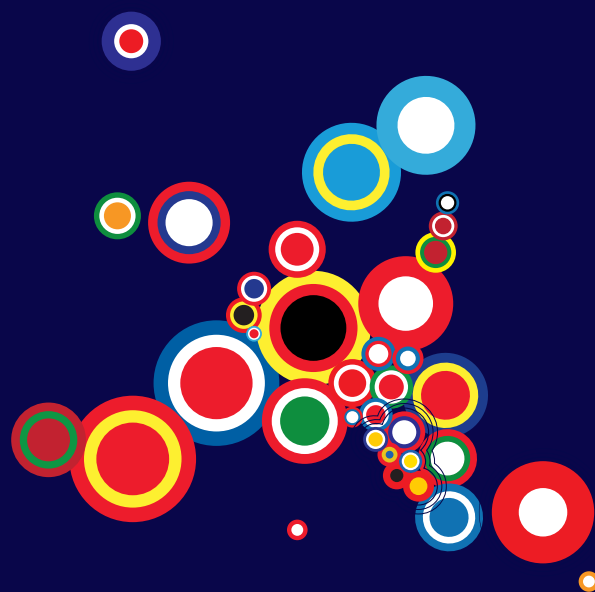




INSTRUMENT FOR PRE-ACCESSION ASSISTANCE (IPA II) 2014-2020

MULTI-COUNTRY

Strengthening of the
Western Balkans Enterprise
Development and Innovation
Facility (EDIF)



Action Summary

The Western Balkans Enterprise Development and Innovation Facility (EDIF) was launched in December 2012 in response to the demand for enhanced private sector financing in the region, in particular for the innovative and high-potential SMEs which are the engines of economy. The initiative was originally channelled through the WBIF but has since been established as a separate facility due to the specific nature of its activities. EDIF includes three regional financial instruments: two equity funds and a guarantee facility. Furthermore, it includes a Technical Assistance/Support Services Facility to assist the beneficiary governments in targeted reforms and the final beneficiary SMEs in building up their capacities for innovation and growth.

The specific objectives of this Action are to: replenish the Guarantee Facility, establish TA/Support Services Coordinator and integrate the EBRD Small Business Services programme with the EDIF TA/Support Services.

Action Identification	
Programme Title	IPA II Multi-country action programme 2014
Action Title	Strengthening of the Western Balkan Enterprise Development and Innovation Facility
Action Reference	IPA 2014/031-603.15/MC/EDIF
Sector Information	
ELARG Sectors	Competitiveness and Innovation
DAC Sector	32130
Budget	
Total cost (VAT excluded) ¹	EUR 32 million
EU contribution	EUR 29 million
Management and Implementation	
Method of implementation	Direct management with EIB and indirect management with EBRD and EIF
<i>Direct management:</i> ELARG unit in charge <i>Indirect management:</i> Implementing Agency	ELARG/D.3 European Bank for Reconstruction and Development (EBRD) European Investment Fund (EIF)
Implementation responsibilities	Direct management: Inga Stefanowicz, ELARG D3 Indirect management: Charlotte Ruhe, EBRD; Hubert Cottogni, EIF
Location	
Zone benefiting from the action	Western Balkans
Specific implementation area(s)	Western Balkans
Timeline	
Deadline for conclusion of the Financing Agreement	Not applicable
Contracting deadline	31 December 2015
End of operational implementation period	31 December 2023

¹ The total action cost should be net of VAT and/or of other taxes. Should this not be the case, clearly indicate the amount of VAT and the reasons why it is considered eligible.

1. RATIONALE

As the Western Balkans move closer to the European Union, the private sector is encountering both new opportunities and competitive challenges. Therefore, a key priority for sustainable economic development in the region is to support businesses with high-growth potential and those trying to export and innovate, as well as to meet their financing requirements, in order to encourage the expansion of the private sector and elicit higher levels of competition and innovation.

The Western Balkan Enterprise Development and Innovation Facility (WB EDIF) was launched in 2012 as a platform to foster economic development and access to finance of small- and medium-sized enterprises (SMEs) in the region. WB EDIF offers a variety of financing instruments, including the provision of expansion capital, early-stage financing, a guarantee facility and a facility for technical assistance/support services to enable regulatory reforms in the area, as well as to build up the capacities of SMEs². EDIF partners include, the Commission, the Western Balkan beneficiaries, EIB/EIF, EBRD, Italy, KfW/DEG (Germany) as financing Members, as well as OECD and the World Bank.

