

WB EDIF

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18

Annual Report

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

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

WB EDIF is mobilising approximately EUR 650m of financing and support for small and medium sized enterprises (SMEs).

WB EDIF

Western Balkans Enterprise Development and Innovation Facility

Annual Report

Data as of 31 December 2018



Foreword



Colin Wolfe
Head of Unit, Western Balkans

Regional Cooperation
European Commission
Directorate General for
Neighbourhood & Enlargement
Negotiations (DG NEAR)



A new edition of the Western Balkans Enterprise Development and Innovation Facility (WB EDIF) Annual Report is now available. I am delighted to share the main achievements. Via WB EDIF, since 2012 we have succeeded to sustain more than **78 000 jobs**, and to provide financial or technical support to more than **4 000 SMEs** in the region. During 2018 the following highlights stand out for me:

- 1** The financial instruments roll-out is well on track: the Competitiveness Programme (lending), launched in January, has good market uptake. Two loan agreements were signed in Bosnia and Herzegovina. The Western Balkans companies will benefit from the EUR 1.5m grant investment incentives to be offered in 2019.
- 2** The EUR 20m EU contribution to the Guarantee Facility for Serbia has achieved higher leverage than expected. We will translate this at least EUR 180m of loans, to serve a much higher number of SMEs than initially targeted.
- 3** With the two equity Funds, pioneers in the region, we have now over 30 companies from seed and start-up to expansion stage. Our equity finance, which totals ca. EUR 138m, supports, for example, the first private pension fund in Bosnia and Herzegovina. We have also facilitated the expansion of the largest pharmaceutical distributor in Kosovo*.
- 4** The equity funds are also behind innovations such as an analysis platform for drone operators and farmers, and a unique speech-to-text converter for Slavic languages. We are in addition bringing people back to the region, building on techno-transfer operations and using the innovation and the entrepreneurial capacity of the diaspora.
- 5** We staged more than 30 international and regional events, covering all target groups: policy makers, practitioners, business owners, industry representatives, investors.
- 6** In June, the first WB EDIF Business Forum took place, in Belgrade. It brought together 150 participants from the region. This dedicated business-to-finance event enabled SMEs to meet the finance and support services providers. We thus provided a unique opportunity to pitch business ideas, and to understand what the platform has to offer. Its success means that we are transforming the forum into an annual event.

*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.

7 We also worked substantially on visibility and communication, especially via a revamped website.

2018 saw also a number of other important events on the political stage. These included:

- The February European Commission Communication “A credible enlargement perspective for and enhanced EU engagement with the Western Balkans”, setting out a reinforced approach by the EU to the region.
- The EU-Western Balkans Summit in Sofia on 17 May, organised by the Bulgarian Presidency of the Council, providing a vital impetus to perspectives for the region, and also to the platform.

In summary, 2018 EDIF activities substantially increased the economic prospects of the region. We worked successfully together to improve the business environment. We promoted entrepreneurship, innovation and regional inter-connectivity. We took significant steps to address youth unemployment.

In achieving all this, I would like to thank all the WB EDIF beneficiaries, the financing partners and the donors for their continued hard work during 2018. Together, let's keep the ambitions high for the years to come.

A credible enlargement perspective for and enhanced EU engagement with the Western Balkans



Photo from the WB EDIF Business Forum 2018

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

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.

