

STRONGER ECONOMY

#eu4business

Armenia 

Azerbaijan 

Belarus 

Georgia 

Republic of Moldova 

Ukraine 



EU4Business

# A decade of investing in SMEs in the Eastern Partnership

2009-2019



10 YEARS   
EaP | Eastern  
Partnership

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**STRONGER ECONOMY**

#eu4business

# A decade of investing in SMEs in the Eastern Partnership



# EU4Business – 10 years of fruitful cooperation towards stronger economy

2019 is an important milestone year for the Eastern Partnership: we are celebrating its 10th anniversary! Over the past 10 years, the Eastern Partnership has played a key role in strengthening the relationships between the six Eastern Partner countries and the EU, benefiting from strong and growing commitment on both sides.

We have been searching together for the best approach to maximise our impact on citizens' lives, by adapting to the different aspirations of our partner countries in terms of their relations with the European Union. This differentiation is fully reflected in the tailor-made approach we are applying throughout our work.

By signing the Association Agreements and the Deep and Comprehensive Free Trade Areas, Georgia, the Republic of Moldova and Ukraine have chosen fully to embrace integration with the EU. With Armenia, we have a tailor-made Comprehensive Enhanced Partnership Agreement, which takes into account its membership of the Eurasian Economic Union. Negotiations on a new agreement with Azerbaijan are underway. With Belarus, we have identified a new framework for critical positive engagement.

Our core common objective in this Partnership is to improve citizens' lives. It is important to measure the impact of our support, and we have set clear milestones to be achieved by 2020, enshrined in the "20 Deliverables for 2020". Our vision is to support four broad areas: Stronger Economy, Stronger Governance, Stronger Connectivity, and Stronger Society.

The EU4Business Initiative is our flagship programme towards developing stronger, diversified and vibrant economies. With more than 20 implementing partners, we have been supporting small and medium-sized businesses (SMEs) in accessing finance, improving their knowledge and skills, in attracting investment and creating jobs and trade opportunities. Milestone developments of EU4Business have included lending in local currency in order to ease access to finance for SMEs, as well as launching the DCFTA Facility, which aims to increase the competitiveness of SMEs in foreign markets.

EU4Business has already delivered what it promised, well ahead of the 2020 target year! Thanks to EU4Business, more than 85,000 SMEs have received support. Financial support has been provided through approximately 120,000 loans to about 80,000 SMEs, for a total value of loans disbursed to SMEs of almost €2.5 billion over the last decade.



EU4Business has supported over 250,000 jobs, of which 34,000 were new jobs created through the Initiative. Close to 77,000 people have been trained, and more than 57,000 participants took part in events supporting trade development and business exchanges, such as trade fairs.

In different countries, many proposals for policy strategies and legal reforms have been tabled, contributing to a favourable business environment and acting as an important catalyst for change. As a result, 72 new laws were implemented and another 137 drafted in the past 10 years.

Trade flows between EU and its six partners have increased by 74% since 2009 and amounted to €74 billion in 2018. This makes the Eastern Partnership region the EU's number ten trading partner, while the EU is the largest trading partner for the Eastern Partnership as a region.

### **These are positive results, but there is still much to be done**

We have more ambitions for the future and there are still important challenges ahead if we want to make the SME sector a true backbone of our Eastern neighbours' economies. Access to finance remains a challenge, if not the only one. Credit must be more readily available for SMEs, and less risky; we will continue supporting them with local currency lending. But SMEs also need knowledge and skills; they need peers from the EU Member States to mentor them. We also see that efforts focused on growth sectors and clusters are welcome and will trigger a multiplying effect.

In the past 10 years, we have primarily supported established SMEs; now we need to think together how to help entrepreneurship blossom and to produce more start-ups. We have special EU4Business programmes dedicated to women, but they are only a small part of the Initiative as a whole, and the great potential of female entrepreneurs is insufficiently developed. Moreover, we have not finished implementing reforms to strengthen the business environment and competitiveness, to boost trade and to support SMEs. A favourable business environment also requires transparency, clear rules and judicial reforms to be in place.

Any anniversary is a moment for reflection and looking forward. We are celebrating ten years of EU4Business successes. At the same time, we are looking for even more successes in the next 10 years, which will be achieved through a broad, inclusive consultation process to identify the building blocks for the future of our cooperation with our Eastern Partners.

On the occasion of this 10-year Jubilee, I would like to thank all our partners in the Eastern Partner countries, all the EU4Business implementers, and all of those who have contributed to the success of the EU4Business Initiative.



Johannes Hahn  
Commissioner for European Neighbourhood Policy and Enlargement Negotiations

# EU4Business – a 10-year journey to remember

The EU4Business Secretariat met Andriy Zavalnyuk, a Ukrainian entrepreneur, in Kyiv in July 2017. In 2016, Andriy’s family-owned furniture business received EU4Business advisory support over a period of eight months, helping the business to restructure. A year later, sales were up by 25% and profits had increased by 15%, creating seven new jobs to bring the workforce up to 118. Andriy told us: “Projects like this have such a significant impact that they can change your life completely.”



The 24-year-old winemaker Baia Abuladze has transformed a family business into a successful enterprise, selling not only in Georgia but also in the EU. “There are many barriers but we manage to overcome them – how to bottle in a proper way and meet standards, distribute the product on the market,” says Baia. EU4Business is helping Baia find solutions to her problems.

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

EU4Business celebrates its 10th Anniversary in 2019. Mature and yet fast growing, it has become one of the flagship initiatives, demonstrating the progress made in EU-Eastern Partnership (EaP) relations in the past ten years.

Launched in 2009 as a regional programme with the aim of delivering support for small and medium-sized enterprises (SMEs), the Initiative was reinforced by the strategic framework provided by the SME Flagship Strategy, endorsed in 2014. EU4Business has expanded since then, including not only regional but also bilateral projects, fulfilling its role as the umbrella initiative covering all EU activities in support of SMEs in Armenia, Azerbaijan, Belarus, Georgia, the Republic of Moldova and Ukraine.

EU4Business addresses key constraints that affect the SME sector in the Eastern Partnership, a sector with clear potential to grow and increasingly contribute to employment and GDP in particular. Four strategic priorities guide EU4Business programmes and projects:



**improving SMEs’  
access to finance**



**strengthening policy and  
regulatory frameworks**



**improving knowledge base and  
business skills**



**improving access  
to markets**

EU4Business offers a well-designed mix of support instruments to SMEs in the Eastern Partnership region and also to major players in their business support environment, such as business support organisations and local financial institutions. Whether these are regionally or bilaterally designed, each country enjoys a tailored approach.

**We celebrate the 10th Anniversary of EU4Business with 49 programmes and projects that account for an EU commitment of €417 million, which has triggered a total EU4Business budget of over €3 billion!**

The achievements of EU4Business in the past ten years speak for themselves, a good reason to congratulate the Initiative on its 10th anniversary. Here are some highlights:

- EU4Business has supported more than 85,000 SMEs, and if we also take into account the energy-related projects that were part of the EU4Business portfolio for some of this period, the number of supported SMEs stands at about 130,000.
- Over the period 2009-18, Participating Financial Institutions (PFIs) and International Financial Institutions (IFIs) have provided financial support through more than 120,000 loans to about 80,000 SMEs. The total value of loans disbursed to SMEs in the last 10 years accounts for almost €2.5 billion. Today, more than 50% of these loans are in local currency.
- EU4Business has supported over 250,000 jobs, of which 34,000 were new jobs created through the Initiative.
- EU4Business increasingly encourages and supports women entrepreneurship, and gender is mainstreamed in all EU4Business projects.
- We will see even more results from the EU4Business programmes under the DCFTA<sup>1</sup> Facility, which are now being implementing at full speed. Even today, we can report that they have already supported over 70,000 jobs and created 14,000 new jobs.

Extensive information and analysis on the developments and achievements of EU4Business in the past years can be found in the EU4Business Consolidated Report published in 2017 and in the EU4Business Annual Reports for 2018 and 2019. Detailed information on EU4Business per country is presented in the country reports attached to the annual reports. On the EU4Business website<sup>2</sup> you can read over 150 success stories of entrepreneurs from Armenia, Azerbaijan, Belarus, Georgia, the Republic of Moldova and Ukraine, and get the feel of what EU4Business means to them.

This Jubilee Report offers the reader concise information on the 10-year journey of the EU4Business Initiative. It is a journey to remember and, even more, a journey to follow in the years to come. Enjoy reading the first EU4Business Jubilee report!



Dr Julia Djarova  
On behalf of the EU4Business Secretariat

<sup>1</sup> Deep and Comprehensive Free Trade Areas.

<sup>2</sup> For all EU4Business reports, success stories and other information please consult [www.eu4business.eu](http://www.eu4business.eu).

# Ten Years of EU4Business

1

49 projects with an EU contribution of €417 million, triggering a total EU4Business budget of over €3 billion

2

More than 85,000 SMEs were supported across all six Eastern Partner countries

3

Over 120,000 loans were provided to about 80,000 SMEs

4

Almost €2.5 billion of loans were disbursed to SMEs

5

Today, more than 50% of the loans are in local currency



# Top 10 Achievements

10

72 new laws were implemented in all six partner countries, and another 137 drafted

9

Close to 77,000 people were trained and more than 57,000 people participated in events

8

Over €60 million were allocated to almost 7,250 women-led SMEs under the Women in Business programme

7


More than 250,000 jobs in SMEs were supported and 34,000 new jobs were created through EU4Business

6

EU funding to the DCFTA Facility is €194.5 million, which has unlocked €2.5 billion

# 1.

Key policy elements  
of EU-Eastern  
Partnership  
relations



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

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

# A relationship that has deepened over the last decade

The European Neighbourhood Policy (ENP), launched in 2004, has provided the strategic framework for the European Union’s engagement with its neighbours, developing the closest possible political association and the greatest possible degree of economic integration. In 2009, the ENP was further enhanced through the Eastern Partnership (EaP), a joint initiative of the EU, its member states and Armenia, Azerbaijan, Belarus, Georgia, the Republic of Moldova and Ukraine. This partnership offers a solid framework for multilateral co-operation and provides facilities for deepening bilateral cooperation.