EDIF contributes to enhancing socio-economic growth of the Western Balkans. More specifically, this Action will contribute to improvement of the SMEs competitiveness by further enhancing access to finance through the replenishment of the Guarantee Facility, as well as improving the regulatory environment for SMEs and their own capacities to innovate and grow through the establishment of a TA/Support Services Coordinator and integration of the EBRD Small Business Services programme with the EDIF TA/Support Services.

The European Bank for Reconstruction and Development (EBRD) proposes to include its **Small Business Support (SBS) activities as an integral part of the WB EDIF** to complement the facility's efforts to improve access to finance with the provision of advice for small businesses. The EBRD SBS helps small to medium-sized enterprises to grow and succeed, becoming genuine catalysts for their local economies and their region. It provides access to experts at a local and international level, laying the foundations for innovative and sustainable businesses. EBRD SBS connects clients to local consultants and international industry experts, a network of experts with skills in quality management, marketing, engineering, etc., who help companies to transform and expand their business. By promoting good management and best practices in the SME sector, EBRD SBS aids high-growth and innovative enterprises in growing their business and becoming more competitive. After working with the EBRD, clients have access to a better set of tools, skills and know-how to innovate, attract finance and expertise in the future, and can therefore increase their chances to become the next generation of business leaders. EBRD SBS also plays a key role in developing local consultancy sectors by building a knowledge network and becoming the vital link to a unique array of local consultants.

The incorporation of EBRD SBS under the EDIF TA/Support Services Pillar was endorsed by the EDIF Platform Advisory Group (PAG) in December 2013.

The need for **a single manager responsible for the TA/Supervisory Pillar** coordination and operational implementation has been stressed since the launch of EDIF in December 2012 and outlined in the EDIF Terms of Reference. This action further specifies the tasks and responsibilities of the pillar manager with particular reference to the process of preparation, selection, approval, delivery and coordination of TA actions. Having a single interlocutor for the EDIF support services will benefit the platform in terms of efficiency, coherence and consistency in the deployment of TA resources.

The action is based on the working paper reviewed by the EDIF Platform Advisory Group (PAG) and conclusions of the EDIF Working Group meeting on Technical Assistance.

The **WB EDIF Guarantee Facility** guarantees SME loan portfolios issued by commercial banks for new SME lending. It will, therefore, improve SME access to lending and lower the cost of borrowing

² EDIF Pillars include: the Enterprise Innovation Fund (ENIF), the Enterprise Expansion Fund (ENEF), the Guarantee Facility and the Support Services Pillar.

in the Western Balkans, where access to loan finance remains one of the biggest difficulties for SMEs. The facility is already active and the original budgetary allocation of EUR 20 million has been fully committed, while the Open Call for Expression of Interest targeting the financial intermediaries in the region has resulted in numerous quality applications.

On this basis, the EIF is to propose to the PAG a replenishment of the Guarantee Facility to increase the scale and impact of the Guarantee Facility operations in the region, and importantly, improve its geographical coverage to cover all beneficiaries (at present the former Yugoslav Republic of Macedonia is the only outstanding beneficiary).

PROBLEM AND STAKEHOLDER ANALYSIS

SMEs are essential for economic growth and job creation. Across the Western Balkans, they account for over half of value added and generate between 60% and 80% of total employment.

The region has made substantive progress in SME development. Various measures to improve the business environment have successfully been implemented and governments have increasingly adopted a “think small first” approach, recognising the importance of the SME sector for the development of their economies. In more recent years, the need to develop a knowledge-based economy has also emerged as an important need for many countries in the region, and efforts have been made to identify investments to establish an innovation-supporting infrastructure and increase skill development and entrepreneurship.

Despite numerous efforts, however, small businesses continue facing severe obstacles to development, and increased competition from the European markets is generating increased pressure on local businesses and limiting their growth. Private sector development is generally constrained by low levels of efficiency, limited value added and lack of product development and innovation. Limitation in management capacity and corporate governance standards, in particular related to financial management, is also a major impediment to private sector growth.

In addition, the effects of the global economic and financial crisis are still being felt across the region, in particular amongst SMEs, many of which continue to experience liquidity problems amid limited credit growth, high borrowing costs and limited public investment. Improving access to finance for SMEs will therefore be fundamental to the future development of the sector.

