

The image is a cover for an annual report. It features a dark blue background with a repeating pattern of stylized, colorful geometric shapes. These shapes include upward-pointing chevrons in shades of purple and teal, and small diamonds in purple and teal. The text is white and bold. At the top, it says 'WB EDIF'. Below that, the number '20' is written in a very large, rounded font. Underneath the '20', the number '20' is repeated in the same large font. At the bottom, it says 'Annual Report'.

WB EDIF

20

20

Annual Report

WB EDIF is an EU-funded initiative aimed at improving access to finance for small business owners in the 6 economies* of the Western Balkans.

WB EDIF leverages upon the expertise of 24 international, regional and local market players including representation from the economies themselves.

WB EDIF is mobilising approximately EUR 841m of financing and support for small and medium sized enterprises (SMEs).

*Following EU accession in 2013, Croatia has graduated out of WB EDIF into EU centralised financial instruments

WB EDIF

Western Balkans Enterprise Development and Innovation Facility

Annual Report

Data as of 31 December 2020



Katarína Mathernová



Deputy Director-General
in charge of Eastern
Neighbourhood, Economic
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with IFIs

European Commission,
Neighbourhood & Enlargement
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I am very pleased to share with you the 2020 Annual Report of the Western Balkans Enterprise Development and Innovation Facility (WB EDIF), the private sector component of the Western Balkans Investment Framework (WBIF).

This is a special edition of the report because 2020 brought with it unprecedented challenges but also opportunities. The platform established itself as an efficient vehicle and partnership, also to alleviate the economic consequences of the COVID-19 pandemic in the region. Based on the Team Europe approach, and as part of the Communication “Support to the Western Balkans in tackling COVID-19 and the post-pandemic recovery”, adopted by the Commission on 29 April 2020, the European Commission together with key partner Financing Institutions is mobilising EUR 188 million in support to SMEs in the Western Balkans. Out of this amount, EUR 110 million are being mobilized to support the private sector through WB EDIF while the rest is being deployed through the European Fund for Southeast Europe (EFSE), the Green for

Growth Fund (GGF) and the Western Balkans Guarantee pilot.

The report presents the overall economic impact of COVID-19 on the economy of Western Balkans and showcases how individual SMEs responded, with the support of WB EDIF, to meet the challenges of the pandemic.

Since 2012 WB EDIF has succeeded to sustain 133,500 jobs, and to provide financial and technical support to almost 6000 SMEs in the region. More than 3690 EU-guaranteed loans and 44 equity-type of investments were realized so far under the platform.

WB EDIF is in constant evolution and it is fully fit to contribute to the implementation of the Economic and Investment Plan for the Western Balkans. The development of a robust, innovative and competitive private sector is essential for the socio-economic growth of Western Balkans and for its regional integration. This requires, in particular, increased

investments in micro, small and medium enterprises, and on their capacity to innovate, scale-up and grow. I am certain that WB EDIF fits the purpose to unlock the potential of the private sector in the region and contribute to spur the long-term economic recovery of the region, to foster regional integration and to support the green and digital transition of Western Balkans economies.

I would like to thank all WB EDIF partners for their support so far and for their continuous contribution to make WBIF a very valuable instrument in support of the Western Balkans convergence towards the EU path.



Mission

WB EDIF was launched in 2012 with the 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 is in constant evolution by establishing itself as a prominent actor in providing future-oriented solutions to the needs of the region, also linked to topics such as competitiveness, green economy, innovation and digitalisation.

Building the future of SMEs in the Western Balkans

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Partners and Investors

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



WB EDIF: The platform approach



WB EDIF was conceived as a platform upon which to launch both financial products as well as capacity building measures to crucially target SMEs at all stages of development, from pre-seed and seed all the way to more developed SMEs seeking expansion capital.

In launching such an ambitious project, it was vital to involve a multitude of International Financial Institutions (IFIs), as well as bilateral partners to build on their expertise, as well as to bring in the local and regional perspective by sharing ownership with representation from the economies themselves.

This mixture gave rise to the WB EDIF 'platform' or 'Umbrella' as further illustrated above.

Since WB EDIF is a platform, it can evolve over time and easily adapt to new market conditions or thematic areas of focus, whereby instruments and support measures can be approved jointly by the representative partners for inclusion under the umbrella, where these are considered to be of strategic importance.

*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.

Key Figures

WB EDIF at a glance

€309M Total funding resources

resulting in

€841M Potential available financing to SMEs via WB EDIF's financial instruments

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

6

Beneficiary economies

27

WB EDIF Partners

ENIF, ENEF GF Competitiveness Programme

Financial Instruments

Progress as at 31 December 2020*

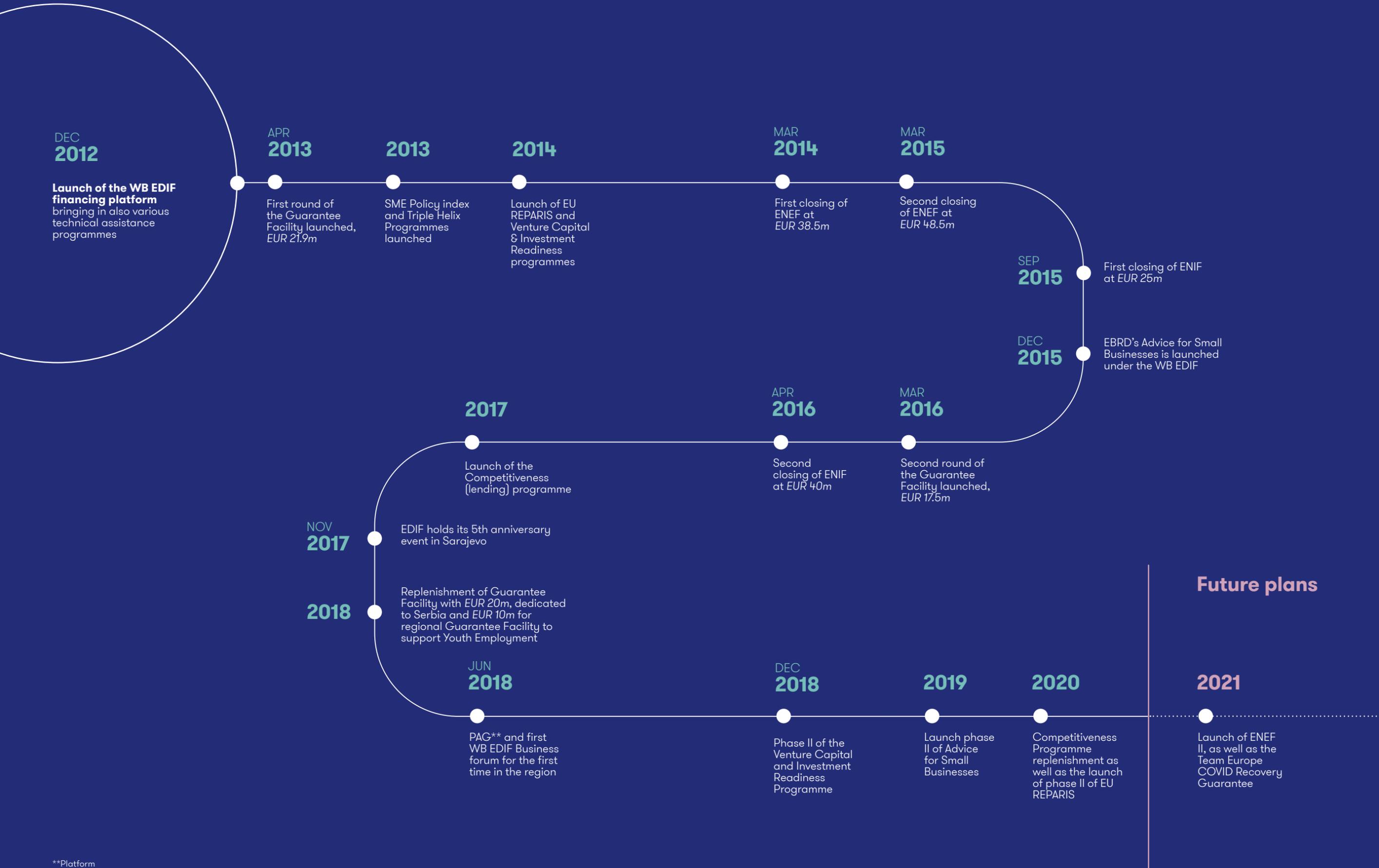


5,905 SMEs supported



133,492 Jobs supported

9 years of WB EDIF



DEC
2012

Launch of the WB EDIF financing platform bringing in also various technical assistance programmes

APR
2013

First round of the Guarantee Facility launched, EUR 21.9m

2013

SME Policy index and Triple Helix Programmes launched

2014

Launch of EU REPARIS and Venture Capital & Investment Readiness programmes

MAR
2014

First closing of ENEF at EUR 38.5m

MAR
2015

Second closing of ENEF at EUR 48.5m

SEP
2015

First closing of ENIF at EUR 25m

DEC
2015

EBRD's Advice for Small Businesses is launched under the WB EDIF

2017

Launch of the Competitiveness (lending) programme

APR
2016

Second closing of ENIF at EUR 40m

MAR
2016

Second round of the Guarantee Facility launched, EUR 17.5m

NOV
2017

EDIF holds its 5th anniversary event in Sarajevo

2018

Replenishment of Guarantee Facility with EUR 20m, dedicated to Serbia and EUR 10m for regional Guarantee Facility to support Youth Employment

JUN
2018

PAG** and first WB EDIF Business forum for the first time in the region

DEC
2018

Phase II of the Venture Capital and Investment Readiness Programme

2019

Launch phase II of Advice for Small Businesses

2020

Competitiveness Programme replenishment as well as the launch of phase II of EU REPARIS

Future plans

2021

Launch of ENEF II, as well as the Team Europe COVID Recovery Guarantee

**Platform Advisory Group

Pillars

Pillar 01

Equity

The Enterprise Innovation Fund
The Enterprise Expansion Fund

ENIF

The Enterprise Innovation Fund

Watch our ENIF story



ENIF is one of two equity investment funds which constitute WB EDIF's Equity instrument pillar. It is a stand-alone venture capital fund with EUR 41.4m available for investments in innovative SMEs in the Western Balkans (the "WB region").

Stage focus

From early stage to later stage across a spectrum, from very early revenue through companies with established revenues and close to profitability. ENIF also has a dedicated seed pocket for investments in the most promising seed stage, pre-revenue companies. The majority of the funds are to be invested in SMEs with tickets ranging EUR 500k – EUR 1.5m, however without limiting the possibility for follow-on investments as well as the overall profit-oriented character of ENIF.

Sector focus

ENIF targets innovative SMEs in all technology sectors with potential for high growth. In addition, the Fund pays special attention to the ICT sectors (software, consumer electronics, mobile technologies, Internet and media, etc.) due to their high innovation potential in the WB Region.

Geographical focus

ENIF focuses on the Western Balkans economies, i.e.: Albania, Bosnia & Herzegovina, North Macedonia, Kosovo, Montenegro, Serbia and Croatia. All of the Fund's investments are in SMEs (as per EU definition).

Capital Deployment

ENIF's Manager, South Central Ventures ("SCV"), built a diversified portfolio of 28 active companies from the entire WB geography. The average investment per company was EUR 1.03m (provided in several tranches).

Seed Pocket

ENIF dedicated an amount of EUR 1.5m to be invested exclusively in seed companies across the entire WB Region. In total, over EUR 1.8m was invested in seed companies.

Investors

41.4M€



ENIF Portfolio

Progress so far

By December 2020 ENIF's portfolio was composed of 28 active companies, out of which 4 are growth, 17 are start-ups and 7 are seed capital. The portfolio is mostly composed of high technology sectors with focus on ICT. ENIF's aggregate capital commitment invested in portfolio investments stands at 72% of the committed capital.

During the reporting period the Fund manager screened 265 and signed 1 new deal in Serbia.

During the year the SCV team's focus gradually shifted from intensive pipeline building towards portfolio management and identification of exit opportunities for some of the earlier investments. In

the last quarter of 2020 the ENIF team was focused primarily on monitoring the portfolio companies and intensively working with those raising follow on rounds. The SCV team worked with their portfolio companies to mitigate the risks and limit the impact of COVID-19. The main focus was on helping the portfolio companies adjust their strategies and developing scenarios on how long the crisis may last.

The fund contributed to the emergence of the regional equity market and plays an important role in stimulating the growth of start-ups and digital companies- one of the main EU priorities for the Western Balkans. The SCV team participated in a number of events, where SCV team members participated in various active roles, including speakers, jury members, presenters and mentors.

