

WB EDIF

**Building
the Future
of SMEs in
the Western
Balkans**

WB EDIF is an EU-funded initiative aimed at improving access to finance for small business owners in the 7 economies of the Western Balkans.

WB EDIF leverages upon the expertise of 27 international, regional and local market players including representation from the economies themselves.

WB EDIF is mobilising approximately EUR 715m of financing and support for small and medium sized enterprises (SMEs).

WB EDIF

Building the Future of SMEs in the Western Balkans



Foreword



What is the Western Balkans Enterprise Development and Innovation Facility (WB EDIF)? This is undoubtedly the first question which you, the reader, are asking yourself. What is in here for me? Why should I be interested? Perfectly valid questions in a world of constant information flow – so I will be concise.

The WB EDIF is about business ideas. It is about people, it is about bringing together strong partners around Europe and beyond to help companies in a culturally diverse and fascinating region like the Western Balkans grow to the best of their potential and inspire others.

The success of any economy is built upon the backs of hardworking business owners. The WB EDIF eases the path to this success.

To communicate the success of the WB EDIF you will be presented with the highlights and key information of the platform and a number of stories from the region.

We hope you enjoy the read.

COLIN WOLFE

Head of Unit, Western Balkans Regional Cooperation and Programmes
European Commission
Directorate General for Neighbourhood
& Enlargement Negotiations (DG NEAR)



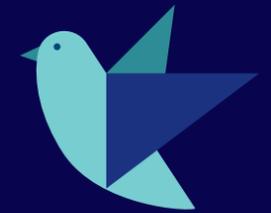
The Western Balkans Enterprise Development and Innovation Facility

Small businesses form the backbone of the economy in the Western Balkans.

WB EDIF aims to strengthen the competitiveness of small businesses across the region by improving access to finance at preferential conditions and offering advice and guidance.

WB EDIF is a joint initiative of the European Union, together with representatives from the Western Balkans economies as well as other core partners including the European Investment Bank, the European Investment Fund and the European Bank for Reconstruction and Development, as well as the Organisation for Economic Co-operation and Development and the World Bank Group.

Providing nest-to-sky financing and support for small and medium sized enterprises in the Western Balkans





Why are small and medium sized enterprises (SMEs) so important?

Across the Western Balkans and the EU as a whole, up to 99% of all enterprises are small or medium sized. These businesses are the key to ensuring economic growth, innovation, social integration and most importantly, job creation.

In fact in the 7 economies of the Western Balkans, SMEs employ between 60% and 80% of the active population, which is on average higher than in the EU.

This is why the EU, together with its partners under WB EDIF initiative wanted to help ensure the future of these enterprises.

What does WB EDIF do?

WB EDIF was launched in 2012 with the sole purpose of providing financing and business support to SMEs in the Western Balkans. By supporting SMEs and the infrastructure surrounding them, WB EDIF contributes to the overall growth and development of the Western Balkans economies themselves.

WB EDIF leverages upon the expertise and capabilities of its partners, each of which offers key know-how and experience in the region.

Partners

WB EDIF brings together key market players to create a platform for dialogue and a toolbox of experience.



*This designation, used throughout this publication, is without prejudice to positions on status, and is in line with UNSCR 1244/1999 and the ICJ Opinion on the Kosovo declaration of independence.

How does WB EDIF help SMEs?

Enterprise Innovation Fund

A venture capital fund managed by South Central Ventures, focusing on innovative start-up companies, which began investing in 2016. ENIF also has a dedicated pocket of seed financing specifically targeted at very early-stage SMEs.

Enterprise Expansion Fund

Managed and advised by the EBRD and investing since 2016, ENEF finances established SMEs with high growth potential to support the development and expansion of their businesses.

In particular, ENEF aims to identify local and regional champions – market leaders with good growth prospects – and provide them with the financing they need to take them to the next level.