Activity 1: EBRD Small Business Support

As per the access to high quality advice to help SMEs overcome some of these barriers for growth and development, the consultancy market in the Western Balkans has developed steadily in recent years and the industry offers professional services to the business community in most of the region. However, according to the EBRD Assessment of Transition Challenges³, significant improvements are still required with respect to awareness raising, quality assurance, pricing and availability of an appropriate range of consultancy services in most of the region. Most consultants are located in the capitals and other main cities, which limits access to high quality advice for entrepreneurs in more rural areas. The spectrum of advisory services is adequate and relatively sophisticated in some areas, but generally, consultants across the Western Balkan region offer basic services only, and more diversification of the market is required.

The Action will address the needs of small businesses for high quality advice to help them make the transformation from an entrepreneurial start-up to a professionally managed firm, strengthen human capital and expertise, introducing new and innovative technologies and business processes and thereby preparing companies to obtain finance, which will take them to the next level. It will therefore strengthen the link between financing products (some of which already provided by the market and some other by the new instruments available through the WB EDIF) and access to know-how as two fundamental requirements for economic growth and private sector development in the region.

³ EBRD Transition Report 2013, <http://www.ebrd.com/pages/research/publications/flagships/transition.shtml>

Activity 2: EIB TA Coordination

The Action will further address the following issues related to coordination of the TA/Supervisory Services within the Pillar as well as improve linkages with the other EDIF components:

- a. Need for a single manager / coordinator responsible for the pillar implementation;
- b. Inclusion of all TA/Advisory services under a single pillar;
- c. In the short term focus on developing specific TA/Advisory actions in support of the smooth implementation of the other EDIF pillars;
- d. Importance of a needs assessment / gap analysis to better identify the scope of a TA work plan to provide market and/or sectoral support in the medium term, targeting both government and private sector;
- e. Balance between support to public and private sector, but with a view to developing the latter;
- f. Use of the most appropriate delivery channels for TA support including PAG members, contracted consultants, and local stakeholders;
- g. Close coordination with the already contracted actions (e.g. the OECD-implemented Small Business Act process and TA projects in the area of innovation contracted in 2013, the World Bank-implemented REPARIS programme and TA projects in the areas of venture capital and investment readiness of SMEs to be contracted in 2nd Q2014).

Activity 3: EIF Guarantee Facility

What concerns the WB EDIF Guarantee Facility, it will continue functioning on a fully delegated basis, where financial intermediaries would build individual portfolios of SME Transactions (or guarantees covering SME Transactions) complying with WB EDIF Guarantee Facility eligibility criteria ("Individual Portfolios"). Financial intermediaries would use their funding sources to build their Individual Portfolio and potentially using also other IFIs' credit lines to finance part of the portfolio.

The project is a unique opportunity to reach geographical diversification with high additionality. The multiplier effect of the guarantees is substantial: a EUR 20 million guarantee programme can leverage in excess of EUR 110 million of new SME lending in the most disadvantaged region in Europe.

Based on the experience of the ongoing activity, it is expected that the provision of guarantees under the WB EDIF Facility will lead to benefits for SMEs, such as lower collateral requirements or potentially better pricing and longer maturities.

RELEVANCE WITH THE IPA II MULTI-COUNTRY STRATEGY PAPER AND OTHER KEY REFERENCES

The Multi-country Indicative Strategy Paper 2014-2020⁴ (hereafter referred to as Strategy Paper) states that in order to increase competitiveness, businesses need to move further up the value chain and to offer specialised, high quality and high value-added services and products. In this context, the conditions and capacities of small and medium-size enterprises (SMEs) need to be further improved. The governments need to facilitate their emergence and growth through improvements in the business and investment regulatory environment including supporting the ability of businesses to compete and innovate through ICT and broadband improvements, training and digital skills development. Setbacks from the economic crisis, which resulted in the credit crunch, need to be overcome..

Furthermore, the Strategy Paper underlines that EDIF provides for a comprehensive set of complementary measures to improve access to finance for SMEs and to foster economic development in the region. It does this through creation of preconditions for establishment and growth of innovative and high-potential companies and stimulating the emergence of a venture capital system. The EDIF

⁴ C(2014) 4293, 30.06.2014

provides early-to-development stage equity financing, development and expansion capital to established SMEs, improves SMEs' access to bank lending and lowers the cost of borrowing. It also supports the governments in implementing priority reforms to create a favourable regulatory environment for innovative and high-potential SMEs.