Name	Economy	Stage of Focus	Commitment
Drytools / Alchemy cloud	Serbia	Seed	€633K
City Expert	Serbia	Start-up	€1.5M
WorkPlus	Serbia	Seed	€500K
Agrivi	Croatia	Start-up	€2M
Letz / MarkO*	North Macedonia	Seed	€100K
Bulb	Croatia	Start-up	€2M
Cognism	North Macedonia	Start-up	€2.389M
CUBE	Serbia	Start-up	€1.125M
InPlayer	North Macedonia	Start-up	€2.905M
VirtusVita	Serbia	Start-up	€800K

*The company discontinued its operations in December 2017

Name	Economy	Stage of Focus	Commitment
Hunch Insights	Serbia	Seed	€700K
Sentinel Marine	Croatia	Start-up	€900K
Tradecore	Serbia	Start-up	€2.2M
MoreStudio (LittleDot)	Croatia	Seed	€300K
Your Home Online (Habiplace)	Croatia	Seed	€368K
Content Insights	Serbia	Start-Up	€1.89M
ConveyIQ	Serbia	Growth	€2.646M
CustomSell	North Macedonia	Start-Up	€647K
Agremo	Serbia	Start-Up	€865K
Neti	North Macedonia	Seed	€200K
DaiBau (eMajstor)	Croatia	Start-Up	€450K
Om3ga solutions (Daktilograf)	Montenegro	Seed	€30K
Molo	Serbia	Start-up	€490k
LeanPay	Serbia	Start-up	€1.5m
LabBox	Kosovo	Start-up	€300k
AdScanner	Croatia	Seed	€1.5m
Videobolt	Serbia	Start-up	€500k
Uhura	Montenegro	Seed	€400k
Orgnostic	Serbia	Seed	€161k

29
Active companies

30M€
Total investment

5
Western Balkans economies covered



Case Study

HTEC

The technology disruptor bringing positive change to Serbia

Financed by the Enterprise Expansion Fund

Cloud technology, artificial intelligence and other innovative technology solutions are almost second nature to HTEC, a leading Serbian software developer with headquarters in San Francisco.

The company offers fully-integrated solutions to its clients, helping them improve their productivity and accelerate their digital transformation. With companies mobilising all their resources to respond to tectonic shifts in the business ecosystem because of the coronavirus, digital technologies stand ready to bolster the entrepreneurial scene. The IT sector is emerging in Serbia as a vital contributor to the economy, a growing pool of entrepreneurial talent that HTEC will tap into with help from the Western Balkans Enterprise Development and Innovation Facility's Enterprise Expansion Fund (ENEF).

The EBRD and ENEF joined forces to provide a EUR 12 million loan to support HTEC's expansion in Serbia and the wider region. With the loan, HTEC is poised to develop its strong regional research and development hub, providing additional support to develop Serbia's burgeoning engineering talent. The financial assistance helped HTEC take its business to the next stage and pursue its long-term growth and development objectives. Going forward, HTEC will benefit from the EBRD's business advisory support, which - in synergy with financing - will help boost this fast-growing company's access to know-how.



Watch our ENEF story



The Enterprise Expansion Fund

ENEF is the second of two investment funds which constitute WB EDIF's Equity instrument pillar. ENEF provides equity, quasi-equity and - to a limited extent - debt funding to private companies incorporated or investing in projects to be implemented in the Western Balkan Region.

ENEF's aim has been to further expand SMEs with a high potential for growth in the Western Balkans by improving their access to finance.

Investment portfolio

The Fund has focused on creating an investment portfolio of approximately 15-25 companies with deals ranging from EUR 1m to EUR 7m in all sectors of the economy. Following the end of the investment period in 2020, the Fund has reached its objective by investing in 16 companies already, with a deal size ranging from EUR 0.4m to EUR 5m.

Eligible companies

The Fund has committed to invest at least EUR 15m in Eligible Companies that:

- qualify as "SMEs" under the Commission Recommendation 2003/361 and
- are incorporated or primarily active in the EU or a country qualifying as a candidate or potential candidate for EU accession.

By the end of 2020, over EUR 20m has already been invested into SMEs.

Private Sector focus

The Fund has been investing in private sector enterprises only (i.e. enterprises which are not (i) more than 50 per cent directly or indirectly owned and/ or (ii) controlled by the state in which such enterprise operates or any political subdivision or agency thereof).

ENEF has a fund size of EUR 48.5m, which is further leveraged in a 1:1 proportion by pari passu co-investments from the EBRD through its Direct Financing Framework (DFF) on a deal-by-deal basis. In 2018, certain changes were introduced to the Fund's investment strategy in order to make the rules more conducive to rapid and diverse investments in line with the Fund's market focus. Such changes increased the Fund's utilisation and the support provided to companies in the ENEF region. ENEF has already reached the end of the investment period and remains well on track to delivering on its targets. It has already achieved 70 per cent utilisation and is expected to exceed beyond 70 per cent through further follow-on and crisis response investments before the Fund's closure.

Investors



ENEF Portfolio

Name	Economy	Stage of Focus	Commitment
Viva Fresh	Kosovo	Growth	€5.85M
Krajina Klas	Bosnia & Herzegovina	Growth	€1M
Delmax	Serbia	Growth	€900K
Ceremat	North Macedonia	Growth	€2.25M
Gomma Line	Serbia	Growth	€650K
Pula Regeneration	Croatia	Start-up	€5M
RS Pension Fund	Bosnia & Herzegovina	Start-up	€371K
APM	Albania	Growth	€1.4M
Santefarm	Kosovo	Growth	€750K
BG Reklam	Serbia	Growth	€560K
Meridian	Kosovo	Growth	€1M
Florian	Croatia	Growth	€5M
Bel Medic	Serbia	Growth	€1.5M
Makprogress	North Macedonia	Growth	€600K
Team Mandeks	Bosnia & Herzegovina	Growth	€1M
HTEC	Serbia	Growth	€6M

16

Companies

67.6M€

Total investment
including DFF co-investment

6

Western Balkans
economies covered



Pillar 02

Loan guarantees

The Guarantee Facility was originally launched in 2013 with EUR 21.9m to guarantee SME loan portfolios of participating banks and thus foster additional lending to SMEs across the Western Balkan territory.

Since then and thanks to the success of this product, several top-ups have been implemented as well as a parallel launch of diverse windows including for Serbia and Youth Employment.

The Guarantee Facility

The WB EDIF Guarantee Facility provides a capped guarantee for SME loans via the participating commercial banks in the WB territories whereby such SMEs can obtain a loan on favourable terms to cover financing for investment and working capital of up to EUR 500k.

Progress and additional windows

Overall, the WBEDIF Guarantee Facility has reached almost 4,000 SMEs across the Western Balkans thanks to its terms which proved in time to be well aligned with market needs.

The Guarantee Facility for Serbia was launched in 2017, with EUR 20m of funding, to increase access to, and availability of, finance for SMEs in the Republic of Serbia. Under the Guarantee Facility for Serbia, 26% of the financing went to medium sized companies, 51% to small companies and 23% to micro companies. 38.8% were investment loans and 61.1% working capital loans. The facility has also supported start-ups and innovative companies, in total 53 as of December 2020.

Following the Serbian window, an additional funding of EUR 10m was contracted to support Youth Employment lending in the Western Balkans Beneficiaries Economies – to provide up to EUR 85m of loans to SMEs who actively employ or give vocational training to young people. This additional window has been contracted to financial intermediaries in H2 2020 and deployment is underway.

Expected benefits

Expected benefits aim to improve on the overall investment climate and in particular:

- Multiplier effect of the guarantees, thus leveraging new SME lending
- Transferred benefits for SMES including longer loan maturities, lower cost of borrowing and reduction of collateral requirements

Developments during the pandemic

The WB EDIF Guarantee Facilities have proven to be a flexible and effective instrument capable of providing support to the private sector also in the context of the shock connected to the Covid-19 pandemic. In particular, the Serbia window was fully operational at the outset of the pandemic, and has been utilized by the partner banks to support working capital lending to SMEs struggling against the crisis, alongside the other instruments available in parallel with funding from the EU, such as COSME and InnovFin, and from the national authorities.

In view of these circumstances, the EU included in the wide Team Europe Covid recovery package designed in 2020 also an amount of EUR 60m to fund a regional Covid-19 specific window designed to support SMEs in the current difficult circumstances, as well as to advance the implementation of the Green Agenda in the WB6 region. Such new Guarantee Facility window is under preparation and should be operational during 2021.

The Youth Employment window has also kicked in within the context of the crisis and has also been utilized by SMEs for the same purposes, although the relevant volumes are proportionately lower. This window and its good pace of deployment are very relevant not only in the context of the pandemic, but

is also represents the first case of utilization of the guarantee scheme to promote (alongside SME access to finance) another very significant policy objective for the region: the promotion of youth in the labour market and the fight against brain drain. While market interest for this instrument was initially not predictable within the ongoing situation, its strong deployment pace proves its success, and paves the way for more sizeable and ambitious financial instruments having a social dimension alongside SME access to finance, thereby widening the horizon of the WB EDIF platform



Guarantee Facility I

WB Economy	Bank	Supported loan volume	Guarantee Cap
Albania	ProCredit	€20M	€3.4M
Bosnia & Herzegovina	ProCredit	€20M	€3.3M
Croatia	Raiffeisen	€20M	€2.7M
Kosovo	ProCredit	€14M	€3.2M
Montenegro	CKB	€7.9M	€1.4M
Serbia	UniCredit	€30M	€5.2M
Total		€117.9M	€19.2M

6
Agreements

1,495
SMEs



97%
Utilisation

115M€
Actual volume

Guarantee Facility II

WB Economy	Bank	Supported loan volume	Guarantee Cap
Albania	Raiffeisen	€17M	€3.0M
Kosovo	ProCredit	€35M	€5.1M
Montenegro	CKB	€20M	€3.5M
North Macedonia	ProCredit	€10M	€1.0M
Serbia	ProCredit	€25M	€3.5M
Total		€107M	€16.1M

5
Agreements

1,232
SMEs



99%
Utilisation

106M€
Actual volume

Guarantee Facility Serbia

Bank	Supported loan volume	Guarantee Cap
Banca Intesa	€60M	€6.0M
Komercijalna banka	€19.9M	€1.7M
Procredit	€61.4M	€6.0M
Raiffeisen	€20M	€1.7M
UniCredit	€25M	€3.0M
Total	€186.3M	€18.4M

5
Agreements

1,108
SMEs



79%
Utilisation

148M€
Actual volume

Guarantee Facility Youth Employment

WB Economy	Bank	Supported loan volume	Guarantee Cap
Bosnia Herzegovina	Intesa San Paolo	€5M	€1.0M
Albania	ProCredit	€15M	€1.4M
Kosovo	ProCredit	€35M	€3.4M
Kosovo	Raiffeisen	€10M	€1.0M
Albania	Raiffeisen	€10.5M	€1.6M
Total		€75.5M	€8.4M

5
Agreements

160
SMEs

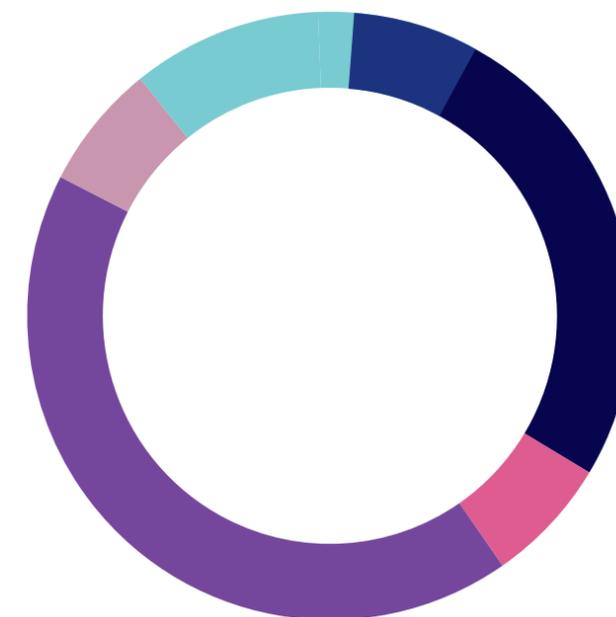


45%
Utilisation

34.3M€
Actual volume

Breakdown by sector

Aggregate for GF I, GF II, GF Serbia & GF Youth Employment



39%
Wholesale and retail trade, repair of motor vehicles and motorcycles

28%
Manufacturing

7%
Agriculture, forestry and fishing

6%
Transportation and storage

8%
Construction

12% Other

- 2.2%** Accommodation and food service activities
- 2.1%** Information and Communication
- 2.1%** Professional, scientific and technical activities
- 1.6%** Administrative and support service activities
- 0.8%** Human health and social work activities
- 0.6%** Water supply, sewerage, waste management and remediation activities
- 0.6%** Mining and quarrying
- 0.5%** Education
- 0.4%** Other service activities
- 0.4%** Electricity, gas, steam and air conditioning supply
- 0.4%** Real estate activities
- 0.07%** Activities of households as employers; undifferentiated good and services-producing activities of households for own use
- 0.06%** Arts, entertainment and recreation
- 0.03%** Financial and insurance activities
- 0.02%** Public administration and defence; compulsory social security

Pillar 03

Lending

The Regional SME Competitiveness Support Programme constitutes the first lending instrument deployed under the more recently added 'Lending Pillar' of WB EDIF.

The Competitiveness Programme

WB EDIF is in a continued evolution. Where and when needed, new SME-focused tools are developed to work in a synergetic way with the already existing instruments. As a response to the market needs, the EBRD developed the Regional SME Competitiveness Support Programme.

The Programme mobilises Regional IPA II resources via WB EDIF and the National IPA II Programmes (the latter having also provided a replenishment of EUR 15m in 2020 as part of its COVID-19 response package). Through WB EDIF, EUR 30m is provided by the EU for the grant component of the Programme in support of up to EUR 140m from the EBRD for lending to local commercial banks and credit institutions in the economies of the Western Balkans for on-lending to local SMEs. The action complements and adds a regional dimension to the ongoing national SME competitiveness support programmes in Bosnia and Herzegovina, Kosovo, North Macedonia and Serbia.