*“One of the most important objectives of the European Neighbourhood policy and the Eastern Partnership is to foster economic development and further integration of our economies for the benefit of all.”*

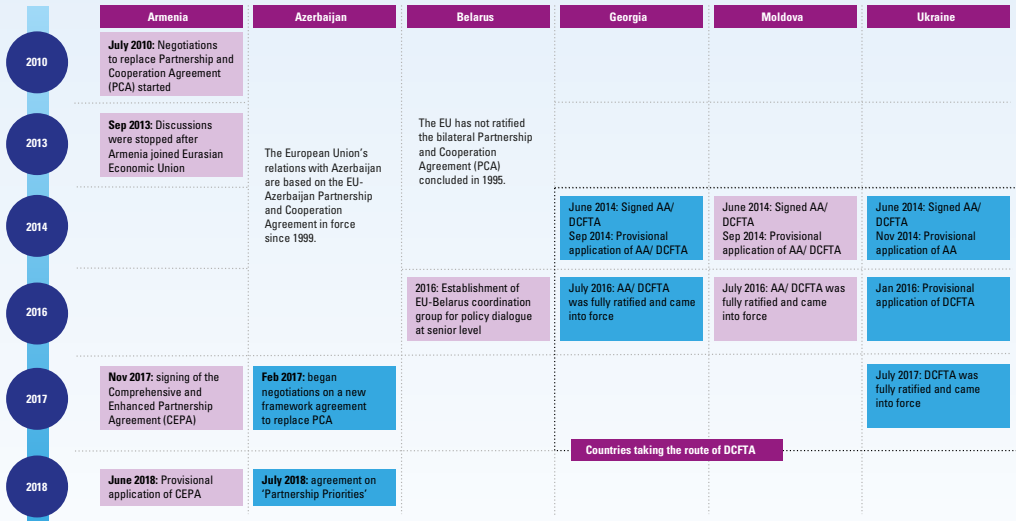
Commissioner for European Neighbourhood Policy and Enlargement Negotiations, **Johannes Hahn**, Eastern Partnership Business Forum, 6 December 2018.<sup>3</sup>

Since 2009, the dynamics of the EU-EaP relationship has increased and has shown noticeable progress. The signing of the Deep and Comprehensive Free Trade Area Agreements (DCFTAs) and the Comprehensive and Enhanced Partnership Agreements (CEPAs) between the EU and the Eastern Partners have been important milestones in the process.

10

## Milestones in EU-EaP relations

Timeline of AA/ DCFTA/PCA adoption by EaP countries



Source: EU4Business Secretariat, EC websites

3 [https://ec.europa.eu/commission/commissioners/2014-2019/hahn/announcements/commissioner-hahns-speech-eap-business-forum-vienna\\_en](https://ec.europa.eu/commission/commissioners/2014-2019/hahn/announcements/commissioner-hahns-speech-eap-business-forum-vienna_en)

# Towards a tailored and differentiated approach to the Eastern Partners

## Eastern Partnership summits

- 2009: First Eastern Partnership summit in Prague
- 2011: Second Eastern Partnership summit in Warsaw
- 2013: Third Eastern Partnership summit in Vilnius
- 2015: Fourth Eastern Partnership summit in Riga
- 2017: Fifth Eastern Partnership summit in Brussels
- 2019: High-level Conference dedicated to the 10th Anniversary of the EaP

The launch of the Eastern Partnership (EaP) was followed by EaP Summits, high-level events taking place every two years since 2009. All summits have confirmed the strategic intent of both the European Neighbourhood Policy (ENP) and the EaP policy, as well as the EU's commitment to establishing strong and mutually beneficial cooperation with all six Eastern Partners. However, in view of the volatile and uneven situation among the Eastern Partner countries, and considering important changes in the region since the creation of the ENP in 2004, the EU has adapted its approach.

During the Riga Summit in 2015, stock was taken of the situation in each Eastern Partner country, as well as the changes that have taken place across the region. One of the conclusions was the need for a tailored country approach, reflecting the standpoint of each partner country as well as the interests of the EU. Flexibility, both in policy and in support instruments, is essential if the partnership is to stay agile and responsive to crises. The EaP Summit in Riga, followed by the Ministerial Conference in May 2016, confirmed priority areas for further actions, namely:

- Economic development and market opportunities
- Strengthening institutions and good governance
- Connectivity, energy efficiency, environment and climate change
- Mobility and people-to-people contacts.

*“One of the most important objectives of the European Neighbourhood policy and the Eastern Partnership is to foster economic development and further integration of our economies for the benefit of all.”*

Commissioner for European Neighbourhood Policy and Enlargement Negotiations,  
**Johannes Hahn**, Eastern Partnership Business Forum, 6 December 2018.<sup>4</sup>

4 Riga Summit: A strong but differentiated partnership. Blog Post by Johannes Hahn, 26 May 2015.

# Increasing bilateral trade through free trade areas

Three countries, Georgia, the Republic of Moldova and Ukraine, have chosen the path of political association and economic integration with the EU. Their bilateral relations with the EU are based on the Association Agreements/Deep and Comprehensive Free Trade Areas (AAs/DCFTAs) concluded in 2014. These agreements offer advanced integration with the EU in a wide variety of areas. While the Association Agreements provide a roadmap for the Eastern Partner countries to develop good governance, improve justice and strengthen the rule of law, the DCFTAs go beyond a classical free trade area and provide for liberalisation of trade in goods and services. They also include provisions on the approximation of the respective legislation of the Eastern Partner countries with the EU.

*“Our trade has increased with each of the six Eastern Partnership countries, which today, taken together, represent the European Union’s 10th largest trading partner in terms of volume...”*

European Commission President **Jean-Claude Juncker** at the 10th anniversary conference of the Eastern Partnership in Brussels on 14 May 2019.<sup>5</sup>

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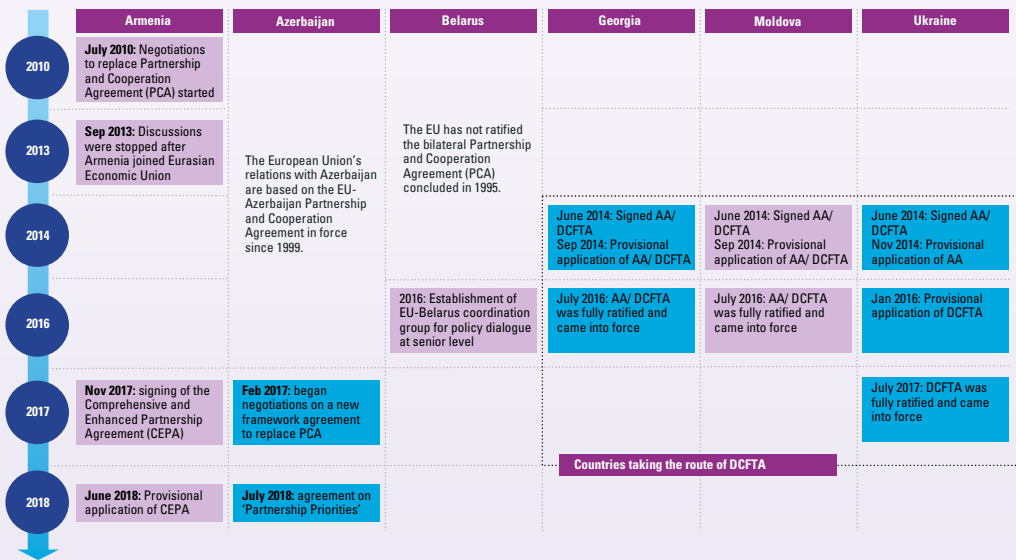


5 [http://europa.eu/rapid/press-release\\_SPEECH-19-2511\\_fr.htm](http://europa.eu/rapid/press-release_SPEECH-19-2511_fr.htm)

The bilateral trade between the EU and the six Eastern Partner countries has steadily increased over the years. The three countries that have signed DCFTAs have shown a higher increase in their trade activities with the EU than the other countries, highlighting the potential benefit of deeper economic integration. The EU is the top trading partner for four countries – Azerbaijan, Georgia, the Republic of Moldova and Ukraine.

For Armenia and Belarus, the EU ranks second to Russia in terms of trade. The highest growth in terms of exports and imports during 2009-18 was achieved by the Republic of Moldova and Georgia respectively.

*Trade relationship between EU and Eastern Partner countries (in million €)*



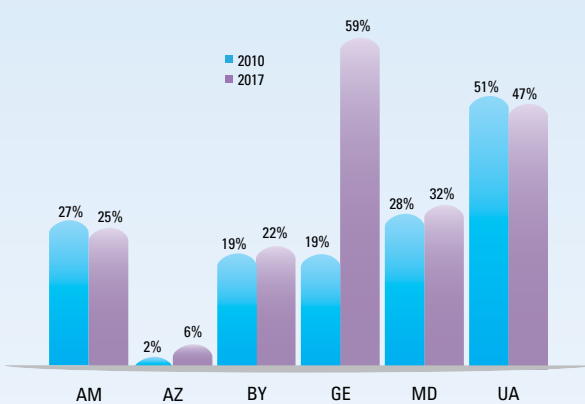
Source: Eurostat<sup>6</sup>, EU4Business Secretariat

# Small and medium-sized enterprises at the core of the EaP policy

Small and medium-sized enterprises (SMEs) are the backbone of any economy; SMEs account for the majority of employment and the greatest part of national GDP. This is why, within the strategic framework of the Eastern Partnership, SMEs have been singled out as an important target group for support. A flourishing SME sector contributes to a healthy market economy in which a good balance between small and large companies benefits both.