EDIF is implemented in close cooperation between the Western Balkan beneficiaries, Commission, IFIs (EIB/EIF and EBRD taking the lead) and others, including the World Bank and OECD.

The Action is in line with the Enlargement Strategy 2013 - 2014 and it supports implementation of the SEE 2020 Strategy as it improves competitiveness of SMEs as well as the overall business and investment environment (see Annex 2).

Lastly, the Action is in full accordance with the beneficiaries' efforts to meet the standards of the Small Business Act for Europe (SBA). The SME Policy Index, 2012, which assesses progress of the EU accession countries towards the implementation of the SBA, highlighted that "the region has converged towards EU SME standards... however; these policies should be complemented by specific mechanisms to further promote technology diffusions, human capital development [and] the provision of SME support services."

LESSONS LEARNED AND LINK TO PREVIOUS FINANCIAL ASSISTANCE

Most SMEs know the products and services they produce, but generally lack sound corporate governance standards and skills required for effective business management. In particular, they lack knowledge in financial planning, organisational structures and strategic planning, which has therefore increasingly become the focus of EBRD Small Business Support's interventions. At the same time, access to credit remains a constant constraint; however, this is not only the result of unattractive loan conditions, but also due to insufficient business and investment planning of enterprises. One key lesson of the past years has been that the combination of advisory services provided to SMEs and the availability of funding to support their financing needs, integrated in a cohesive package, can create the best conditions for SMEs to grow beyond their internally generated means.

The inclusion of EBRD SBS programme in WB EDIF further follows this logic of connecting these two vital components of SME support, by integrating in a structured and long-term platform both advisory services and the financing to SMEs provided by the existing and future tools created under WB EDIF (ENIF, ENEF and the guarantee scheme). SBS programme under WB EDIF will maximize the interaction and synergy to be created with WB EDIF operational tools. This will be integrated within the WB EDIF pillar for technical assistance and will need to be consistent with WB EDIF's objective and evolutionary approach.

The establishment of the EDIF TA/Support Services Coordinator reinforces the linkages between the various activities under this EDIF component and the other EDIF pillars. It was foreseen from the moment of the EDIF launch and the implementation of EDIF so far has provided evidence that such a function is indispensable to the efficient functioning of the TA Pillar as well as EDIF as a whole.

As the Guarantee Facility instrument is already active, EIF has identified an improvement that will increase the attractiveness of the instrument as well as the benefit to be transferred to the supported SMEs: the provision of regulatory capital relief. The provision of regulatory capital relief under the Guarantee Agreements has been identified as a pivotal characteristic and its importance in the pooling of a sufficient number of qualified applicants and the selection of the most suitable for the deployment of the instrument cannot be overemphasised. What is more, in individual cases of Intermediaries that have been pre-selected and entered legal negotiations with EIF, it has been presented as *sine qua non* condition for the conclusion of negotiations with the signature of a Guarantee Agreement if the benefit transferred to the SMEs includes pricing reduction. This should be viewed in the context of the implementation of the Third Basel Accord that strengthens bank capital requirements. EIF has addressed this issue with the Commission in accordance with the relevant provisions of the Fiduciary and Management Agreement already in place, which stipulates that "in order to further the objective of the Action, Guarantees should aim to provide regulatory capital relief for Intermediaries".

The already signed guarantee agreements with five financial intermediaries follow a template agreement that includes risk mitigation of various nature: contractual and process compliance is

ensured through continuous reporting and monitoring after the signature of the operational agreements in accordance with the EIF internal procedures. Furthermore, in order to encourage utilisation, a commitment fee will be charged if a minimum of a contractually set percentage of the Agreed Portfolio Volume (the maximum loan portfolio volume that should be supported) is not reached. Furthermore, a trigger event shall occur if, halfway through the availability period, the committed amount of loans in the portfolio is less than a contractually set percentage of the Agreed Portfolio Volume. In such a case, EIF may forbid the inclusion of more loans in the portfolio.