The specific objectives of the Programme include:

- improving SMEs' access to finance in order to introduce EU standards through the provision of financing and investment incentives as a grant element to the loan, and
- increasing the awareness and knowledge of SMEs about the benefits of compliance with EU standards.

Programme components

- 1 Dedicated credit lines to partner financial institutions ("PFIs") for on-lending to SMEs in support of investments that lead to improvement of their overall competitiveness and align them with the EU Priority Directives.
- 2 Investment incentives for SMEs
- 3 Technical assistance provided by a project consultant to market, implement and monitor the Programme and a verification consultant to verify the technical implementation of the investments by sub-borrowers before the incentives are paid.

Lending component
provided by EBRD

Grant component
provided by EU

140M€

30M€

Case Study

Krin KG

EBRD and EU support granite and marble processor in North Macedonia

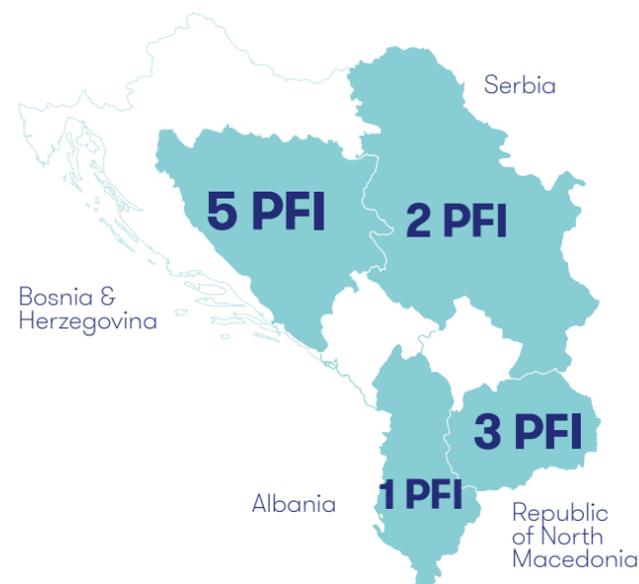
Progress so far

At the end of the 2020, a total of EUR 74.5 million was signed under the EDIF-funded Programme with 5 PFIs in Bosnia and Herzegovina, 2 PFIs in Serbia, 3 PFIs in the Republic of North Macedonia and 1 PFI in Albania. Programme consultants have been selected by EBRD and have been supporting the action across Western Balkans.

The national SME Competitiveness Support Programmes, which run in parallel, allowed the deployment of EUR 80 million via 2 PFIs in Kosovo, 4 PFIs in North Macedonia and 2 PFIs in Serbia at year-end 2020.

In 2021, under EDIF, an estimated further total lending volume of EUR 47.5 million is expected to be signed with 7 PFIs across Western Balkans countries. Those deals will complement operations supported under the national programmes.

74.5M€



Financed by the Competitiveness Programme

A vibrant panoply of colourful facades, ornate pillars and tiled rooftops line the streets of North Macedonia. The bridges, churches and town squares also reveal a style that is unique to the Western Balkan landscape.

The stone producer Krin KG is behind these architectural wonders. A small team of architects and engineers, Krin KG sources and manufactures natural stones locally, which it then reworks to create facades, tiles or sculptures. Although stone décor is a matter of cultural heritage in North Macedonia, Krin KG is adding its own flair to designs, shaping its country's future architecture. In order to continue meeting the high-demand for quality stone, Mr Kitanoski, Krin KG's manager, decided to invest in new machinery. The EBRD and the European Union helped Krin KG access a credit line and finance its modern equipment, in line with EU standards, to boost its competitiveness and position on foreign markets. Thanks to a favourable climate, Mr Kitanoski followed up with an investment in solar panels for his company's rooftop to improve his company's energy efficiency and support its modernisation. Nowadays, Krin KG is focused on catering to its international clientele, which, accounted for almost 60,000 square meters of its sales in 2019. Additionally, the EBRD's advisory services will complement the access to finance and help the marble producer close its know-how gaps.



Pillar 04

Support Services

Expected benefits

The projects brought under the Advisory & Support Services Pillar to date allow for clear interaction among the Platform Advisory Group (PAG) members to prioritise and focus efforts on a set of targeted policy interventions that would be both feasible for the governments and most impactful for innovative and high-potential SMEs. Such reforms would also be expected to support beneficiaries in the implementation of key reforms and improvements to the regulatory framework for the build-up of the venture capital ecosystem.

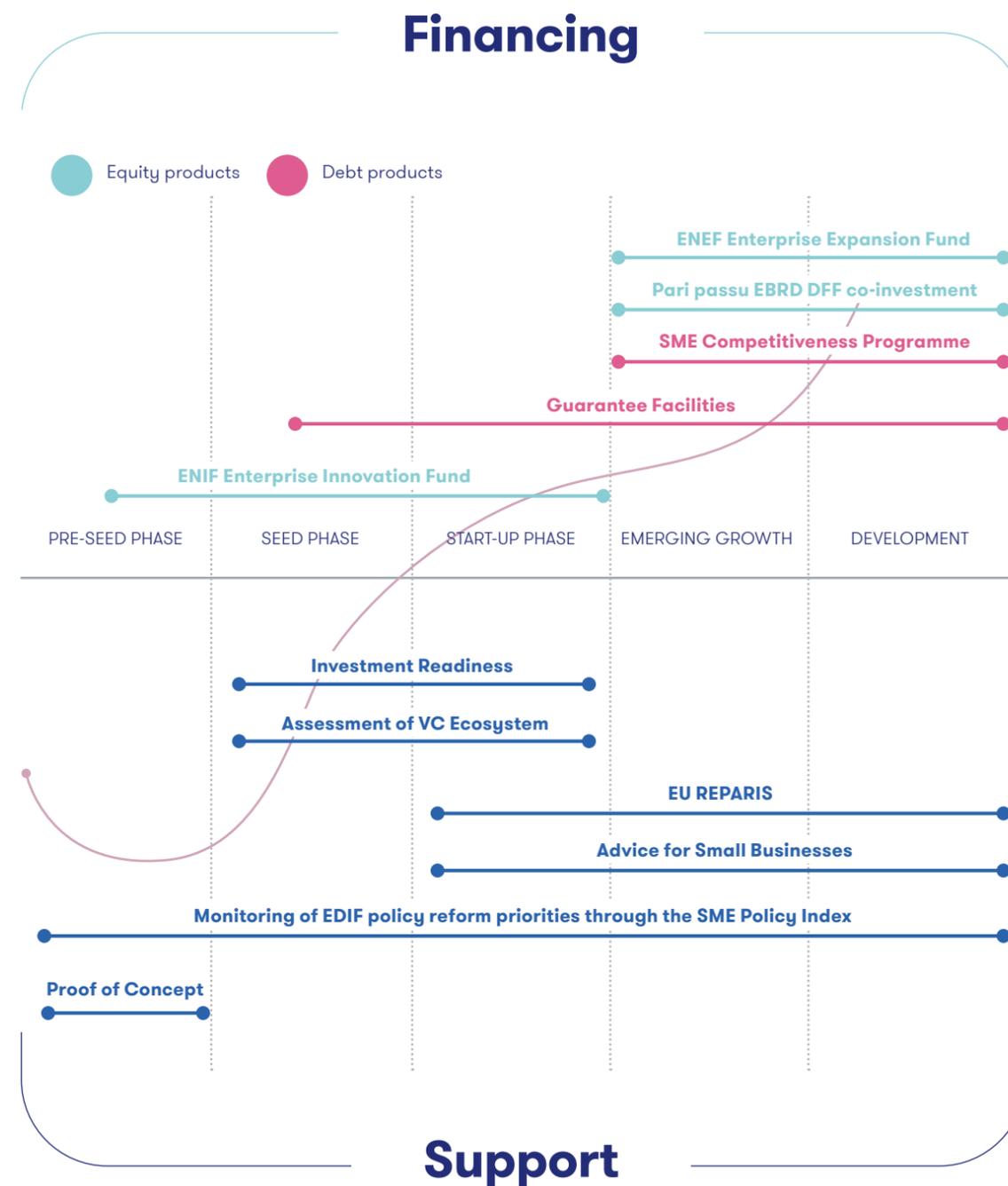
In order to offer a holistic approach to private sector development, WB EDIF also houses a wide range of support mechanisms, which work together with the financial instruments to enhance the emergence and growth of innovative and high-potential SMEs in the region.

The support services pillar acts in a horizontal manner, and given that the public supply of equity capital cannot be the only response to gaps in the financial market, this pillar supports the further development of the regulatory framework for innovative and high-potential SMEs and aims at stimulating the build-up of the venture capital and in general of the innovation ecosystem.

Direct support to end beneficiaries is also part of the Support Service Pillar. A dynamic entrepreneurial environment creates conditions for successful start-ups and developments of competitive firms that create new jobs and strengthen economic and social cohesion. Western Balkan businesses still fall short of the EU countries in terms of quality, equipment, efficiency and innovation.

The Pillar also supports the WB EDIF financial instruments in their operations, whilst in parallel ensuring complementarity and synergies across the various products and initiatives of the entire WB EDIF platform.

Covering the whole SME development life cycle through financial and support pillars



Overview of projects

REPARIS for SMEs

REPARIS for SMEs is a holistic capacity development program that aims to improve access of SMEs to professional accounting and financial management services and support the alignment of Western Balkan corporate financial reporting frameworks with relevant EU directives and regulations.

Advice for Small Businesses

The EBRD's Advice for Small Businesses provides advisory support to innovative and high-potential SMEs helping them build their capacity, attract and utilize investment in order to develop, expand and grow, and thus become genuine catalysts for their local economies.

Investment Readiness

Strives to create the right legislative framework for the creation of private equity and venture capital funds to help innovative firms get access to equity finance.

SME Policy Index

Western Balkans and Turkey 2019: Assessing the implementation of the Small Business Act for Europe (SBA)
Contributes to stronger competitiveness and private sector development in the Western Balkans, by assessing and guiding policies in areas vital to the economies' competitiveness and business environment, as well as to enhance capacity to implement reforms in key policy areas.

Proof of Concept

Provides hands on support in taking promising inventions in the Western Balkans to market. From validation through to commercialisation, the project works closely with Public Research Organisations (PROs) and SMEs alike.

REPARIS for SMEs

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

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CFRR >>>
Centre for Financial Reporting Reform



Economies



Project purpose

REPARIS for SMEs, comes as a new program under the Road to Europe Program of Accounting Reform and Institutional Strengthening (REPARIS) initiative managed by the World Bank. It is the successor to the EU REPARIS program and will have a stronger focus on Small and Medium-Sized Enterprises (SMEs). REPARIS for SMEs is a holistic capacity development program that aims to improve access of SMEs to professional accounting and financial management services and support the alignment of Western Balkan corporate financial reporting frameworks with relevant EU directives and regulations. Under the World Bank's REPARIS for SMEs program and following the EU REPARIS initiative, activities are organized on a regional basis with regular participation of the various stakeholders and country-level just in-time technical assistance and support to beneficiaries.

Project status as at December 2020

The administration agreement of the REPARIS for SMEs program was signed on December 21, 2020, for an amount of Euro 5 million. The program will be effective until June 30, 2025.

Expected project outcomes

- Sustainable education and training programs developed to increase the capacity of accountants, Professional Accountancy Organizations (PAOs) and Business Support Organizations (BSOs), including Chambers of Commerce (CoCs) to deliver professional and advisory services to SMEs;
- National legal frameworks and practices transposed and aligned with EU requirements, as they relate to accounting and auditing, to create a trustworthy environment for investors;
- Regional approach adopted for legally transposed accounting and audit reforms implementation; and
- Progress assessed in the nature and the quantity of accounting advisory services to SMEs delivered by SMPs and in the quality of the legal and institutional accounting and auditing framework to support better quality financial information in line with the relevant EU directives and regulations and international good practices.

Advice for Small Businesses

Supporting enterprises with advice to best attract and utilise their investment

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EBRD
European Bank for Reconstruction and Development

Economies



Project purpose

The overall objective of the EBRD's Advice for Small Businesses (ASB) programme is to facilitate access to high quality business expertise for SMEs with a potential for growth, export and innovation, including enterprises that receive financing under the WB EDIF at the pre- and post-investment stage. The Programme also aims to provide access to business and sector development activities, as well as training for local consultants, combining advisory services with capacity building measures. All advisory services provided under the Programme have a cost share component in order to ensure the sustainability of the intervention and retain beneficiary companies' commitment and ownership of the projects. The regional ASB programme under the WB EDIF is complemented by and works in synergy with smaller national programmes.

Project status as at December 2020

Throughout the reporting period, 158 advisory projects - under the WB EDIF ASB Phase II funding - supported beneficiaries hailing from a wide range of sectors. Over the past year, demand for digitalisation has increased significantly. Thus, close to 50 per cent of the portfolio's projects included a digital element. Approximately 90 projects under the WB EDIF ASB Phase II of the Programme were completed in 2020 with no projects due for evaluation.

Under the WB EDIF ASB II Phase, a total of 14 market development activities were delivered by the end of 2020. 6 training sessions targeted 180 local experts or SMEs, 3 workshops gathered over 7,000 SMEs and consultants, and 3 high-level online conferences (a series of forums and videos on different topics) gathered over 66,000 SMEs, consultants, institutional representatives, among other stakeholders and interested individuals.

8 SMEs - which received financing as ENEF clients and advisory support under the WB EDIF - received further support under the EBRD's Solidarity Package, the Bank's comprehensive series of Covid-19 recovery measures. ASB equally complements the SME Lending Facility (Competitiveness programme).