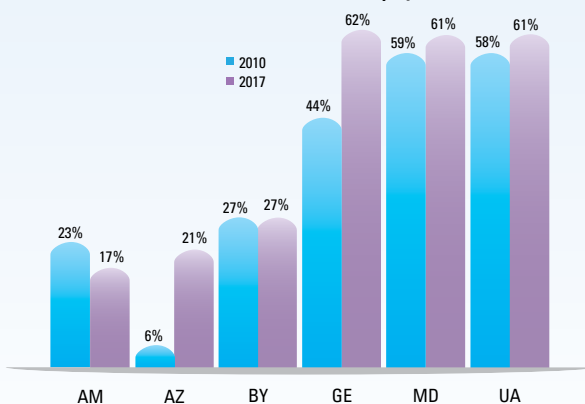
SMEs play a key role in the economic structure of the six Eastern Partner countries. They act as an engine of employment generation and help in achieving sustained growth. SMEs account for more than 90% of all firms in the EaP region. They are the main source of job creation, providing approximately 50% of employment and a third of GDP. However, there are plenty of opportunities for SMEs to grow further, as their contribution to GDP and job creation is lower than their equivalent in the EU (where SMEs account for two-thirds of employment and more than 50% of GDP<sup>7</sup>).

**Trend in SME contribution to GDP (%)**



*Trend in SME contribution to GDP and Employment (by country)*

**Trend in SME contribution to employment (%)**



*Note: For Azerbaijan and Ukraine, data on GDP excludes individual entrepreneurs in 2010.*

*Source: OECD, National statistics agencies of respective Eastern Partner countries, EU4Business Secretariat*

7 "2018 SBA Fact Sheet - European Commission," EC website, <https://ec.europa.eu/docsroom/documents/32581/attachments/12/translations/en/renditions/native>, accessed 6 June 2019.



SMEs in all EaP countries can be supported in many ways. The majority of SMEs at present are subsistence micro-entrepreneurs operating in low value-added sectors such as wholesale and retail trade.<sup>8</sup> Hence, there is a space for development in high-value sectors as well as growth in size and in scope. The opportunities opened for trade with the EU are another stimulus for SMEs to accelerate. SMEs in the Eastern Partner countries face challenges, which prevent them from realising their full potential.

Typical challenges include limited access to finance, lack of relevant skills and knowledge, constraints in the business and regulatory environment and in accessing new markets – all areas where SMEs can be helped.

Speaking at the high-level conference dedicated to the 10th anniversary of the Eastern Partnership<sup>9</sup>, the European Commission's President Jean-Claude Juncker said:

*"...increasingly, small and medium-sized enterprises play an essential role in the economies of the region, which is a guarantee of sustainable and inclusive economic."*



8 "Annex 2: EU4Business," EC website, [https://ec.europa.eu/neighbourhood-enlargement/sites/near/files/eni\\_2017\\_040510\\_eu4business\\_supporting\\_firm\\_competitiveness\\_and\\_business\\_environment\\_reforms.pdf](https://ec.europa.eu/neighbourhood-enlargement/sites/near/files/eni_2017_040510_eu4business_supporting_firm_competitiveness_and_business_environment_reforms.pdf), accessed 22 April 2019.

9 [http://europa.eu/rapid/press-release\\_SPEECH-19-2511\\_fr.htm](http://europa.eu/rapid/press-release_SPEECH-19-2511_fr.htm)



## 2.

EU4Business -  
milestones in its  
10-year journey



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

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

Small and medium-sized enterprises have been singled out as an important target group for support under the EU4Business Initiative of the European Union. In its ten-year journey, the Initiative has “achieved a lot, supporting countries in the design and implementation of SME policies, encouraging public private dialogue, reinforcing the role of business support organisations, as well providing access to finance to SMEs”. Commissioner **Johannes Hahn**, Foreword to the EU4Business Consolidated Report, May 2017.

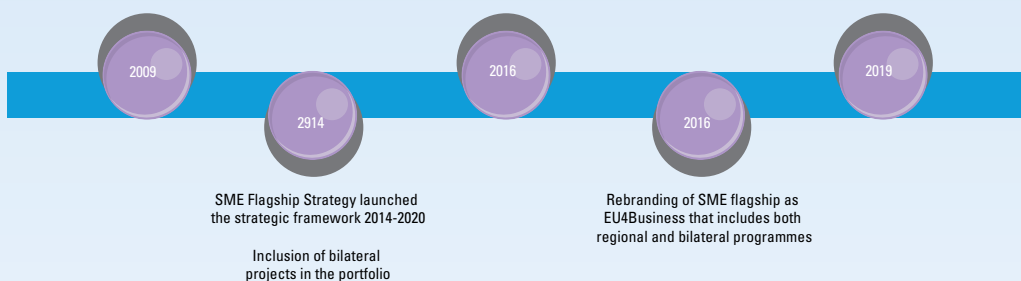
During its 10-year journey, EU4Business has gone through transformations, adapting to the changes in the situation and the environment of the Eastern Partner countries and benefiting from the progress made by the EU in its policy towards the Eastern Partnership.

### Evolution of EU4Business Initiative

Launch of SME flagship initiative focusing on regional programs with three programmes (~€20 million)

DCFTA facilities for SMEs in Georgia, Moldova and Ukraine were included in this initiative

EU4Business completes 0 years with a total portfolio of 49 projects and ~€417 million EU contribution



# From SME Flagship to EU4Business

In 2009, the SME Flagship Initiative was launched with the aim of providing support for SME development in the Eastern Partner countries by improving the business climate, SME access to financing and advisory services, and enhancing the capacity of business support organisations. The Initiative started with three core regional programmes, addressing the main constraints and challenges of SMEs in the EaP region:

- East-Invest programme, aimed at promoting trade and investment through SME networking and the consolidation of business associations.
- Turn Around Management and Business Advisory Services (later called Small Business Support programme), providing tailored technical assistance and individual consultancy services.
- SME Finance Facility, seeking to improve access to finance through the provision of guarantees schemes and technical assistance to increase bankable projects.

In 2014, the SME Flagship Strategy until 2020 was endorsed, strengthening the strategic framework of the EU's support to the private sector in the Eastern Partner countries. The Strategy reflected on the substantial growth potential of the SME sector and its significance for the region. It came to address growth obstacles for SMEs and hence contribute to stronger, more diversified and vibrant economies across the region.

The overall objective of the SME Flagship Strategy is “to sustainably increase the contribution of SMEs to the national economies through strengthening SMEs as vehicles for employment creation and economic development”.

With the endorsement of the SME Flagship Strategy, the regional programmes under the SME Flagship Initiative have grown in numbers. In order to accommodate all EU activities in support of small and medium-sized enterprises in the Eastern Partner countries, regional but also bilateral, the ‘SME Flagship’ was rebranded into ‘EU4Business’ in 2016.

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

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

# Major long-term regional programmes mark the start of EU4Business

Several regional EU4Business programmes celebrate their 10th anniversary in 2019. They were launched to respond to the key challenge for SMEs in the Eastern Partner countries, namely access to finance. In past ten years, these ‘veteran’ programmes have reflected both the changing situation in the EaP region as well as the progress of EU policy.

One of these regional programmes is the European Fund for South East Europe, one of the prominent EU4Business regional multi-donor-funds that started 10 years ago, running till 2021. It is implemented by the Kreditanstalt für Wiederaufbau (KfW), the German government’s development bank. The Fund was established to foster economic development and prosperity through the sustainable provision of additional development finance, notably to micro and small enterprises (MSEs), as well as to private households. The European Fund for South East Europe attracts private sector capital and thereby leverages investments into the EaP region. The EU contribution to the European Fund for South East Europe has leveraged €241.6 million.<sup>10</sup>

The EU’s External Investment Plan (EIP), proposed in 2016 and adopted in September 2017, provided a framework to support more innovative and riskier projects. This has influenced the design of the EU Local Currency Partnership Initiative: The European Fund for Southeast Europe (EFSE), launched in 2018 and implemented by KfW. A total of €50.32 million of EU budget has been committed to this project that will last until 2039. EFSE provides access to medium-term credit in local currency for underserved MSEs and low-income households without exposing them to foreign currency risk. In addition to this, the project aims to leverage public and private capital.

Another key long-term EU4Business programme was launched in cooperation with International Finance Institutions (IFIs) under the Neighbourhood Investment Facility (NIF) at the start of the EU4Business. The SME Finance Facility combines loans from the European Bank for Reconstruction and Development (EBRD), the European Investment Bank (EIB), and KfW, with EU grants for credit enhancement support – first loss risk guarantee and interest subsidies. The SME Finance Facility Phase I ends in 2019-20 and celebrates its 10-year anniversary together with the EU4Business Initiative.

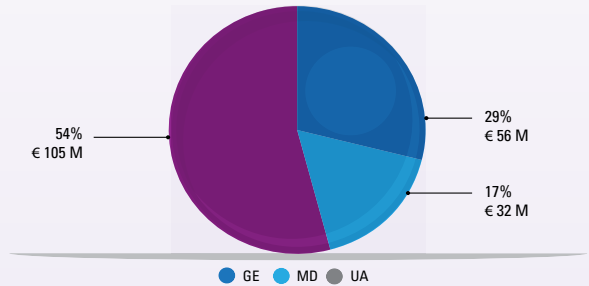
<sup>10</sup> Weighted average of the Fund’s disbursements since its inception at the end of 2009.

# EU4Business supporting the implementation of the Deep and Comprehensive Free Trade Areas (DCFTAs)

An important milestone in the EU4Business Initiative was the launch of the DCFTA Facility for SMEs in 2015. It responded to the challenges and opportunities that businesses faced in the three Eastern Partnership countries that signed Association Agreements with Deep and Comprehensive Free Trade Areas (AAs/DCFTAs). In the DCFTA Facility for SMEs, the EC committed €200 million that would unlock at least €2 billion of new investments, including incentive payments, currency hedging, risk sharing as well as technical assistance.