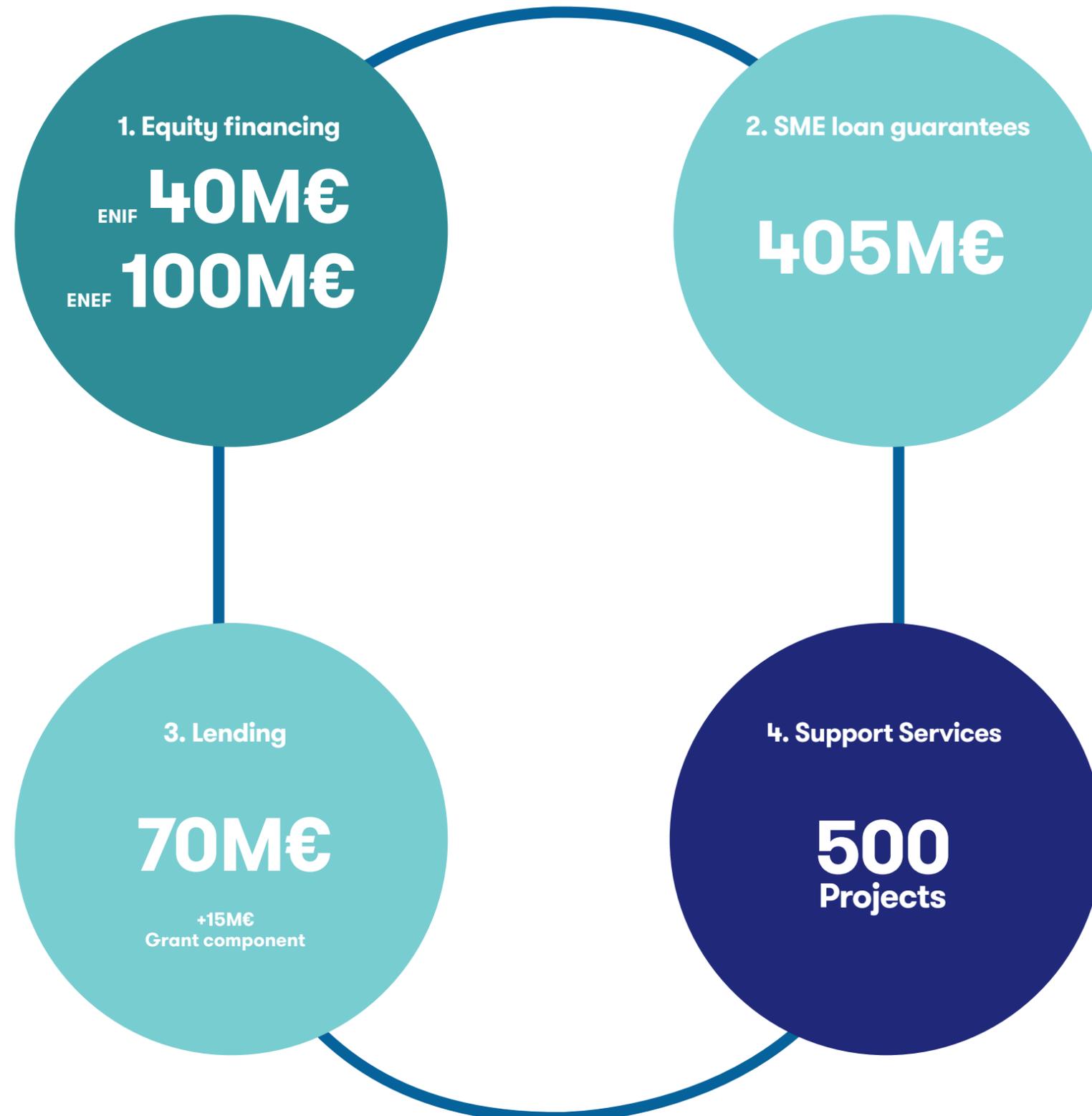
Competitiveness Programme

The newest addition to the WB EDIF financial product offering, the Competitiveness Programme is a lending product developed by the EBRD. It uses a blend of instruments including credit lines for investment plus incentives for SMEs, know-how and advice.

The programme aims to enhance the overall competitiveness of SMEs within the national and regional economies, as well as on the EU market, in order to help the region deal with increasing challenges from the global market.

Via its Platform, WB EDIF offers different types of support to accompany and help SMEs throughout their entire development under the initiative's four pillars. From concept stage, through to start-up, expansion and beyond, WB EDIF offers tailored financial support as well as advice.

WB EDIF is also committed to developing and nurturing the entrepreneurship ecosystem as a whole, and so acts also at policy-level with key partners to help develop legal and regulatory frameworks to cultivate a favourable investment environment.



Guarantee Facility

Having already financed thousands of SMEs via its partner banks – and with more EU funding to come – the Guarantee Facility is showing great success.

EIF manages the instrument by covering a portion of the risk incurred by banks when extending loans to SMEs, enabling them therefore to provide financing at beneficial terms, such as via lower collateral and interest rates.

More recently, and thanks to the success of the existing Guarantee Facility, a dedicated version for Serbia was launched; whilst a Youth Employment edition shall soon be forthcoming.

Support for policy makers and for SMEs

WB EDIF houses a wide range of support mechanisms which work together with the financial instruments to enhance the emergence and growth of innovative and high-potential SMEs in the region.

Initiatives by the EIB, EBRD, World Bank and OECD contribute to creating a favourable investment climate and sustainable market conditions to really allow SMEs to thrive.

WB EDIF in numbers

275M€

invested in the Platform by the WB EDIF Partners, including EUR 150m from the EU + EUR20m in pipeline

resulting in

715M€

of financing and support measures available to SMEs in the Western Balkans since inception

500 Support Projects

providing complementary soft measures

Dozens of workshops, conferences, seminars and competitions organised for the benefit of hundreds of SMEs, policy makers, trainers, consultants and other market players

4 600SMEs

to be supported in the Western Balkans

How do SMEs benefit?

Because each and every SME needs a different type – or a mixture – of support and financing, the core purpose of WB EDIF is to offer multiple solutions under one roof.

Access to finance

Access to finance is rated as one of the biggest constraints on businesses in the region today. WB EDIF addresses this constraint by enhancing access to finance for SMEs through:

- More bank loans extended at improved conditions (such as lower collateral and interest rates), often also to riskier categories of SMEs.
- Access to targeted equity investment and support to foster the launch and development of high-growth and innovative SMEs.

Guidance and support to develop a sustainable ecosystem for SMEs

But SMEs will also need non-financial support, such as guidance and advice on how to create and develop their businesses. So WB EDIF also offers a range of support initiatives to help guide both SMEs and policy makers to improve the market conditions, including:

- How to create bankable business plans;
- How to develop transparent financial reporting;
- How to pitch to potential investors;
- How to breed innovation through university and government ties;
- How to benchmark the success of SMEs against a global standard.

**Success
Stories**

**Financial
support**

Sentinel:

Building the “Internet of Things at sea”



Sentinel

CHARTER COMPANIES NEED TO DETECT THE DAMAGE caused by inexperienced crew early and private boat owners are concerned about the possibility of damage to their boat while away. Next to that, insurance companies need evidence to avoid bogus insurance claims.

Sentinel is a Croatian start-up that is a provider of online boat monitoring devices and vital onboard systems intended to track and control boat position. The company's devices track GPS positions and automatically record journey log, push notifications in case of the unauthorized access or movement of the boat, monitor each boat location, batteries and usage information.

Sentinel enables boat rental businesses and private boat owners to solve boat maintenance and logistics problems with ease.