Key Figures

WB EDIF at a glance

275 M€ Total funding resources

resulting in

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

4 600 SMEs to be supported in the Western Balkans

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

7
Beneficiary economies

27
WB EDIF Partners

ENIF, ENEF
GF
Competitiveness Programme
Financial Instruments

Progress as at 31 December 2018*

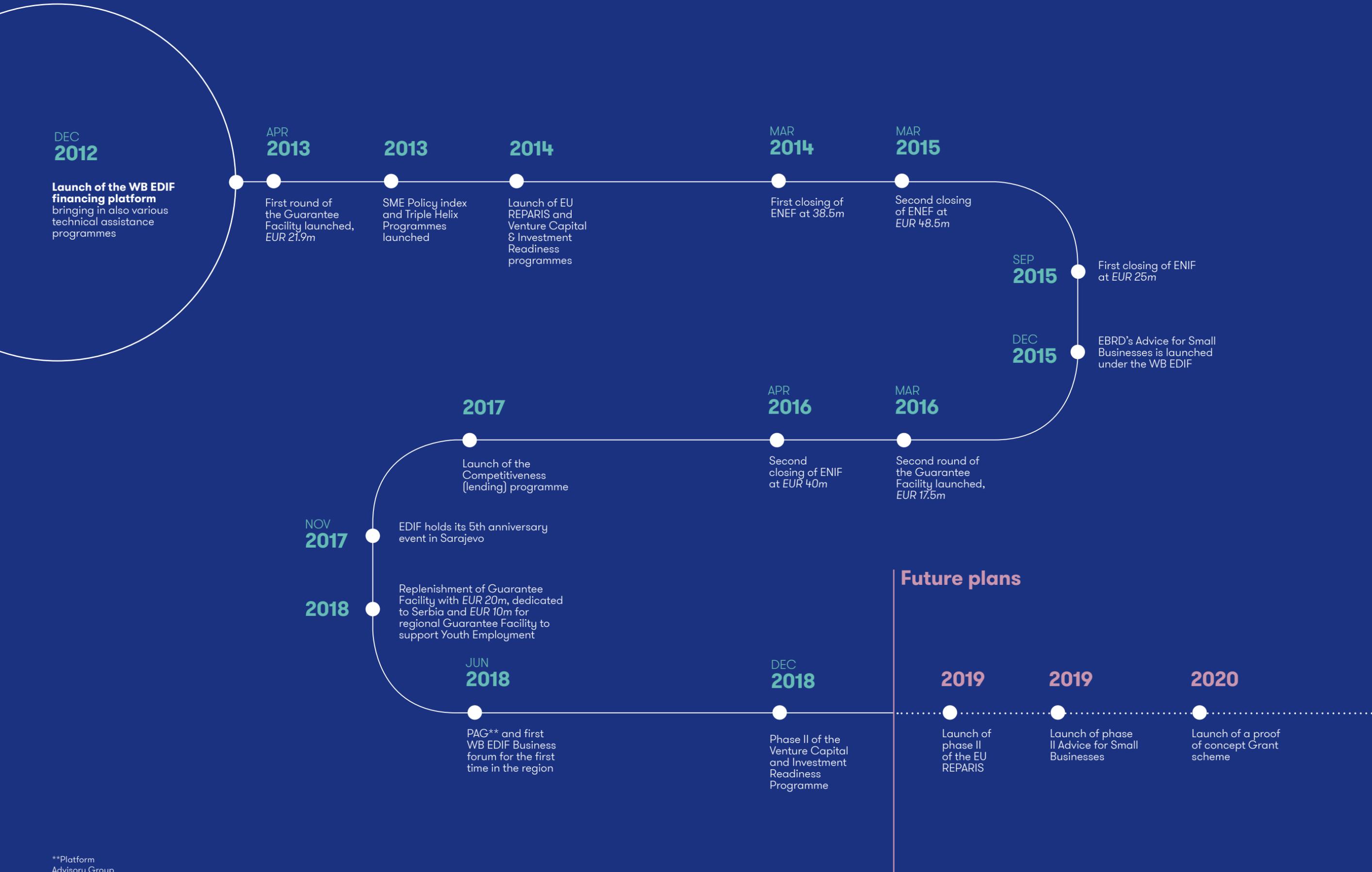


2 805 SMEs financed

4 022 SMEs supported

78 032 Jobs supported

6 years of WB EDIF



**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

ENIF invests in companies 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. 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 envisages paying 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 will be in SMEs.

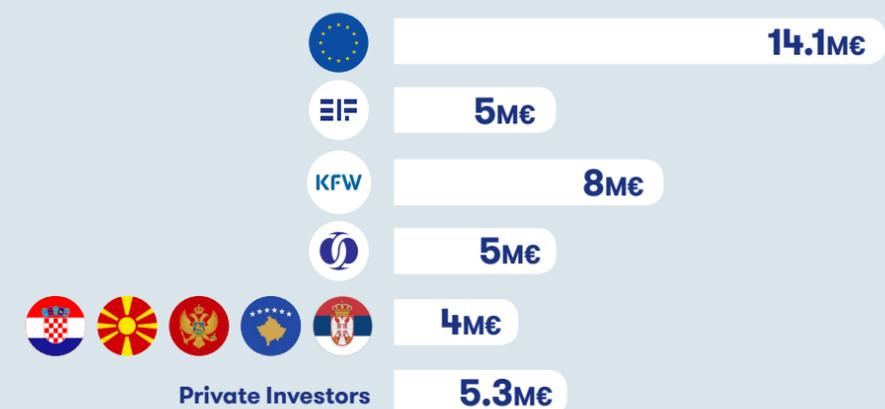
Capital Deployment

ENIF's Manager, South Central Ventures ("SCV"), expects to build a diversified portfolio of around 20-25 companies from the entire WB geography. The average investment per company should be in the range of EUR 1 – 1.5m (provided in several tranches), targeting a stake at entry of 20-30%.