Expected project outcomes

The next five years of implementation will offer business advice and industry expertise to SMEs in the region. Professional development opportunities will also target local providers of training and consultancy services. Advisory projects, training sessions, coaching and other capacity-building interventions will place a greater focus on SMEs' adoption of digital technologies to build resilience. The implementation of advisory services will work in synergy with the financing provided by the Enterprise Expansion Fund (ENEF), whose second phase (2021) will include a new Environmental, Social and Governance (ESG) investment mandate.

Investment Readiness

Becoming 'investment ready': the path to success

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World Bank

Economies



Project purpose

The World Bank has been working with several Western Balkan beneficiaries in order to:

- create the right legislative framework for the creation of private equity and venture capital funds.
- design, implementation and impact evaluation of the pilot Investment Readiness Programme, Pioneers of the Balkans, to help innovative firms get access to equity finance.

Project status as at December 2020

Despite the challenging environment caused by the COVID-19 pandemic, the project activities have been advancing smoothly since September 2020. The Call for Applications for the Capacity Building Programme was issued in September 2020, with a strong response from interested companies throughout the region. A total number of 412 applications were received, out of which 224 companies were selected to participate in the Programme. Through a randomization process, one half of the firms was assigned to the treatment group, and the other half to the control group. The capacity building for each group commenced in early December 2020.

The "PowerUP: Capacity Building for Early Stage Firms in the Western Balkans" launch event was held on November 12, 2020, with the participation of the World Bank Regional Management and DG NEAR, and it entailed a high-level discussion on the economic outlook in the Western Balkans and the

role of private sector in the economic prosperity and growth, and prospects for building the future of SMEs and start-ups in the Western Balkans through boosting and connecting innovative companies of the region.

The main building blocks of the Programme focus on training / mentoring, individual support and a follow-up progression of companies. The curriculum has been adapted to change focus from solely spurring export demand, to encompass topics that are relevant for the recent developments related to the global crisis caused by the recent COVID-19 outbreak, increasing firms' resilience to external demand shocks.

The majority of participating firms (80%) are small, with 30 or fewer employees, and come from a wide range of industries and represent all six countries in the region.

Expected project outcomes

- Increased access to equity finance
- Improved entrepreneurial investment readiness
- Lessons learned from the project are being incorporated into ongoing work on entrepreneurship support (including, e.g. innovation funding agencies)
- Increased capacity of policy makers to analyze and formulate reforms towards institutional and policy barriers to investment readiness

SME Policy Index

Benchmarking as the gold standard for measuring development

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OECD

Organisation for Economic Co-operation and Development

Economies



Project purpose

Is to contribute to stronger competitiveness and private sector development in the Western Balkans, by assessing and guiding policies in areas vital to the economies' competitiveness and business environment, as well as to enhance capacity to implement reforms in key policy areas.

Project status as at December 2020

In the first half of 2020, the OECD team embarked on the new and third cycle of the Competitiveness Outlook (CO) project, assessing 16 policy areas vital to the six Western Balkan (WB) economies' competitiveness and business environment. The six WB governments conducted the self-assessment. To support them, the OECD team organised 77 virtual meetings with more than 450 policy dimension co-ordinators and contact points from the relevant line ministries, agencies and national statistical offices in the six WB economies. To explore the COVID-19 impact on businesses across the WB economies, the OECD conducted an enterprise survey in close collaboration with the WB6CIF and the individual chambers of commerce and industry from the six WB economies. The survey findings, will guide the efforts on revisiting the assessment frameworks of the 2022 Small Business Act (SAB) assessment for the Western Balkans and Turkey (to be launched in H1 2021). To support policy implementation, the OECD organised a regional policy dialogue event, which brought together more than 60 policy-makers and private sector participants from the six WB economies, Israel, Latvia, Slovenia and Turkey to

exchange on policy experiences aimed at supporting the tourism.

Following the reception of the government self-assessments, the OECD conducted 27 virtual meetings with over 140 WB policy makers and statistical office representatives to fill remaining information gaps in the assessment. Subsequently the OECD produced preliminary key findings for each of the 16 policy areas. To present and discuss the preliminary assessment results and policy recommendations for each WB economy, the OECD held six economy-specific meetings, bringing together around 100 assessment stakeholders from the WB for each meeting. To support policy implementation, the OECD organised a regional policy dialogue event which brought together more than 75 policy-makers from the six WB economies, Lithuania, Bulgaria, and Croatia to exchange on policy experiences aimed at reforming state-owned enterprises.

Expected project outcomes

- The finalised Competitiveness Outlook 2021 assessment of 16 policy areas vital to the six WB economies' competitiveness and business environment, including actionable policy recommendations for each area, and
- Enhanced capacity of WB policy makers to design and implement better competitiveness-enhancing policies

Prospective Analysis of the SME Sector



A new study entitled Prospective Analysis of the SME sector in the Western Balkans was prepared, consultants selected by EIB, and implementation launched in 2018.

The study aims to examine the effectiveness of the financial instruments used by SMEs, their main financial needs in the coming years and the main non-financial obstacles to their growth. The objective is to provide key elements for a prospective analysis, from both a macro and microeconomic point of view, of the SME sector in the Western Balkans, which represents an important part of their private sector.

This analysis aims to provide useful elements to support decision-making processes specifically for EU Accession economies. In particular, it should offer useful elements to assess how the credit policy instruments allocated by the EU can be used to better support the private sector development of the WB6 economies.

An Inception Report was received in the first half of 2019, proposing scope and methodology for the action. Work on the study continued through 2020 and will be finalized by mid-2021.

EU4Tech WB Proof of Concept

Providing targeted support for promising inventions

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ec.europa.eu/jrc

JRC
Joint Research Centre
The EU science hub

Economies



Project purpose

Funded under the Multi-country Instrument for Pre-accession Assistance (IPA II), EU4Tech PoC is a two-year project providing targeted support to promising inventions in the Western Balkans. Specifically, the Proof-of-Concept scheme aims to facilitate the validation process and explore avenues for the commercialisation of technologies developed within Public Research Organisations (PROs) and SME across the region.

Project status as at December 2020

Following the first call for proposals in early 2020, extensive pre-application support was made available to assist prospective applicants. Thanks to the help provided, 29 out of the 34 eligible projects were selected and received Technical Assistance during this first year of implementation. Through the PoC scheme, the participant projects benefitted from training activities and practical support spanning across five technology transfer thematic areas, namely Technology Development and Prototyping, IP management, Market Analysis, Business Plan and Business Model, and Finance Support. Overall, five thematic training workshops were delivered online in 2020, engaging over 250 participants. In addition, five country specific local mentors have provided 'across-the-board' entrepreneurship support. As a result, by the end of 2020 all the PoC projects had developed an IP strategy and completed a

Business Opportunity Self-Assessment Tool (BOSAT), 21 finalised a Market Analysis, and 27 drew up a Business Canvas.

In the upcoming implementation period, further specialised TA, focusing especially on prototyping activities, will be provided to the beneficiaries requesting it, while a new cohort of selected projects will embark in the 2021 PoC scheme.

Expected project outcomes

Building upon the earlier EU4Tech capacity-building project, EU4Tech PoC strives to support and strengthen the technology transfer and innovation ecosystem in the WB6, assisting in developing a healthy tech transfer pipeline and an early-stage investor base in the region.

By aiding early-stage projects, the action will help innovations getting to market, capitalising on PROs' and SMEs' research and generating a positive impact on social and economic growth in the region.

Case Study

ATUVIS

Using AI to inspect trains in Serbia

Supported by
the EU4Tech WB
Proof of Concept

One of the four projects currently in the prototyping phase, is called “ATUVIS” (Autonomous Train Undercarriage Visual Inspection System), an innovative design developed by University of Niš, Serbia

Professor Aleksandar Miltenović’s team at the Faculty of Mechanical Engineering, devised a smart and efficient AI-based solution that, through a Pan-Tilt-Zoom camera positioned on the tracks, will allow the inspection of operational trains, avoiding the costly and time-consuming maintenance operations requiring they are taken out of service.

The prototyping activity will verify the feasibility of the inspection on rough terrain, the ability of the camera to take any undercarriage position and to be positioned in lateral direction.

EU4TECH PoC will further help the team investigate patentability of the invention and clarify the right business model.

At prototyping stage is also the “Mechanical Ventilator” project from the University of Prishtina, Kosovo*, developed by Professor Arbnor Pajazit’s team at the Faculty of Mechanical Engineering. This affordable, easy-to-assemble ventilator, based on an improved Assist-control (AC) mode, has the potential to represent a viable solution in future pandemic emergencies, especially in low-income countries.



Case Study

C.J.

Bringing functional beds to hospitals in Bosnia Herzegovina

Supported by
the Advice for
Small Businesses
programme

C.J. is a leading welding company in Bihac that produces everything from boiler parts to entire turbines and sells these to well-established construction companies across European Union (EU).

Denis, born in Bihac, Bosnia and Herzegovina, moved to Austria in the early 1990s to join his brother Fadil in hopes of reviving his father’s shuttered wood mill. Courage and resilience are traits most often associated with entrepreneurs. That is certainly true of Denis Cavkic, who, despite having suffered a serious leg injury in a wood processing centre when he was young, continued learning the trade. From Austria, Denis and Fadil travelled every weekend to their sawmill in Bihac, where they invested all their savings and transferred the knowledge and experience they gained abroad. A few years in and the brothers saw an opportunity to change course and enter the metal processing sector. C.J grew into a successful business, which, despite the global economic downturn in 2009, hired more workers and continued to prosper.

When hospitals started running out of beds at the height of the pandemic, Denis saw an opportunity to support healthcare staff with modern, ergonomic beds. Although the brothers had the production capacity to make brand new beds, they understood that launching their very first product and all the expertise that was needed to do this, was new territory for them. With support from the European Union’s Western Balkans Enterprise Development and Innovation Facility

(WB EDIF), the EBRD matched the company with a leading consulting firm in order to help etch out a design and production plan for their first modern hospital bed prototype. The company donated prototypes to hospital and healthcare facilities and is now discussing the rollout of their mobile, ergonomic beds with several foundations in the country.



Beneficiary Overview

Albania



Pillar 1 Equity Instruments

Enterprise Innovation Fund (ENIF)

Under the Enterprise Innovation Fund, South Central Ventures, acting as Investment Manager of the ENIF, has been actively sourcing pipeline in Albania and to date does not have investments in the portfolio.

Enterprise Expansion Fund (ENEF)

Under the Enterprise Expansion Fund, EBRD, acting as Investment Advisor to the ENEF, has been actively sourcing pipeline in Albania and, to date, committed EUR 1.4m to one company:

- **APM:** a local manufacturers of fabricated metal products serving both the domestic and export markets.

The total committed via ENEF, including the EBRD's co-investment, to Albanian companies' amounts to EUR 2.80m.

Pillar 2 Guarantee Instruments

Guarantee Facility I

EIF signed a total portfolio of EUR 20m with ProCredit Bank Albania in December 2013. ProCredit Bank Sh.A. Albania was able to provide a total of EUR 19.48m of loans at preferential conditions to 463 SMEs in Albania for an average loan amount of EUR 37,700 and average maturity of 4.4 years.

Guarantee Facility II

EIF signed an agreement with Raiffeisen Bank Sh.A. Albania for a total portfolio volume of EUR 17m in December 2016. Raiffeisen was able to provide a total of EUR 16.2m of loans at preferential conditions to 96 SMEs in Albania for an average loan amount of EUR 147,500 and average maturity of 2.1 years. EIF has seen a much faster uptake of the second edition of the instrument, which can be attributed to the Financial Intermediaries learning curve in deploying such products, as well as increased market readiness.

Guarantee Facility Youth Employment

EIF signed two agreements with ProCredit Bank Albania and Raiffeisen Bank SH.A Albania. ProCredit Albania was able to provide a total of EUR 10.25m of loans at preferential conditions to 51 SMEs in Albania for an average loan amount of EUR 177,000 and weighted average maturity of 3.5 years. Raiffeisen Albania was able to provide a total of EUR 0.41m of loans at preferential conditions to 3 SMEs in Albania for an average loan amount of EUR 136,000 and weighted average maturity of 1.00 year.

Pillar 3 Lending Instruments

In 2017, a Lending Pillar was added to WB EDIF's structure to enable the implementing partners IFIs to develop new SME lending instruments. The EBRD's SME Competitiveness Programme is the first to be implemented under this Pillar. In Albania, the EU/EBRD SME Competitiveness Programme is supported by EU under the IPA II (regional funds). As of end-2020, one transaction totalling EUR 5m was signed with OTP Bank Albania.

Pillar 4 Support Services

In 2020, with funding from the WB EDIF ASB Phase II, the **EBRD's Advice for Small Businesses (ASB)** programme in Albania provided support to 12 local consulting projects. In addition, one training and three workshops were organised online, covering crisis-related topics and supporting a total of 219 SMEs and consultants.

The **OECD's Competitiveness Outlook 2021 assessment** supported Albania in improving policy reforms to enhance competitiveness and enhancing the capacity of its policy makers to address related challenges. More than 100 policy makers and statistical office representatives participated in the assessment and related OECD events that helped them to gain a better understanding of Albania's policy reform priorities and how to address them.

The **World Bank Investment Readiness Programme** through its "PowerUP: Capacity Building for Early Stage Firms in the Western Balkans" programme supported 35 companies in Albania.

