia, with a limited amount of transactions, acquirers of assets usually face a significant bid-ask spread with sellers of company shares. Considerable time is therefore spent on educating SME owners about different valuation methodologies, assumptions, and analysis that underlie the Fund's financial models.

In this instance, third party valuers are of limited help, because the main drivers of the bid/ask spread lie between the very bullish projections developed by SME owners and the more conservative approach adopted by the investment team. There have been instances where an otherwise acceptable deal with

a company that ticked all the other boxes has not progressed due to the valuation spread. However, in many instances, the investment team has been able to overcome this challenge by bridging the difference through the use of such tools as earnout structures and setting of key performance indicators.

In the end, the numerous challenges notwithstanding, the EU Equity instrument has played a key role in the establishment and fundraising of the first institutional private equity fund in Armenia, which in turn is currently deploying capital in SMEs, diversifying sources of funding, elevating SMEs into the next stage of their lifecycle, and paving the way for increased capital market activity.



## BUSINESS DEVELOPMENT SERVICES (BDS)



The amount of EU support disbursed to improve the skills of SMEs in the EaP in 2020 was

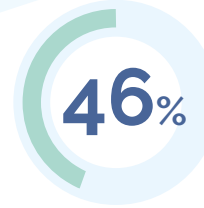
**€61.1**  
million



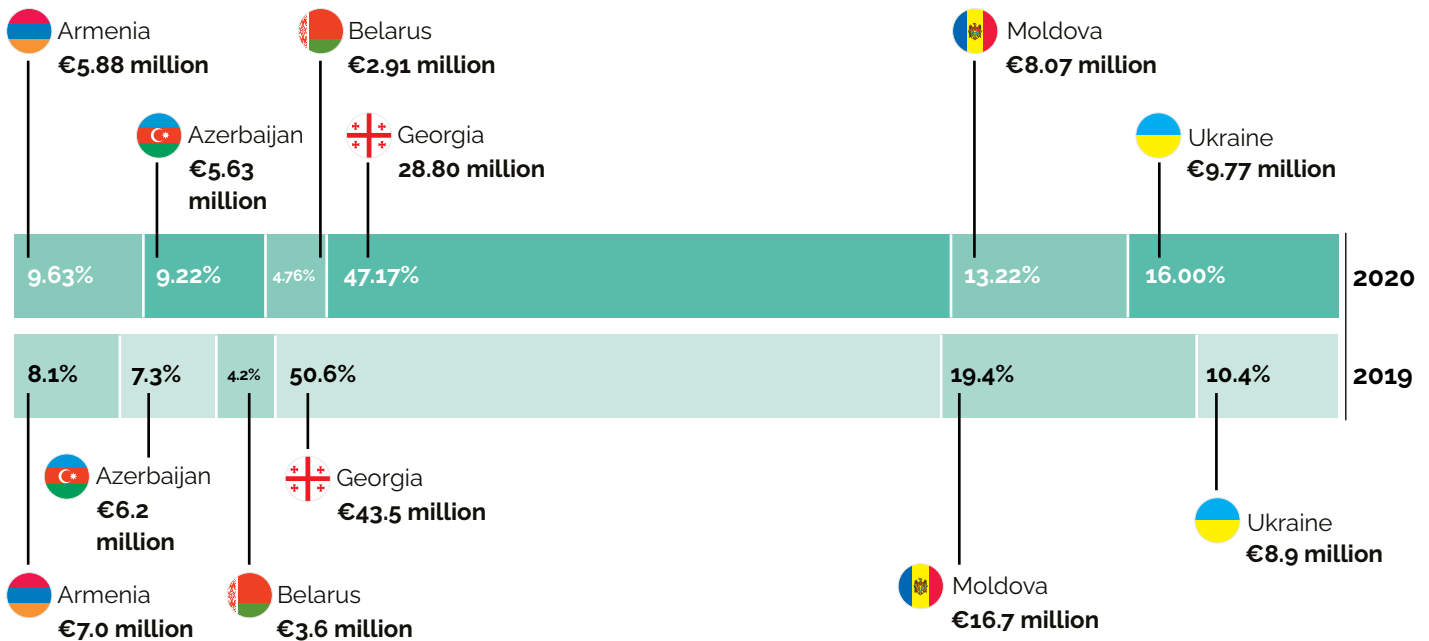
of total support disbursed in 2020

compared with

**€85.9**  
million  
in 2019



BDS support in 2020 declined by **28.9%**, which is more than the overall reduction in disbursements and, as a result, the share of BDS in overall support fell from **46%** in 2019 to **42%** in 2020.

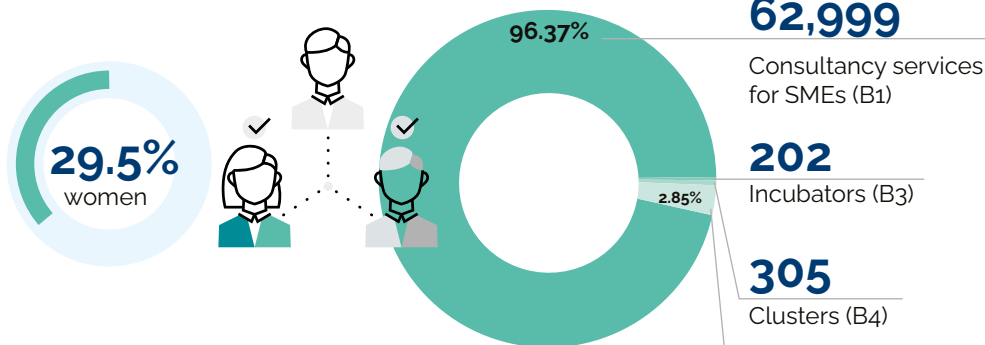


All countries of the region experienced a decline in BDS support in 2020 except Ukraine, which saw a slight increase. However, Moldova and Georgia had significant falls in BDS support which resulted in a shift in share of support from Georgia and Moldova to Ukraine, with the other three countries having experienced a slight increase in share. Despite this, Georgia still represented **47%** of all BDS support given in the EaP, followed by Ukraine (**16%**) and Moldova (**13%**).

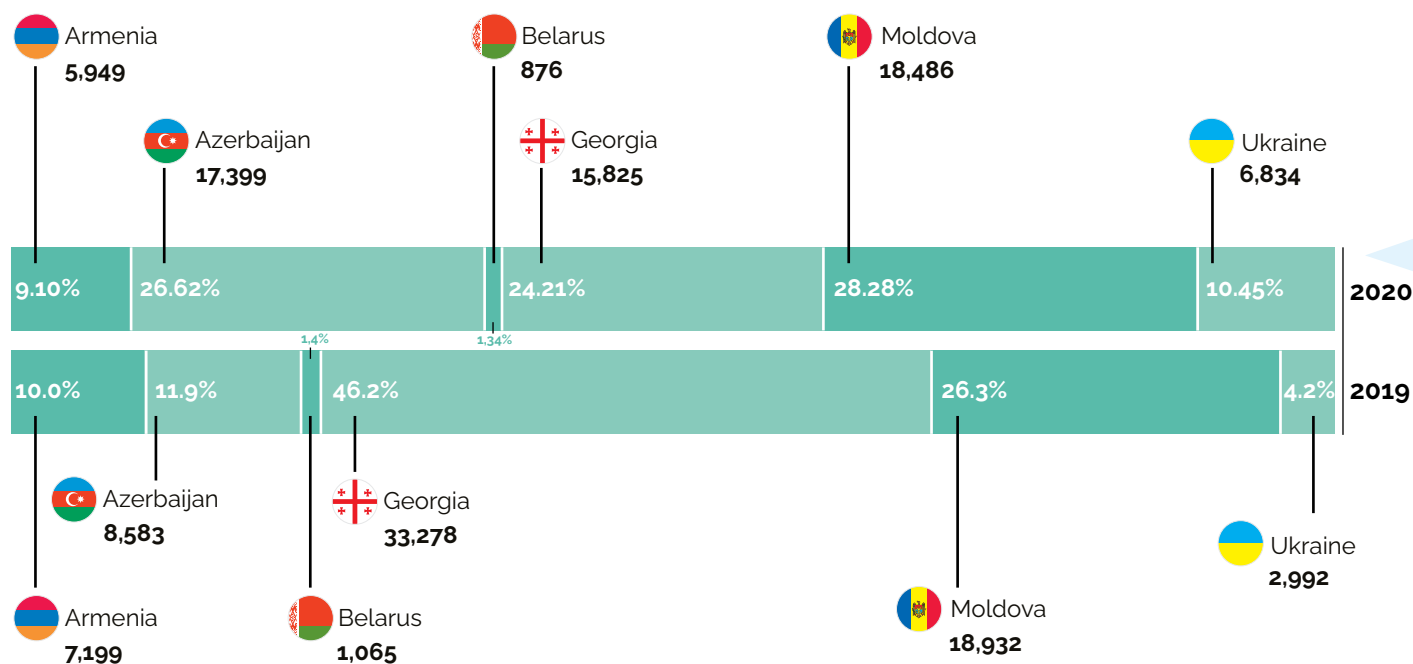
# NUMBER OF SMES SUPPORTED THROUGH BUSINESS DEVELOPMENT SERVICES

**65,369**

SMEs were supported with Business Development Services



2020 saw a reduction of **9.3%** in SMEs benefiting from BDS from **72,049** in 2019 to **65,369** in 2020 as a result of reduced disbursements in BDS by **28.9%**. The share of SMEs supported by different instruments did not change compared to 2019, other than by a **1 percentage point** shift from B2B to consultancy.



In 2020, there were increases in Ukraine and Azerbaijan in SMEs supported through BDS and a big reduction in Georgia resulting in a more even spread of supported SMEs in the region with Moldova, Azerbaijan, and Georgia accounting for over three quarters of supported SMEs in BDS.



