



EASTERN PARTNERSHIP

Small and Medium Sized Enterprises

Flagship Initiative



What is the Small and Medium Sized Enterprises Flagship Initiative?

Launched in 2009, the SME Flagship is a wide-ranging regional initiative of the EU, which aims to provide support to Small and Medium Enterprises (SMEs) in the Eastern Partnership countries to tackle the common challenges hampering their growth: limited access to finance, difficulty to conquer new markets, lack of business skills and a difficult business climate.

SMEs in the Eastern Partnership (EaP) countries (Armenia, Azerbaijan, Belarus, Georgia, Republic of Moldova and Ukraine) can be prominent contributors to economic growth, allowing adaptation of national economies to the global market.

Small businesses are an important source for jobs and are important to move towards a green economy, which is crucial also to seize new opportunities in innovative and profitable sectors. A vibrant SME sector is also a good remedy against oligarchisation of the economy.

In 2015, the SME Flagship consists of a portfolio of active projects of more than € 100 million, out of which € 75 million are provided through European Financial Institutions (EFIs) – leveraging ten times more investment into SMEs in the region.

The SME Flagship complements EU bilateral cooperation with EaP countries on economic development: it brings an overarching framework for **issues of regional interest**, builds upon international organisations' **expertise** and ensures **coherence** in the EU support to SMEs in the region.

The SME Flagship Initiative offers support on three levels:

- At **policy level**, the EU works with the Organisation for Economic Co-operation and Development (OECD) to assist Eastern European partner countries in drawing up effective SME policies. This is done through the Small Business Act (SBA) Assessment and the implementation of related recommendations. The EU also co-finances a project of the World Bank (STAREP) which aims to improve financial reporting in partner countries.
- For business support organisations the EU has initiated a vast pan-European networking programme - **East Invest**, which aims at promoting trade and investment through networking and capacity building of business associations in the Eastern Partnership region.



- At business level, the EU supports SMEs facilitating their access to finance through a wide range of programmes involving EFIs, such as the **SME Finance Facility** (implemented by the European Bank for Reconstruction and Development - EBRD, the European Investment Bank – EIB, and the German

development bank - KfW) under the umbrella of the Neighbourhood Investment Facility. The EU is also co-funding business development services to SMEs through the **Small Business Support** programme, implemented by the EBRD.

SMALL AND MEDIUM SIZED ENTERPRISES FLAGSHIP INITIATIVE

Structure of intervention		Inclusive development issues
Policy	Create an enabling business environment	<ul style="list-style-type: none"> • Green economy • Women entrepreneurship • Youth employment • Rural development
Intermediaries (BSOs, local banks, etc)	Responding to the needs of the SME Sector	
SMEs	Access to finance Access to market	

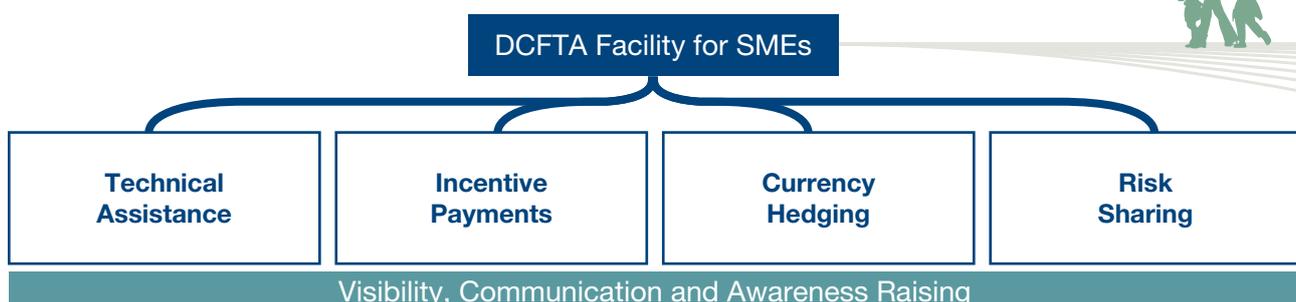
Following the same logic, an extended programme has been established for the three countries (Georgia, Moldova and Ukraine) which have signed an Association Agreement (AA) including a Deep and Comprehensive Free Trade Area (DCFTA) with the EU: the DCFTA Facility for SMEs.

Its objectives are:

- Help SMEs to seize new trade opportunities with the EU and within the region which have been opened up thanks to the DCFTA;
- Improve access to finance for SMEs to make the necessary investments to comply with the provisions of the DCFTA;
- Allow SMEs to take advantage of the increased inflow of foreign direct investment triggered by the AA/DCFTA;

- Enable SMEs to comply with new sanitary, phytosanitary, technical and quality standards, as well as with environmental protection measures, thereby benefiting local customers and boosting exports to the EU and beyond.

The DCFTA Facility for SMEs will receive approximately € 200 million of grants from the EU budget, which are expected to unlock at least € 2 billion of new investments by SMEs in the three countries, largely coming from new EFI loans supported by the Facility. Such investments will transform the business fundamentals. The local banking sector, business services to SMEs, trade and quality infrastructure, and the overall business climate will highly benefit from the Facility, creating hereby a virtuous cycle of growth and contributing to significant job creation.



What results are achieved so far?