At present, four years later, EU funding to the DCFTA Facility is already €194.5 million, and this has unlocked €2.5 billion. The local banking sector, the SMEs in terms of loans and business services, the trade and quality infrastructure, have all highly benefitted from the Facility. Specific EU4Business regional programmes have been launched under the DCFTA Facility in a short period of time:

EU funding to DCFTA (in million €)

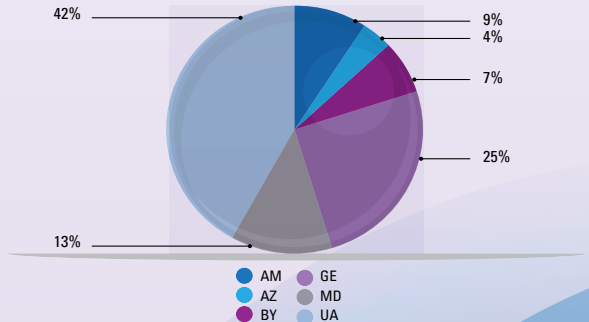


Source: EU4Business Secretariat

- ✓ 2014 DCFTA SME Direct Support Facility (EBRD)
- ✓ 2015 Advice for Small Businesses – Phase II (EBRD)
- ✓ 2015 DCFTA Adaptation Programme (DAP) (EBRD)
- ✓ 2016 DCFTA Initiative East (EIB)
- ✓ 2016/2017 EBRD DCFTA Programme (EU4Business-EBRD Credit Line Phase I&II)
- ✓ 2016/2017 SME Finance Facility Phase II (EBRD, EIB and KfW)
- ✓ 2018 EU4Business: The EU Local Currency Partnership Initiative: the European Fund for Southeast Europe (EFSE) (KfW)

The significance of the DCFTA Facility is also illustrated by the EU contribution to EU4Business by country, with Georgia, the Republic of Moldova and Ukraine having received 80% of the total contribution in the past ten years.

Regional distribution of the EU contribution during 2009-18 (in %)



Source: EU4Business Secretariat

# Local currency lending – fostering SMEs’ access to finance

In 2016-17, the SME Finance Facility Phase II came into operation, offering a major adaptation of its first phase. It received €15.6 million of EU contribution that triggered another €78.44 million. Following the EC strategic direction to stimulate local currency lending especially for micro, small and medium-sized enterprises (MSMEs), the SME Finance Facility II offers loans in local currency to MSMEs. In addition to the loans provided to enterprises, this programme rebuilds local financial intermediaries’ (LFIs) confidence to extend financing to SMEs; it enhances their capacity to assess and monitor the related risk and manage their SME financing portfolio.



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

**Vazil Hudak**, Vice-President,  
European Investment Bank

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

**Katarin Mathernov**, Deputy  
Director General, DG Near



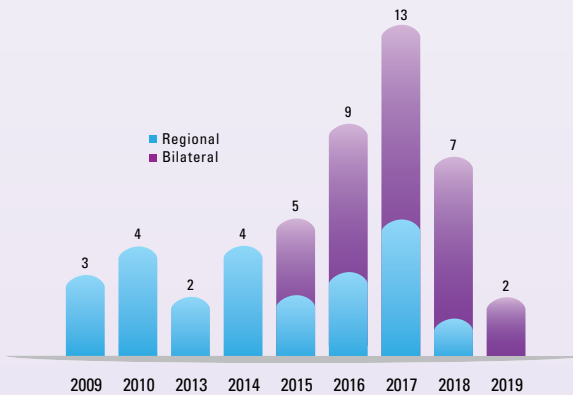
With its long-term operation in the EaP region, the SME Finance Facility promotes continued development of market-based financial institutions, and contributes to their institution building. This Facility is one of the major, long-lasting and impactful EU4Business regional programmes. The EU has contributed €30.9 million to both its phases over the past 10 years, triggering new investments of approximately €196.7 million.

During the ten-year period (2009-18), PFIs received financing for onward lending to SMEs of €330 million in local currency and €1.123 billion in foreign currency. Of these amounts, 76% and 30% of the local and foreign currency lending respectively took place in 2017-18, showing the increasing trend towards local currency lending to SMEs under EU4Business.

## Bilateral projects enriching EU4Business

The number of bilateral projects addressing SMEs' needs and their regulatory and business environment has increased towards 2015. SME Flagship rebranding into EU4Business in 2016 responded to the need to incorporate in its portfolio the bilateral projects as well, and hence become the umbrella initiative for all EU activities aiming at SME support in the EaP region. This provided a more concerted strategic focus and better coordination, at the same time allowing for better monitoring and more effective communication on consolidated results achieved with partner countries and partner organisations.


### Evolution of EU4Business projects



Source: EU4Business Secretariat

Next to the regional programmers, some 25 bilateral projects have been included in the EU4Business portfolio between 2015 and 2019. Their implementation has been monitored and their results reported. EU4Business bilateral projects focus primarily on technical assistance in support of the regulatory environment, and improving the knowledge and skills of SMEs and BSOs. Five projects out of the 25 support the implementation of the DCFTAs in Georgia, the Republic of Moldova and Ukraine.

So far, the EU has contributed €128.5 million to EU4Business bilateral projects.



*“We have already felt the difference. Now we can give all our time to producing actual baskets rather than researching information.”*

Aliaksandr Danilau is Director of EcoPak, a Belarusian enterprise producing special packaging for fruit and vegetables. This company started using a new automated production management system known as ‘Gulf Stream’ thanks to support from the EBRD ‘Advice for Small Businesses’ programme, funded under the EU4Business initiative. As a result, the company has grown almost six- fold in the past three years.

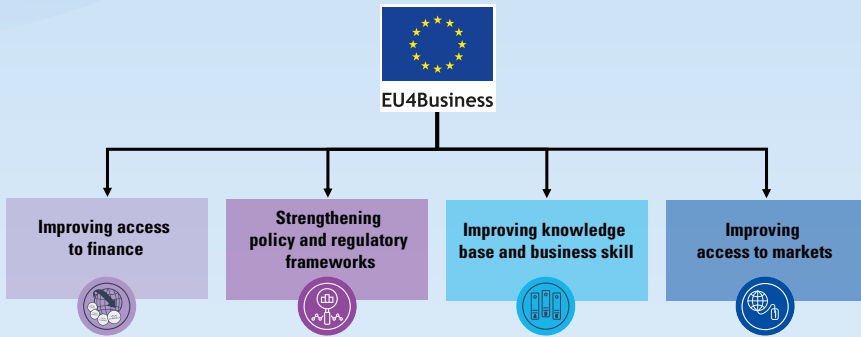


# 3.

The four priority  
areas of  
EU4Business

The EU4Business Initiative has taken up the strategic priorities identified in the SME Flagship Strategy, reflecting the key needs of SMEs in the Eastern Partnership.<sup>11</sup>

### EU4Business strategic priority areas



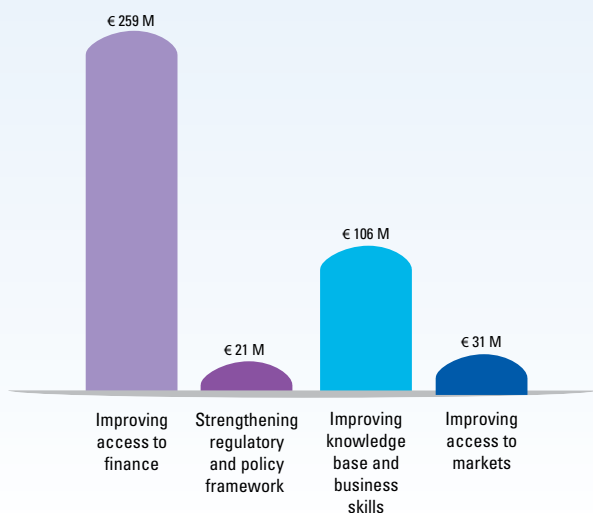
*“Under the EU4Business initiative, we cover all your needs, from business environment, to business support organisations, advisory services and access to finance.”*

Commissioner for European Neighbourhood Policy and Enlargement Negotiations, **Johannes Hahn**, Eastern Partnership Business Forum, 6 December 2018.

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

EU4Business offers a mix of support instruments to SMEs in the EaP region across its four priority areas. Whether these are regionally or bilaterally designed, each country enjoys a tailored approach.

EU contribution per priority area (in million €)



<sup>11</sup> “EU support to SMEs in the Eastern Partnership countries 2014-2020. The way forward for the SME Flagship Initiative”.

<sup>12</sup> [https://ec.europa.eu/commission/commissioners/2014-2019/hahn/announcements/commissioner-hahns-speech-eap-business-forum-vienna\\_en](https://ec.europa.eu/commission/commissioners/2014-2019/hahn/announcements/commissioner-hahns-speech-eap-business-forum-vienna_en)

Source: EU4Business Secretariat

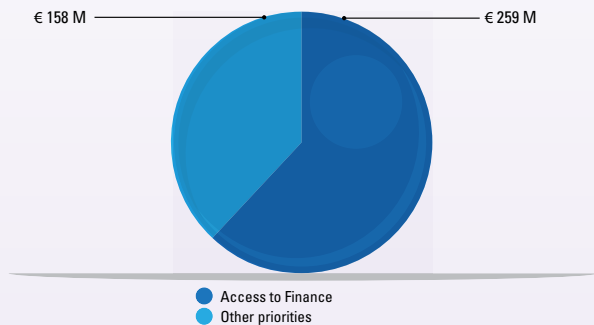


## Access to finance: addressing a key concern of SMEs

SMEs in all Eastern Partner countries find access to finance a key constraint to their sustainability and growth. EU4Business did in fact begin its action with programmes that support SMEs financially. The portfolio today contains 17 access to finance projects, with a total EU contribution of €259 million, leveraging a budget of €2.9 billion. The access to finance projects represent more than 60% of the total EU contribution to EU4Business and over 95% of the total EU4Business investments.