The company was founded in late 2013 and have become market leader in Croatia by 2016, with Croatia being one of the market leaders in the charter industry. To become "IoT at sea", Sentinel has been aggressively expanding its customer base to capture enough data in order to be able to extract meaningful and sellable information as enterprise products to either boat manufacturers or 3rd party services such as telco's or weather agencies.

Since the investment, Sentinel has increased staff mainly in sales and customer service, while they have also expanded to the US and APAC market by partnering with the biggest marine electronics manufacturers/integrators to gain access to all boat-builders.



Financing

765k€

Instrument

ENIF

Western Balkans Enterprise
Innovation Fund

Managed by

www.sc-ventures.com



South Central
Ventures

Purpose

The investment allowed the company to scale its business to the US and APAC market, and intensify cooperation with OEMs in the boating industry.

Employees

15

11
at investment

Sector

ICT for boating

Economy

Operational in the cities of Zagreb and Ljubljana



Cognism:

Artificial Intelligence for sales acceleration



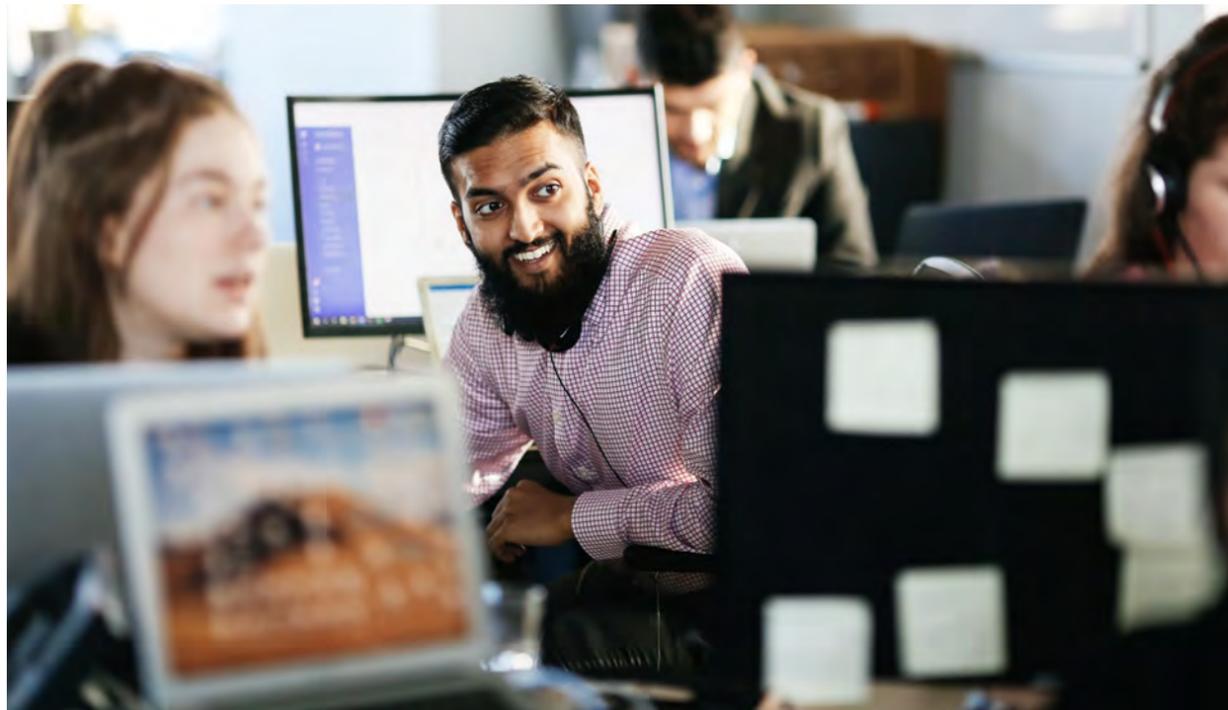
COGNISM IS A SALES ACCELERATION PLATFORM which provides B2B sales teams with real-time company, people and event data, to help them streamline prospecting and generate new revenue. Delivered as a software service (SaaS), with its unique data asset and patented Revenue AI engine, Cognism uses artificial intelligence and machine learning to enrich CRM records, identify customer trends and stream leads into the funnel.

James Isilay, the founder and CEO of Cognism, recognised the fact that business data tends to go out of date as soon as it hits the CRM. The reason for this is simple, as businesses change over time and people change jobs and companies. This kind of data decay can have numerous damaging impacts on a business, from lost sales opportunities to wasted resources – and ultimately, a reduction in revenue.. James brought together a team of AI experts and data scientists, including the former Director of AI

Research at Bloomberg, James Hodson, to turn his vision into reality. After several iterations, Cognism was founded.

Cognism has grown rapidly since the initial investment in early 2017. During its first year, despite minimal resources, Cognism achieved 30% growth in month-on-month revenue and today, the company has an ARR exceeding EUR 4M. The company has furthermore built a base of over 200 customers, including an increasing number of global enterprise organisations, as well as SMBs and mid-market companies. Cognism's success has been recognised with several industry awards including the BESMA Customer Service Team of the Year Award in October 2018.

The team has grown over 12 times since the initial investment and the company now employs more than 80 people across offices in North Macedonia, Croatia and the UK.



Financing

2.4M€

Instrument

ENIF

Western Balkans Enterprise
Innovation Fund

Managed by

www.sc-ventures.com



South Central
Ventures

Purpose

The investment allowed the company to accelerate its growth by creating a dedicated sales team to drive the expansion of its client portfolios and the opportunity to strengthen the development team and improve the solution based on market feedback.

Employees

85

6

at investment

Sector

Sales acceleration technology

Economy

Cognism was developed out of North Macedonia and the UK. It currently serves a client base of over 250 companies, mainly in the UK and US markets.