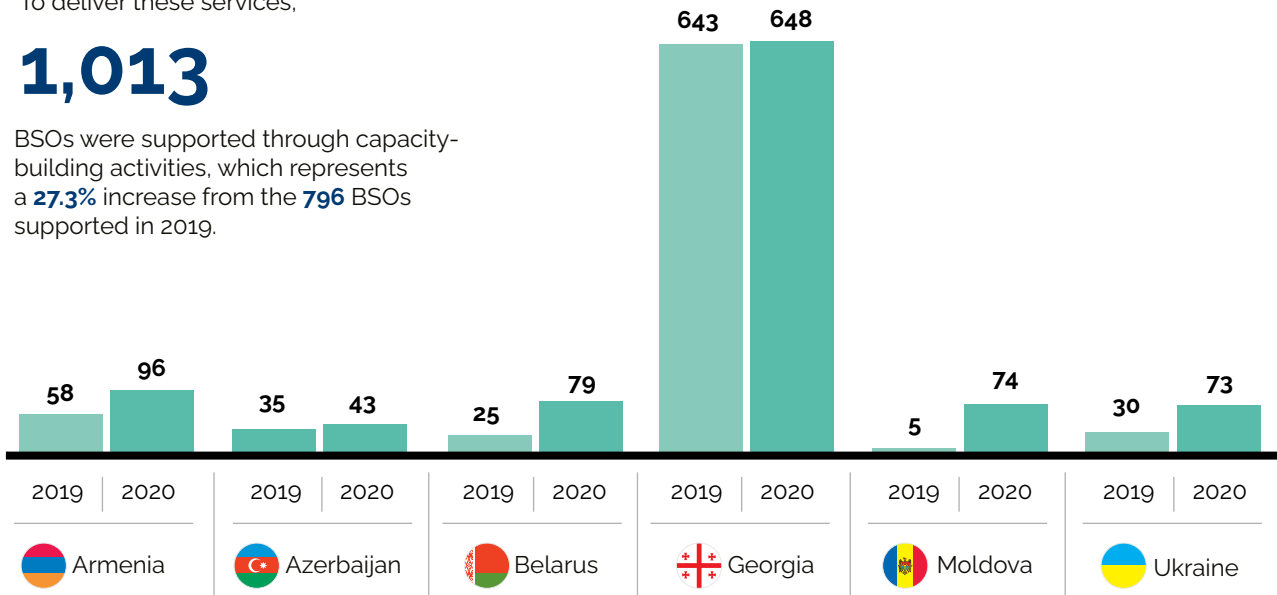


# NUMBER OF BUSINESS SUPPORT ORGANISATIONS SUPPORTED

To deliver these services,

# 1,013

BSOs were supported through capacity-building activities, which represents a **27.3%** increase from the **796** BSOs supported in 2019.



Whilst the number of BSOs supported (**64%**) is still greatest in Georgia, the overall increase in BSOs supported by the EU in 2020 was derived from increases in the number of BSOs supported across the rest of the region.

## GEORGIA



## FIXING THE WORLD, ONE BAG AT A TIME, IS GREENPACK'S GOAL

GreenPack, a Georgian company producing paper packs for baked goods, disposable paper tableware, regular paper bags and reusable shopping bags, supplies the country's largest retailers. More and more shoppers are coming to Georgia's supermarkets with the bags they've brought from home – for the founders, this is the best reward: reaching their goal to change mindsets and lifestyles, and to replace harmful plastics with eco-friendly packaging.

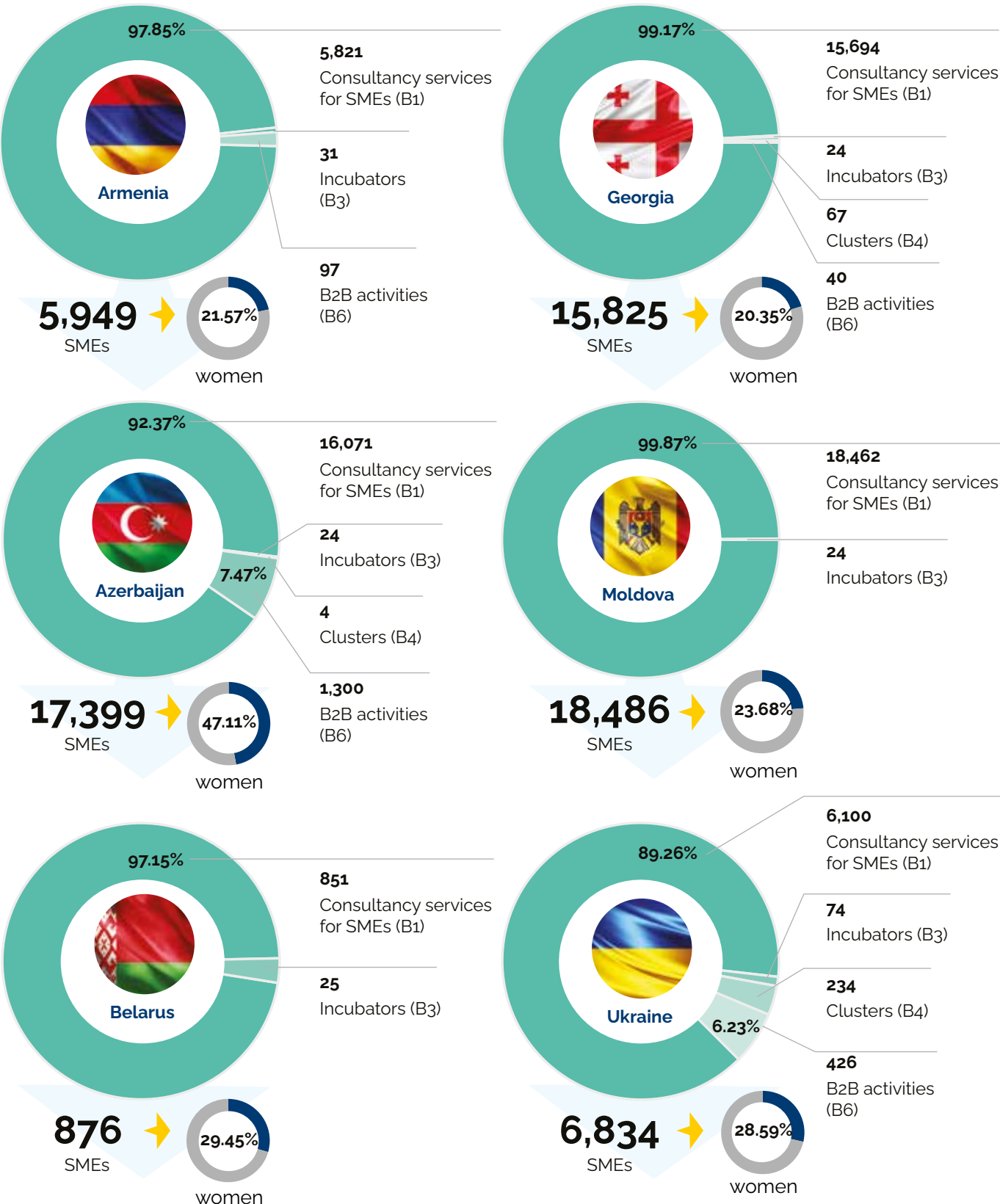
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Since companies operating in the same sector are likely to face similar challenges in doing business, it might be easier to find solutions together. With this in mind, GreenPack set up the Packaging Association, together with partner organizations. With support from the EU, implemented by UNDP, the Association took on the role of a cluster management organization (PMAG Packaging Cluster) significantly widening its scope and coverage. This made it possible not only to establish cooperation with packaging makers, but also to work with upstream, downstream and supporting industries, broadening the packaging value chain.



# NUMBER OF SMES SUPPORTED BY BDS INSTRUMENTS BY COUNTRY

Whilst direct consultancy services to SMEs is the predominant instrument used in all countries, accounting for **89%-99%** of all SMEs supported by country, incubators and B2B instruments are also used in all countries. Clusters are only used in Azerbaijan, Georgia, and Ukraine. Ukraine has the biggest spread of support to SMEs across BDS instruments with **89%** direct consultancy, **6%** B2B, **3%** clusters, and **1%** incubators. Georgia and Moldova are most concentrated with **99%** of supported SMEs deriving from direct consultancy.



ARMENIA



## EU-SUPPORTED COMPANY PROMOTES COMMUNITY DEVELOPMENT IN ARMENIA THROUGH DRIED FRUIT PRODUCTION

The Satenie company benefited from new opportunities through the EU "Ready to Trade" project, which helped Satenie develop a new product line and a brand identity. Satenie was able to build new partnerships during a major European trade show and to go on a study tour to the Republic of South Africa.



*The EU support has been a great help to us in creating a new vision to overcome the repercussions of the pandemic. The tour to South Africa in early 2020 inspired us to start a line of dried fruit*

*products in addition to dried fruit. To diversify our products and create new revenue streams, we're now making dried fruit candies from fruit that is unfit for sale. These candies are good both for domestic consumption and export."*

**Arkady Khachikyan**

Founder of Satenie company

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## ARTICLE:



By Joke Wiercx



EU4Youth

# SKILLS AND OPPORTUNITIES

## THE KEY TO SUCCESS FOR YOUNG ENTREPRENEURS

### YOUNG BUSINESS POTENTIAL IN THE EAP

Young adults between the ages of 25 and 34 are empirically those with the highest level of entrepreneurial potential. Yet, entrepreneurship rates in this age group are relatively low in Eastern Partnership countries, compared with the EU. Entrepreneurship can be triggered and encouraged, on one hand, by developing the right entrepreneurial environment—that is, politically, economically and legally favourable conditions—and, on the other, by focusing on the development of individual entrepreneurial skills and knowledge.

**One important barrier to young entrepreneurship in all EAP countries**

**has turned out to be undeveloped entrepreneurial skills.**

Young entrepreneurship is not sufficiently promoted in schools and the training that is available is not comprehensive enough to equip young people with the necessary knowledge and skills to develop their own business ideas and understand how to put an enterprise together.



**Young people lack**

➤ **not only specific business knowledge, such as**

how to set up, register, manage or brand a business, and so on,

➤ **but also the soft skills linked to**

critical thinking, taking initiative, knowing how to risk with caution, and thinking innovatively.

**School curricula tend to lack any focus on young entrepreneurship and private sector initiatives are in general also missing.**

Yet, the private sector has great potential to engage with young people and promote entrepreneurship through activities targeted at students and aspiring young entrepreneurs.

Combined with quality mentorship, this can dramatically inspire young people who currently have a limited business culture and mindset throughout the region.