More than a third of the SMEs still struggle with access to finance and look to loans beyond the owner's own funds to expand operations.<sup>13</sup>

EU4Business total budget (in million €)



Source: EU4Business Secretariat

The EU4Business Initiative focuses specifically on the obstacles that SMEs encounter in access to finance, by targeting both SMEs and local financing institutions (LFIs) with specially developed financial mechanisms. It aims at strengthening the capacities of SMEs to access finance by providing grants or other incentive payments, or by mitigating the risks taken by LFIs in their on-lending to SMEs, in a way that can result in better offerings to SMEs. The diversity of financial instruments available within the EU4Business Initiative serve different types of SMEs, depending on the country, the size or the sector of the SME, and have different leveraging effects. The results of the past ten years show that EU4Business brings a diversity of financial instruments, tailored to create better access to finance for SMEs in the Eastern Partner countries, such as loan guarantee schemes combined in cases with interest subsidies, loss risk sharing and currency devaluation risk coverage.

Given the volatility of the local currencies, local currency lending was one of the targets defined in the Eastern Partnership '20 Deliverables for 2020'. With the introduction of the SME Finance Facility Phase II and EU4Business: The EU Local Currency Partnership Initiative (EFSE), the target of providing at least a quarter of EU financial support to SMEs through local currency lending was reached at the end of 2018. The EFSE programme makes it possible to provide access to medium-term credit in local currency in the form of L-shares that cover risks related to foreign exchange rate fluctuations.

13 EU4Business Secretariat: SME Survey in five Eastern Partner countries, 2018.

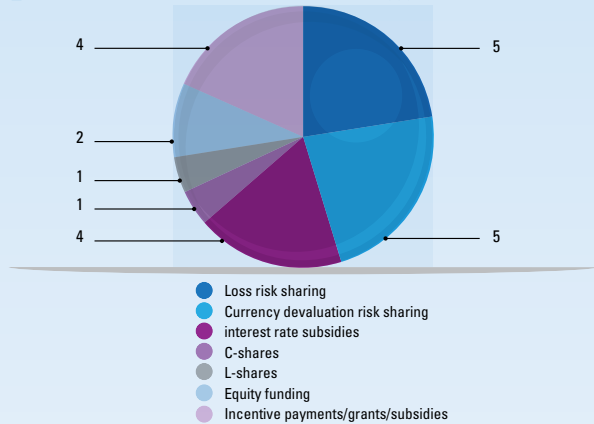


The use of traditional incentive payments such as grants and subsidies is also applied in different EU4Business projects, often in combination with loan guarantee schemes. To a lesser extent, equity funding is being considered as an option to provide financing to SMEs. For instance, the Armenian SME Finance and Advice Facility will offer SMEs limited equity for up to seven years and also provides SMEs with business support.<sup>14</sup> The programme is interesting, as it will allow the creation of the first equity fund in Armenia.

The financial instruments under the EU4Business Initiative have unlocked a total value of loans by Partnering Financial Institutions (PFIs) and International Financial Institutions (IFIs) to final SME beneficiaries of €2.47 billion over the period 2009-18. More than 120,000 loans have been extended to about 80,000 SMEs<sup>15</sup> in the past 10 years.

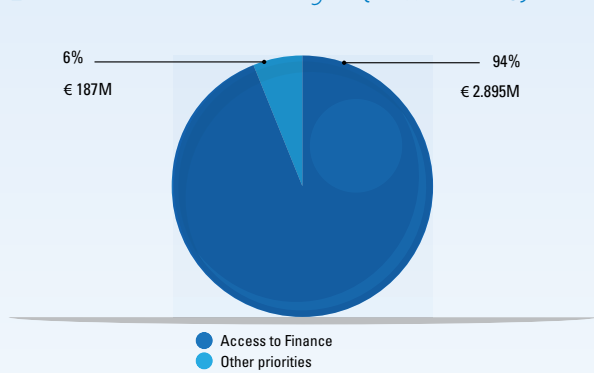
The average size of loans across all EU4Business programmes is €31,000. The range of the loan size, however, is wide and depends on the project. For instance, the average loan size within the SME Finance Facility and EFSE is under €10,000, while for the EBRD Credit Line facility it is over €450,000. If we look at the EBRD DCFTA Direct Finance Facility, we will see an average loan size of about €2.2 million. The size and the maturity of the companies receiving loans is significant in this respect, as is the sector in which they operate. For instance, the EBRD Credit Line facility lends to businesses that are engaged in trade.

EU4Business financial instruments



Source: EU4Business Secretariat

EU4Business total budget (in million €)



Source: EU4Business Secretariat

So far, the efforts of the EU4Business access to finance programmes have been focused primarily on the existing pool of SMEs and in some cases on well-established enterprises. In order to enlarge the stream of new SMEs into the local economies, start-ups should increasingly be supported financially, and this could be one of EU4Business's efforts in the years to come.

<sup>14</sup> The equity fund will become active in 2019.

<sup>15</sup> This number is lower than the 100,000 supported SMEs in the 2017 Consolidated Report. This is because three energy projects (Green for Growth, Identification and Promotion of Energy Efficiency investments, and the South Caucasus Sustainable Energy Finance Facility) were moved from the EU4Business to the EU4Energy portfolio. As a consequence, the results for these projects are no longer included in the monitoring of the EU4Business initiative.



Almost all projects that implement financial instruments under the EU4Business Initiative include a technical assistance component. This can be in the form of training and assistance to LFIs or Business Support Organisations (BSOs) or direct assistance to SMEs. It is generally agreed that the linkage between financial instruments and technical assistance is an important success factor. Interesting in this respect is the clustering approach, applied among others in the Support to SME Development in Armenia (SMEDA) project. Through grant allocations, eco-systems are built for specific sectors such as IT and fashion. This allows for a more structured allocation of resources and a tailored support, moving away from a shotgun approach to beneficiaries, to assisting well-selected SMEs belonging to a specific eco-system.

The 10 years' experience in implementing access to finance programmes in the Eastern Partnership region shows high level of absorption of EU4Business funds by the SMEs. The volume of loans and the number of SMEs receiving loans demonstrate an increasing trend. When specific problems have arisen (for example exchange rate volatility), the EU4Business Initiative has responded by developing new instruments for lending to SMEs such as the local currency lending and this has ensured a continued availability of finance for SMEs. It is therefore important to stress that in the years to come EU4Business will continue offering SMEs in the Eastern Partner countries flexible and tailored financial instruments, and that the offer will increase not only in volume but also in variety of instruments. We may also see new instruments, such as leasing and factoring, where leasing can be particularly useful to micro and small enterprises and start-ups, and factoring would support SMEs in their scale-up and expansion phase.



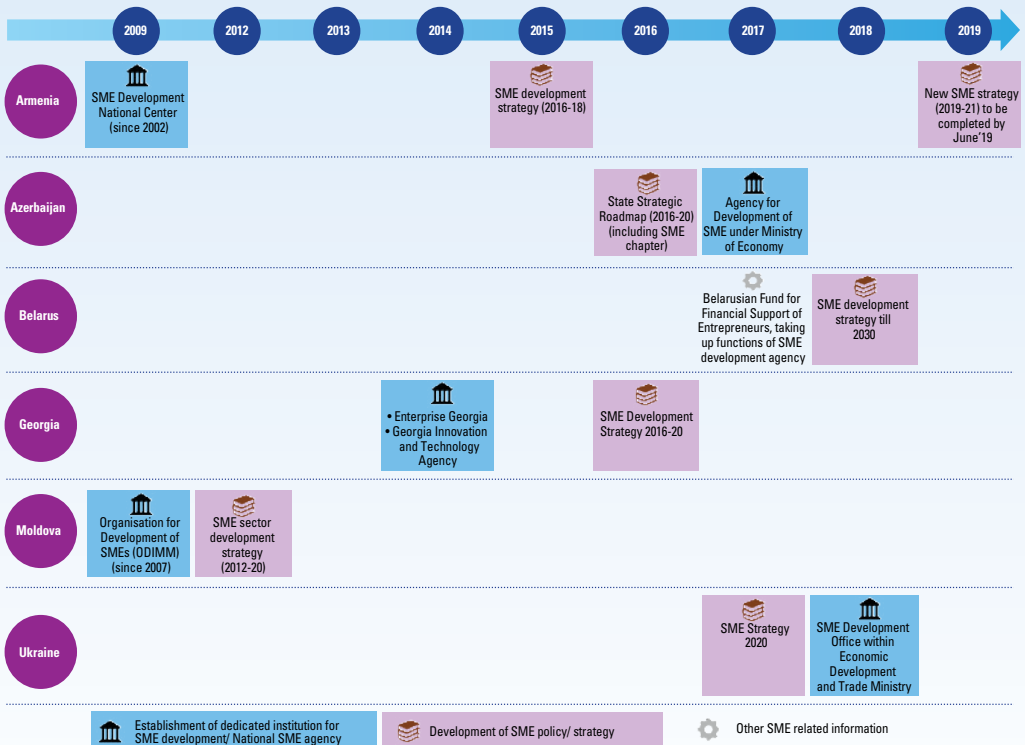


# Regulatory and policy framework: enabling SMEs' business environment

There are five EU4Business projects dedicated to supporting regulatory reforms and improving the business environment. Together they account for a total EU contribution of about €21 million, leveraging a total budget of more than €26 million.