2. INTERVENTION LOGIC

LOGICAL FRAMEWORK MATRIX

OVERALL OBJECTIVE	OBJECTIVELY VERIFIABLE INDICATORS (OVI)	SOURCES OF VERIFICATION	
To contribute to enhancing socio-economic growth of the Western Balkans	Annual FDI inflow per capita Volume of trade (Exports and imports) as percentage of GDP	Eurostat SEE2020	
SPECIFIC OBJECTIVE	OBJECTIVELY VERIFIABLE INDICATORS (OVI)	SOURCES OF VERIFICATION	ASSUMPTIONS
To contribute to improvement of the SME competitiveness in the Western Balkans	Net enterprise creation (new business per year)	SEE2020	Reform efforts are pursued at the beneficiary level EU countries overcome the crisis
RESULTS	OBJECTIVELY VERIFIABLE INDICATORS (OVI)	SOURCES OF VERIFICATION	ASSUMPTIONS
Result 1: Western Balkan innovative and high-potential SMEs supported in a systematic manner through direct advisory assistance linked to access to finance measures Result 2: Improved coordination of TA and Support Services to governments and companies in the area of Private Sector Development at the regional, Western Balkans, level Result 3: Improved access to credit and transfer of a range of benefits to SMEs (lower collateral requirements, lower pricing and longer maturities of loans)	assist a minimum of 180 SMEs annually, engage at least 140 and provide trainings to at least 60 local consultants; and disseminate industry best practices and successful business models to at least 15 entrepreneurs, encouraging a reasonably balanced participation between men and women EDIF Support Services Pillar rules and procedures developed; a comprehensive public and private sector regional needs assessment for PSD support available 1,200 to 1,400 SMEs reached through the new credit action of the financial intermediaries covered by guarantees	Annual Reports to PAG and the Commission Annual Reports to PAG and the Commission; EDIF Needs Assessment, EDIF TA/Support Services Rules and Procedures Annual Reports to PAG and the Commission	Individual TA actions and programmes of EDIF TA/Support Services partners are effectively interlinked and work in synergy Sufficient number of eligible SMEs qualify for new credit; macro-economic situation in the region and in Europe remains stable and/or improves
ACTIVITIES	MEANS	OVERALL COST	ASSUMPTIONS
Activities to achieve Result 1: Integration of the EBRD Small Business Services programme with the EDIF TA/Support Services	Delegation agreement	EUR 9 million	Pipeline of eligible SMEs needs to be in place

Activities to achieve Result 2: Establishment of a TA/Support Services Coordinator	Grant	EUR 2.5 million	EDIF partners actively participate in an increased coordination through the new EDIF TA/Support Services platform
Activities to achieve Result 3: Replenishment of the Guarantee Facility	Delegation agreement	EUR 17.5 million	Regulatory capital relief has to be introduced for financial intermediaries; enough quality applications from the intermediaries need to be received

ADDITIONAL DESCRIPTION

Activity 1: EBRD Small Business Support

The proposed activity will assist SMEs in the Western Balkans to realise their potential and strengthen their position by transferring industry knowledge and management skills, meeting standards required to complete both locally and within the EU, supporting businesses to innovate and preparing them for future investments both through the WB EDIF and other financial intermediaries.

It will facilitate access to high quality business advice to both SMEs receiving financing under WB EDIF at the pre- and post-investment stage, but also to other businesses eligible for assistance, which have high potential for growth, export and innovation, and will link direct enterprise assistance with dissemination activities and trainings for local consultants. In addition, based on the extensive experience of the EBRD SBS across the Western Balkan region, the EBRD, under the Action, will identify opportunities to enhance the beneficiary countries' business enabling environment and strengthen SME-related public and private institutions, preparing them to gradually take over direct support functions in succession to the Action's intervention.

The EBRD Small Business Support programme intends to secure additional funding through the EBRD Shareholder Special Fund, national EU IPA sources or bilateral donors. The EBRD anticipates to implement up to 380 advisory projects per annum, and to carry out at least 10 trainings for consultants and around 5 dissemination activities to transfer industry know-how to entrepreneurs on average, respectively, per annum. The required beneficiary co-funding of the activity will leverage in excess of additional EUR 3 million.

Additional country-level funding to be supplemented from the National IPA envelopes is possible depending on the country's absorption capacity and demand, it should however be closely coordinated with the distribution of funding at the regional level.