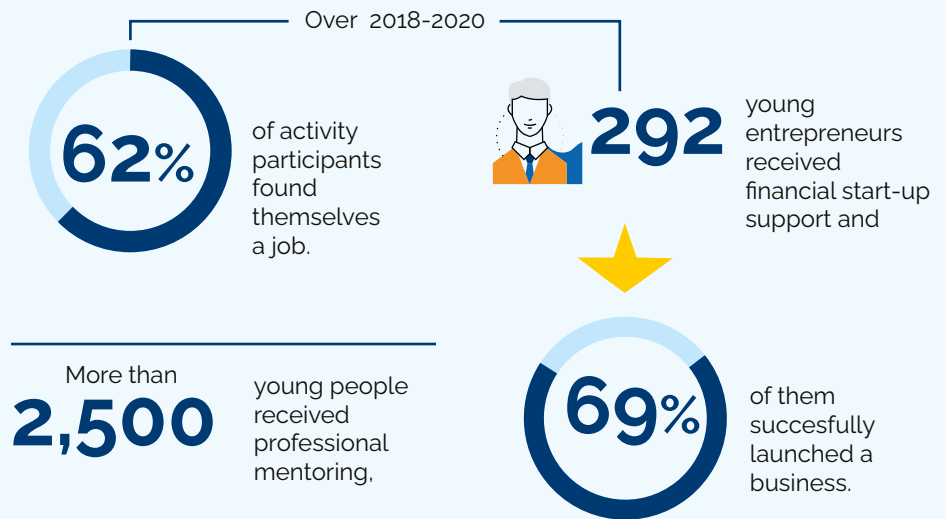
**Once inspired, young people have problems with access to finance,**

whether through grants, seed funding or investments. Young entrepreneurs tend to rely on personal investment or crowdfunding. Some seed funding from international organisations is available, including from EU4Youth-financed grant projects, but it remains

limited. The COVID-19 pandemic has only exacerbated these issues. Today, grants are particularly important for young firms and start-ups, as the evidence strongly suggests that such businesses are the most vulnerable during a crisis.

# THE EU4YOUTH PROGRAMME AIMS

to foster the employability and active participation of young people in society through the development of youth leadership and entrepreneurship. Support is primarily provided through competence-development, mentorship and financial assistance to young adults, with the aim of leading to jobs and start-ups.



## FOCUS ON SOCIAL ENTREPRENEURSHIP

Social entrepreneurship that focuses on solutions to social, cultural or environmental issues has also become an important focus in the EU's Eastern Partnership strategy and it faces similar challenges.

### During the EaP Youth Engagement Summit,

participants noted that although university education in social entrepreneurship is emerging in Armenia, Belarus, Georgia and Ukraine, the absence of guidebooks, trained personnel and good connections to practitioners prevent such programmes from reaching their potential.



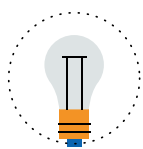
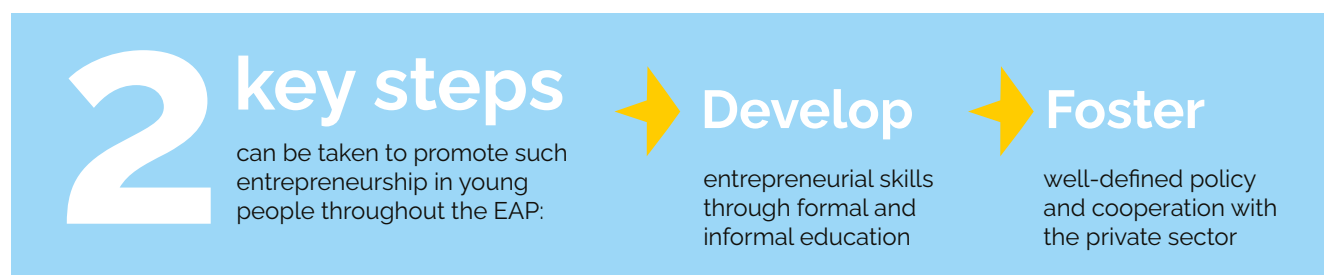
In addition, a general public awareness is lacking on the benefits social entrepreneurship can bring for community development and the positive impact this can have in unleashing potential among young people, lowering social disparities, and developing inclusive workplaces.

As needs and challenges evolve, so should policy. Eastern Partnership countries have highlighted the need to develop social entrepreneurship legislation to improve currently low public awareness and the social entrepreneurship environment. In this respect, an important starting point is a unified definition of the concept and specific content of social entrepreneurship. Among the six Eastern Partnership countries, only Moldova has legislation that specifically supports social entrepreneurship.



# HOW TO ENCOURAGE THE ENTREPRENEURIAL SPIRIT

In the end, for a young person to set up a business means that this individual has a solid commercial or social idea, the skills to organize and run an enterprise, and the motivation to do so.



## 1. DEVELOP ENTREPRENEURIAL SKILLS THROUGH FORMAL AND INFORMAL EDUCATION

Educational institutions should integrate the development of entrepreneurship in their curricula, starting in secondary schools. Roundtable discussions have highlighted the need to develop student and school associations to bring together students interested in similar issues, such as establishing a social enterprise or working to develop cooperation among similar enterprises.

In addition to improve entrepreneurial skills and culture among young people, educational institutions can organize and strengthen cooperation with the private sector. A coordinated effort between formal

education and the private sector can provide a significant boost to young entrepreneurship through two channels: private sector initiatives to engage with young people through start-up competitions, coaching and mentoring, and experience-sharing; and social entrepreneurship courses in schools that are designed with the support of private sector partners.

Within the EU4Youth programme, project implementers can function as facilitators in setting up cooperation of this kind between the educational system and the private sector, since they have established partnerships with both sides.

Skills development activities also provide a suitable environment for young people to put their knowledge into practice and empower their own ideas. Semi-structured initiatives such as the ones developed within the EU4Youth projects offer a unique learning experience, where young people can develop their own initiative, contributing to their entrepreneurship and innovation skills. An additional benefit for young people is stronger leadership skills, greater awareness of social challenges, and the critical thinking needed to tackle such issues.



## 2. FOSTER WELL-DEFINED POLICY AND COOPERATION WITH THE PRIVATE SECTOR

National governments need to further improve their legal frameworks and allow for a broader set of financial support instruments, capacity-developing measures, and social recognition. These all contribute to an enabling environment in which entrepreneurship can properly develop among young people. To complement entrepreneurship education and the expected increase in interest among young people, more opportunities for young entrepreneurship programmes and initiatives are needed.

The role of the private sector in the promotion of social entrepreneurship, sustainability and ecosystem development has enormous potential. Governments can provide incentives, both financial and non-financial, for companies with social entrepreneurship programmes targeting young people.

The EU4Youth programme offers further potential pathways to enable and assist national governments in developing more refined policy frameworks: facilitating

discussions with stakeholders, regional exchanges, and platforms to discuss both best practice and the challenges faced by young entrepreneurs. EU4Youth projects can build further on developed expertise in their dual approach that provides both training and grant support. They can also steer policy discussions by integrating end-beneficiary experiences and challenges in broader discussions regarding effective entrepreneurial environments.

**By removing the barriers that contribute to young people feeling discouraged, unmotivated or insufficiently knowledgeable to develop their own commercial ideas, prepare a business plan, and start up a company, we can unleash the power of young entrepreneurs throughout the EAP.**



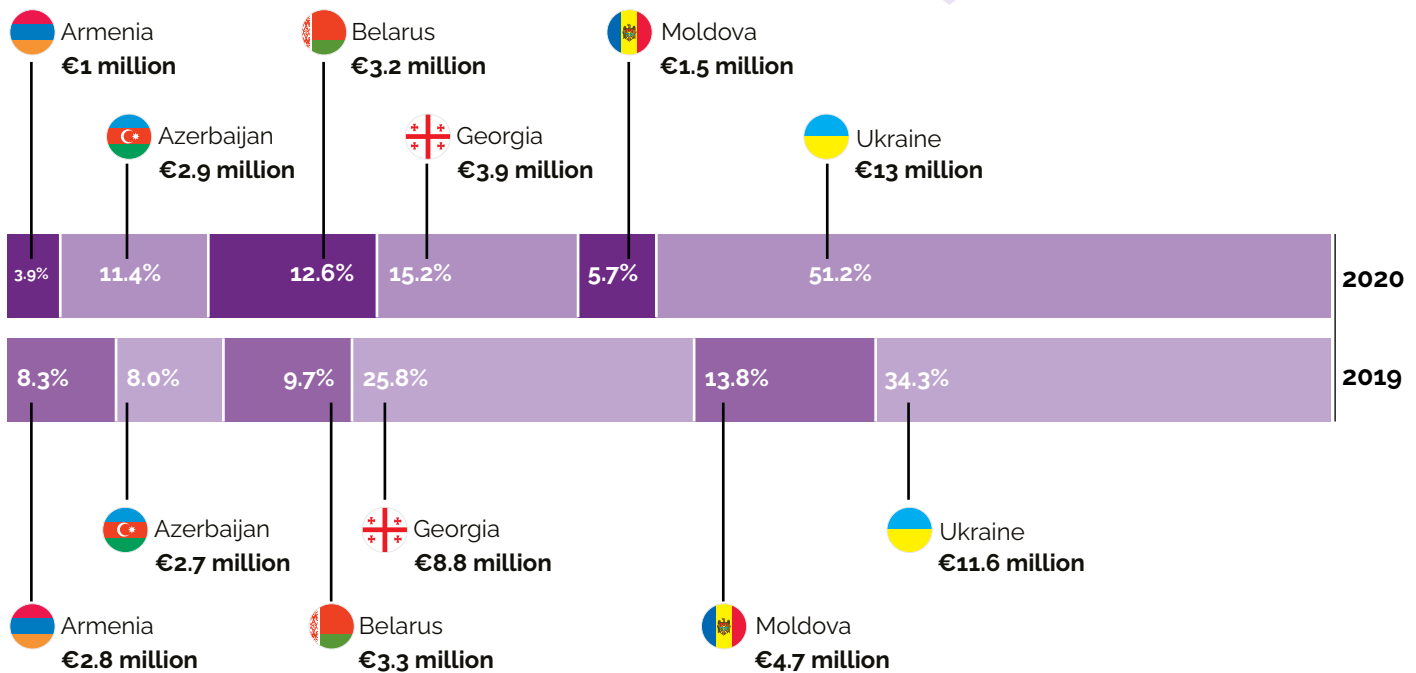
## BUSINESS ENABLING ENVIRONMENT

Eu4Business Facility treats support for improving the Business Enabling Environment in the EaP differently. While improvements in the Business Enabling Environment will inevitably improve competitiveness, lower costs, and make SMEs more efficient, it is difficult to isolate the SMEs that actually benefit. As such, we typically don't estimate or present the impact of these reforms on the number of SMEs benefiting, their growth in turnover, job creation, or exports. It should, however, be recognised that potentially all SMEs will benefit from certain law changes, such as making it easier to pay taxes, which lowers SME costs. Though this underestimates the impact of EU support, we are able to focus instead on the more direct and attributable effects such as capacity-building, reforms, and the engagement process.