In 2009, SME policy and related institutional set-up was largely non-existent in all six Eastern Partner countries. Since then, EU4Business projects have strongly contributed to strengthening the strategic orientation of the SME policy in all six countries responding to the 2020 target "to improve/increase the number of assistance programmes by national authorities to their SMEs (dedicated SMEs agency in place in each Partner Country)". In the last 10 years, all countries have developed and strengthened their multi-annual SME strategies until 2020, integrating SBA principles. They also adopted SME development action plans that define specific policy actions, resources, and mechanisms for monitoring and evaluation. The projects contributed significantly to strengthening the institutional framework for SME policy formulation and implementation. In all Eastern Partner countries, SME agencies have been established.

## SME Policy and institutional development in the EaP countries



Source: EU4Business Secretariat





EU4Business supported stronger monitoring of SME policies, including setting up results-based monitoring frameworks and monitoring platforms. It also contributed to improvements in SME statistics.

EU4Business projects enhanced the capacities of national authorities to formulate and implement SME support measures targeted to SMEs' needs and overall reform priorities. EU4Business assisted all six Eastern Partner countries with advice on formulation and strengthening of national programmes and capacity building of the staff of the national business support agencies.

EU4Business also supported improvements in business regulation and the regulatory environment through regional policy dialogue and country-specific technical assistance in priority areas. It promoted the EU Better Regulation approach and SBA 'Think Small First' principle in business, including regular assessment of the regulatory framework, preliminary assessments of the impact of legislation and consultations with stakeholders.

The projects implemented by the OECD<sup>16</sup> under the EU4Business Initiative have assisted partner governments in the identification of the reform priorities by regular SME policy reviews and assessments against the principles of the Small Business Act for Europe (SBA). In the past 10 years, the OECD has carried out two comprehensive assessments of SME policies in all six Eastern Partner countries using the SME policy index framework, and a third one has started in 2018. Building on the findings and recommendations, the Eastern Partner countries have taken steps to improve the policy environment for SMEs.



<sup>16</sup> SME Competitiveness Reforms (2013-2017) and EU4Business: From Policies to Action (2017-ongoing).



All six Eastern Partner countries have benefited from capacity building in export promotion, including identification and analysis of value chains with export potential, elaboration of value chain development road maps and preparation of specific support measures. Through the SME-DCFTA project in Georgia, the Support to the Implementation of DCFTA Process project in Moldova and in Ukraine, the EU4Business Initiative has supported the formulation and implementation of communication programmes on DCFTA issues. In 2018, Georgia and Armenia received support in developing programmes that targeted innovation and cluster development policies through the SMEDA and SME-DCFTA projects. In Ukraine, standards and templates for the development of 11 priority SME support measures were elaborated in 2018 with the assistance of FORBIZ.

The regional STAREP project has made an important contribution to modernising systems of accounting, auditing and corporate financial reporting in line with good international practices, including EU acquis in all six Eastern Partner countries. By the end of 2018, three countries (Georgia, Ukraine, Moldova) achieved significant progress in harmonising their legal framework with the acquis, and other countries were on the road to developing new improved legislation and/or amending the existing legal framework. The project contributed to adoptions of new auditing legislation in Moldova and Ukraine, to a new accounting law in Azerbaijan, as well as to the adoption of International Financial Reporting Standards and International Standards of Auditing in all countries. In 2018, a major STAREP project achievement was the finalisation of strategies for improvement of accounting and auditing education in all six partner countries.

The EU4Business Initiative has had a much larger impact on improvement of the business regulatory framework, achieved through policy advice and strengthened government commitment to reforms, which have resulted in changes in legislation implemented by countries with their own resources or other donor support. The World Bank's Doing Business report 2019 shows that all six Eastern Partner countries have increased their ease of doing business score since 2016, indicating improved regulations for starting and operating a business. The most noticeable were the improvements in Georgia, which improved by 18 positions and now ranks 6th out of 190 countries in the world, and in Azerbaijan, which improved by 38 positions and ranks 25th. Noticeable progress was also made in Ukraine, though it remained with the lowest rank of the six Eastern Partner countries (71st).



## Improving knowledge and skills: building capacities for SMEs' growth

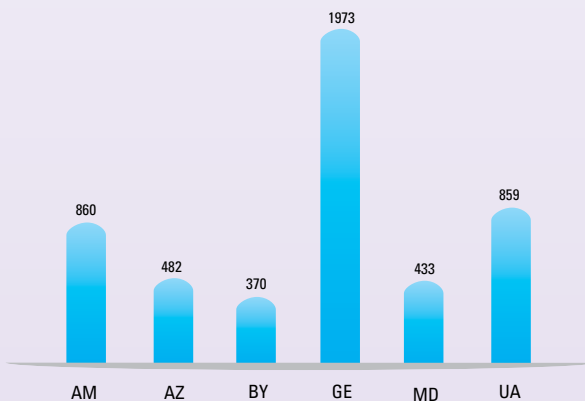
Most projects and programmes within the EU4Business Initiative include a technical assistance component or are even exclusively focused on technical assistance. Technical assistance includes training and capacity building of participating financial institutions (PFIs), Business Support Organisations (BSOs) and most importantly SMEs themselves. SMEs themselves need knowledge and understanding of possibilities to further develop and expand their own businesses. At the same time they need knowledgeable PFIs and BSOs as reliable partners to support their growth intentions.

*More than a third of businesses are looking primarily to invest in knowledge and skills to expand the market and work on the demand side. Such knowledge and skills should preferably accompany the EU4Business loans.<sup>17</sup>*

Twenty EU4Business projects aim at improving the knowledge base and business skills of SMEs in the EaP region, either directly or indirectly. The total EU contribution to these 20 projects is over €105 million, or 25% of the total EU contribution to EU4Business. Their total budget is almost €124 million, which is a bit more than 4% of the total

EU4Business budget. The majority of these projects offer services directly to SMEs, focusing on increasing SMEs competitiveness, investment readiness and their knowledge and skills to manage and grow their businesses. The projects offer training, information and advisory services in fields such as management effectiveness and market performance, financial management and reporting, understanding quality management and quality certifications, etc.

### Number of SMEs supported with advisory services (2009-18)



A 'veteran' EU4Business project in the field is the Enterprise Growth Programme (EGP)/Business Advisory Services (BAS) (implemented by the EBRD) that started in 2010 and was completed in 2015, with €10 million of EU funding. The EBRD also implemented two phases of the Advice to Small Businesses programme in the period 2013-19<sup>18</sup> with an EU contribution of €16 million. This programme provides co-financed grants for demand-driven advisory services.

Source: EU4Business Secretariat

<sup>17</sup> SME Competitiveness Reforms (2013-2017) and EU4Business: From Policies to Action (2017-ongoing).

<sup>18</sup> Phase II is still ongoing.



By the end of 2018, nearly 2,500 SMEs had benefited from these programmes in fields such as ICT, marketing, strategy, quality management and organisation. Evidence shows that these projects were appreciated by beneficiaries and have contributed to improved performance of the companies assisted: SMEs registered growth of sales amounting to €1.289 million, and attracted €289 million of investments.

By extending assistance to local Business Support Organisations (BSOs), EU4Business indirectly helps SMEs in developing a professional business support environment. The projects of this nature made a significant contribution to enhancing the organisational capacity of business membership organisations, such of chambers of commerce and industry, as well as to linking EaP and EU BSOs. In the last years, there is a positive tendency to focus support on capacity building of sectoral organisations, thus using the opportunity to develop services that are better targeted to the needs of SMEs.

There are several projects that have a specific focus on enhancing the capacity of BSOs/CSOs for lobbying and public-private dialogue. One impact here is that projects create a significant number of public-private dialogue platforms. New councils, committees/sub-committees, working groups and business forums were established by at least 25% of the projects. In Georgia, for instance, two EU4Business grant projects established independently two multi-level consultation platforms on regional level, including 10 Local Advisory Councils with representatives of local authorities, CSOs and SMEs for discussion of problems at local level.

The EU4Business Network of Business Support Centres programme in Ukraine, with an EU contribution of €40 million, was initiated in 2016. It is a good example of direct and indirect support to SMEs. It provides business advice and capacity building to SMEs, and also prepares them for financing from the EBRD and other financial institutions. The programme further supports the creation of a network of 15 Business Information Support Centres (BISCs) across the country. Nine chambers of commerce and six NGOs and regional development agencies are involved, offering 290 information services, with more than 170 trainings taking place so far<sup>19</sup>, and 9,300 participants attending events under the programme.

The need for DCFTA-related information and consultancy services to SMEs has grown since the DCFTA Facility has been operational. Technical assistance projects have been launched in the three relevant countries addressing DCFTA provisions, product standards and certifications in the European Union market, non-tariff barriers, rules of origin, customs duties and procedures, DCFTA relevant state bodies, EU regulations and others. Most of the projects are providing training to SMEs in the fields mentioned above. For instance, in the period 2010-17, the East Invest projects assisted BSOs in the development of 60 new business services, related primarily to export and investment promotion. The aggregated EU contribution for DCFTA technical assistance projects so far accounts for about €31 million.

EU4Business also supported the empowerment of civil society organisations in research, advocacy, monitoring and engagement in public-private dialogue on SME policy and DCFTA issues.

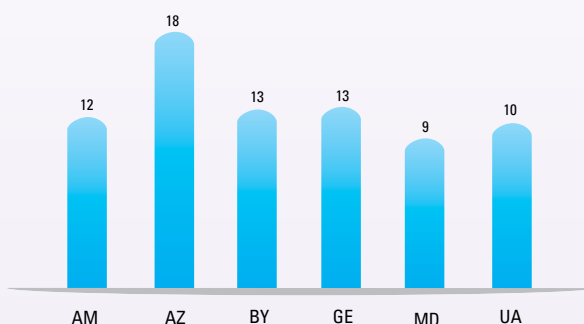
<sup>19</sup> The programme Network of Business Support Centres in Ukraine is to be completed in 2020.