Breakdown by sector**



49%

Wholesale and retail trade
Repair of motor vehicles
and motorcycles



20%

Manufacturing

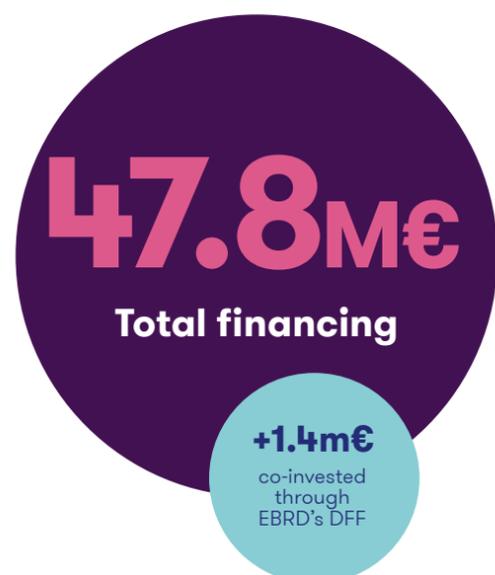


7%

Construction

- 6.9%** Agriculture, forestry and fishing
- 4.7%** Transportation and storage
- 2.6%** Accommodation and food service activities
- 2.1%** Electricity, gas, steam and air conditioning supply
- 2.1%** Human health and social work activities
- 1.9%** Other services activities
- 1.2%** Professional, scientific and technical activities
- 0.7%** Information and Communication
- 0.6%** Activities of households as employers; undifferentiated good and services-producing activities of households for own use
- 0.5%** Administrative and support service activities
- 0.4%** Mining and quarrying
- 0.2%** Real estate activities
- 0.2%** Public administration and defence; compulsory social security
- 0.1%** Education
- 0.1%** Arts, entertainment and recreation

**sector split covers loans under the Guarantee Facilities, as well as equity investments under ENIF and ENEF.



Bosnia and Herzegovina



Pillar 1 Equity Instruments

Enterprise Innovation Fund (ENIF)

Under the Enterprise Innovation Fund, South Central Ventures, acting as Investment Manager of the ENIF, has been actively sourcing pipeline in Bosnia and Herzegovina and to date does not have investments in the portfolio.

Enterprise Expansion Fund (ENEF)

Under the Enterprise Expansion Fund, EBRD, acting as Investment Advisor to the ENEF, has been actively sourcing pipeline in Bosnia and Herzegovina and to date has committed EUR 2.37m to three companies:

- **Krajina Klas:** a bakery specialised in the production and retail of fresh and frozen bread, pastries and other bakery products.
- **Voluntary pension fund:** the first voluntary pension fund management company.
- **TEM Mandeks:** largest electrical installation accessories producer in the country

The total committed via ENEF, including the EBRD's co-investment, to Bosnian companies' amounts to EUR 4.74m.

Pillar 2 Guarantee Instruments

Guarantee Facility I

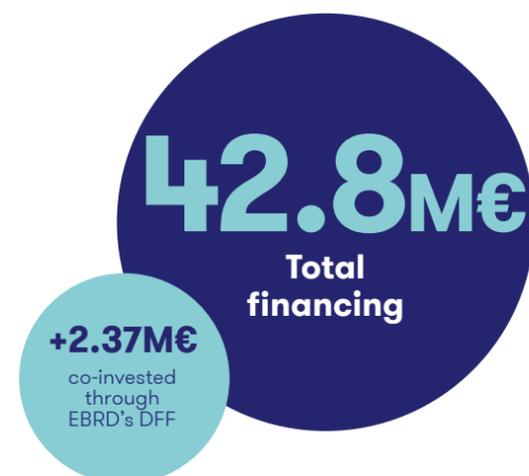
EIF signed a total portfolio of EUR 20.00m with ProCredit Bank d.d. in December 2013. ProCredit Bank d.d. was able to provide a total of EUR 20.00m of loans at preferential conditions to over 141 SMEs in an amount of EUR 134,200 and weighted average maturity of 4.9 years.

Guarantee Facility II

EIF did not sign any agreement with financial intermediaries in Bosnia and Herzegovina.

Guarantee Facility Youth Employment

EIF signed an agreement with Intesa Sanpaolo BiH. Intesa Sanpaolo BiH was able to provide a total of EUR 3.45m of loans at preferential conditions to 14 SMEs in Bosnia and Herzegovina for an average loan amount of EUR 215,800 and weighted average maturity of 3.8 years.



Pillar 3 Lending Instruments

In 2017 a Lending Pillar was added to WB EDIF's structure to enable the implementing partners IFIs to develop new SME lending instruments. The EBRD's SME Competitiveness Programme is the first to be implemented under this Pillar. In BiH, the EU/EBRD SME Competitiveness Support Facility is supported by EU under IPA II (regional funds).

As of end-2020, seven transactions totalling EUR 36 million were signed with local PFIs UniCredit Bank banja Luka, Unicredit Bank Mostar, Intesa Sanpaolo Bank, Sparkasse Bank and Sparkasse Leasing with total amount of EUR 16.96m on lent to 86 SMEs.

Pillar 4 Support Services

With funding from the WB EDIF ASB Phase II in 2020, the **EBRD's ASB programme** in Bosnia and Herzegovina provided support to 38 projects, with 37 carried out through local consultancy and 1 through international advisory. In addition, three online trainings on financial management during Covid-19 for SMEs in the food industry were organised, gathering a total of 126 small businesses.

The **OECD's Competitiveness Outlook 2021** assessment supported Bosnia and Herzegovina in improving policy reforms to enhance competitiveness and enhancing the capacity of its policy makers to address related challenges. More than 250 policy makers and statistical office representatives participated in the assessment and related OECD events that helped them to gain a better understanding of Bosnia and Herzegovina's policy reform priorities and how to address them.

The **World Bank Investment Readiness Programme** through its "PowerUP: Capacity Building for Early Stage Firms in the Western Balkans" programme supported 70 companies in Bosnia and Herzegovina.

Breakdown by sector**



37%

Manufacturing



33%

Wholesale and retail trade
Repair of motor vehicles and motorcycles



11%

Transportation and storage

6.7%	Agriculture, forestry and fishing
3.3%	Construction
1.9%	Electricity, gas, steam and air conditioning supply
1.4%	Financial and insurance activities
1.3%	Human health and social work activities
1.2%	Information and Communication
1.2%	Administrative and support service activities
1.0%	Water supply: sewage, waste management and remediation activities
0.7%	Accommodation and food service activities
0.2%	Other service activities
0.08%	Professional, scientific and technical activities

**sector split covers loans under the Guarantee Facilities, as well as equity investments under ENIF and ENEF.

Croatia

Pillar 1 Equity Instruments

Enterprise Innovation Fund (ENIF)

Under the Enterprise Innovation Fund, South Central Ventures, acting as Investment Manager of the ENIF, has been actively sourcing pipeline in Croatia and to date has committed EUR 7.52m to seven companies:

- **Agrivi:** development and sales of farm management software.
- **Bulb:** Next-Generation Solutions for Management of Telecommunication Services.
- **eMajstor/DaiBau:** platform as a service where contractors (construction workers) have their personal listing, while investors search them according to their preferences for a particular project.
- **Sentinel Marine:** a leading smart solution for recreational boats in the Adriatic, with a vision of "Building IoT at sea".
- **More Studio:** SaaS platform providing parents with expert medical advice for child by consulting top medical experts online.
- **Your Home Online:** digitisation of the entire property market by creating truly self-contained property ecosystem based around a network of online property profiles.
- **AdScanner:** Data and cockpit solutions for increased transparency, control and speed in TV advertising.



Enterprise Expansion Fund (ENEF)

Under the Enterprise Expansion Fund, EBRD, acting as Investment Advisor to the ENEF, has been actively sourcing pipeline in Croatia and to date has committed EUR 10m to two companies:

- **Trgovacki Centar Max Stoja d.o.o. (ex – Pula Regeneration Centre):** retail and entertainment centre.
- **Florian:** wood producer, a subsidiary of Italy's Florian Group.

The total committed via ENEF, including the EBRD's co-investment, to Croatian companies amounts to EUR 20m.

Pillar 2 Guarantee Instruments

Guarantee Facility I

EIF signed a total portfolio of EUR 20.00m with Raiffeisenbank Austria in April 2015. Raiffeisenbank was able to provide a total of EUR 17.72m of loans at preferential conditions to 89 SMEs in Croatia for an average loan amount of close to EUR 182,700 and average maturity of 3.4 years.

Pillar 4 Support Services

The EBRD's Advice for Small Businesses (ASB) in Croatia is supported outside of the WB EDIF platform.



Breakdown by sector**



28%

Manufacturing



24%

Information and Communication



22%

Wholesale and retail trade
Repair of motor vehicles and motorcycles



15%

Administrative and support service activities

- 3.1% Construction
- 2.7% Transportation and storage
- 2.3% Agriculture, forestry and fishing
- 2.1% Accommodation and food service activities
- 0.6% Professional, scientific and technical activities
- 0.2% Other service activities
- 0.2% Water supply, sewerage, waste management and remediation activities
- 0.2% Education
- 0.1% Electricity, gas, steam and air conditioning supply

**sector split covers loans under the Guarantee Facilities, as well as equity investments under ENIF and ENEF.



Pillar 1 Equity Instruments

Enterprise Innovation Fund (ENIF)

Under the Enterprise Innovation Fund, South Central Ventures, acting as Investment Manager of the ENIF, has been actively sourcing pipeline in Kosovo and to date has committed EUR 0.3m to one company:

- **LabBox:** an ed-tech product that offers a fun learning experience in technology for kids of ages 6+.

Enterprise Expansion Fund (ENEF)

Under the Enterprise Expansion Fund, EBRD, acting as Investment Advisor to the ENEF, has been actively sourcing pipeline in Kosovo and to date has committed EUR 7.6m to three companies:

- **Viva Fresh:** a supermarket retail chain operating across the country with plans for expansion into North Macedonia.
- **Santefarm:** the largest pharmaceutical distributor in Kosovo with 30% market share.
- **Meridian:** Meridian Group is a leading distribution and convenience retail group.

The total committed via ENEF, including the EBRD's co-investment, to Kosovar companies' amounts to EUR 15.2m.

Pillar 2 Guarantee Instruments

Guarantee Facility I

EIF signed a total portfolio of EUR 20.00m with ProCredit Bank Sh.A in Kosovo in December 2013. ProCredit Bank Sh.A. Kosovo was able to provide the entire envisioned portfolio of EUR 19.97m of loans at preferential conditions to 228 SMEs in Kosovo for an average loan amount of EUR 82,500 and weighted average maturity of 3.4 years.

Guarantee Facility II

EIF also signed an agreement with ProCredit Bank Sh.A in Kosovo for a total portfolio volume of EUR 35.00m in December 2016. ProCredit Bank Sh.A. Kosovo was able to provide a total of EUR 34.87m of loans at preferential conditions to 320 SMEs in Kosovo for an average loan amount of EUR 94,500 and weighted average maturity of 3.2 years. EIF has seen a much faster uptake of the second edition of the instrument, which can be attributed to the Financial Intermediaries learning curve in deploying such products.

Guarantee Facility Youth Employment

EIF signed two agreements with ProCredit Bank Kosovo and Raiffeisen Bank Kosovo. ProCredit Kosovo was able to provide a total of EUR 20.23m of loans at preferential conditions to 92 SMEs in Kosovo for an average loan amount of EUR 196,000 and average maturity of 3.00 years.

Pillar 3 Lending Instruments

In 2017 a Lending Pillar was added to the WB EDIF's structure to enable the implementing partner IFIs to develop new SME lending instruments. The EBRD's SME Competitiveness Programme is the first to be implemented under this Pillar. In Kosovo, the European Union (EU)/EBRD SME Competitiveness Support Facility is supported by the EU under IPA II (national and regional funds).

As of end-2020, two transactions totalling EUR 25m were signed with local PFIs under the regional

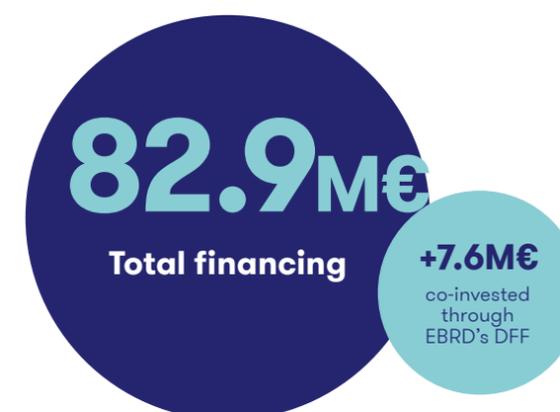
(EDIF) funds. Banka Per Biznes signed EUR 5m loan in November 2018 comprised of two tranches and Procredit Bank signed EUR 20m in December 2018 comprised of three tranches.

Pillar 4 Support Services

During 2020, the **EBRD's ASB programme**, with assistance from the WB EDIF ASB Phase II, supported 40 local consultancy projects in Kosovo. Two online events were organised on developing a B2B sales platform for microbusinesses, which gathered around 100 SMEs. In addition, the team organised a series of online forums within two high level online conferences that reached out to a total of over 66,000 SMEs, consultants, stakeholders and other interested individuals.

The **OECD's Competitiveness Outlook 2021** assessment supported Kosovo in improving policy reforms to enhance competitiveness and enhancing the capacity of its policy makers to address related challenges. More than 100 policy makers and statistical office representatives participated in the assessment and related OECD events that helped them to gain a better understanding of Kosovo's policy reform priorities and how to address them.