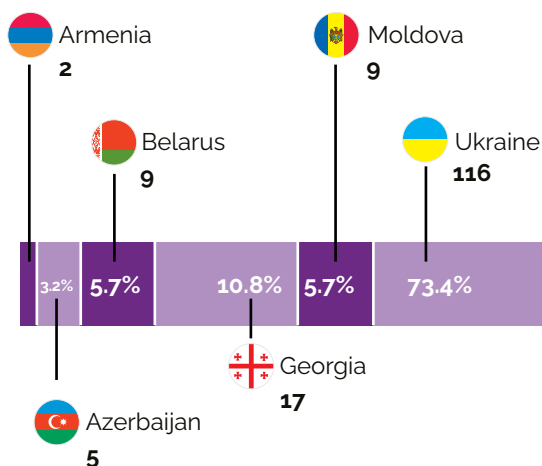
Total disbursements to support business enabling environment

**€25.43**  
million



The amount of EU support for improving the Business Enabling Environment in the EaP in 2020 was **17.5%** of the total EU budget disbursed under EU4Business, which is almost the same as in 2019 (**18%**). At the same time, Ukraine experienced a substantial rise in its share of BEE support in 2020, accounting for more than half of all BEE disbursed, compared to **34.3%** in 2019. The share of support received by Moldova, Georgia, and Armenia in total BEE dispersed fell from **25.8%**, **13.8%**, and **8.3%** in 2019 to **15.2%**, **5.7%**, and **3.9%**, respectively in 2020. Meanwhile the share of BEE support in Azerbaijan and Belarus rose from **8.0%** and **9.7%** to **11.4%** and **12.6%**, respectively.

# THE NUMBER OF REGULATORS/GOVERNMENTS WHOSE CAPACITY WAS BUILT IN THE EASTERN PARTNERSHIP



Across the EaP, a total of 158 government institutions, including policy-makers, regulators, and enforcement agencies have had their capacities improved, with the highest number of organisations supported in Ukraine.

This represents a decrease in the number of institutions capacitated in 2020 from 456 in 2019 (note a single organisation can receive more than one instrument of EU support).

## UKRAINE



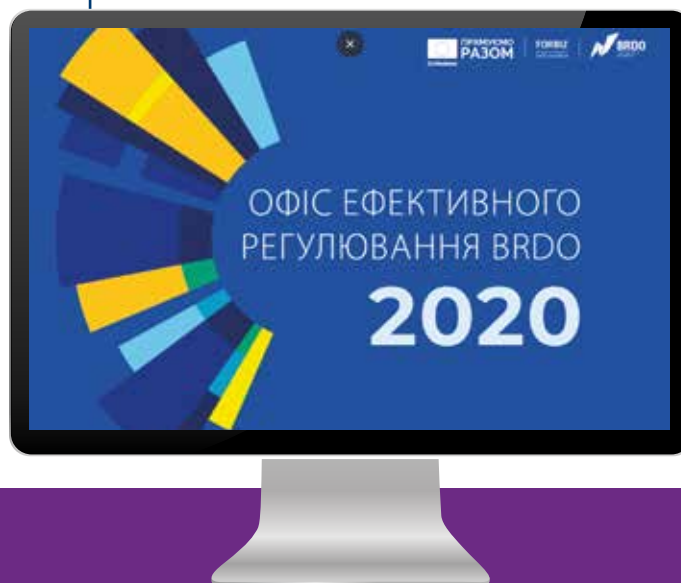
## BRDO INITIATIVES SAVED UKRAINIAN BUSINESS UAH 25 BILLION OVER 2015-2020

Legislation and digital tools developed with the participation of experts from the Better Regulation Delivery Office (BRDO) over 2015-2020 saved Ukrainian SMEs UAH 25 billion (USD 904 million) and another UAH 5.5 billion (USD 198 million) in government spending, according to the BRDO 2020 annual report.

Over 5 years of BRDO activity:

- 166 pieces of legislation drafted and co-drafted by BRDO experts were adopted, 27 of them in 2020, including 10 laws;
- 1,245 regulatory acts that hampered business were repealed, 36 of them in 2020;
- 5 unique online tools were developed for use by SMEs, civil servants, and local government agencies.

In addition, BRDO experts conducted 18 studies of the construction, energy, transport & infrastructure, IT&Telecom, agriculture, and supervision & control sectors. These studies provide a basis for solving problems facing both businesses and individuals.



[Read full story](#)



## ARMENIA



# TEAM2B AIMS TO MAKE DOING BUSINESS IN ARMENIA EASIER

The EU supported the ambitious idea of creating an online team to help business survive during the lockdown. With a EU grant, Team2B was put on track in March 2021. The new platform allows businesses to put together a professional team and remotely receive professional services. Supervising, planning and managing the work in an online office is done in a cost-effective and time-saving manner. This, in turn, allows entrepreneurs to put their efforts into developing their businesses.



*After a year of active work, we should have 200 clients, each paying \$200 on average. We are planning to engage 40 consultants within a year with an average salary of \$700. Total turnover should be \$480,000 starting in our second year. Our three-year plan is to have 1,000 clients and 400-500 consultants on board."*

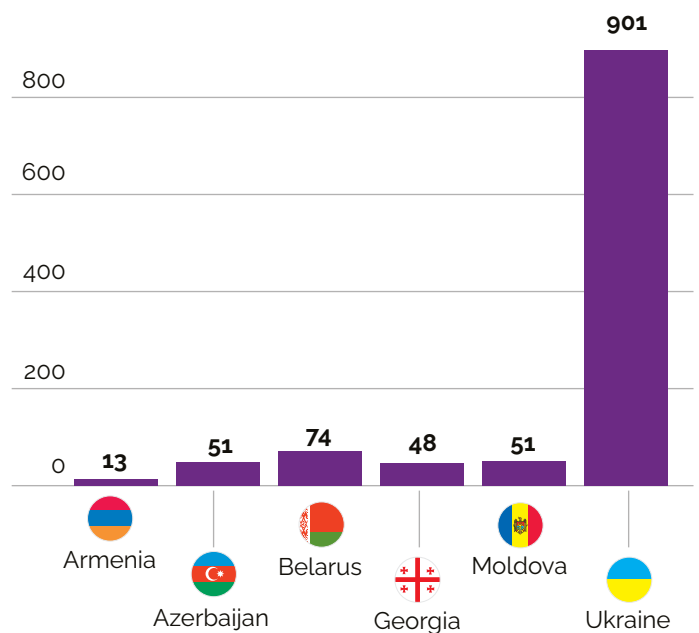
**Vladimir Shatverov**  
Team2B Co-founder

[Read full story](#)



## THE NUMBER OF LAWS / REGULATIONS CHANGED IN THE EASTERN PARTNERSHIP

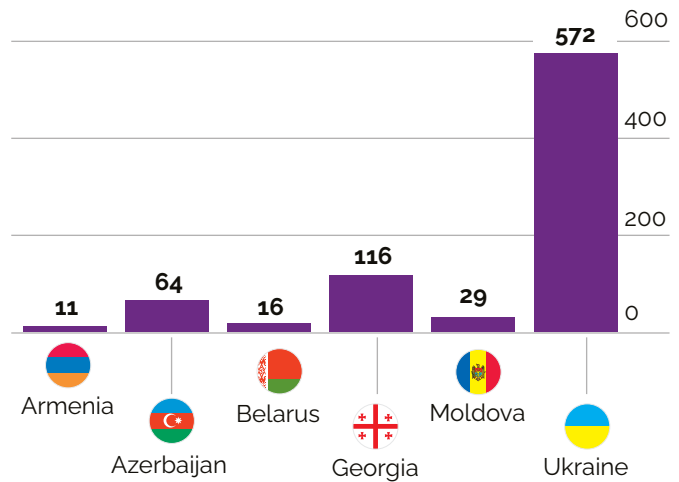
There was, however, a **substantial increase in the number of laws, regulations, and procedures reformed, rising from 714 in 2019 to 1,138 in 2020**. The majority of these reforms (79%) occurred in Ukraine, and increased from 406 in 2019, with Moldova and Belarus also seeing large rises in reforms from 12 and 15 to 51 and 74 in 2020, respectively.



# THE NUMBER OF PUBLIC-PRIVATE DIALOGUE EVENTS IN THE EASTERN PARTNERSHIP

A total of **808 public-private dialogue events** were supported by the EU across the EaP. These events are very important for identifying business concerns and constraints in the reform process, and for ensuring that reforms actually target and benefit business.

In most countries, COVID restrictions have understandably led to a substantial reduction in the number of PPD events in 2020, from **1,527** in 2019 to **808** in 2020. Interestingly, Ukraine actually increased the number of PPD events from **346** in 2019 to **572** in 2020. However, all other countries reduced the number of events supported by EU.



## BELARUS



### HOW 150 BUSINESS OWNERS FROM KOBRYN LAUNCHED A BUSINESS SCHOOL

The EU helped a local business club in Belarus go to a new level, turning from informal community of entrepreneurs to an official business support centre in just one year. Now it has more than 150 active business owners who share their experience and knowledge with others, and have also established dialogue between the business community and the government. The EU Project financed the purchase of the necessary equipment for educational events, and it funded corporate training for six active participants of the Business School in a variety of areas, from marketing to sales and negotiations.