Seed Pocket

ENIF will dedicate an amount of EUR 1.5m to be invested exclusively in 15-20 seed companies across the entire WB Region. Together with the Seed Pocket, the total number of companies to be supported through ENIF is expected to be 35-45.

41.4M€



ENIF Portfolio

Progress so far

By December 2018 ENIF's portfolio is composed of 22 companies, out of which 12 are start-ups and 10 seed capital investments (for a total disbursed directly from the Fund around EUR 19.39m). ENIF's aggregate capital commitment invested in portfolio investments stands at 46% of the committed capital. During the reporting period the Fund manager screened 476 and signed 9 new deals.

The ENIF team started also to work with the expat community of Serbian tech entrepreneurs living in the US or in the EU, as well as the Bosnian diaspora, whereas all product development of the companies is taking place in the Western Balkans (knowledge transfer).

During the reporting period 9 new deals were finalised: 3 in Serbia, 3 in Croatia, 2 in North Macedonia and 1 in Montenegro.

The fund contributed to the emergence of the regional equity market and plays important role in stimulating the grow of start-ups and digital companies- one of the main EU priorities for the Western Balkans;

The SCV participated in a number of pitching and investment readiness events, start-up competitions and conferences, also as a member of the jury. The team also cooperates with members of the Start-up Europe network.

Name	Economy	Stage of Focus	Commitment
Drytools / Alchemy cloud	Serbia	Seed	€500K
City Expert	Serbia	Start-up	€1.5M
WorkPlus	Serbia	Seed	€80K
Agrivi	Croatia	Start-up	€1.5M
Letz / MarkO1	North Macedonia	Seed	€100K
Bulb	Croatia	Start-up	€2M
Cognism	North Macedonia	Start-up	€2.389M
CUBE	Serbia	Start-up	€1M
InPlayer	North Macedonia	Start-up	€2.026M
VirtusVita	Serbia	Start-up	€500K
Hunch Insights	Serbia	Seed	€300K
Sentinel Marine	Croatia	Start-up	€900K

Name	Economy	Stage of Focus	Commitment
Tradecore	Serbia	Start-up	€1M
MoreStudio (LittleDot)	Croatia	Seed	€600K
Your Home Online (Habiplace)	Croatia	Seed	€76K
Content Insights	Serbia	Start-Up	€1.5M
ConveyIQ	Serbia	Growth	€2.178M
CustomSell	North Macedonia	Start-Up	€249K
Agremo	Serbia	Start-Up	€415K
Neti	North Macedonia	Seed	€100K
DaiBau (eMajstor)	Croatia	Start-Up	€450K
Om3ga solutions (Daktilograf)	Montenegro	Seed	€30K

22
Companies

4
Western Balkans economies covered

19.4M€
Total investment



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 aims to support established SMEs with a high potential to grow in the Western Balkans to support their further expansion by improving access to finance for them.

Investment portfolio

The Fund aims to create an investment portfolio of approximately 15-25 companies with deals ranging from EUR 1.0m to EUR 7.0m in all sectors of the economy.

Eligible companies

The Fund will invest at least EUR 15.0m 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.

Private Sector focus

The Fund will invest only in private sector enterprises (i.e., enterprises that are not:

- more than 50% directly or indirectly owned and/or
- 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 being further leveraged in a proportion 1:1 by pari passu co-investments from the EBRD through its Direct Financing Framework (DFF) on a deal-by-deal level.

In 2018 certain changes have been introduced to the Fund's Investment strategy in order to make the rules more conducive for more rapid and diverse investments in line with the Fund's market focus.