The **World Bank Investment Readiness Programme** through its "PowerUP: Capacity Building for Early Stage Firms in the Western Balkans" programme supported 20 companies in Kosovo.



Breakdown by sector**



55%

Wholesale and retail trade
Repair of motor vehicles
and motorcycles



22%

Manufacturing



8%

Construction

3.0%	Agriculture, forestry and fishing
2.2%	Accommodation and food service activities
1.9%	Professional, scientific and technical activities
1.4%	Transportation and storage
1.2%	Human health and social work activities
1.1%	Administrative and support service activities
1.1%	Education
1.0%	Information and Communication
0.9%	Mining and quarrying
0.3%	Water supply, sewerage, waste management and remediation activities
0.3%	Electricity, gas, steam and air conditioning supply
0.2%	Real Estate
0.1%	Other service activities
0.06%	Financial and insurance activities
0.05%	Arts, entertainment and recreation

**sector split covers loans under the Guarantee Facilities, as well as equity investments under ENIF and ENEF.

Montenegro

Breakdown by sector**

Pillar 1 Equity Instruments

Enterprise Innovation Fund (ENIF)

Under the Enterprise Innovation Fund, South Central Ventures, acting as Investment Manager of the ENIF, has been actively sourcing pipeline in Montenegro and to date has committed EUR 0.43m to two companies:

- **Daktilograf/Om3ga Solutions:** a speech-to-text converter based on their proprietary voice recognition engine intending to primarily help journalists transcribe their interviews and help with transcripts of board meetings of big corporations in Slavic languages.

- **Uhura:** software which helps financial institutions speed up review and decision-making processes by using an AI platform that streamlines the process of analysing and drafting contracts and agreements.

Enterprise Expansion Fund (ENEF)

Under the Enterprise Expansion Fund, EBRD, acting as Investment Advisor to the ENEF, has been actively sourcing pipeline in Montenegro and to date does not have investments in the portfolio.

Pillar 2 Guarantee Instruments

Guarantee Facility I

Under the Guarantee Facility I, EIF signed a total portfolio of EUR 7.9m with Crnogorska Komercijalna Banka AD (CKB) in 2014. CKB was able to provide a total of EUR 7.86m of loans at preferential conditions to over 321 SMEs in Montenegro for an average loan amount of EUR 23,300 and average maturity of 2.6 years.

Guarantee Facility II

Under the Guarantee Facility II, EIF signed a second agreement with CKB for a total portfolio volume of EUR 20m in December 2016. As of 31 December 2019, CKB was able to provide a total of EUR 19.83m of loans at preferential conditions to 620 SMEs in Montenegro for an average loan amount of EUR 25,700 and average maturity of 2.5 years. EIF has seen a much faster uptake of the second edition of the instrument, which can be attributed to the Financial Intermediaries learning curve in deploying such products.

Pillar 3 Lending Instruments

In 2017 a Lending Pillar was added to the WB EDIF's structure to enable the implementing partner IFIs to develop new SME lending instruments. For operations in Montenegro, the EBRD will be using the support provided by the European Union (EU)/EBRD SME Competitiveness Support Facility is supported by the EU under IPA II (Regional funds). No transactions have been signed yet under the Programme.

Pillar 4 Support Services

Throughout the reporting period, 12 local consultancy and 1 international advisory projects were supported in Montenegro with WB EDIF **ASB Phase II** funding. In addition, the team organised an online workshop gathering 10 SMEs, who improved their knowledge on financial management (with a focus on cash flow management) during and beyond crises.

The **OECD's Competitiveness Outlook 2021** assessment supported Montenegro in improving policy reforms to enhance competitiveness and enhancing the capacity of its policy makers to address related challenges. More than 100 policy makers and statistical office representatives participated in the assessment and related OECD events that helped them to gain a better understanding of Montenegro's policy reform priorities and how to address them.

The **World Bank Investment Readiness Programme** through its "PowerUP: Capacity Building for Early Stage Firms in the Western Balkans" programme supported 18 companies in Montenegro.



47%

Wholesale and retail trade
Repair of motor vehicles
and motorcycles



10%

Manufacturing



10%

Construction

9.4%	Accommodation and food service activities
9.4%	Transportation and storage
3.7%	Professional, scientific and technical activities
2.7%	Agriculture, forestry and fishing
2.4%	Information and Communication
1.6%	Administrative and support service activities
1.1%	Water supply, sewerage, waste management and remediation activities
1.0%	Mining and quarrying
0.8%	Other service activities
0.7%	Real estate activities
0.5%	Human health and social work activities
0.3%	Finance and insurance activities
0.2%	Arts, entertainment and recreation
0.2%	Education

943

SMEs financed



28.1M€

Total financing

**sector split covers loans under the Guarantee Facilities, as well as equity investments under ENIF and ENEF.

North Macedonia



Pillar 1 Equity Instruments

Enterprise Innovation Fund (ENIF)

Under the Enterprise Innovation Fund, South Central Ventures, acting as Investment Manager of the ENIF, has been actively sourcing pipeline in North Macedonia and to date has committed EUR 6.24m to five companies:

- **Letz:** an Artificial Intelligence (AI) powered app to boost productivity in the workplace.
- **Cognism:** an end-to-end sales-acceleration solution that provides sales organisations with a more efficient way to prospect.
- **InPlayer:** the next generation video and digital asset monetisation platform that works with the largest media and technology companies in the world.
- **CustomSell:** a solution helping eCommerce merchants to increase revenue by creating automated marketing campaigns and offering automated “marketing skills”, strengthening their marketing teams.
- **NETi:** a search engine filtering algorithm for safer internet browsing, and mobile and e-mail security for businesses.

Enterprise Expansion Fund (ENEF)

Under the Enterprise Expansion Fund, EBRD, acting as Investment Advisor to the ENEF, has been actively sourcing pipeline in North Macedonia and to date has committed EUR 2.85m to two North Macedonian companies:

- **Cermat:** a leading producer of ice cream and other frozen goods in North Macedonia.
- **Makprogres:** one of North Macedonia’s major confectioners, specialising in a wide assortment of sweets, snacks, grains and health food.

The total committed via ENEF, including the EBRD’s co-investment, to North Macedonian companies’ amounts to EUR 5.7m.

Pillar 2 Guarantee Instruments

Guarantee Facility II

EIF signed an agreement with ProCredit Bank AD Skopje for a total portfolio volume of EUR 10.00m in December 2016. ProCredit Bank AD Skopje was able to provide a total of EUR 10.2m of loans at preferential conditions to 53 SMEs in North Macedonia for an average loan amount of EUR 162,000 and weighted average maturity of 5.1 years. EIF has seen a much faster uptake of the second edition of the instrument that can be attributed to the Financial Intermediaries learning curve in deploying such products.

Pillar 3 Lending Instruments

In 2017 a Lending Pillar was added to WB EDIF’s structure to enable the implementing partners IFIs to develop new SME lending instruments. The EBRD’s SME Competitiveness Programme is the first to be implemented under this Pillar. In the Republic of North Macedonia, the European Union (EU)/EBRD SME Competitiveness Support Facility is supported by the European Union under IPA II (national and regional funds).

As of end-2020, the following three transactions, totalling EUR 8.5m, were signed under the regional (WB EDIF) funds: Sparkasse Leasing a EUR 1m loan in May 2020, NLB Banka a EUR 5m loan in September 2020 and Procredit Bank Macedonia a EUR 2.5m in December 2020. In addition, the following four transactions totalling EUR 30 million were signed with local PFIs under the national (IPA) funds. Ohridska Banka signed a EUR 10m loan in June 2018 comprised of two tranches, Sparkasse Bank signed a EUR 10m line in November 2018 composed of three tranches, Komercijalna Banka Skopje signed a EUR 5m loan in December 2018 comprised of two

tranches and Procredit Bank signed a EUR 5m facility comprised of one tranche. A total amount of EUR 2.62m was on lent to 16 SMEs.

Pillar 4 Support Services

In 2020, utilising WB EDIF **ASB Phase II** funding, the EBRD’s ASB programme in North Macedonia provided advisory support to 34 SMEs through local consultancy projects. Furthermore, a Change Management online training for consultants was organised during the reporting period, gathering a total of 15 local consultants. The team continued cooperating with two Blue Ribbon clients which received financing through ENEF.

The **OECD’s Competitiveness Outlook 2021** assessment supported North Macedonia in improving policy reforms to enhance competitiveness and enhancing the capacity of its policy makers to address related challenges. More than 100 policy makers and statistical office representatives participated in the assessment and related OECD events that helped them to gain a better understanding of North Macedonia’s policy reform priorities and how to address them.

The **World Bank Investment Readiness Programme** through its “PowerUP: Capacity Building for Early Stage Firms in the Western Balkans” programme supported 29 companies in North Macedonia.

Breakdown by sector**



34%

Information and Communication



29%

Wholesale and retail trade
Repair of motor vehicles and motorcycles



19%

Manufacturing

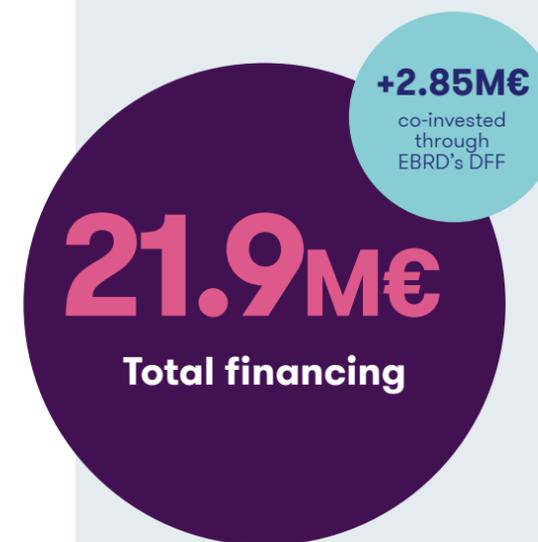
8.4% Transportation and storage

7.6% Construction

1.0% Agriculture, forestry and fishing

0.6% Administrative and support service activities

0.3% Professional, scientific and technical activities



**sector split covers loans under the Guarantee Facilities, as well as equity investments under ENIF and ENEF.

Serbia

Pillar 1 Equity Instruments

Enterprise Innovation Fund (ENIF)

Under the Enterprise Innovation Fund, South Central Ventures, acting as Investment Manager of the ENIF, has been actively sourcing pipeline in Serbia and to date has committed EUR 15.5m to 14 companies:

- **Drytools/Alchemy:** business as a software & project management tools for speciality chemicals industry.
- **CityExpert:** platform for publishing real estate opportunities.
- **WorkPlus:** productivity monitoring software for companies.
- **CUBE:** a business information and credit risk service company.
- **Hunch Insight:** an Ad-tech SaaS technology company for automated, optimised, and personalised ads.
- **Virtus Vita:** a global dialysis & travel organization.
- **Tradecore:** fintech startup that builds innovative tools for the retail trading and broader financial services industry.
- **Insights:** a company providing software to help web editors.
- **Agremo:** an analysis platform for better crop management.
- **Orgnostic:** organisational capability diagnostic tool providing insights for scale ups, enterprise and PE fund customers
- **Molo:** SaaS platform for the boating industry.
- **LeanPay:** consumer financing Fintech start-up.
- **Videobolt:** an online video-making platform.
- **ConveylQ:** an HR tech company, providing talent communication and recruitment optimisation software.

Enterprise Expansion Fund (ENEF)

Under the Enterprise Expansion Fund, EBRD, acting as Investment Advisor to the ENEF, has been actively sourcing pipeline in Serbia and to date has committed EUR 9.61m in five companies:

- **Delmax:** manufacturing and services (car parts distribution).
- **Gomma line:** manufacturing and services (car parts production).

- **BG Reklam:** a company designing, developing and manufacturing permanent point-of-sale materials.
- **Bel Medic:** Serbian private healthcare provider.
- **HTEC:** provides software engineering services and digital solutions consultancy to clients.

The total committed via ENEF, including the EBRD's co-investment, in Serbian companies amounts to EUR 7.22.

Pillar 2 Guarantee Instruments

Guarantee Facility I

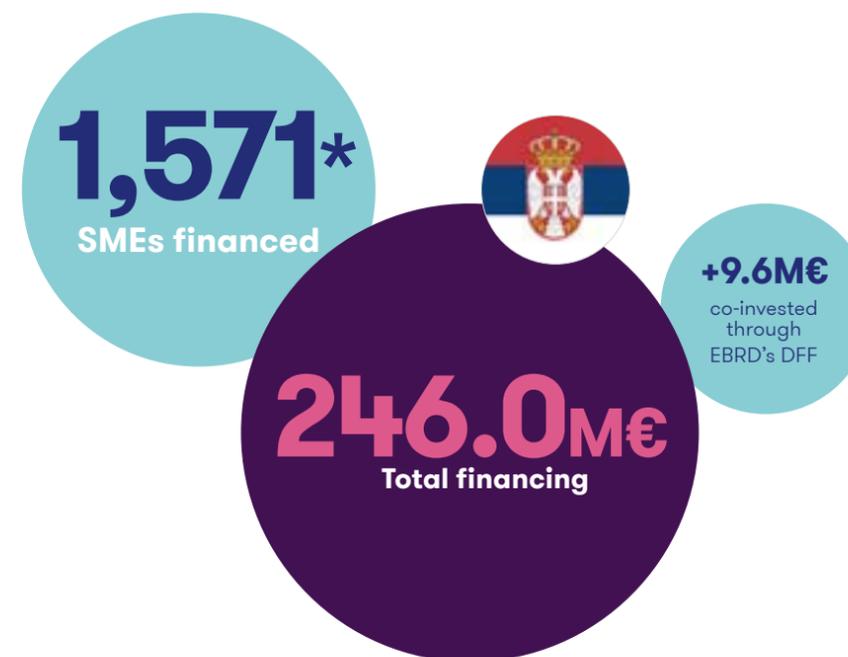
EIF signed a total portfolio of EUR 30.00m with UniCredit Bank Serbia JSC Belgrade in August 2014. UniCredit Bank Serbia JSC Belgrade was able to provide a total of EUR 29.56m of loans at preferential conditions to over 253 SMEs in Serbia for an average loan amount of EUR 106,700 and weighted average maturity of 2.3 years.