*We were told that our experience is unique at the national level and needs to be expanded, because it's hard to find such open and friendly gatherings of business people elsewhere. I'm sure that soon the Business School will appear not only in Kobryn, but in many other towns of Belarus. But all this would have been impossible without the support of the EU. The project was the catalyst that pushed us forward."*

**Sergey Panasyuk**  
Founder of Kobryn Business School

[Read full story](#)





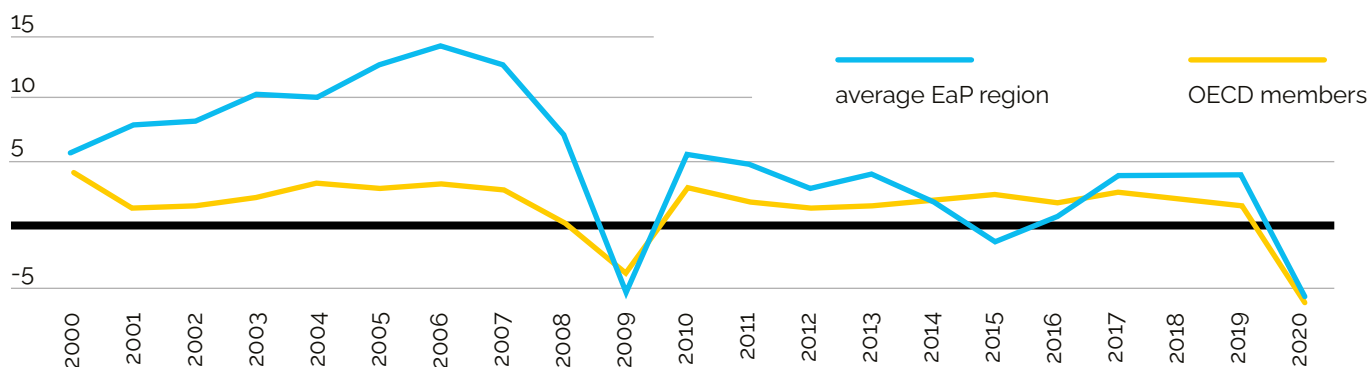
# RECOVERING FROM THE CRISIS:

## HOW TO BUILD MORE COMPETITIVE, PRODUCTIVE, AND INCLUSIVE ECONOMIES IN THE EASTERN PARTNERSHIP

After the 2008-09 global financial crisis and the end of the commodity super-cycle in 2014-15, the COVID-19 crisis has been the third major exogenous shock to hit the Eastern Partner countries in a little more than a decade. Recovery after each of these two shocks fell short of a return to the trend rates of growth seen previously (Fig. 1). As a result, even before the pandemic, growth rates had long been too low to support convergence with OECD productivity and income levels, the exception being over a long-time horizon (Fig. 2).

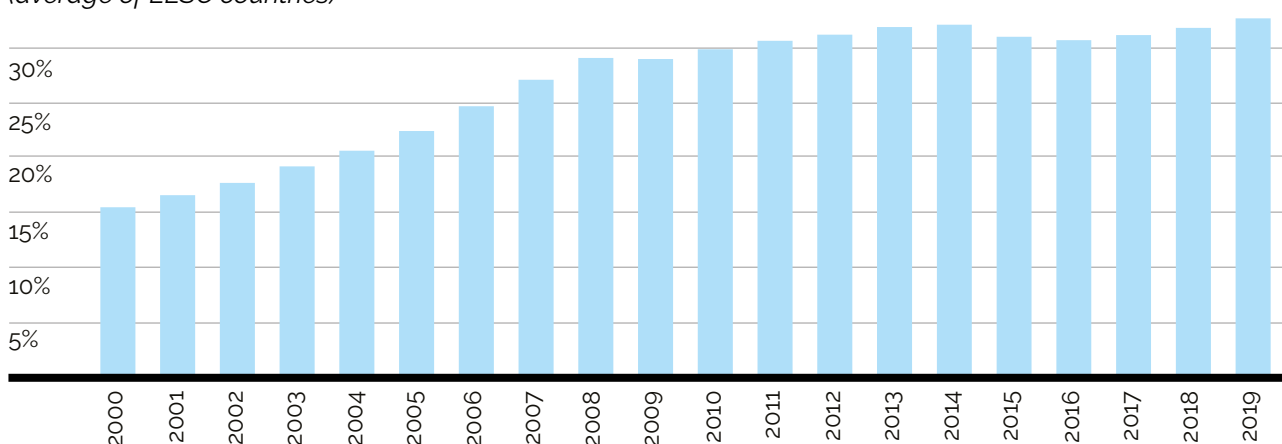
**Figure 1** – Real GDP growth (annual %)

Source: IMF, World Economic Outlook (April 2021).  
Data for 2020 are preliminary estimates.



**Figure 2** – GDP per capita as % of OECD average (average of EESC countries)

Source: (average of EESC countries)



**This pattern must not repeat itself as Eastern Partner countries recover from the Covid-19 crisis. If EaP countries are to regain their dynamism and re-establish a growth trajectory that allows for convergence with more advanced economies, it is vital that policies to support recovery be aligned with long-term structural needs and that they provide new impetus to productivity growth, which has slowed in recent years.**

## **STRUCTURAL WEAKNESSES HOLD EAP ECONOMIES BACK...**

The Covid-19 pandemic has once more thrown into sharp relief some of the longstanding structural vulnerabilities of the EaP region. Most EaP countries have highly-concentrated export profiles – particularly in terms of goods exported, but also, in many cases, heavy reliance on few export markets. Diversification of economic activity, employment, and export not only serves as a cushion against shocks but also helps to provide for growth that is more equitable and inclusive. Across most of the region, growth is often driven by capital-intensive sectors that generate few jobs, while most employment is concentrated in low-productivity activities. This is, in particular, to the disadvantage of women, young people, and rural dwellers.

To make growth more inclusive, the region needs to foster the emergence of economic activity generating more high-skilled high-productivity employment. Open and competitive markets, fair access to inputs and finance, efficient regulations and mechanisms to facilitate business creation, and reallocation of productive assets to growing sectors provide the compass for structural policy reforms.

## **...WHILE COVID-19 HAS A DISPROPORTIONATE IMPACT ON THE MOST VULNERABLE GROUPS**

Against this backdrop, policymakers should bear in mind the disproportionate impact that Covid-19 is having on specific groups. The OECD has documented the economic and social implications of Covid-19 in the Eastern Partnership and the related policy responses since the early phases of the pandemic.

During the protracted and repeated “lockdowns”, small and medium-sized enterprises have had a harder time dealing with lack of revenues and liquidity constraints than their larger counterparts (OECD, 2020). Many had to delay payments to suppliers and employees, and in some cases saw no other option to stay afloat than to reduce their workforce.

Women have also experienced increasing challenges during the pandemic, which has exacerbated a variety of pre-existing gender gaps related to pay, poverty, and general economic opportunities (OECD, 2021b).

Women in the EaP region tend to be disproportionately employed in vulnerable sectors, such as textiles, food services, and accommodation, and, consequently, were hit by greater reductions in pay and employment.

Furthermore, in many cases, informal workers and businesses have suddenly lost the social buffer provided by subsistence revenues and flexible arrangements (OECD, 2021a). Covid-19 has pushed governments to close market places and implement strict containment and social distancing measures, which have hit the informal sector hard – in many cases even more than the formal sector – leaving those engaged in it with no cushion on which to rely. In addition, most government support programmes in the EaP region have focused on the formal sector, leaving informal firms and workers with little or no support.



# BUILD FORWARD BETTER

To minimise economic scarring and avoid lasting damage to supply potential, governments must now design recovery plans and take action to address both the long-term structural barriers that inhibit the competitiveness of their economies and the short-term impact of the Covid-19 pandemic.

'Build better going forward' in the EaP region means, above all, continuing to improve the general framework conditions that allow risk-taking entrepreneurs to invest and competitive markets to drive resource allocation to their best use. In this regard, the latest SME Policy Index offers a useful compass for policymakers in the region (OECD et al, 2020). EaP countries will need to work on building institutional capital and strengthening public governance, while creating sound conditions

for investment, entrepreneurship, and innovation. Well-designed and well-functioning regulatory and tax regimes will be critical, together with secure property rights, fair competition, and open markets.

But Covid-19 has also highlighted specific challenges and opportunities for policy actions that will be highly relevant in the short-term.

# 1

**First, as supply constraints are gradually eased, protection and targeted support** should be maintained especially for the frequent-contact service-oriented sectors that have been most hardly hit or that will be slower to re-open. In

addition, to avoid a widespread solvency crisis, governments may consider converting debt-oriented instruments into equity-like support for viable firms to reduce pressure on their balance sheets and avoid company liquidation.

# 2

**Secondly, to manage the expected increase** in financially distressed companies, countries should reform their insolvency frameworks to allow for faster restructuring and increased asset recovery, while ensuring that entrepreneurs are not unduly punished and, more importantly, prevented from

starting new businesses in the near future. Covid-19 should not be allowed to erode the entrepreneurial spirit in the EaP region, and improved bankruptcy and debt restructuring mechanisms would help reallocate productive capital to emerging sectors and economic activities.

# 3

Finally, while SMEs have suffered disproportionately from the measures and restrictions adopted to curb the pandemic, in many cases they have also experienced, for the first time, the positive impact of digital technologies on their operations and business models. Widespread SME digitalisation emerges as one of the main channels to increase

productivity in Eastern Partner countries, and it should feature as one of the centrepieces of recovery plans in the region. Investment in digital infrastructure and skills will also promote more inclusive recovery, as it will broaden access to new technologies for SMEs and to emerging job opportunities for workers.