Activity 2: EIB Support Services Coordination

In its role, the EIB will carry out the EDIF TA/Support Services pillar management, as well as delivery and implementation services. In particular, the following components have been identified:

1. TA pillar management - this component comprises all horizontal tasks contributing to the smooth execution of the Pillar. It includes, but is not limited to:
 - a. coordination, communication and facilitation tasks, monitoring, reporting, etc.
 - b. the planning and coordination of a needs assessment for further market/sectoral support in close collaboration with the relevant PAG members, in particular with the TA implementing organisations and other pillar managers; the outcome of the needs assessment would be a work plan with a set of actions to tackle the most urgent barriers to access to finance and obstacles to emergence and growth of innovative and high-potential SMEs in the region; the EIB shall coordinate the implementation of the agreed work plan.
2. Delivery/implementation - this component includes:
 - a. the direct or indirect delivery of actions to support the operations of the other EDIF pillars based on existing or future needs assessments, as endorsed by PAG;
 - b. the direct or indirect implementation of actions, where appropriate.

Activity 3: EIF Guarantee Facility

Under the Guarantee Facility instrument, guarantees of first loss of new loans to targeted SMEs with a guarantee rate of up to 70 % and a guarantee cap of up to 25 % in the overall loan portfolio can be used. Exact guarantee rate and cap is to be determined on a case by case basis. Based on the above, the minimum leverage that the instrument will achieve is 5.7; this means that for every euro of budgetary allocation, the financial intermediaries will create a portfolio of new SME loans amounting to EUR 5.7. A budget of EUR 20 million, such as of the first tranche of the IPA allocations 2011-2013 is to

mobilise more than EUR 110 million of new loans. The ongoing activity under EDIF entailed the EU contribution of EUR 21 900 000, also including the EIF Guarantee Facility management fees.

The number of SMEs to be supported is a function of average loan size for each financial intermediary. Under the current agreements that correspond to a budgetary allocation of approximately EUR 20 million, it is expected that approximately 1,200 to 1,400 SMEs will be supported (considering the currently available data on the estimated average loan amount per portfolio).

Accordingly, the budget allocation of 15 million can mobilise some 85 million of new loans disbursed to some 900-1000 SMEs.

By the end of the first half of 2014 the entire amount of the first IPA allocation has been allocated to the financial intermediaries in the region (6) and the new lending actions started by the first three.

3. IMPLEMENTATION ARRANGEMENTS

ROLES AND RESPONSIBILITIES

All components of this Action will be implemented under the EDIF umbrella. EIF provides the EDIF Secretariat and acts as the EDIF Coordinator. The Platform Advisory Group (PAG) is the highest level strategic decision making body chaired by the Commission and composed of Members and Observers. Members include: (the financially contributing) Beneficiary Countries, the Commission, EIB/EIF, EBRD, Italy and Germany. Observers include the World Bank and OECD, acting as the TA implementing organisations. Individual EDIF components are managed by the Pillar Managers: EBRD for ENEF, Private Sector (pre-selected by EIF and approved by PAG) Manager for ENIF, EIF (directly) for the Guarantee Facility and (in the future) EIB for the TA Pillar, as presently established.

IMPLEMENTATION METHOD(S) AND TYPE(S) OF FINANCING

EDIF is implemented through a number of agreements with the European Investment Fund (EIF). In addition, technical assistance in support of reforms or direct assistance to SMEs should be based on a limited number of agreements with other key partners, including OECD, EBRD, EIB/EIF and the World Bank.

Under this action the following implementation arrangements should be put in place:

- Delegation Agreement under indirect management with the European Investment Fund for the replenishment of the Guarantee Facility;

Guarantee Facility is a financial instrument; hence in accordance with Title VIII of the Financial Regulation, it will be contracted as a delegation agreement under indirect management.

EIF is the EU dedicated risk finance institution and as such possesses unique experience in developing and implementing EU financial instruments. By the decision of the Western Balkans Investment Framework (WBIF) Steering Committee of December 2011, it was appointed the Manager of the Enterprise Development and Innovation Facility (EDIF), Guarantee Facility. Subsequently, the Fiduciary and Management Agreement was signed between DG ELARG and EIF in December 2012 and provided for the transfer of the EU contribution to EIF. The intended Delegation Agreement is to replenish that original contribution given the successful deployment of the Guarantee Facility.

- Grant Agreement under direct management with the European Investment Bank for the management of the EDIF TA Pillar;

For the actions of technical assistance the Financial Regulation foresees direct grant award to the EIB. Article 125 of the Financial Regulation stipulates that "Grants may be awarded without a call for proposals to the EIB or the European Investment Fund for actions of technical assistance. In such cases Articles 131(2) to (5) and 132(1) shall not apply."