Partnering financial institutions (PFIs) in the six Eastern Partner countries are another target group of EU4Business projects that have received support in capacity development and improving knowledge and skills. PFIs' needs to strengthen their knowledge and to build up experience in the SME market segment has been recognised at the start of the EU4Business Initiative.

It was clear that improving access to finance for SMEs also requires improved knowledge and skills of staff working in PFIs. Therefore, most EU4Business access to finance projects include a technical assistance component aimed at improving the capacity of PFIs to better serve and meet the needs of SMEs, and to reach out to them more effectively. The total Technical Assistance to be delivered to PFIs during the life of these projects is almost €30 million.<sup>20</sup> The largest part of €16.87 million is provided under the auspices of the Deep and Comprehensive Free Trade Area (DCFTA) Facility.

*Number of PFIs receiving technical assistance, per Eastern Partner country (2009-18)*



*Source: EU4Business Secretariat*

In total, 75 PFIs have been involved in EU4Business projects and programmes over the last 10 years. The majority of them have received assistance under the Financial Sector Institution Building and Crisis Response programme<sup>21</sup>, another 'veteran' EU4Business project. It was launched in 2009 with the aim of providing assistance to banks which were particularly affected by the global financial crisis. The programme also aims to improve efficiency, effectiveness and transparency in the sector and to maintain or create successful and healthy institutions that finance the real economy, operate on market principles and follow sound business practices.

Focusing on improving the knowledge and skills of key players in the SME eco-system increases the quality of the support that small and medium-sized companies need. Interviewed on the matter, SMEs from the EaP region share their views that combining financial support with knowledge and skills as well as with an enhanced support environment is the best that they can wish. This provides a further incentive to EU4Business to continue investing in the priority area of knowledge and skills.

<sup>20</sup> €19.2 million has been earmarked in the different programmes and projects falling under priority area 1, in addition Financial Sector Institution Building and Crisis Response has a total EU contribution of €12 million which we consider part of the mentioned €30 million, except for the earmarked part in this programme which is to be used for projects in Russia (€2.4 million).

<sup>21</sup> Please note that the PFIs receiving assistance under this programme were not included in the Annual Report 2018.



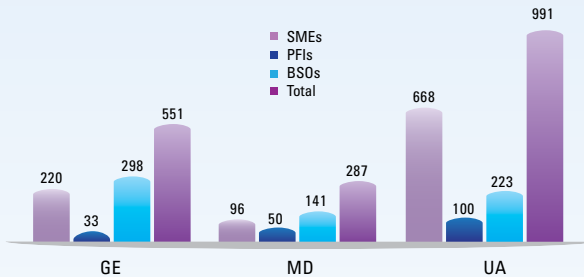
## Access to markets: lifting barriers for SMEs' expansion

In the past 10 years, some 1,716 SMEs received financial assistance from EU4Business projects related to the DCFTA – 960 of them in 2008 alone. The EU Local Currency Partnership Initiative: the European Fund for Southeast Europe (EFSE), launched in 2018, is contributing substantially to this result.

By 2018, the total value of loans disbursed to SMEs added up to €319 million, of which €192 million were disbursed in 2018 alone. EU4Business activities related to the DCFTA are still to gain speed in the years to come. Although the DCFTA Facility is a relatively young EU4Business instrument, it has already shown results, supporting over 75,000 jobs and creating over 14,000 new jobs.

In addition to providing financial assistance, the DCFTA programmes also focus on capacity building. Within the Advice for Small Businesses – Phase II programme, 40% of all new advisory service projects with local consultants and all projects with international advisors are DCFTA-related. Additionally, some of the bilateral projects within the EU4Business Initiative also have a strong DCFTA focus, such as SME Development and DCFTA in Georgia or the Network of Business Support Centres in Ukraine. Information on the opportunities available under the DCFTA, within the framework of EU4Business, was spread via several events. Over 17,000 people were reached through these events. More than 1,800 people were trained and coached up till the end of 2018; of these, over 900 people were from SMEs and another 600 from BSOs.

*Number of people trained in SMEs, PFIs and BSOs by DCFTA country and total, 2009-18*



Source: EU4Business Secretariat

There are a number of challenges in the field of trade that EU4Business is still to address in the coming years. SMEs in the EaP region, sharing their stories, recognise a few important barriers that they would like to help to overcome.

Trading with the EU requires compliance with EU quality standards. The implementation of an international quality certification system is costly and requires specific

knowledge. While some SME owners consider the costs linked to certification as an important investment, others see these costs as being too high and ask for external funding. In any case, almost everyone agreed upon the need for specific advisory services that would be easy to access and tailored to specific sectors.

Advisory services combined with funding may help in solving yet another problem: in order to comply with EU quality standards, SMEs often need specific equipment or specific production facilities that are not easily accessible or are even available.



General knowledge about the DCFTA, going beyond knowledge of the certification process, is still limited among SMEs. This prevents them from exploring markets beyond their own borders. Providing opportunities to SME owners to exchange experiences, to network and build strong business relationships, within the country and across borders is seen as essential.

In Semegrelo region, Georgia, almost everyone grows hazelnuts. SRT is one of the processing facilities in the region. With support from the EU4Business-EBRD Credit Line, SRT has been able to invest in modern equipment to ensure European quality standards for the final product, as well as receiving 15 per cent cashback on the whole investment. Additionally to a granted loan, SRT received technical advice, which helped the company adopt standards to improve their overall food and hygiene quality and obtain the relevant ISO certificate, a universal recognition of compliance with global norms.



# Boosting women entrepreneurship

Next to its four priorities, EU4Business is concerned with cross-cutting issues. Promoting women entrepreneurship is an important cross-cutting issue of the EU4Business Initiative, which is one of the targets in 2020 Deliverables. According to an assessment of the EBRD Strategic Gender Initiative, there is a large gender gap in terms of “employment, firm ownership”, and “access to finance” in the countries of the EaP region. The assessment states, “... lack of adequate finance, coupled with fewer opportunities to gain managerial experience, and limited access to know-how tend to limit the growth potential of women SMEs, constraining them to the micro and small segments, typically in low value-added, low productivity sectors.”<sup>22</sup>

While gender is mainstreamed in all programmes supported by the EU4Business Initiative, the EBRD Women in Business (WiB) programme specifically targets female entrepreneurs. The WiB programme started in June 2015 aiming to promote women’s entrepreneurship and women’s participation in business, to support women-led enterprises with access to finance and capacity building. The number of loans provided under WiB has increased significantly, going from 2,371 loans in the period 2015-2017 to 7,240 loans in 2018 alone. A total of €5.2 million were committed under the ‘first loss risk cushion’ scheme within the WiB programme. This is composed of €3.97 million EU contribution and €1.2million provided by other donors.

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As not all EU4Business projects and programmes report on women entrepreneurship, the total number of women supported by the Initiative cannot be calculated. However, some individual projects are worth mentioning. In Armenia and Georgia, two EU4Business projects SMEDA and SME-DCFTA have developed special cross-cutting initiatives for economic empowerment of women and promotion of women-led SMEs.

In Armenia, the women entrepreneurship initiative of the SMEDA project aims to promote and encourage women entrepreneurs. The project has established and supported activities of a working group on women and youth entrepreneurship, which aims at the identification, consolidation and coordination of initiatives focused on women and youth entrepreneurship. In 2018, the SMEDA project also initiated the Women Entrepreneurs’ Club, a networking platform for women in business. This platform aims to strengthen the capacity of women entrepreneurs by establishing strong links and business networks.

In 2018, in Georgia, a Subcommittee on women entrepreneurship was established with the support of the SME-DCFTA project, within the Private Sector Development Advisory Council, which consists of representatives of governmental bodies and business associations. In 2018, the SME-DCFTA project, in partnership with business associations, organised the Women Business Forum. The Forum aimed to facilitate the development of women-owned SMEs, and to highlight the contribution of women to the business community.

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22 Women in Business, progress report 2018, p.3.



The event brought together more than 300 participants, mostly women entrepreneurs, from all over Georgia. It promoted success stories of women-led enterprises, presented the national, EU and other donor-funded projects focusing on women entrepreneurs, and gave women the opportunity to make new business linkages and promote their businesses.

Through the different EU4Business initiatives, female entrepreneurs can even combine support and tailor it to their own needs. An interesting success story in this respect is the Armenian SME LOOM, which received support in crucial areas such as branding, finances and sales in the framework of Women in Business, and help in accessing international markets with the networking support of the SMEDA project.



*“Thanks to the contacts we established with the support of the EU, quality threads as well as international markets became part of our work.”*

**Thanks to EU4Business support, LOOM Weaving has expanded its knitwear business beyond the borders of Armenia: advisory support from the EBRD set the company going in branding, finances and sales, while networking support from the EU-SMEDA project supported participation in European trade fairs. As shared by Inga Manukyan, Co-founder, director and designer of LOOM LLC**

A woman is operating a white sewing machine in a garment factory. She is wearing a blue patterned sleeve and a silver bracelet. The machine is stitching a piece of red fabric. In the background, there are racks of various colored garments, including red, pink, and white. The scene is brightly lit, and the overall atmosphere is one of a busy manufacturing environment.

*“I’ll never forget the moment I realised that I needed to hire more people. And that with the help of the EU, I could.”*

Manana Chqareuli, seamstress, owner of Mancho company. With the support of the European Fund for South East Europe and EU4Business, the Mancho company received financing to upgrade its equipment and lease a second workspace, but also a dedicated consultant who could provide advice and support for the company owner, who had been in business barely a year. Mancho is now well on its way to becoming a brand in its own right.