## REFERENCES:

OECD (2021a), **The sudden loss of a social buffer: COVID-19 and informality in Eurasia** (available at [www.oecd.org/eurasia/informality-in-eurasia.htm](http://www.oecd.org/eurasia/informality-in-eurasia.htm))

OECD (2021b), **Gender gaps in Eurasia: the daunting effects of COVID-19** (available at [www.oecd.org/eurasia/gendergapsineurasia.htm](http://www.oecd.org/eurasia/gendergapsineurasia.htm))

OECD (2020), **COVID-19 crisis response in Eastern Partner countries** (available at: [www.oecd.org/coronavirus/policy-responses/covid-19-crisis-response-in-eastern-partner-countries-7759afa3/](http://www.oecd.org/coronavirus/policy-responses/covid-19-crisis-response-in-eastern-partner-countries-7759afa3/))

OECD et al. (2020), **SME Policy Index: Eastern Partner Countries 2020: Assessing the Implementation of the Small Business Act for Europe, SME Policy Index, OECD Publishing, Paris/European Union, Brussels**, <https://doi.org/10.1787/8b45614b-en>



**VISIBILITY**

# OUR TARGETED APPROACH TO COMMUNICATIONS

takes into account the channels of communication and activities of others that aim to maximise reach. As such, the EU4Business Facility acts as an intermediary between multiple stakeholders, including implementers and beneficiaries of actions under the EU4Business Initiative.

## OUR APPROACH INVOLVES:

- 
**Engaging in high-level communications regarding** the EU4Business brand and information that is distributed directly by the EU4Business team.
- 
**Generating more concentrated and deeper EU4Business messaging** through multipliers, meaning our own communication with the EU and partners.
- 
**Ensuring higher visibility** for EU4Business projects by encouraging project branding and providing EU4Business visibility guidelines.
- 
**Facilitating communication** and exchange among EU4Business partners and implementers themselves.

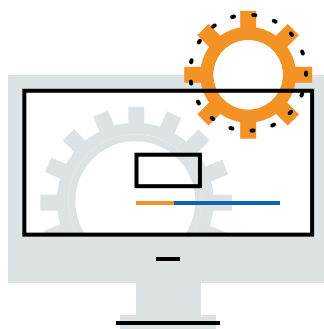


# [EU4BUSINESS WEBSITES]

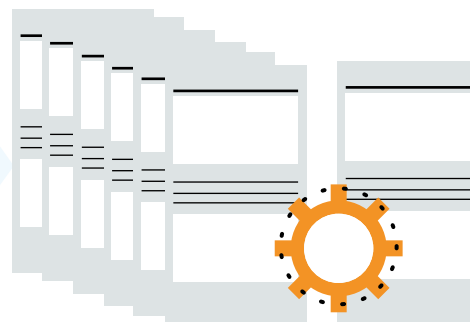
With all activities moving online and more work being done remotely due to the global pandemic challenges, we have placed much emphasis in 2020 on **digitalising EU4Business**.



We have modernised our website to better match the needs of our target audiences.



with **7** new websites



Six of them are targeted at entrepreneurs in each of the EaP countries, while the seventh is geared towards the EU and donors.

Mainly, we **replaced** the previous single consolidated web portal for the Eastern Partnership countries



**This "decentralisation" is meant** to provide each target group with a separate trimmed-down resource with quick access to all of the necessary information in the appropriate local language.



The main donor-focused website

## WWW.EU4BUSINESS.EU

which was publicly launched by the EU Commission on 4 March 2021, gives an overview of how the programme works.

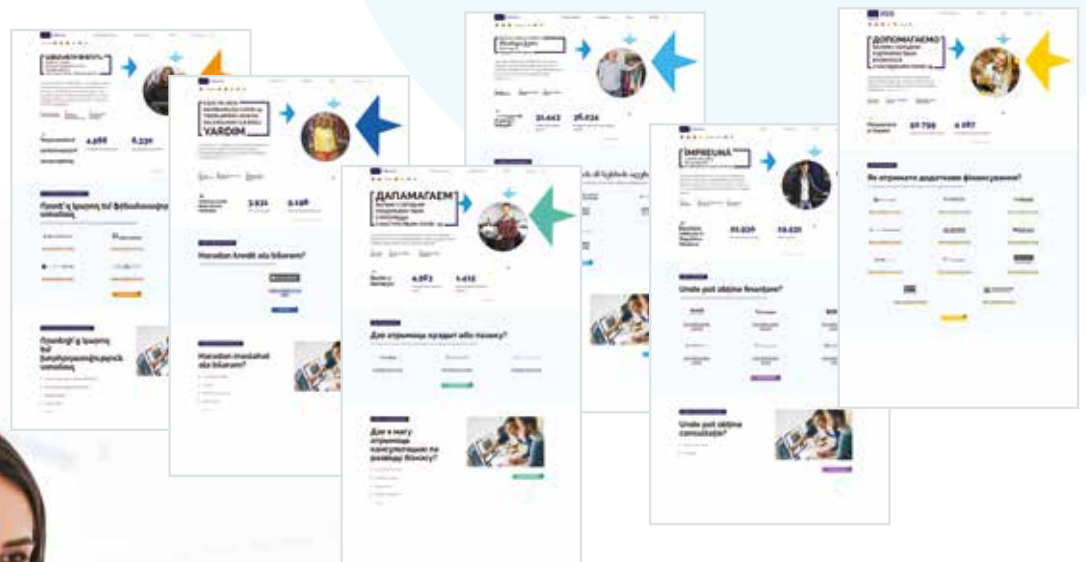
### Here you can also see

- ▶ the results of SME support in each country,
- ▶ detailed statistics by areas, and tools, project portfolios,
- ▶ success stories presented according to country and type of support.



On the main website, donors can see what tools are represented in each country, compare the results with their own experience, and implement these tools in their own work.

The six SME-focused country pages in their specific local languages provide entrepreneurs with up-to-date information on exactly how they can benefit from the EU4Business initiative.



These new localised websites provide answers to the basic questions of entrepreneurs, such as:

How can my business get a business development loan or grant?

Which bank is better for my purposes?

How can we participate in an international exhibition to connect to new clients and partners?

Where can my company get advice on starting exporting?

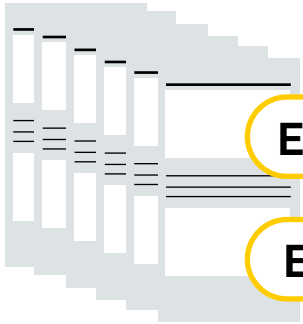
## ON THE NEW LOCAL WEBSITES



It takes only a few minutes for an entrepreneur to understand how the EU might help their business: no more gathering bits and pieces about various resources.



Entrepreneurs can also gain inspiration from the positive experience of EU-supported SMEs, track announcements of important events to participate, and see what is being done to improve the business climate in their own country.



**EU4BUSINESS.AM**

**EU4BUSINESS.AZ**

**EU4BUSINESS.BY**

**EU4BUSINESS.GE**

**EU4BUSINESS.MD**

**EU4BUSINESS.ORG.UA**

# KEY RESULTS

## UPDATED EU4BUSINESS WEBSITES LAUNCHED:

**1** donor-oriented central page

**6** SME-focused country pages: launched in early 2021

**47,392**

users

from September 2020 - April 2021 for all websites



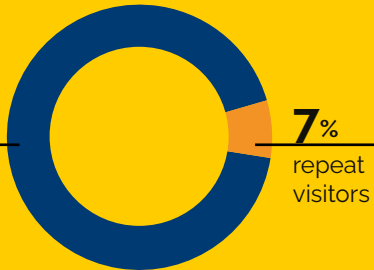
**142,998**

page views



**93%**

new visitors



**7%**

repeat visitors

**+11%**

growth in the number of pages browsed demonstrating the interest of the visitors in the website content

# BRANDING AND VISIBILITY

To make sure that all messaging is consistent and cohesive so that a strong brand voice is established, the new guidelines were elaborated in close cooperation with the EU Commission and distributed officially to the EU, partners, and projects in January 2021.



The Brand Guidelines set out guidance on use of the EU4Business name, logo, and branding for the EU, partners delivering EU-funded projects, and implementers through whom EU support is delivered directly to SMEs.

## THE GOALS OF OUR BRANDING GUIDELINES

are to establish a unified visual style for all projects under the EU4Business umbrella in all six EaP countries and help the EU, partners, and projects communicate a consistent message and on-brand content to audiences.

Upgraded EU4Business Branding Guidelines presented for the EU, partners, and projects

**Branding Guidelines for Projects and Implementing Partners: the brief version:**



**Branding Guidelines: the extended version:**



In these documents, the whole array of promotional materials and toolkits is provided for instant use.



An array of promotional materials and toolkits with templates elaborated for instant use

# [STORYTELLING]

We have focused on cooperating with partners and projects to produce high-quality content with the stories of EU4Business beneficiaries.



This content has been used by EU delegations that they, in turn, have multiplied through their platforms, reaching millions of readers.



We also provide stories to the DG NEAR Directorate team, which uses our materials in its tweets and reports.



We have worked in synergy with the EU platforms, such as EU Neighbours, to widely publicise EU4Business stories.



Our stories have been covered in the mainstream media.



**200+**

success stories and news items

have been generated, shared, and promoted in the reporting period.



EU4Business Facility has become a focal point for the EU and partners in accumulating and sharing SME-related content, as well as a source of information for local media.

# NEWSLETTERS AND COVID-19 WEEKLY ALERTS



Between March-December 2020, our team sent out Covid-19 Weekly Alerts to keep our international audience informed about COVID developments for SMEs in EaP countries.

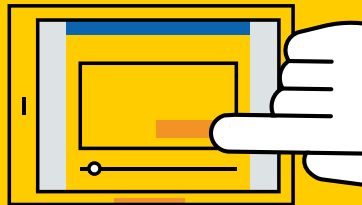
We have received positive feedback about our newsletters as being "informative" and "timely".

## KEY RESULTS

Bi-weekly newsletters and Covid-19 Weekly Alerts sent out regularly to keep our international audience informed about EU4Business initiatives and COVID developments for SMEs in EaP countries.