Viva Fresh:

**Helping a local
retailer bolster
business**



Viva Fresh

FOUNDED 17 YEARS AGO BY XHEVDET REXHEPI in Kosovo's* third biggest city Ferizaj, Viva Fresh is now the largest fast-moving consumer goods retail chain in the economy. The company's product line expansion has enabled its presence in 60+ outlets and a market share of over 20 per cent in Kosovo*.

In 2014, Viva Fresh reached a strategic crossroads when it adopted a five-year business plan to open new retail stores and invest in a new logistic centre. The strategic vision for the business, and commitment to enhancing operations, gave impetus to collaborating with the Enterprise Expansion Fund (ENEF) and the EBRD who jointly provided €6.5 million in long-term financing to support the company's investment plan.

EBRD and ENEF assistance through financing helped Viva Fresh boost their operational capacity, efficiency, and employment growth. The results are reflected in the company's shining performance records. Viva Fresh exceeded its planned targets with over €171 million in turnover, and revenues growing

by over 50 per cent compared to the years prior to financing. 40+ new stores have opened since 2015, and the 15 per cent year-on-year job growth increased the number of employees from 2,140 employees at the end of 2015 to 3,200 at the end of 2018.

While joint EBRD and ENEF efforts have led to significant improvements in the overall organizational structure, Viva Fresh has benefited from the support of EBRD and ENEF to facilitate operations in areas including:

- Assistance for energy efficiency.
- Technical cooperation to review financial and commercial operations of the company.
- Engagement of a logistics consultant to assist with warehouse design, logistics and Warehouse Management System development for the new logistics center.

Combined, EBRD and ENEF efforts have enabled the company to move on to the next stage of growth in cross-border expansion.



Financing

6.5M€

including a 50% co-investment by the EBRD

Instrument

ENEF

Western Balkans Enterprise Expansion Fund

Managed and Advised by
www.ebrd.com



European Bank
for Reconstruction and Development

Purpose

The investment (co-financed by the EBRD), supported Viva Fresh's opening of a new logistics centre, and the opening of new retail stores

Employees

3,200

2,140
at investment

Sector

Retail

Economy

Viva Fresh operates in the city of Ferizaj, Kosovo*



APM:

Supporting a local Albanian metal manufacturer's market expansion



WHEN APM SH.P.K WAS ESTABLISHED IN 2012 in the Albanian municipality of Fier, the company started out as a local manufacturer of industrial metal products. Today, the company is a leader in manufacturing crude oil tanks, constructing oil and gas pipelines, structural steel components etc., while servicing both domestic and foreign markets.

At the time when APM was considering expanding and diversifying its production, as well as developing an export programme, the company required help with financing new investments in machineries and equipment. In the lead up to financing, TC funds from the Western Balkans Enterprise Development and Innovation Facility (WB EDIF) and the European Union's Instrument for Pre-Accession Assistance helped APM to improve its IFRS accounting and financial reporting, and supported legal due diligence. Once APM had demonstrated strong leadership ambitions through positive development and growth, the EBRD and ENEF jointly financed €1.8 million in August 2017, and a €1 million top-up in June 2018 to boost productivity. This was the first deal of this type in Albania.

The EBRD continues to support the company with its tailor-made advisory services that cover a broad range of areas such as improving leadership skills, developing export programs, further strengthening of financial management structures, as well as financial reporting. The EBRD is also helping APM establish a new training academy in line with its growth strategy, which would offer professional development courses for youth.

The results paint a picture of success. The company currently boasts a turnover of over €15 million, which is more than three times its 2016 rate. With a vision and recipe for success, supported by WB EDIF financing and advisory services, APM's products have reached new markets in Italy, the United Kingdom and continue to expand beyond Europe. Turned into a competitive regional champion from a local enterprise, APM demonstrates how blended EBRD/ ENEF financing and advisory assistance programmes can have a transformative power on small businesses.



Financing

2.8M€

including a 50% co-investment by the EBRD

Instrument

ENEF

Western Balkans Enterprise
Expansion Fund

Managed and Advised by

www.ebrd.com



European Bank
for Reconstruction and Development

Purpose

The investment (co-financed by the EBRD), supports investments in machinery and equipment to increase production capacity

Employees

400+

134
at investment

Sector

Fabricated Metal Product Manufacturing

Economy

APM operates in the Albanian city of Fier



Shumolli:

Bringing valuable skills home



Shumolli

A NATIVE OF BABLAK IN SOUTHERN KOSOVO*, Ejup Shumolli is the owner of a factory that produces high-quality vinyl windows and doors. His products are unique because he uses Inoutic, a German material which is well known for its superb thermal insulation and moisture protection.

Mr. Shumolli learned most of what he knows about his trade in Switzerland, where he used to live and work. He launched his company, Shumolli, fourteen years ago when he returned to Kosovo*. At first he began production on a small scale, taking individual orders. Demand for his products gradually began to grow, so he increased his output and broadened his product range, introducing roller shutters for windows after a few years.

Today, Shumolli is a well-established company that sells its products in the city of Ferizaj and even exports them to Switzerland and Germany; the name is also a familiar brand that has become synonymous with quality and value in the market.

Mr Shumolli has, over the years, invested in industrial machinery which has helped him rapidly expand his operations.

More recently, using an EU supported WB EDIF loan disbursed by ProCredit Bank in 2015, Mr Shumolli purchased a state-of-the-art CNC machine to produce his windows and doors. All this brings him closer to his ambitious business goal of capturing a significant share of both the domestic and foreign markets for his products. Indeed since the investment, Mr Shumolli has been able to increase his export share of the business where today around 80% of sales have been exported.



Financing

100K€

Instrument

GF

Western Balkans
Guarantee Facility

Managed by
www.eif.org

EIF #Believe
InSmall

Purpose

The investment has enabled the company to purchase high end machinery to streamline and increase productivity and efficiency.