Guarantee Facility II

EIF signed an agreement with ProCredit Bank a.d. Belgrade for a total portfolio volume of EUR 25.00m in December 2016. ProCredit Bank a.d. Belgrade was able to provide a total of EUR 25.00m of loans at preferential conditions to over 143 SMEs in Serbia for an average loan amount of EUR 158,200 and weighted average maturity of 4.4 years. EIF has seen a much faster uptake of the second edition of the instrument, which can be attributed to the Financial Intermediaries learning curve in deploying such products.

Guarantee Facility Serbia

EIF signed five agreements with Banca Intesa, Komercijalna Banka, Procredit Serbia, Raiffeisen Bank Serbia and UniCredit Bank Serbia. Procredit Serbia was able to provide a total of EUR 58.25m of loans at preferential conditions to 280 SMEs in Serbia for an average loan amount of EUR 184,300 and weighted average maturity of 5.4 years. Raiffeisen Bank Serbia was able to provide a total of EUR 19.95m of loans at preferential conditions to over 212 SMEs in Serbia for



Pillar 3 Lending Instruments

an average loan amount of EUR 90,700 and weighted average maturity of 4.3 years. Banca Intesa was able to provide a total of EUR 53.0m of loans at preferential conditions to 367 SMEs in Serbia for an average loan amount of EUR 138,700 and weighted average maturity of 3.6 years. Komercijalna banka was able to provide a total of EUR 3.85m of loans at preferential conditions to 63 SMEs in Serbia for an average loan amount of EUR 58,400 and weighted average maturity of 3.9 years. Unicredit banka was able to provide a total of EUR 12.89m of loans at preferential conditions to 213 SMEs in Serbia for an average loan amount of 58,900 EUR and weighted average maturity of 2.1 years.

In 2017 a Lending Pillar was added to WB EDIF's structure to enable the implementing partner IFIs to develop new SME lending instruments. The EBRD's SME Competitiveness Programme is the first to be implemented under this Pillar. In Serbia, the EU/EBRD SME Competitiveness Support Facility is supported by the EU under IPA II (national and regional funds).

As of end-2020, two transactions totalling EUR 25m were signed with local PFIs under the regional (EDIF) funds. Banca Intesa Belgrade signed a EUR 15m loan in June 2019 comprised of three tranches and Unicredit Bank signed a EUR 10m line in July 2019 comprised of two tranches.

In addition, the following two transactions totalling EUR 25 million were signed with local PFIs under the national (IPA) funds: Banca Intesa Belgrade in the amount of EUR 15m in February 2020 and Intesa Leasing EUR 10m in October 2020.

A total amount of EUR 18.33m was on lent to 48 SMEs.

**A final recipient that has been financed from two different portfolios will appear in both portfolios in the text. The total counts unique final Recipients.*

COVID-19 Inside Stories

Breakdown by sector**

Pillar 4 Support Services

In 2020, the EBRD's ASB programme in Serbia provided advisory support to 21 local consultancy projects with the WB EDIF ASB Phase II funding. The team organised an online training focused on cash flow management in crises, gathering some 31 SMEs. The team continued cooperating with four Blue Ribbon clients, two of whom are financed through ENEF and are in post-investment phase, while the other two are in pre-investment phase. The OECD's Competitiveness Outlook 2021 assessment supported Serbia in improving policy reforms to enhance competitiveness and enhancing the capacity of its policy makers to address related challenges. More than 100 policy makers and statistical office representatives participated in the assessment and related OECD events that helped them to gain a better understanding of Serbia's policy reform priorities and how to address them. The World Bank Investment Readiness Programme through its "PowerUP: Capacity Building for Early Stage Firms in the Western Balkans" programme supported 52 companies in Serbia. The study entitled Prospective Analysis of the SME sector in the Western Balkans was prepared, consultants selected by EIB, and implementation launched in late 2018. An Inception Report was received in the first half of 2019, proposing scope and methodology for the action. Having resolved access rights and confidentiality agreements for processing SME data from National Bank databases, the study is expected to be finalized by mid-2021.



33%

Manufacturing



26%

Wholesale and retail trade
Repair of motor vehicles
and motorcycles



11%

Information and
Communication

8.4%	Agriculture, forestry and fishing
6.2%	Construction
6.1%	Transportation and storage
2.3%	Administrative and support service activities
2.2%	Professional, scientific and technical activities
1.0%	Accommodation and food service activities
1.0%	Human health and social work activities
0.6%	Water supply, sewerage, waste management and remediation activities
0.6%	Mining and Quarrying
0.5%	Real estate activities
0.5%	Education
0.09%	Other services activities
0.04%	Arts, entertainment and recreation

**sector split covers loans under the Guarantee Facilities, as well as equity investments under ENIF and ENEF.

A European Union response to the pandemic

Find out more about the EU's crisis support to the Western Balkans

Click here

“The European Union acted quickly and comprehensively to support the Western Balkans in addressing the COVID-19 pandemic, with unparalleled financial assistance as well as access to many of the EU’s initiatives. And our work will continue as we prepare an Economic and Investment Plan for the region, to tackle the hard socio-economic impact of the crisis, to modernise the economies in the region, support the reforms and start closing the development gap, thus bringing concrete benefits to the people faster.”



Olivér Várhelyi
Commissioner for
Neighbourhood and
Enlargement

The total EU assistance package for the Western Balkans in response to COVID-19 currently exceeds 3.3 bn EUR, as indicated in the [Commission Communication](#) on the support to the Western Balkans in tackling COVID-19 and post-pandemic recovery.

To date, the Commission has managed to execute almost entirely the emergency assistance package of 38 MEUR. It continues to reorganise its long-term economic recovery and resilience as assistance as to put the western Balkans health systems and the economies back on track (here you can insert a link to the attached leaflet).

The EU response was multi-faceted and consisted of several elements. The EU ongoing bilateral support was reviewed by the Commission already in mid-March 2020 and funding was identified that could be either reprogrammed or reoriented to maximise

the impact of the assistance on fighting the consequences of COVID-19.

Additional support was also identified to vulnerable groups and health through the regional programmes and the EU Instrument contributing to Stability and Peace.

An important element of the EU COVID-19 response is dedicated to the businesses through local banks. The Western Balkans Enterprise Development and Innovation Facility (WB EDIF) plays key role in the deployment of this response. To back the private sector for the COVID-19 related challenges the Commission is working closely with International Financial Institutions (IFIs) and relevant financing institutions from EU Member States as Team Europe.

This is done with the purpose to provide a coordinated assistance to the real economy, including SMEs, and support liquidity of the banking sector. The key

institutions we are working with are EIF, KfW, EBRD, and the World Bank Group- all of them valuable partners under WB EDIF. The funding for this purpose is 385 MEUR and it includes reorientation of programmes under EDIF, Guarantee Facility, as well as facilities like the European Fund for Southeast Europe (EFSE) and the Green for Growth Fund (GGF). Being at the centre of the regional economic response WB EDIF allowed for the reorientation of its ongoing programmes, as well as programming of new assistance amounting to 239.9 MEUR.

All EDIF's financial instruments (equity, guarantee, lending) already received a top-up or will be replenished by the European Commission by the end of 2021. This allowed EDIF to provide the so necessary access to finance for the companies in the region. All technical assistance programmes adapted their delivery mode and curricula as to help companies overcome the challenges they face and to build

resilience. Once again, WB EDIF proved to be flexible, responsive and partnership-based platform. Many good examples came out in 2020 of WB EDIF-funded companies, which adapted their business and even took advantage of the unrepresented pandemic to expand product or client base, redirect its core activity or show corporate social responsibility.

Financing small businesses in a pandemic

Interview with the European Investment Fund

Looking back

What initiatives have you put in place to respond to the Covid-19 pandemic in the Western Balkans?

SMEs are the backbone of both the EU27 and the WB6 economies, and have a clear impact on the life of its citizens. In the Western Balkans, SMEs account between 60% and 80% of job market and are key to economic growth, innovation, social integration and job creation. It is therefore crucial that European financial institutions such as the EIF are actively present in the region, playing an anti-cyclical role, and in alignment with the policy priorities of the European Commission provide support to WB6 beneficiary economies.

In this context and at the onset of the COVID-19 outbreak in early 2020, the EIF reacted quickly to address urgent liquidity needs of European SMEs. Throughout the past year and to date, EIF has sustained this support through several initiatives, all with the same goal: to ensure that Europe's small businesses survive and can grow further after the pandemic.

The EIF and the European Commission have also launched specific COVID-19 support under existing facilities (COSME Loan Guarantee Facility, InnovFin SME Guarantee Facility). EIF had enhanced terms and conditions for both guarantees and counter-guarantees to incentivize financial intermediaries to provide working capital financing to European SMEs and mid-caps hit by the economic impact of the coronavirus pandemic. Alongside central efforts in coordination with Brussels, the EIF has deployed nearly EUR 900 million in 2020 in the form of national initiatives targeting the COVID-19 crisis.

In the Western Balkans, following the successful deployment of 221 million within the Guaranty Facility I and II in the Western Balkans, the EIF and the European Commission have decided to establish a third generation of this cornerstone program with additional EUR 60m. The version 3.0, which is



Hubert Cottogni
Director for Mandate Management
European Investment Fund

Looking forward

What opportunities and challenges do you see for 2021?

expected to go live this year, will mobilise more than EUR 300 million of new debt financing for the benefit of the regional SMEs. The aim of the new facility is to address the overall challenges faced by the WB6 SMEs, as well as specifically to undertake future investments and recover from the current crisis.

“In early 2020, the EIF reacted quickly to address urgent liquidity needs of European SMEs. Throughout the past year and to date, EIF has sustained this support through several initiatives, all with the same goal: to ensure that Europe's small businesses survive and can grow further after the pandemic”

The COVID-19 crisis has drastically changed the life of European citizens and the shape of European economies. This is equally, or more so, true for the Western Balkans. Nevertheless, I am impressed how the region has once again showed its entrepreneurial spirit and creative solutions, emerging while addressing multiple challenges over the past decades. The local entrepreneurs have proven themselves as the most propulsive economic stakeholders – and we, the EIF and the EU, have to assist them to survive this crisis and to further grow.

In this context, EIF is contributing to the EU's Economic and Investment Plan for the Western Balkans, focusing on three key interventions: to green the Balkan economies, to digitalize the SMEs, and to secure training and employment for young people. Following the disruptions caused by the pandemic, we work hand-in-hand with the European Commission and the six governments to “build back better”.

Find out more about the EIF

I want to emphasize that all new EIF financial instruments, as well as new editions of the existing ones, will have to be aligned with the EIF's Public Policy Goals, which translate the above key EU policies into EIF's financial action. Furthermore, we will measure policy results of such EIF interventions, as well as measure the adherence to ESG (Environmental, Social and Governance principles) of our financial intermediaries (such as commercial banks or investment funds).

As most colleagues working on the region know, the EU's comprehensive Economic and Investment Plan is backed by the 2021-2027 budget envelope of over EUR 9 billion. This is an important message of the Union to the region: in spite of UK's exit and EU's own Covid recovery, the IPA budget was maintained and even slightly increased. I would like to conclude by saying that political determination, coupled with considerable finance, offers an opportunity for the Western Balkans, which we in the EIF are looking forward to transpose into concrete action working with our colleagues in Brussels, as well as in Albania, Bosnia-Herzegovina, Kosovo, Serbia, Montenegro and North Macedonia. Let's learn from the previous crises, and use also this one as an opportunity, to come up with further concrete actions, and jointly contribute to the economic development of the Western Balkans.

Youth Employment

[more info](#)

The Youth Employment Guarantee Facility gives SMEs better access to finance, at better terms, in recognition of the support they are giving to young people in the Western Balkans.

Investing out of the crisis

[more info](#)

The pandemic and its effects will continue into 2021 where we face a long path to recovery. But this will not be the first time that Europe overcomes a crisis. See how innovation can foster recovery in this EIF video

EIF in 2020

[more info](#)

Despite market difficulties, and thanks to valuable partnerships, the EIF has deployed record amounts to the market in 2020, including via its all-important COVID-19 response measures as well as our multifaceted EFSI programme which reached full deployment in 2020. Overall, for every euro channelled via the EIF in 2020, over five euros made their way to small businesses across Europe.



Financing and advising small businesses in a pandemic

Interview with the European Bank for Reconstruction & Development

Looking back

What initiatives have you put in place to respond to the Covid-19 pandemic in the Western Balkans?