**2,073**

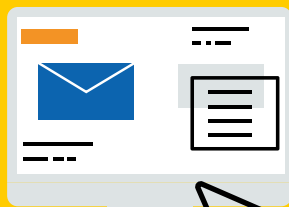
subscribers



**+15%** growth since August 2020

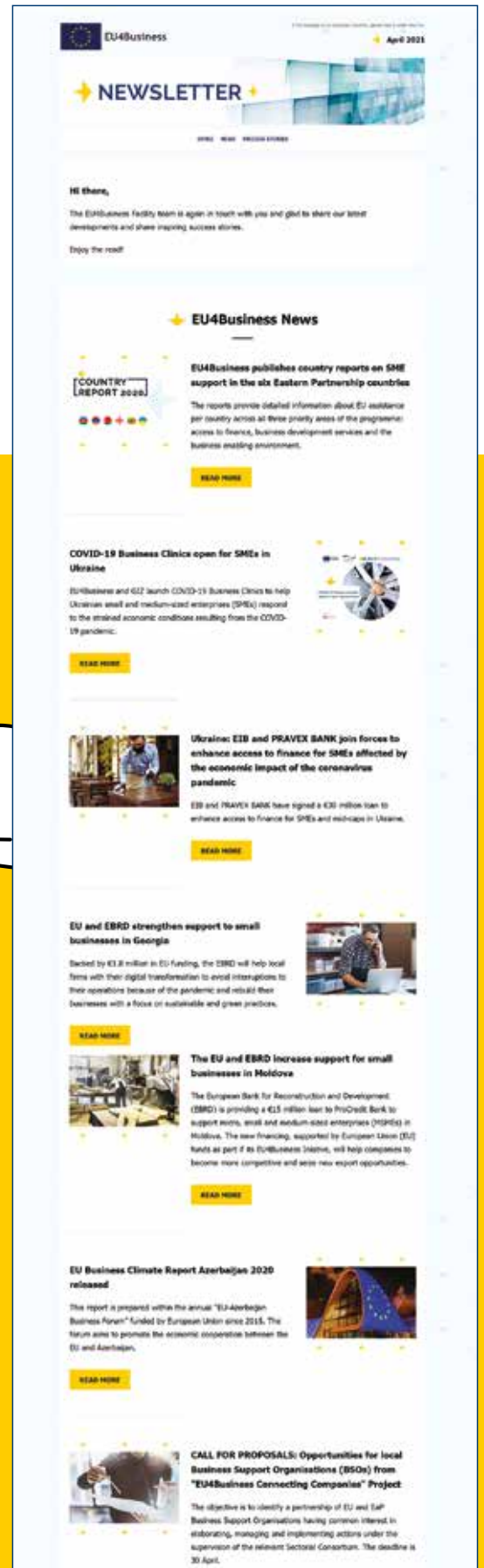
**98%**

delivery rate



**5%** open rate

**3%** click rate



# ANNUAL REPORTING

As part of the updated annual reporting structure, we produce the main annual report, six country reports, six citizens' summaries and one Portfolio Report.

EU4Business presented

15 reports

as part of the upgraded annual reporting structure:



## Annual Report 2020

An in-depth comprehensive overview of the key developments and achievements from the preceding year. Readers may find details of the EU4Business portfolio in the EaP and results in each three pillars – Access to Finance, Business Development Services, and Business Enabling Environment, as well as an array of analytical articles and success stories.



6

## Country Reports



The country reports outline the key developments per each EaP country showing details of the country portfolio and projects as well as results and success stories.



7

## Citizens' Summaries

Brief documents providing key figures of the EU4Business portfolio and results as well as particular case studies demonstrating EU support.

in English and local languages



## Portfolio Report

Providing latest breakdown of EU4Business projects by instrument and country.





**ANNEXES**

# ANNEX 1

## LIST OF PROJECTS BY COUNTRY AS OF 2020

Title	Total Budget	Start date	End date
Armenia SME Finance and Advice Facility	€15,380,000	2015	2029
EU4SEVAN	€5,000,664	2020	2026
Innovative Tourism and Technology Development for Armenia (EU ITTD)	€13,500,000	2019	2023
EU Green Agriculture Initiative in Armenia (EU-GAIA)	€9,700,000	2019	2023
EU- EBRD Support to the State Commission for the Protection of Economic Competition in Armenia	€500,000	2020	2022
EU4Tourism: Outdoor adventures on historic trails in Syunik	€425,000	2018	2021
EU TUMO Convergence Centre	€12,500,000	2018	2020
Strengthening EU business development in Armenia	€110,000	2018	2020
EU4Shirak:Wool for Jobs	€350,000	2018	2020
EU4Sevan: SME Platform for Business Development and Innovation	€480,000	2018	2020
EU4Tourism: Community-driven rural tourism and cultural activities in Gegharkunik and Vayots Dzor marzes	€431,274	2018	2020
Support to Transformation and Achievement of Excellence in Pomegranate Value Chain (STEP)	€502,210	2019	2023
Developing innovation-driven and sustainable civil society in Azerbaijan	€3,000,000	2020	2023
"From Kitchen to Business" Food Promotion and Women Empowerment Action	€446,789	2019	2022
Supporting women's entrepreneurship during COVID - 19	€60,000	2020	2022
Azerbaijan Hazelnut and Pomegranate Initiative (AHPI)	€551,223	2017	2022
EU AZE Business Forum 2020-2021	€296,250	2020	2022
Support to Development of a Rural Business Information System	€1,757,500	2020	2021
Strengthening of agricultural advisory services	€1,600,000	2019	2021
Promoting local food production and agri-business owners through advisory services, the creation of new value chain models and agri-tourism development	€569,719	2019	2021
Assistance to farmers to develop the sustainable value chains on soft fruit and vegetable production in the rural regions of Azerbaijan	€423,000	2019	2021
Development of sustainable and inclusive local agri-food systems in north-west region of Azerbaijan	€1,200,000	2019	2021
Support the Government of Azerbaijan in development of export strategy and support in its implementation	€849,950	2020	2021
Support to Azerbaijan Standardization Institute for implementation of the National Plan for harmonizing national standardization system with international requirements	€997,081	2020	2021
Support to the government of Azerbaijan in creating more enabling SME's environment and to enhance their competitiveness	€914,210	2020	2021



Type of the Project	Country Benefiting						Areas of Intervention		
	AM	AZ	BY	GE	MD	UA	AzF	BDS	BEE
Bilateral	●						●	●	
Bilateral	●							●	
Bilateral	●						●	●	●
Bilateral	●						●		
Bilateral	●								●
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Bilateral		●						●	
Bilateral		●						●	●
Bilateral		●						●	
Bilateral		●						●	●

Title	Total Budget	Start date	End date
Support to the State Statistical Committee and the State Tax Service under the Ministry of Economy to strengthen collection, harmonization, analysis, publishing and dissemination of business statistics	€997,519	2020	2021
Improved Support for Entrepreneurial Development in Rural Areas	€1,734,000	2019	2021
Improved Promotion and Marketing of Traditional Food Products	€1,900,000	2019	2021
Twinning "Support to State Customs Committee of Azerbaijan in accession to the Convention on Common Transit Procedure, Convention on Simplification of Formalities in Trade in Goods and implementation of the New Computerised Transit System"	€1,000,000	2020	2021
COVCHEG: Community-based Value Chain Enhancement in the Greater Caucasus Mountains area in Azerbaijan	€813,106	2018	2021
Promoting Community-based Agritourism as a Rural Regeneration Strategy	€384,437	2017	2021
Entrepreneurship for Youth	€324,000	2018	2021
Accelerating development of sustainable micro-entrepreneurship in rural regions of Azerbaijan (ADSMIRRA)	€418,324	2018	2021
Socio-Economic Empowerment and Development of Small-scale vulnerable rural families in Dashkasan, Goranboy and Samukh rayons of non-Absheron regions of Azerbaijan (SEEDS project)	€927,118	2018	2020
Azerbaijan Agricultural Finance Facility (AzAFF)	€1,677,570	2015	2020
Support to the development of small family businesses in the Sheki-Zagatala Economic Zone through ABAD regional centre in Balakan	€820,000	2017	2020
The agricultural initiatives for market-driven income generation in the Telishli ecomigrant community	€240,527	2017	2020
Support to EU-AZ Business Forum	€179,970	2018	2020
Technical assistance project for the implementation of the support to rural and regional development (SRRD) programme in the republic of Azerbaijan	€3,177,400	2017	2020
Local Economic Development in Belarus (LED)	€7,700,000	2019	2022
EU-Belarus Private Sector Development Trust Fund	€4,800,000	2018	2021
Networking for Improvement Job Opportunities in the Rural Areas of the Mogilev Oblast	€604,612	2017	2021
Belarus Investment Climate and Competition Advisory Program Single-Donor Trust Fund (No. TF073054)	€4,000,000	2018	2021
Advice for Small Businesses in Belarus	€6,000,000	2017	2021
BY RURAL BOOST: Boosting rural entrepreneurship in Belarus via establishment & running of Komarovo Rural Business Incubator	€526,503	2014	2020
Development of youth coding and tech entrepreneurial club networks	€656,020	2020	2025
Ensuring further progress of SPS and food safety system in Georgia	€1,450,000	2020	2024
Economic and Business Development in Georgia -Budget Support contract	€21,250,000	2018	2023
Green Economy: Sustainable Mountain Tourism and Organic Agriculture (GRETA)	€3,000,000	2018	2023

Type of the Project	Country Benefiting						Areas of Intervention		
	AM	AZ	BY	GE	MD	UA	A2F	BDS	BEE
Bilateral		●							●
Bilateral		●						●	
Bilateral		●						●	
Bilateral		●							●
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Bilateral			●				●	●	
Bilateral				●				●	●
Bilateral				●					●
Bilateral				●			●	●	●
Bilateral				●				●	●