Employees

15

Sector

Manufacturing

Economy

Shumolli operates out of Ferizaj, the third largest city in Kosovo*



De-Ta Dejan:

**Slowly but surely:
a road to success**



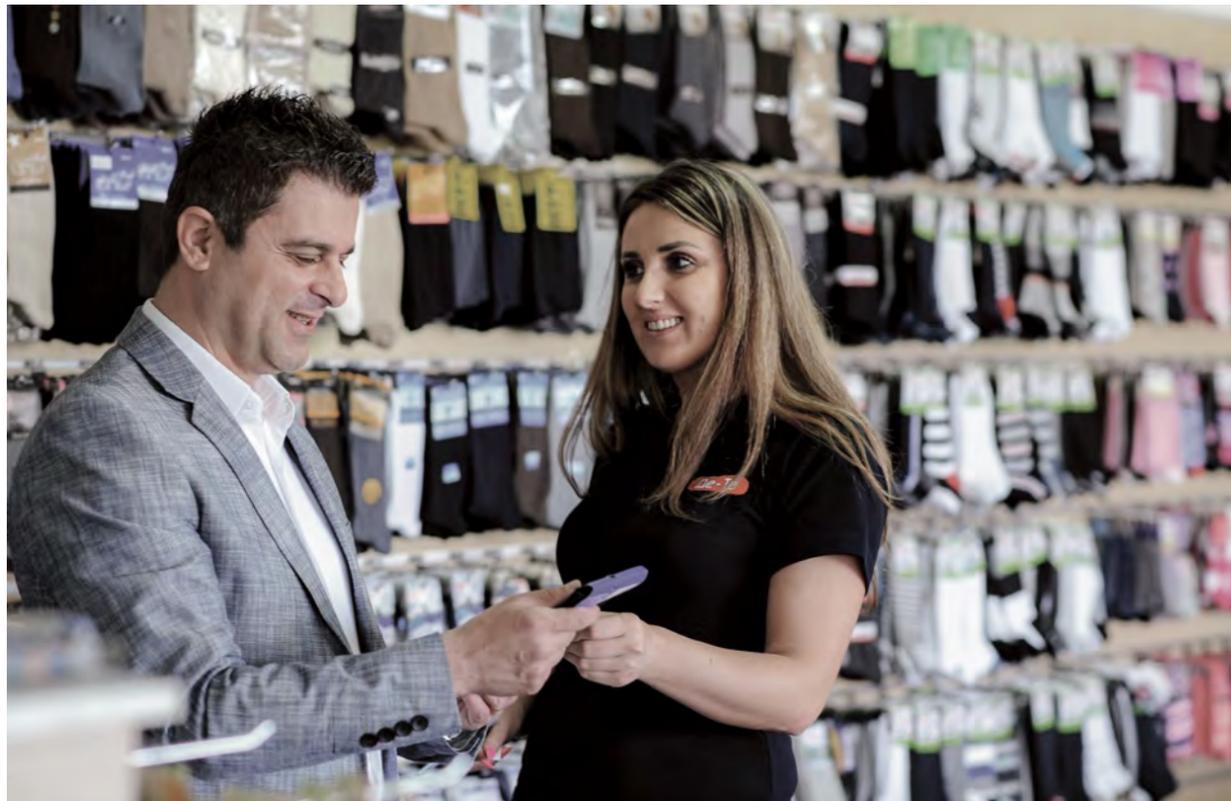
De-Ta Dejan

“BEING AT THE RIGHT PLACE AT THE RIGHT TIME
Being at the right place at the right time is one of the major reasons why am I here today,” explains Mr Dejan Spasovski, the owner and general manager of De-Ta Dejan, a company specialising in the retail sale and wholesale of stockings, socks, underwear, swimwear and accessories.

The company dates back to 1996, when Mr Spasovski opened his first shop. Prior to this, he distributed socks to companies with his own vehicle. After the shop was opened, he continued to grow his business gradually. A turning point was the meeting with the owner of Penti, the famous brand for legwear, beachwear and other apparel, which led De-Ta Dejan to become the exclusive distributor of Penti stockings in North Macedonia. Today, De-Ta Dejan has 36 outlets throughout North Macedonia and one big warehouse.

Additionally, the company sells franchises, with 20 facilities currently operating under this framework. Apart from producing its own wares for many years now, the company is specialised in the retail sale and wholesale of more than 6,000 different product types, with the full range consisting of more than 20,000 products. More recently, De-Ta Dejan reached a deal with NBB, a well-known brand on the market, which allowed it to become the sole distributor of this brand in North Macedonia.

Around 60% of the goods are sold on a wholesale basis via more than 1,000 partners, while the rest are sold through retail channels. Another important milestone in the company’s operations was its expansion into Serbia and founding of the Sara Sock LTD Belgrade.



Financing

200K€

Instrument

GF
Western Balkans
Guarantee Facility

Managed by
www.eif.org

EIF #Believe
InSmall

Purpose

The investment has enabled the company to expand its product line and focus, so as to strengthen its domestic as well as cross border presence.

Employees

206

Sector

Wholesale and Distribution

Economy

De-Ta Dejan has strong presence over its domestic territory of North Macedonia and is also expanding into neighbouring Serbia.



**Success
Stories**

**Advisory
support**

Triple Helix

Business, Academia, Government:
the triple key to unlocking
economic potential

In the Western Balkans, as in other regions, it is of core importance to unlock the innovative potential living in the halls of academia. By fostering ties with both the private and public domains which are capable (in different ways) of nurturing and supporting innovative ideas in order to make them bankable, then the true potential of academia can contribute more abundantly to the local economy.