EIB is one of the founding organisations of the Enterprise Development and Innovation Facility (EDIF). By the decision of the EDIF governing body – the Platform Advisory Group – EIB was appointed the Coordinator for the EDIF Support Services Pillar.

- Delegation Agreement under indirect management with the European Bank for Reconstruction and Development for the Small Business Support Programme.

The funding provided to EBRD under this action will cover solely the financial allocations to SMEs and/or market-based consultants and not the EBRD costs. Hence, EBRD will be delegated budget implementation tasks to disseminate the funding in accordance with their rules and procedures. The pillar assessment and negotiations of the Framework Agreement with EBRD are ongoing. In the absence of signed Framework Agreement before the intended contracting the Agreement will be signed under the presumption of conformity.

The EU funding is intended to finance the existing EBRD programme, designed and implemented by EBRD in the region. The EU contribution will allow integrating this programme under the Enterprise Development and Innovation Facility (EDIF) Support Services Pillar to be implemented in sync with other (financial) components of EDIF, as decided by the EDIF Platform Advisory Group (PAG).

4. PERFORMANCE MEASUREMENT

METHODOLOGY FOR MONITORING (AND EVALUATION)

Implementation is to be monitored through the EDIF existing governance arrangements: the Platform Advisory Group (PAG) semi-annual meetings, the meetings of the EDIF Working Group preceding each PAG meeting and the EDIF Coordinator's (EIF) regular oversight and reports to PAG.

The semi-annual PAG reports provide information on overall progress of all EDIF components and the Platform level activities, as well as reports per Pillar based on information delivered by Pillar Managers. What concerns the Guarantee Facility, EIF is also directly managing this Pillar and is also under direct reporting obligation with the Commission under the Fiduciary and Management Agreement. Furthermore, activity 2 of this Action Document foresees establishment of the EDIF Support Services Manager. In this role, EIB will coordinate, monitor, report on, as well as assess the needs and impact of the Support Services delivered under EDIF. The individual components of the Support Services, such as activity 1 of this Action Document, will also have their own monitoring and reporting arrangements stipulated under direct contracts with the Commission.

Additional information on performance should be available from SEE 2020 Reports, OECD-implemented SME Policy Assessments, which are intended as a monitoring tool under EDIF and Progress Reports.

INDICATOR MEASUREMENT

Indicator	Description	Baseline (2012/2013)	Mid-term (2017)	Target (2020)
<i>MCSP indicator</i>	<i>Annual FDI inflow per capita (Eurostat)</i> <i>Volume of trade (Exports and imports) as percentage of GDP (Eurostat)</i>			
<i>Action outcome indicator 1</i>	<i>Net enterprise creation (new businesses per year)</i>	19,492	N/A	33,760
<i>Results indicator 1</i>	<i>Number of SMEs assisted</i> <i>Number of consultants engaged</i> <i>Number of local consultants trained</i> <i>Number of entrepreneurs coached</i>	N/A	540 420 180 45	1080 840 360 90

Indicator	Description	Baseline (2012/2013)	Mid-term (2017)	Target (2020)
<i>Result 2 indicator</i>	<i>EDIF Support Services Pillar rules and procedures developed; a comprehensive public and private sector regional needs assessment for PSD support available</i>	<i>N/A</i>	<i>Documents in place</i>	<i>N/A</i>
<i>Result 3 indicator</i>	<i>new credit action of the financial intermediaries covered by guarantees</i>	<i>1,200 to 1,400 SMEs reached (first tranche)</i>	<i>N/A</i>	<i>Up to additional 1,000 SMEs reached</i>

5. CROSS-CUTTING ISSUES

ENVIRONMENT AND CLIMATE CHANGE (AND IF RELEVANT DISASTER RESILIENCE)

The Action does not pursue environmental considerations *per se*, however whenever required, it will support SMEs to comply with environmental regulations and to promote energy efficient technologies and environmental protection.

ENGAGEMENT WITH CIVIL SOCIETY (AND IF RELEVANT OTHER NON-STATE STAKEHOLDERS)

The action targets SMEs directly and addresses their problems related to access to finance, regulatory environment and availability of professional advisory services.