Name	Economy	Stage of Focus	Commitment
Viva Fresh	Kosovo*	Growth	€3.25M
Krajina Klas	Bosnia & Herzegovina	Growth	€1M
Delmax	Serbia	Growth	€900K
Cermat	North Macedonia	Growth	€1.75M**
Gamma 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	€410K**
Meridian	Kosovo*	Growth	€500K**

**Figures do not include the uncommitted tranches.

11
Companies

6
Western Balkans economies covered

32M€
Total investment
including DFF co-investment



Case Study

APM

Watch the video

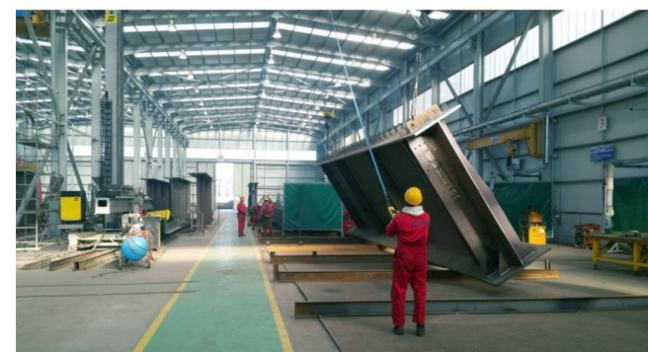


APM Sh.p.k., established in 2012 in Fier, is one of the leading local manufacturers of fabricated metal products in Albania serving both the domestic and foreign markets.

Under the Western Balkans Enterprise Development and Innovation Facility (WB EDIF), the European Bank for Reconstruction and Development (EBRD) and the Enterprise Expansion Fund (ENEf) have jointly provided €2.8m to support the expansion of APM. It was the first deal of this type in the country. The initial financing of €1.8m was signed in August 2017, and it was followed by a €1m top-up in June 2018 due to the substantial growth of the company. Today, APM's turnover has exceeded €15m (more than tripled from 2016), and the company's fabrications in two production sites in Albania have reached new markets in Italy, United Kingdom and now are going beyond Europe.

APM received support from the WB EDIF and the European Union – Instrument for Pre-Accession Assistance (EU IPA) funds -- during the preparation of financing for:

- adopting IFRS standards for the financial statements
- legal due diligence



The EBRD continues to support the company with its tailor-made advisory services that cover areas such as leadership improvements, export business development, further strengthening of the financial management functions as well as reporting. The EBRD is also assisting APM in establishing a new training academy to offer upskilling opportunities to at least 100 young people.

APM is a success story in the country, demonstrating how blended EBRD/ENEf financing, through WB EDIF, and advisory support can help a local enterprise become more competitive, while growing and expanding beyond Albania and following the best international practice. APM also joined EBRD's Blue Ribbon programme that champions high-growth potential businesses.

Pillar 02

Loan guarantees

The Guarantee Facility was initially funded with EUR 21.9m in 2013 (“WB EDIF GF I”) and was further topped up with a replenishment of EUR 17.5m contracted in 2015 (“WB EDIF GF II”).

The Guarantee Facility

The WB EDIF Guarantee Facility (“GF”) serves to provide a capped guarantee for SME loans via the participating commercial banks in the WB territories whereby such SMEs can obtain a loan to cover financing for investment and working capital of up to EUR 500k.

Additional windows

In December 2017, an additional funding of EUR 20m was contracted to increase access to, and availability of, finance for SMEs in the Republic of Serbia (“WB EDIF GF Serbia”). The related Call for Expression of Interest was published on 23 February 2018. Five banks have been selected under the WB EDIF GF Serbia, providing up to EUR 180m of loans to the Serbian market.

In December 2018, an additional funding of EUR 10m was contracted to support Youth Employment lending in the Western Balkans Beneficiaries Economies. WB EDIF GF Youth Employment i.e. the First Loss Portfolio Guarantee (FLPG) product is a dedicated Youth Employment window to improve access to finance for SMEs in all Western Balkan Beneficiary Economies with a view to support youth employment in the region, with a minimum of around EUR 50m of loans.

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



Guarantee Facility I

WB Economy	Bank	Supported loan volume	Guarantee Cap
Albania	ProCredit	€20M	€3.5M
Bosnia & Herzegovina	ProCredit	€20M	€3.3M
Croatia	Raiffeisen	€20M	€3.1M
Kosovo*	ProCredit	€14M	€3.2M
Montenegro	CKB	€7.9M	€1.4M
Serbia	UniCredit	€30M	€5.2M
Total		€117.9M	€19.7M

6
Agreements

1,497
Final beneficiaries

97%
Utilisation

118M€

Guarantee Facility II

5
Agreements

1 230
Final beneficiaries

WB Economy	Bank	Supported loan volume	Guarantee Cap
Albania	Raiffeisen	€17M	€3.0M
Kosovo*	ProCredit	€35M	€5.2M
Montenegro	CKB	€20M	€3.5M
North Macedonia	ProKredit	€10M	€1.0M
Serbia	ProCredit	€25M	€3.5M
Total		€107M	€16.2M