This is the core mission of the OECD's Triple Helix programme, funded by the EU under WB EDIF. Triple Helix brings together government officials, academics, donors and private sector representatives and gives them the opportunity to learn about the latest innovative ideas currently being developed in the region. The programme works closely together with government bodies in order to create an environment which is conducive to business-academia-government co-operation for innovation development.

Under WB EDIF, the OECD worked closely with the Ministry of Economic Development, Tourism, Trade and Entrepreneurship (MEDTTE) of Albania, the Albanian Investment Development Agency (AIDA) and the Kosovo* Investment and Enterprise Support Agency (KIESA) to shed light on emerging talents pursuing bold, innovative and socially responsible projects.

Several outstanding projects were identified and 12 finalists were invited to present their projects to a jury. After deliberation, the 3 prizes were awarded in each of the two ceremonies in Albania and Kosovo*. The six winners will benefit from recognition of the quality of their projects by an international jury as well as capacity building support and business development advice from the panel and our partner organisations in Albania and Kosovo*.



Triple Helix competition winners

1st place Albania: Recycle Jeans- led by the Njerez dhe Ide NGO: building a creative business through recycling old jeans and designing them into shopping bags.

1st place Kosovo*: Innovative Applications for Senior Citizens Project: new ways for senior citizens to manage everyday tasks/needs, monitor and share data with health institutions, service providers and their friends and family in real time.

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www.oecd.org



OECD

Organisation for Economic
Co-operation and Development

Purpose

**Promoting business,
academia and
government ties**

Impact

**Leveraging the ideas of academia, with the
support of the government, to create bankable
ideas**

Economies

Albania and Kosovo*



EU-REPARIS

Let your numbers work for you: transparent and reliable financial information

A notable barrier to growth and access to finance for enterprises is often the lack of reliable, transparent and standardised financial information. But why is this so important? In reality, although financial reporting may be perceived as one of the many red-tape measures which entrepreneurs can face, it in fact strongly contributes to the success of these enterprises. Adoption of financial reporting frameworks in line with international good practice leads to regulatory simplification and reduces the compliance cost for businesses. Clear and transparent financial reporting can help investors identify opportunities for investment, and helps businesses obtain funding at a more reasonable cost as well as to more easily expand into regional or international markets. Promoting a culture of transparent and reliable financial information can also create a level playing field in economies where SMEs are significant contributors, whereby growth can be clearly tracked and tax collection can be efficient and fair.

The EU-REPARIS programme which is run by the World Bank Group, and funded by the European Union via WB EDIF, exists to promote the importance of transparent financial reporting. It helps countries introduce frameworks that are in line with international good practice as well as EU requirements, supporting integration with the European Union and its markets. Moreover, it helps develop the accounting profession's capacity to help businesses meet compliance requirements but even more so, to improve financial management, facilitate better access to finance and improved business management.

How does it work? The logic behind EU-REPARIS is that, if businesses that show strong financial transparency and through competent financial management advice are able to access more affordable credit or equity investments, businesses grow and prosper - providing jobs and also contributing to the public purse through taxes.

Since 2015, EU-REPARIS has run various peer-to-peer trainings and technical assistance interventions in the Western Balkans region in order to:

- Modernise the technical and soft skills of accountants and auditors (including adjustments to technological advancements) so they are better equipped to support their SME clients;
- Align legal frameworks and institutions with international good practices and requirements set forth in the EU *acquis communautaire*;
- Introduce audit public oversight systems and train financial sector regulators.

In four years, the EU-REPARIS programme has delivered numerous forms of on-the-ground assistance, run 33 workshops with over 1,250 participants, two conferences and eight distance learning activities to help train and educate regulators and professionals whilst at the same time raising awareness at a higher level of the importance of good financial reporting.

14 reports, guides, and training manuals informing policy and capacity building of institutions and stakeholders were published under the programme.

EU REPARIS: the Road to Europe:
Program of Accounting Reform and
Institutional Strengthening



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www.worldbank.org

CFRR 
**Centre for Financial
Reporting Reform**



Purpose

Promoting a culture of transparent and reliable financial information

Impact

Holistic development of accounting and auditing frameworks including standards, statutory and regulatory systems, education, and SME advisory through technical assistance, locally and regionally organized workshops, and publications

Economies

Albania, Bosnia and Herzegovina, North Macedonia, Kosovo*, Montenegro and Serbia





Jarett Decker World Bank

The quality of financial reporting is a major obstacle to growth in the Western Balkans economies.

The World Bank-led EU REPARIS is the latest phase of financial reporting reform that will help the region's economies align their legislative frameworks and practices with the European Union. Jarett Decker at the World Bank explains more:

Why is this programme important?

Reliable financial information is not easily available in the Western Balkans, nor widely understood or trusted. This impedes lending for growth, as well as foreign and local investment. EU REPARIS is addressing this issue on several fronts. We advise regulators and professional bodies, we support regulatory institutions that both monitor the performance of reporting entities and impose consequences and we build the capacity of accountants to serve both compliance and broader business needs of their small and medium-sized enterprise (SME) clients. Ultimately, we seek to foster a business environment with more transparency and trust

that will inspire confidence among regional and external lenders and investors concerned about investing in the Western Balkans.

How does it build on its predecessor, REPARIS?

REPARIS had a greater focus on the building blocks of compliance. In the new phase we continue assistance to help clients align with more recent EU Directives but also turn more to building the practical skills of accountants to better assist their SME clients, as well as performing analytical work that will help SMEs understand the benefits of investing in

reliable financial reporting. In addition, we are encouraging regional collaboration among key stakeholders, particularly among participating professional accountancy bodies. This collaboration is now bearing fruit.

How will you measure the success of the programme?