Title	Total Budget	Start date	End date
Clusters 4 Development - Better Business Sophistication in Georgia	€5,300,000	2019	2023
EU innovative action for private sector competitiveness in Georgia	€5,693,500	2019	2023
Increasing Institutional Capacity for Innovation Project	€2,700,000	2019	2022
Improving Rural Development in Georgia (ENPARD III)	€10,000,000	2018	2022
Improving the Agriculture Sector in Georgia (ENPARD III)	€12,000,000	2018	2022
The DIGITAL RE4M Programme to foster COVID-19 recovery of SMEs	€1,850,000	2020	2022
European Neighbourhood Programme for Agriculture and Rural Development in Georgia, phase III (ENPARD Georgia III)	€44,500,000	2018	2022
Strengthening Georgian Accreditation System with the Focus on EU Technical Regulations	€1,400,000	2019	2021
Joint EU-UNDP Programme for Rural Development, Phase II (ENPARD III Abkhazia Component)	€4,000,000	2018	2021
Promotion of rural development and diversification in Khulo Municipality	€1,800,000	2017	2021
European Neighbourhood Programme for Agriculture and Rural Development in Georgia, phase II (ENPARD Georgia II)	€24,875,000	2017	2021
Rural Development for Sustainable Growth of Tetrtskaro Municipality	€2,127,260	2016	2020
Extension of Project 'Support to Regional Policy Implementation II'; ENI 2016/376-862	€404,985	2019	2020
Inclusive economic empowerment of focal regions of the Republic of Moldova	€23,000,000	2019	2025
Start up City Cahul	€6,800,000	2020	2024
TWG Further support to agriculture, rural development and food safety in the Republic of Moldova (MD 16 ENI AG 01 19 (MD/37))	€2,000,000	2020	2023
LEADER approach for rural prosperity in Moldova	€1,000,000	2020	2023
European Union confidence Building Measures Programme V (2019-2022)	€9,400,000	2019	2023
Rural SME policy support window	€2,191,000	2020	2022
Direct grant to ODIMM "Support to SMEs in rural areas"	€4,000,000	2018	2021
"ENPARD Moldova – Support to Agriculture and Rural Development" SRC	€48,956,111	2015	2020
Support to the quality infrastructure framework within a DCFTA context in the Republic of Moldova	€3,683,800	2017	2020
EU4Business: SME Competitiveness and Internationalization	€15,500,000	2020	2024
Improvement of legislation, control and awareness in food safety, animal health and welfare in Ukraine	€4,267,150	2019	2023
EU Support to the East of Ukraine	€9,500,000	2018	2022
EU Support to the East of Ukraine: Recovery, Peacebuilding and Governance	€13,769,743	2018	2022
"EU Support to Ukraine to Re-launch the Economy (EU SURE) "EU SURE Technical Assistance Project"	€12,878,276	2016	2021
Support to the development of a Geographical Indications system in Ukraine	€3,448,975	2017	2021
Support to Agricultural and Food Policy Implementation	€5,692,450	2016	2020
PRAVO-JUSTICE: Support to Justice-related Reforms in Ukraine	€15,000,000	2016	2020



Title	Total Budget	Start date	End date
Strengthening the regulation and supervision of the non-bank financial market	€2,828,000	2017	2020
Strengthening the Capacity of the Ukrainian National Standardisation Body	€998,582	2018	2020
Social Entrepreneurship: Achieving Social Change from Bottom Up	€416,441	2018	2020
EU4Business: Network of Business Support Centres in Ukraine	€40,000,000	2016	2020
Financing Technologies against Climate Change / FINTECC	€4,160,000	2015	2020
DCFTA Initiative East (EIB) (can also be referred to as DCFTA Facility by EIB)	€62,746,000	2016	2031
Grant for the DCFTA Initiative East - Local Currency Solution Programme	€5,300,000	2018	2031
EU4Business EBRD Credit line (EU Deep and Comprehensive Free Trade Area (DCFTA) Facility, EBRD DCFTA Programme)	€38,900,000	2017	2027
EU4Business EBRD Credit line (SME Competitiveness Programme in Eastern Partnership)	€65,600,000	2019	2026
EU4Business EBRD Credit line (EU Deep and Comprehensive Free Trade Area (DCFTA) Facility, EBRD DCFTA Programme)	€19,430,000	2016	2026
DCFTA SME Direct Finance Facility	€10,220,000	2014	2024
2018 NIP decision share - Green for Growth - Extension to Neighbourhood East II	€5,162,849	2018	2040
Green for Growth - Extension to Neighbourhood East II	€6,157,151	2018	2040
Promoting Green Lending in the Eastern Partnership	€42,855,000	2020	2040
EU4Business - The EU Local Currency Partnership Initiative: the European Fund for Southeast Europe (EFSE)	€50,320,000	2018	2039
Eastern Partnership SME Finance Facility - Phase II KfW	€5,200,000	2017	2032
Finance and technology transfer centre for climate change (FINTECC) - EU4CLIMATE window	€15,400,000	2020	2027
Eastern Partnership SME Finance Facility - Phase II EIB	€5,200,000	2017	2027
Eastern Partnership Trade Helpdesk	€3,700,000	2020	2024
Structural Reform Facility: World Bank component	€1,500,000	2018	2023
Women in Business	€5,035,000	2015	2022
Eastern Partnership SME Finance Facility - Phase II EBRD	€5,200,000	2016	2022
EU4BUSINESS: Connecting Companies	€6,498,205	2020	2022
EU-EBRD Country-specific Investment Climate Reviews and Action Plans for Eastern partnership (EaP) countries.	€2,000,000	2018	2021
Mayors for Economic Growth	€4,979,800	2017	2020
Mayors for Economic Growth 2 TA	€10,000,000	2017	2020
Financial Sector Institution Building and Crisis Response	€12,000,000	2009	2020
EIB-04 SME Finance Facility - EIB window	€5,100,000	2012	2020
WBG technical support to the implementation of the Mayors for Economic Growth initiative	€500,000	2016	2020
Supporting regulatory framework for improving the business environment	€289,999	2019	2020
EU4Business: From Policies to Action	€4,000,000	2017	2020
Eastern Partnership: Ready to Trade - an EU4Business initiative	€6,000,000	2017	2020

Type of the Project	Country Benefiting						Areas of Intervention		
	AM	AZ	BY	GE	MD	UA	A2F	BDS	BEE
Bilateral						●			●
Bilateral						●			●
Bilateral						●		●	●
Bilateral						●	●	●	
Bilateral						●		●	
Regional				●	●		●	●	
Regional						●	●		
Regional				●	●	●	●	●	
Regional	●	●	●	●	●	●	●		
Regional				●	●	●		●	●
Regional				●	●	●	●	●	
Regional				●	●	●	●		
Regional	●	●	●	●	●	●	●		
Regional	●	●	●	●	●	●	●		
Regional	●	●	●	●	●	●	●		
Regional	●	●	●	●	●	●	●		
Regional	●	●	●	●	●	●	●		
Regional	●	●	●	●	●	●		●	
Regional	●	●	●	●	●	●			●
Regional		●	●			●	●	●	
Regional	●	●	●	●	●	●		●	
Regional	●	●	●	●	●	●		●	●
Regional				●	●	●		●	
Regional	●	●	●	●	●	●		●	●
Regional	●	●	●	●	●	●			●
Regional				●	●	●	●		
Regional	●	●	●	●	●	●		●	●
Regional	●	●	●	●	●	●			●

# ANNEX 2

## SCOPE OF METRICS

	A2F									BDS							BEE			
	A1	A2	A3	A4	A5	A6	A7	A8	A9	B1	B2	B3	B4	B5	B6	B7	C1	C2	C3	C4
1. Number of SMEs supported	●	●		●	●	●	●	●	●	●		●	●		●					
2. Turnover in supported SMEs	●	●		●	●	●	●	●	●	●		●	●		●					
3. % of increase in turnover in supported SMEs	●	●		●	●	●	●	●	●	●		●	●		●					
4. % of increase in exporting SMEs supported	●	●		●	●	●	●	●	●	●		●	●		●					
5. % of increase in volume of export	●	●		●	●	●	●	●	●	●		●	●		●					
6. Number of new jobs created in supported SMEs	●	●		●	●	●	●	●	●	●		●	●		●					
7. Number of sustained jobs (proxy: number of employees in supported SMEs)	●	●		●	●	●	●	●	●	●		●	●		●					
8. % of enterprises owned or managed by women	●	●		●	●	●	●	●	●	●		●	●		●					
9. Names of partner PFIs	●	●		●	●	●		●												
10. Number of partner PFIs	●	●		●	●	●		●												
11. Number of loans triggered	●	●		●	●	●		●												
12. Value of loans triggered	●	●		●	●	●		●												
13. Average loan tenor (maturity)	●	●		●	●	●		●												
14. % increase in loans tenor	●	●		●	●	●		●												
15. % reduction of interest rate	●	●		●	●	●		●												
16. % reduction of collateral	●	●		●	●	●		●												
17. Names of PFIs supported with TA			●																	
18. Number of PFIs supported with TA			●																	
19. Number of grants disbursed							●													
20. Value of grants disbursed							●													
21. Average value of grant disbursed							●													
22. Total value of equity invested									●											
23. Average equity per supported SME									●											



	A2F									BDS							BEE			
	A1	A2	A3	A4	A5	A6	A7	A8	A9	B1	B2	B3	B4	B5	B6	B7	C1	C2	C3	C4
24. Number of consultancy services offered										●										
25. Sustainability of services (% contribution from SMEs)										●		●								
26. Number of SMEs trained										●										
27. Number of BSO staff trained											●									
28. Number of PPD Events											●								●	
29. Number of supported BSOs											●									
30. Number of consultancy services offered to incubated SMEs												●								
31. Number of incubated SMEs trained												●								
32. Average incubation time (years)												●								
33. Number of consultancy services offered to the SMEs clusters													●							
34. Number of clustered SMEs whose staff are trained													●							
35. Number of information tools developed														●						
36. Number of users of Trade Information (TI)														●						
37. Number of Events organised															●					
38. Number of SMEs whose staff are trained in B2B skills															●					
39. Number of export strategies drafted																●				
40. Number of Export strategies adopted																●				
41. Number of policy makers/ stakeholders participating in the capacity building programs																			●	

	A2F									BDS							BEE			
	A1	A2	A3	A4	A5	A6	A7	A8	A9	B1	B2	B3	B4	B5	B6	B7	C1	C2	C3	C4
42. Number of trained policy makers' staff																	●			
43. Number of procedures adopted or changed to improve policy making																	●			
44. Number of private sector bodies/NGOs/Civil society supported																		●		
45. Number of Government bodies capacitated or trained																		●		
46. Number of people trained in PPD techniques and procedures																		●		
47. Number of SMEs participating in PPD Events																		●		
48. Number of proposals or policy papers submitted to Government including after PPD																		●		
49. Number of sectors/ issues where recommendations are adopted																		●		
50. Number of Government Departments or agencies supported in reforms																			●	
51. Number of staff trained for reform																			●	
52. Number of sectors/issues addressed by reforms (legal, procedural or government strategies)																			●	
53. % reduction in cost of regulation																			●	
54. Number of communications campaigns for SMEs																				●