Improving SMEs' access to finance

The SME Finance Facility has provided loans to approximately 20 000 SMEs. In 2015, the SME Finance Facility will concentrate on Ukraine.

The **European Fund for Southeast Europe** has provided since 2005 loans to more than 30 000 SMEs, securing and creating approximately 150 000 jobs.

Improving SMEs' access to market, knowledge base and business skills

Since 2009 the Small Business Support Programme has assisted 1 200 SMEs (1 100 SMEs supported via advisory projects with local consultants (BAS-business advisory services) and 100 SMEs via projects with international industry experts (EGP-enterprise growth programme).

EGP *	BAS *
<p>69% of enterprises showed an increase in turnover by 47% on average, to the total by EUR 17.6 M</p> <p>69% of the enterprises increased the number of employees by 10% on average, thus contributing to the creation of 147 jobs net</p>	<p>62% of the BAS-assisted enterprises reported an increase in the number of employees on average by 17%, and BAS contributed to the creation of 3,839 new jobs net</p> <p>48% of the BAS assisted enterprises declared to have engaged a consultant again after the BAS project</p>
<p>* based on 13 evaluated projects</p>	<p>* based on 641 evaluated projects</p>

East Invest has created a network of 80 EU and Eastern Partnership Business Support Organisations and helps SMEs in the Eastern Partnership region access the EU market and attract investment. More than 100 representatives of business associations were already trained as part of this programme to better serve SMEs.

30 technical assistance projects with local banks have been completed, helping them to better serve financial needs of SMEs.

Improving the policy and regulatory framework

The programme **STAREP** (Strengthening Auditing and Reporting in the Eastern Partnership) tackles the issues of financial reporting by bringing the regulatory framework of the partner countries closer to the EU acquis.

The European Commission and the OECD are working with the Eastern European partner countries to streamline their SME policy in line with the SBA and support SME development on practical level. As a result, Moldova has already developed an SME Strategy and is in the process of adopting a new SME law; Georgia is working on a SME Strategy with corresponding Action

Plans and Armenia has developed roadmaps for SME internationalisation and attracting Foreign Direct Investment.

Inclusive development issues

The **Green for Growth Fund (GGF)** allowed investment into energy efficiency and renewable energy projects in the region resulting in an average of 27% CO2 emissions reduction and 27% energy savings in the facilities that have benefited from GGF investments.

The Caucasus Sustainable Energy Finance Facility (CEEP), implemented by the EBRD, has provided credit lines that local partner banks have used to help thousands of companies and private households finance sustainable energy investments, resulting in a reduction of CO2 emissions by almost 30 000 tons.

The Women in Business programme has been approved in 2015 to promote women entrepreneurship. Implemented by the EBRD, it will secure loans and tailored technical assistance to local banks and to small businesses run by women.



Success Stories



REPUBLIC OF MOLDOVA Roxinform Grup honey producer

“Just a couple of years ago, I couldn’t have dreamt about exporting to Europe...”
Ion Cosneanu owns Roxinform Grup, a small family business specialised in honey production. This year, his company exported 21 tons of honey to France for the first time. The businessman also delivers small consignments to Britain, has a provisional export agreement with Italy, and is planning to sell in other European countries, prominently Germany and Scandinavia.

“The opportunity to get my honey onto the European market was opened up by East Invest. It helped us to find partners in France, learn about the product requirements, export conditions and opportunities to promote our product abroad.”

Development of the industry was previously hampered by the absence of end market, out-of-date technologies and poor facilities. Thanks to the joint effort of local entrepreneurs and East Invest project, the situation has been improving dramatically, facilitating SMEs internationalisation process.



BELARUS Mark Formelle lingerie and homewear manufacturer

Mark Formelle is a family business designing, producing and distributing cotton garments, sleepwear, underwear and other speciality clothing such as thermal wear. The EBRD has been successfully involved with the company since 2012 in the context of the Business Advisory Programme funded by the EU.

Andrey Serikov, CEO of the Mark Formelle Company, said: “This is a very important event in the life of our company. It was preceded by a long period in order for us to meet the requirements for the European companies.”

The Programme helped Mark Formelle to find a local marketing consultant, develop a brand concept and develop a marketing plan to raise brand awareness. It also mobilised international advisers, which supported the company in the development of new collections, advertisement, supply chain management, production planning, pricing policies and merchandising practices development. As a result, the company opened 7 new shops and increased sales by 30%.

What are the Eastern Partnership Flagship Initiatives?

As part of the Eastern Partnership, the following six Flagship Initiatives were created to support the specific priority of cooperation between the European Union and its Eastern European partner countries:

- Integrated border management
- Small and medium-sized enterprises
- Energy
- Sustainable municipal development
- Good environmental governance and climate change prevention
- Prevention, preparedness and response to natural and man-made disasters.



These initiatives are priority areas for EU support. They will give more visibility to the Eastern Partnership, and will result in concrete actions to the benefits of the populations of the partner countries.

Find out more about the Eastern Partnership:

European Commission, Directorate-General for Neighbourhood and Enlargement Negotiations:

<http://ec.europa.eu/enlargement/neighbourhood/eastern-partnership>

Facebook: EU neighbourhood & enlargement

Twitter: @eu-near

EU Neighbourhood Info Centre: <http://www.enpi-info.eu/indexeast.php>