One of our concrete objectives is to help the Western Balkans economies align their financial reporting frameworks and standards with good EU and international practice. We have seen numerous improvements in this area, identifiable through gap analyses and concordance tables. Many other improvements have been made, including the establishment of regulatory institutions in several countries, introduction of differentiated reporting requirements including IFRS (International Financial Reporting Standards) and IFRS for SMEs, implementation of international auditing standards and improved understanding among key decision makers. A key area of focus has been to strengthen the oversight of auditors, to "watch the watchdogs" of financial reporting to make sure they are performing their role of assuring reliable reporting. This is one of the most resource-effective ways to enhance financial transparency.

How is the programme implemented?

The programme uses EU funding to invest EUR 3.6 million over about three and a half years – until early 2019. Some highlights include the CFRR – IFAC Joint Education Community of Practice in April, the Ministerial Conference in November 2018, the ongoing EU REPARIS Pilot Project on SME Financing and Reporting, as well as continuing capacity building through the Audit Training of the Trainers and IFRS for financial sector supervisors. Our approach of bringing together stakeholders makers from the region to share knowledge, challenges, and approaches, hear from outside experts and build momentum for reform through peer engagement, has been both impactful and cost-effective.

**EU-REPARIS is managed
by the World Bank**

CFRR >>>

**Centre for Financial
Reporting Reform**

 **WORLD BANK GROUP**
Governance

Advice for Small Businesses

Supporting enterprises with advice to best attract and utilise their investment

Gaining access to finance itself is often not the be-all and end-all of life as an entrepreneur; companies may need all kinds of support to help them prepare for the investment but also to support them in a post – investment phase; and this is true not only for start-ups but businesses in all stages of development, including matured enterprises.

The EBRD has been deploying its Advice for Small Businesses for over 20 years with the help of EU funding and, since 2015, has deployed a specific pocket of funding linked directly to WBEDIF. Under this programme the EBRD arranges for local and international consultants to offer support to improve business performance, including:

- Accounting and financial reporting
- Energy efficiency & environmental management
- Information Communication and Technology
- Marketing & sales
- Strategy & vision
- Human resource management

To date, under the WBEDIF programme, a total of 591 projects have been funded with EU support. Clients of the Advice for Small Businesses programme can be from various industries (food & beverages, tourism, transport, ICT, metals and machinery and chemical and pharmaceutical industry) and from all over the Western Balkans region, both in urban and rural areas.

The EBRD holds regular conferences, trainings and workshops to bring together entrepreneurs, consultants and sector specialists to help boost the economy and provide dedicated support to local businesses.



Managed by
www.ebrd.com



EBRD

European Bank for Reconstruction and Development

Purpose

Direct support to SMEs of all sizes and in all sectors

Impact

Advice for Small Businesses has helped transform more than five thousand businesses in the Western Balkans and laid the foundation for smart, sustainable and inclusive growth in its countries of operations

Economies

Albania, Bosnia and Herzegovina, North Macedonia, Kosovo*, Montenegro and Serbia



Artisan:

**State of the art
wooden furniture
sold globally**



FOUNDED IN 2007 BY FADIL COSTOVIC, Artisan is a producer of high-quality wooden furniture with a turnover mostly generated from export sales to a small, but strong clientele.

The company relies on traditional manual woodwork with a modern twist to produce statement pieces, whose main 'raw' ingredient are deciduous trees such as walnut, chestnut, oak, cherry, elm, maple, etc.

The company supplies its loyal customer base in South Korea, Netherlands, Belgium, Switzerland, Germany, etc. with small series, usually up to 25 pieces under the Artisan brand name.

The EBRD paired the company with a branding and promotion expert in order to revamp the design of its products, while expanding the production line.

The state of the art production equipment has enabled the company to expand its production capacity ranging from 15.000 to 20.000 EUR per day in one shift, and focus on supplying a growing foreign market. As a result, Artisan has succeeded in establishing a representative office, as well as wood processing centre in Croatia, providing services to both Artisan and other local wood companies.



Type of support

Support for branding and promotion in order to revamp the design of its products, while expanding the production line

Programme

ASB

Advice for Small Businesses

Managed by
www.ebrd.com



European Bank
for Reconstruction and Development

Employees

150

Sector

Furniture production and export

Economy

Artisan operates in Bosnia Herzegovina



Venture Capital and Investment Readiness

Becoming ‘investment ready’: the path to success

Innovative start-ups and SMEs often have good ideas, but may not have the knowledge, financial, or other resources necessary to develop their ideas to the point where they can attract outside funding. In the Western Balkans, a widely perceived lack of “investment readiness” of innovative start-ups and SMEs, results in low levels of equity funding available to or invested into such firms. Given that entrepreneurship is a crucial component of transition to an innovation-based economy, this lack of investment readiness translates to much slower or stalled reforms toward an innovation-based economic model necessary for competitiveness in the global economy.

Investment readiness programmes are intended to provide a comprehensive approach to overcoming the constraints to firms receiving outside investment through a mix of individualized training, mentoring and coaching, at an intensity that is sufficient to make firms more investment-ready, while maintaining a cost that is low enough to be scalable to large numbers of firms. Implemented on a regional basis, the idea behind such programmes is that the entire equity ecosystem will be boosted since investors can have access to increasingly well-prepared and thorough business opportunities.

The World Bank, under its EU WBEDIF-funded **Pioneers of the Balkans** programme, launched in autumn of 2015, provided technical assistance to

almost 350 companies, and was able to help them become more investment ready, as scored by private sector investors who participated as judges in a pitch competition, Pioneers of the Balkans Finals, the largest venture capital conference taking place in the region to date.