When the coronavirus reached the Western Balkans, the EBRD was at the forefront of global efforts to mitigate the negative economic impacts of the pandemic. We quickly approved a Solidarity Package of €1 billion in recovery measures for our most vulnerable clients. Small and medium-sized enterprises (SMEs), the backbone of Western Balkan economies, were at the heart of our response.

The measures introduced to curb the spread of the virus challenged SMEs' turnover and exposed some of the bottlenecks in their operations. As the coronavirus crisis was first and foremost one of liquidity, we provided financing through partner financial institutions to SMEs in need of urgent working capital.

We were also quick to move our advisory work entirely online and continue the vital support to enterprises, as well as our extensive network of consultants. Virtual seminars, training and coaching focused on resilience building and supported critical elements of business recovery, including crisis and cash flow management, digitalisation and resource efficiency among others. The pivot to a digital delivery of our services allowed us to achieve scale like never before: in 2020, we reached close to 70,000 SMEs, consultants and associations through joint activities with partner institutions.

These results highlight the pivotal role that our well-established teams have on the ground, supporting all key players in the SME ecosystem. In record time, we innovated our existing toolbox offering flexible, scalable solutions in this period of uncertainty.



Claudio Viezzoli
Managing Director
SME Finance, EBRD

Looking forward

What opportunities and challenges do you see for 2021?

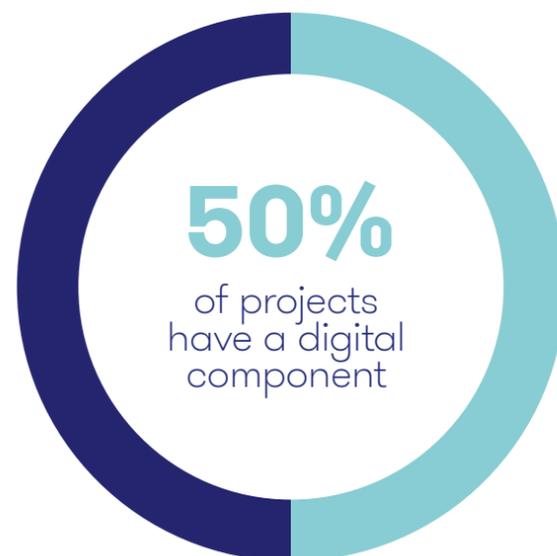
“We were quick to move our advisory work online and continue the vital support to enterprises. In record time, we innovated our existing toolbox, offering flexible, scalable solutions in this period of uncertainty”

There is no doubt that the pandemic has amplified the adoption of digital technologies. At the very least, SMEs have recognised the need to build agile business models underpinned by innovative digital solutions for resilience, competitiveness and sustainability. Information and Communications (ICT) is a fast-growing sector in the Western Balkans, and the potential for SMEs' digitalisation and automation of key processes is strong in this entrepreneurial ecosystem. The region already benefits from a pool of ICT experts, ready to support SMEs' digital transition.

In order to meet our clients' needs in this strategic area, we doubled the share of our portfolio projects with a digital component to almost 50 per cent. We are committed to supporting our clients during this difficult time and devoting our efforts to increasing SMEs' uptake of key digital technologies well beyond the crisis.

Find out more about the EBRD

Green projects that promote energy efficiency are another priority of our work, in addition to projects with a strong inclusion lens that encourage the participation of women, youth and early-stage enterprises in the wider private sector. To that end, we are also aiming to launch the second phase of the Enterprise Expansion Fund (ENEF) in 2021, with a new Environmental, Social and Governance (ESG) investment mandate. The fund aims to engage with its investee companies in diagnosing their ESG risks and opportunities, developing a suitable action plan, providing support in its implementation, and monitoring performance. In addition to that, a key objective going forward will be to demonstrate to the fund investors and the wider community how an ESG fund could be developed and implemented, while encouraging other fund managers in the region to follow suit.



Know How Academy

more info

In the 30 economies where the EBRD works, the Know How Academy is a free e-learning platform containing key resources and practical advice for entrepreneurs coping with major disruption to their businesses.

Youth in Business

Underway in the Western Balkans, a programme dedicated to helping youth-owned or youth-run businesses grow through expert advisory and access to finance. With many young people moving to neighbouring countries in search of better opportunities, Youth in Business has a strong potential to reverse this trend and allow the youth in the region to dedicate their talent to a better future.

Star Venture programme

more info

Launched in 2019 in the Western Balkans. Star Venture targets high potential, early-stage companies with bespoke advisory projects and facilitates access to finance to help them overcome their obstacles to growth. The start-ups supported by this programme offer innovative solutions to common challenges and are part of a fast-growing start-up scene that will be critical to forging a sustainable path to their recovery post-coronavirus.



The effects of the pandemic in the Western Balkans

Read the OECD's latest news and market insights

[Click here](#)

Insights from the OECD



Marzena Kisielewska

Head of Division, South East Europe
Global Relations

“Although the crisis brought about by the pandemic lead to a halt of the global progress made in achieving the Sustainable Development Goals, it showed the need to build back better, with a focus on sustainable growth through a green, digital and inclusive recovery.”

Where do you see the greatest impact of the COVID-19 pandemic in society?

The COVID-19 pandemic had a dramatic impact on economies and societies. The crisis caused the contraction of the global economy, disruption of global value chains, rise in unemployment and poverty.

The most vulnerable were impacted disproportionately. In the affected business communities, the survival of SMEs and self-employed was the most threatened. Low wage earners are most likely to have lost their jobs, often women and young people. People living in

poverty have also seen their situation deteriorate even further, as they are less likely to be well (if at all) covered by social safety nets.

At the same time, the pandemic has exacerbated the digital infrastructure challenges often characterised by lack of broadband access and insufficient digital skills. The weakness of education systems with often insufficient levels of digital equipment and skills in education institutions affected to a greater extent children from less prosperous backgrounds, who struggled to learn from home, with potentially long lasting damage.

What impacts have you seen on financial markets in the Western Balkans?

During the crisis, especially in the first wave, the Western Balkan economies experienced increased instability in the financial markets. This included high volatility in the exchange rates, a decline in stock markets and increased government bond spread in the region indicating a lower investor confidence. The volatility in the exchange rates signaled capital outflows and rendered international trade and investment decisions more difficult.

Conversely, there was a continued decline in the Western Balkan stock market compared to the European Union partially associated with low liquidity levels of Western Balkans' stock markets.

Overall, the Western Balkan region reacted quickly through large-scale stimulus packages and macroeconomic policy tools used by the central banks to soften the economic impact of the crisis. This led, however, to a widening of fiscal deficits and the accumulation of debt.

Do you see momentum for a green recovery?

Although the crisis brought about by the pandemic lead to a halt of the global progress made in achieving the Sustainable Development Goals, it showed the need to build back better, with a focus on sustainable growth through a green, digital and inclusive recovery. OECD preliminary estimate shows that post-COVID stimulus packages in OECD countries comprised at least USD 312 billion for green recovery measures, for example, through grants, loans and tax reliefs directed towards green transport, circular economy as well as clean energy research, development and deployment.

However, the balance between green and non-green spending is still not satisfactory in terms of the support towards positive environmental outcomes. Governments need to do more to support green recovery, by gearing priority actions towards the SDGs, the goals of the Paris Agreement, the preservation of biodiversity, the conservation of natural environment and its resources, as well as fighting pollution.

The effects of the pandemic in the Western Balkans

Insights from the World Bank



Linda Van Gelder
Regional Director for the Western Balkans, World Bank Group

“The financial system in the Western Balkans has so far held up - thanks to stronger bank balance sheets and quick responses from policy makers. Recovery will require strategic engagement across the board - health, education, employment, social programs and beyond”

Where do you see the greatest impact of the COVID-19 pandemic in society?

The pandemic is taking a heavy toll on the health and welfare of billions of people, devastating economies, and worsening inequality. Poverty is on the rise, people are losing jobs, and health and education outcomes are being threatened. By the end of 2021, as many as 150 million more people could be pushed into extreme poverty. On average, 36 percent of people with jobs prior to COVID-19 stopped working between April-July 2020, and 62 percent of households reported a reduction in total income. We also see that women are more likely to lose their jobs than men.

In the Western Balkans, growth is forecast to decline to nearly negative 5 percent in 2020, while poverty is projected to increase between 1-5 percentage points. The situation would have been worse without the timely support countries put in place, but the crisis highlighted the tradeoffs often needed to design effective support policies. For example, a one-off flat transfer was distributed to everyone in Serbia – providing necessary support but also increasing the fiscal burden. In Albania, existing social assistance was increased, but without adding many new households affected by the crisis.

Read the World Bank's latest Western Balkans Economic Report

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What impacts have you seen on financial markets in the Western Balkans

The Covid-19 outbreak has presented the financial system in the Western Balkans with its most challenging test since the global financial crisis (GFC) – and the system so far held up. Two important factors that reinforced this resilience were stronger balance sheets for banks - supported by regulatory reforms and stronger supervision after the GFC - and a quick response by policymakers, including borrower relief programs and prudential measures to safeguard financial systems.

Capital buffers and bank liquidity in Western Balkan economies stayed broadly stable while profitability dropped during the first three quarters of 2020. Positive credit growth in most of the economies has been maintained throughout the year, though at a slower pace compared to 2019. A broad range of measures implemented to counter the effects of the Covid-19 pandemic prevented immediate surges in Non-performing Loans (NPL). However, the effect of the crisis on asset quality will become clearer towards the second half of 2021, with potential surge in NPLs, as the measures mostly expire, and their benefits erode over time. To maintain the asset quality going forward, authorities should continue focusing on strengthening banking regulation and supervision to ensure the proper identification of NPLs and provisioning for credit losses and reinforce insolvency regimes to work out bad loans.

Do you see momentum for a green recovery?

Yes! The economic recovery will require strategic engagement across the board – health, education, employment, social programs and beyond. As this agenda unfolds, it will be important for countries to adopt policies that can ensure a greener, more inclusive, and more resilient recovery. The World Bank Group is the largest international investor in climate finance, supporting long-term growth agendas and focusing on lower carbon output, jobs creation, and climate mitigation and adaptation. The largest climate investments in World Bank history were made last fiscal year and we are increasing from there - supporting countries in investing in green infrastructure, advising them on incentives for sustainable technologies, and helping phase-out harmful fuel subsidies. The Western Balkans region, for instance, is particularly vulnerable to climate and other natural disasters – making it imperative to invest in climate resilience infrastructure and support emergency preparedness. There is also a push there to transition from coal by investing in energy efficiency and renewable energy, as well as to promote more sustainable modes of transport - such as rail and public transport.

The effects of the pandemic in the Western Balkans

Insights from ProCredit Kosovo



Argjira Kadrijaj

Head of Business Development Function
ProCredit Bank Kosovo

How has the crisis impacted SMEs access to finance in your region?

As we enter into the second year of the pandemic, we see that the scope of impact to small and medium enterprises in Kosovo and in the region is still not fully known as businesses are still facing a cash flow volatility that can threaten economic and financial market stability. Despite the policy support that is vital to ensuring the functioning of the economy, banks were a key solution in supporting SMEs through the pandemic. Our bank continued financing SMEs during the pandemic and safely supported the flow of credit in the Private Sector during

“Banks were the key solution in supporting SMEs and being their front line mechanism in facing both opportunities and challenges of the Covid-19 situation. During this pandemic, we have seen SMEs shift their strategies in order to survive in the new environment but also try to find new opportunities”

this time. Despite the increased risks as a result of the crisis, the banking sector and ProCredit in particular showed resilience and continued to be stability. Our bank in Kosovo continues to play a main role in helping SMEs rebuild their financial situation and increase their business productivity.

Do you see there being a “new generation of SMEs” that arise from this crisis?

During this pandemic, we have seen SMEs shift their strategies in order to survive in the new environment but also try to find new opportunities. We believe that there is potential for a new generation of SMEs, not only in service sectors like IT but also in production (where our focus remains and where Kosovo has the potential to increase its exports).

In what ways did the crisis impact the functionality of the bank?

Digitalization was vital for survival not only for the banks but also for all SMEs in the market. We are pleased to say that this was one challenge we faced without any obstacle due to our persistent work and ongoing investments in digitalization of services following global technological development last year. Our direct banking approach enabled our clients to perform all of their daily transactions via our online channels. Our bank continued introducing new automation and digital services, positioning itself as the digital bank for our clients.



ProCredit Kosovo Case Study Agroproduct

The power of plants and herbs in Kosovo

Agroproduct LLC was established in 2002 by Mr. Halit Avdijaj and Mrs. Lumrije Avdijaj. Agroproduct LLC is a leading company in the area of cultivation and collection of aromatic plants and wild fruits. They cultivate more than 28 species of plants and 85 types of collected herbs, all with organic certification. Some of the products they trade are: chamomile, mountain tea, dried blueberry and other plants which are used to make final products such as medicines, tea and cosmetic products. The business is located in a good area for cultivation. They have a very good and stable position in the market and have widened the business towards the EU Market as well. Agroproduct exports their medicinal products to countries including Switzerland, Czech Republic, Germany, Austria, US and Canada.

The bank disbursed a credit line on April 2020 for working capital needs for this client in the amount of EUR 500,000. The financing was approved during the pandemic and the business employed two young people in order to support the needed growth in the production of plants and herbs. The financing with the support of WB EDIF GF Youth Employment helped this business achieve growth in exports by 5% in 2020, despite the situation and the negative impact the pandemic had in most companies.

To find out more, please visit
www.wbedif.eu