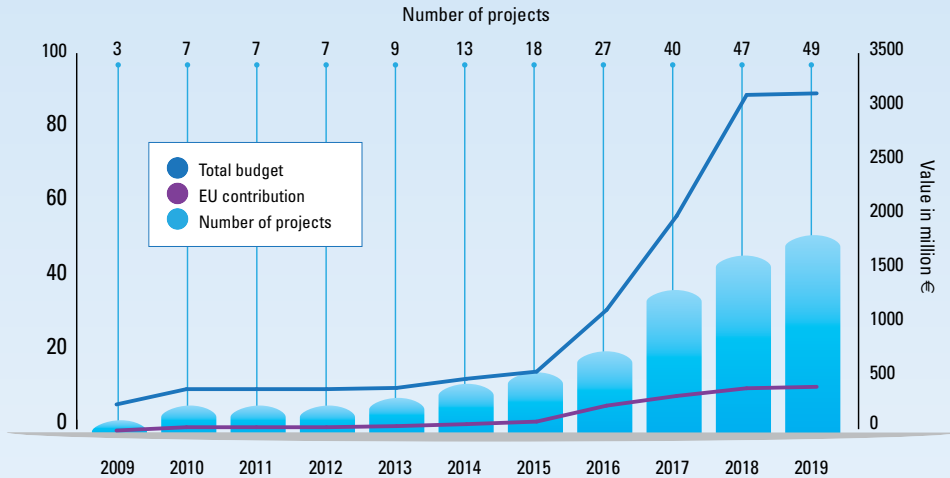
# 4.

Ten years  
of success  
in figures

# The EU4Business portfolio has grown 20-fold since its inception

In its ten years of operation, EU4Business has generated considerable achievements and will increasingly do so in the coming years. In terms of finance, knowledge transfer and capacity building as well as access to the EU markets, the outreach to SMEs is wide.

## Trend in growth of EU4Business portfolio



Source: EU4Business Secretariat

The number of EU4Business projects has increased significantly over the years. Starting with only three regional projects in 2009, the EU4Business portfolio now has 49 regional and bilateral projects today (May 2019). Together, these 49 projects account for an EU commitment of €417 million, which has triggered a total investment of over €3 billion.

*“Development of SMEs and strengthening the access to finance represent the key factors for private sector led economic growth. All the EU activities in Georgia, covered by the EU4Business Initiative, are crucial and facilitate SMEs access to finance, markets and knowledge, as well as strengthen policy and regulatory framework. We highly value assistance provided by the EU in the process of DCFTA implementation. The EU4Business Initiative including DCFTA Facility proved to be a successful format benefiting the business community of Georgia.”<sup>23</sup>*

**Genadi Arveladze**, Deputy Minister, Ministry of Economy and Sustainable Development of Georgia.

# Key EU4Business performance across all four priority areas

- EU4Business supported more than 85,000 SMEs, and if we also take into account the energy-related projects that were part of the EU4Business portfolio for some of this period, the number of supported SMEs is about 130,000 SMEs.
- Over the period 2009-18, Participating Financial Institutions (PFIs) and International Financial Institutions (IFIs) have provided financial support through approximately 120,000 loans to about 80,000 SMEs. The total value of loans disbursed to SMEs in the last 10 years accounts for almost €2.5 billion.
- During the ten-year period, 2009-18, PFIs received financing for onward lending to SMEs of €330 million in local currency, and €1.123 billion in foreign currency. Of these amounts, 76% and 30% of the local and foreign currency lending respectively was in 2017-18.
- EU4Business supported over 250,000 jobs, of which 34,000 were new jobs created through the Initiative.
- About 77,000 people were trained or took part in events. About 20,000 people working with or for SMEs, BSOs and PFIs in the six Eastern Partner countries have had the opportunity to participate in trainings. More than 57,000 people participated in events.
- Over 5,000 SMEs have benefitted from technical assistance in the last 10 years.
- In different countries, a large number of proposals for policy strategies and legal reforms have been made, contributing to a favourable business environment and acting as an important catalyst for change. As a result, 72 new laws were implemented and another 137 drafted.



# EU4Business helps to achieve the 2020 Deliverables

“We are celebrating a decade of strong commitment of EU Member States and its six partners to strengthen cooperation, bring real change to people’s lives and strengthen reform processes. The Eastern Partnership enables all six partners to address issues of common interest with the EU. For that purpose, we have set out the “20 deliverables for 2020” vision focussed on stronger economy, governance, connectivity and society. The Eastern Partnership will be marked this year by key achievements and a clear vision for the future; continuing to focus on tangible benefits for citizens will remain a key priority in the years to come.”

Commissioner **Johannes Hahn** at the High-Level Conference on 10th anniversary of the Eastern Partnership, 14 May 2019, Brussels.

One of the priority areas of the 2020 Deliverables<sup>24</sup> is ‘Economic development and market opportunities’, under which EU4Business plays an important role in supporting SMEs in the EaP region. The key targets monitored under the ‘20 Deliverables for 2020’ were established in 2016. The corresponding progress from the end of 2016 until today shows that more than a year ahead of 2020, EU4Business scores high on key indicators.

## EU4Business 2020 targets and progress achieved (2016-18)

### Priority 1: Economic development & market opportunities

|   | Target by 2020               | Progress (till end 2018)  |
|---|------------------------------|---|
| SMEs to benefit from EU assistance, since the end of 2016   | Overall<br>10,000            | <b>1.7X</b><br>of the target achieved<br>(17,281 enterprises supported)                     |
| New jobs created and/or sustained in the supported companies, since the end of 2016   | 60,000                       | <b>1.9X</b><br>of the target achieved (113,881 jobs)  |
| Strengthening of network of business support organisations helping SMEs in their services, DCFTA requirements and global market requirements      | 150<br>(at least)            | <b>1.7X</b><br>of the target achieved<br>(255 organisations)                                |
| Improved/increased number of assistance programmes by national authorities to their SMEs (dedicated SMEs agency in place in each partner country) | In all the six EaP countries | <b>5 out of 6 countries</b><br>(have a dedicated agency for SME development except Belarus) |

### Cross-cutting deliverables: Gender equality and non-discrimination

|   |                          |  |
|---|--------------------------|--|
| EU contribution to the Woman in Business (WiB) programme leverages funds in sub-loans from local banks to women-led enterprises | USD55 million (at least) | As of end of 2016, over 7,200 women-led SMEs have received loans for a total value of €60.9 million (USD 69.9 million) under the WiB programme |
|---|--------------------------|--|

Source: EU4Business Secretariat

24 Eastern Partnership - 20 Deliverables for 2020,” EC website, [https://eeas.europa.eu/sites/eeas/files/swd\\_2017\\_300\\_f1\\_joint\\_staff\\_working\\_paper\\_en\\_v5\\_p1\\_940530.pdf](https://eeas.europa.eu/sites/eeas/files/swd_2017_300_f1_joint_staff_working_paper_en_v5_p1_940530.pdf), accessed 22 April 2019.





# 5.

EU4Business  
implementing  
partners





*“Getting affordable funds from the EU is an excellent opportunity to modernise the production process within our company.*

*The equipment we use is obsolete and no longer meets the current quality requirements. Upgrading our equipment allows us to achieve a much better quality of production and, at the same time, to increase productivity. For us, that means the key to success.”*

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

There were only three implementing partners in 2009. Ten years later, there are 21 implementers, among them various international organisations such as the EBRD, the EIB, KfW, the OECD, the World Bank, ITC, UNDP and others. The EBRD remains the main EU4Business implementing partner, being in charge of 15 out of 49 programmes. The second largest implementer is the EIB with four projects, followed by KfW, UNDP, World Bank and GIZ - each of them implementing three EU4Business programmes or projects.

*EU4Business portfolio by implementer*



Source: EU4Business Secretariat

*Total EU budget committed per implementer, million euro*




Source: EU4Business Secretariat

Alongside the implementing partners, the EU4Business communication and visibility efforts have developed a community of stakeholders that stand behind the objectives of the Initiative and support them within their mandates and abilities.



# 6.

EU4Business -  
increasing its  
popularity and  
visibility



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

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

Over the ten years of its existence, the EU4Business Initiative has gained increasing visibility and popularity, most of all among its main target sector – SMEs in the six partner countries. This is largely due to the outreach of the EU4Business web-portal ([www.eu4business.eu](http://www.eu4business.eu)), which widely promotes opportunities for SMEs by highlighting the actions of all the projects and programmes under the EU4Business umbrella.

The website, which is available in all local languages, also promotes results and benefits for private sector and overall economic development in the Eastern Partnership region. Significantly, it highlights these benefits with a strong focus on success stories, illustrating the impact of EU4Business actions through more than 150 beneficiary stories, which show how access to finance, knowledge and markets, as well as regulatory reform, can transform the fortunes of individual businesses, leading to growth, expansion and jobs that are replicated across the six partner countries.

Over the years, the EU4Business web-portal has become the reference point for all information on EU business support in the EaP region, acting as a one-stop-shop for SMEs – updated daily and in real time with information, opportunities, events and news for enterprises in the region.

Launched at the end of 2016, traffic to the website has risen steeply to match the quality and pertinence of the information provided, up from 29,000 users in 2017 to more than 100,000 in 2018.

Through its efforts to raise awareness through communication and visibility, EU4Business therefore further contributes to achieving its objectives under the 2020 Deliverables, showing the real impact of the range of projects and programmes, informing SMEs about opportunities, and encouraging them to take advantage of the tools and support provided under the Initiative.

Numerous EU4Business reports have provided information on the Initiative since its inception. In 2017, the EU4Business Secretariat published the first EU4Business Consolidated Report, covering the period 2009-2016, followed by three EU4Business annual reports. Each EU4Business Annual Report is accompanied by Country Reports. Outlining the dynamics of the EU4Business Initiative, its major milestones and achievements in reports is a legacy that will continue reaching out to many citizens in the EU and the six Eastern Partner countries.

We already see interest from students studying EU-Eastern Partnership relations and asking for more publicly available data on EU4Business. This is why the EU4Business reports and other related publications are there, to reach each and every citizen and to contribute to building a history for future generations.





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