Building on the knowledge developed under Pioneers of the Balkans, the World Bank Group is currently implementing the next version of the Project, “Unleashing the Potential of Innovative Start-ups and SMEs in the Western Balkans: Investment Readiness Program 2.0,” funded by the European Union via WBEDIF. The new phase of the Project, WB Investment Readiness Program 2.0, includes a competition designed especially for innovative entrepreneurs seeking or considering venture financing. It will consist of mentoring entrepreneurs to design and implement tailored business strategies to expand their markets and demand, mainly through the use of digital solutions. The Program will include companies from six economies of the Western Balkans: Albania, Bosnia and Herzegovina, Kosovo*, Montenegro, North Macedonia, and Serbia.

The project will aim to include 200-400 entrepreneurs (depending on demand), with half of these receiving intensive training (the “treatment group”) and the other half receiving a shorter version of the training (the “control group”). The World Bank will randomize applicants into either group. Based on the M&E data collected, the World Bank will then conduct an impact evaluation of the services provided, using the methodology of a randomized controlled trial, to discern the impact of the instrument and make policy recommendations. The results will be disseminated to client economies through policy notes and workshops, in order to inform entrepreneurship support programs.



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Purpose

Assist market reach, investment readiness and growth of innovative start-ups and SMEs in the Western Balkans through intensive mentoring, and evaluate effectiveness of such intervention.

Impact

Evaluating targeted mentorship and training as a tool for increasing the ‘investment readiness’ of innovative start-ups and SMEs

Economies

Albania, Croatia, Kosovo*, North Macedonia, Montenegro and Serbia



Small Business Act for Europe

Benchmarking as the gold standard for measuring development

With so many initiatives and programmes active across the region – within the scope of WB EDIF or not – it is of particular importance to measure whether such improvements are positively impacting enterprises in a particular country or not. This is why WB EDIF targeted resources to the SME Policy Index programme of the OECD which is a benchmarking tool designed for emerging economies to assess SME policy frameworks and monitor progress in policy implementation over time and is framed around the ten principles of the Small Business Act for Europe.

The SME Policy Index programme has been active since 2007 and has evolved over time to take into consideration the changing markets and impact indicators which serve as the litmus test of success. The particular benchmark in the Western Balkans is the adherence to EU standards and the latest report from 2019 shows that the region is making continuous progress – although many areas for reform remain.

Some of the main policy questions which the OECD examines are:

- What kind of education and training can entrepreneur's access?
- Are there cheap and fast processes for establishing a start-up enterprise?
- Is there an optimum legislative and regulatory framework in place?
- What are the skill sets available on the market?
- What advantages are emerging from the Single Market?
- What is the technological capacity of SMEs?
- What are the support services available for SMEs, helping them scale-up and export?

By using this policy index as a tool for the measurement of success, the OECD's programme contributes enhancing the competitiveness of SMEs in the Western Balkans.

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Organisation for Economic
Co-operation and Development

Purpose

Comprehensive benchmarking exercise to allow policy makers to understand progress over time

Impact

Creating a comprehensive tool for measuring success

Economies

Albania, Bosnia and Herzegovina, North Macedonia, Kosovo*, Montenegro and Serbia



SME Policy Index: a beneficiary perspective



Katarina Obradovic Jovanovic Assistant Minister of Economy of the Republic of Serbia

How is the OECD's SME Policy Index useful? Why is it important?

Initially, the SME Policy Index was a very important tool helping us to keep SME policy high on the policy agenda. Now that we have reached a more mature stage, with dedicated strategies, instruments and budgetary allocations, the Index still provides important guidance, keeping its relevance. At the same time, it helps us boost cooperation across different institutions, to ensure a proper integrated approach on SME development.

The SME Policy Index is a benchmarking tool designed for emerging economies to assess SME policy frameworks and monitor progress in policy implementation over time. It aims to support governments in setting targets for SME policy development and to identify strategic priorities to further improve the business environment.

Katarina Obradovic Jovanovic, the SBA Coordinator of Serbia, gives her first hand experience :

What do the SME Policy Index 2019 results show?

There is no doubt that the whole Western Balkans region, and Serbia in particular, are making good progress. That is not to say that there is no room for improvement of course. I think that the green economy is an area where we can still improve a lot. We don't yet have a comprehensive approach to SMEs active in the green economy: ecology is often treated as a separate topic, not necessarily linked to the economy or SME development. We need to bring these areas together, with direct measures and a concrete policy framework that will allow ecology to be exploited as an opportunity by small businesses.

Has the SME Policy Index helped you in designing policies for SMEs?

I think it has definitely played an important role in defining our SME development strategy. For example, through evaluation mechanisms. The introduction of evaluation methodologies across all our instruments and policies improves planning and helps us set realistic expectations. This in turn leads to more informed policy-making. Our SME development policy is constantly evolving and the Index helps us expand and refine our approach.

What represents the greatest challenge in improving the environment for SMEs?

We've come a long way and made good progress on things like access to finance for example and the regulatory framework, but one big challenge which I think is particularly important is presenting this environment to SMEs from their perspective. Regulating is one thing. But presenting everything in a user-friendly way, so that any SME can easily access all relevant information, digest it and develop their business is a challenge in itself. Ultimately, small businesses need to be able to find information easily and move fast.

We also need to prepare the young generation to be more entrepreneurial. We're working on that, by co-financing the Junior Achievement Programme in secondary schools. Finally, I think we need to focus on the capability of

business owners to grow their business – not just accessing finance. We need to provide high quality consulting services, using industry experts that can make a real contribution. If you want to make change, you need to offer high quality support.

Has the SME Policy Index created opportunities for closer collaboration with other economies in the region?

Definitely, working on the Index with our colleagues from the region has been very beneficial. We are in close contact, consulting each other regularly, sharing best practices, building networks... In the future we also hope to engage even more with EU economies. That would give us a different viewpoint on various topics.

The SME Policy Index is managed by the OECD



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