EQUAL OPPORTUNITIES AND GENDER MAINSTREAMING

Supporting the development of women entrepreneurship has been identified as an engine for job creation and economic growth. In the countries of the Western Balkans, this source of business however, remains largely unused and female participation in the labour force remains limited. Promoting entrepreneurship and SME growth in the region, Activity 1 of the Action will aim to address these limitations following the principles and practice of equal opportunities, supporting female entrepreneurs and managers where applicable.

In addition, the EBRD will complement the Action through the implementation of a separate Women in Business Programme throughout the Western Balkan region which is to promote and support women entrepreneurship and more broadly women's labour force participation by facilitating access to finance and advice for women-led SMEs. The EBRD will provide finance in the form of dedicated credit lines to local banks for on-lending to female-led SMEs, and will offer technical assistance to help local banks develop financial products and lending practices that meet the specific needs of women-led enterprises as well as a risk sharing mechanism to stimulate lending to this group on a sustainable basis, and address the problems of collateral experienced by many women-led SMEs. To complement these, the EBRD Small Business Support will provide the necessary access to advice and know-how.

6. SUSTAINABILITY

The Action is part of a multi-annual undertaking with the implementation horizon until end 2023 (or 2025 for some other components not covered here). It involves financial engagement of several institutional partners, such as the Commission, EIB/EIF, EBRD, KfW/DEG (Germany), Italy and, importantly, the beneficiaries themselves, through investments in the Enterprise Innovation Fund (ENIF). OECD and the World Bank do not contribute financially but align their activities in the region with the EDIF agenda. EDIF has its own governance structure and rules for operation and decision-making to ensure efficient coordination and a build-up of synergies between all its components. The

total EDIF financing leveraged upon its launch amounted to some EUR 140 million, constituting a long-term strong financial engagement of the partners. The Commission involvement stands at some EUR 65 million in the first financing round. The financing to be made available as a result to the final beneficiaries is estimated at some EUR 300 million. The real effects of EDIF will only be visible in the longer term, especially as the roll-out of the financial pillars will take around 10 years. At the same time, EDIF has been designed as a flexible hub for SME support in the region and its individual pillars can be replenished, wound up or complemented by new components, as necessary. All this gives EDIF a solid long-term basis for operations and sustainability of results.

7. COMMUNICATION AND VISIBILITY

Communication and visibility will be given high importance during the implementation of the Action. All necessary measures will be taken to make public the fact that the Action has received funding from the EU in line with the Communication and Visibility Manual for EU External Actions.

The implementation of the communication activities shall be the responsibility of the implementing partners and shall be funded from the amounts allocated to the Action.

Visibility and communication actions shall demonstrate how the intervention contributes to the agreed programme objectives and the accession process. Actions shall be undertaken to strengthen general public awareness and promote transparency and accountability on the use of funds.

The Commission shall be fully informed of the planning and implementation of the specific visibility and communication activities.

The WB EDIF Guarantee Facility is being promoted through various events led by EIF as the EDIF Coordinator, as well through communications of DG ELARG and WBIF, within the overall context of promoting the WB EDIF. Furthermore, all reports and documents produced in the context of EDIF follow the European Commission requirements for visibility as per the Visibility Guidelines (http://ec.europa.eu/europeaid/work/visibility/index_en.htm). These requirements are passed on to the EDIF intermediaries in the region.

LIST OF ANNEXES (to be shared between Beneficiary Countries and the Commission/EU Delegation only)

1. List of reference documents

Annex 1

List of reference documents

Beneficiary and multi-beneficiary development plans and EU strategies

- National Programme for Adopting Acquis (2013 – 2016), the Republic of Serbia, The Government, Belgrade, February 2013
- The National Programme for Adoption of the Acquis Communautaire, Revision 2014 – 2016, Skopje, January 2014
- National Strategy for Development And Integration, Republic of Albania, Council of Ministers, 2007-2013(2014 – 2020 at drafting stage)
- EU Integration Strategy of Bosnia and Herzegovina, Council of Ministers, Directorate for European integration, Sarajevo
- National Programme for EU Accession of Montenegro for 2014-2018, adopted by the Government of Montenegro, Podgorica, December 2013
- Multi-Annual Indicative Planning Document (MIPD) 2011-2013, Pristina, June 2011
- SEE 2020 Strategy for Jobs and Prosperity in a European Perspective