99%
Utilisation

107M€

Guarantee Facility Serbia

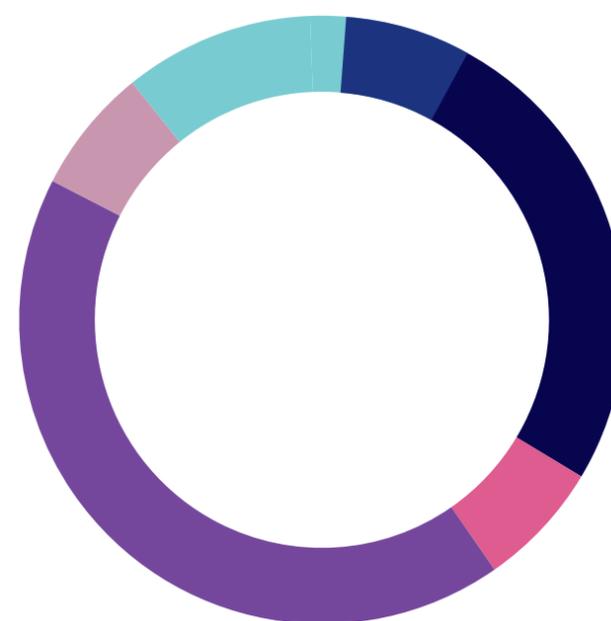
182M€

Bank	Supported loan volume	Guarantee Cap
Banca Intesa	€60M	€6.0M
Komercijalna banka	€19.95M	€1.7M
Procredit	€60M	€6.0M
Raiffeisen	€17.5M	€1.5M
UniCredit	€25M	€3.0M
Total	€182.45M	€18.2M

5
Agreements

44
Final beneficiaries

Breakdown by sector



43%
Wholesale and retail trade

Repair of motor vehicles and motorcycles

6%
Transportation and storage

25%
Manufacturing

7%
Agriculture, forestry and fishing

7%
Construction

11% Other

- 2.9%** Accommodation and food service activities
- 2.4%** Information and Communication
- 2%** Professional, scientific and technical activities
- 1.4%** Administrative and support service activities
- 0.7%** Human health and social work activities
- 0.6%** Other service activities
- 0.6%** Electricity, gas, steam and air conditioning supply
- 0.4%** Water supply, sewerage, waste management and remediation activities
- 0.4%** Education
- 0.3%** Real estate activities
- 0.3%** Mining and quarrying
- 0.06%** Arts, entertainment and recreation
- 0.05%** Financial and insurance activities
- 0.03%** Public administration and defence; compulsory social security
- 0.03%** Activities of households as employers; undifferentiated good and services-producing activities of households for own use

The Guarantee Facility Interview



Alessandro Tappi

Chief Investment Officer, EIF

Speaking to Alessandro Tappi, Chief Investment Officer at the EIF, we learn more about the WB EDIF Guarantee Facility, its impact and next steps in the Western Balkans.

What are the obstacles to accessing finance in the Western Balkans, and how does the WB Guarantee Facility address them?

Many companies in the Western Balkans face difficulties in accessing finance. The aftermath of the financial crisis has resulted in high levels of non-performing loans and depressed collateral values in the region, which has led banks to take a rather conservative approach to credit. This has adversely impacted SMEs, in particular those with a higher risk profile, for example

due to a weak credit history or to insufficient collateral.

The WB Guarantee Facility plays a very important role in unlocking finance, by covering part of the credit risk financial institutions (e.g. banks) take when lending to small businesses. This allows for a greater number of loans to SMEs on favourable terms, for example, preferential rates, lower collateral requirements and longer maturities.

The EIF is present in the region with several guarantee instruments, like COSME, InnovFin and EaSI. How does the WB EDIF Guarantee Facility fit into picture?

The WB EDIF Guarantee Facility was one of the first portfolio guarantee instruments in the Western Balkans region. From its very beginning, the facility was specifically designed for the local economies, nurturing and preparing the financial ecosystem to implement larger guarantee programmes supporting competitiveness and innovation (via COSME and InnovFin), or employment and social innovation (EaSI). The different financial instruments that EIF offers in the region are tailored to the different needs of the local market, complementing each other to the ultimate benefit of the final recipients.

Can you briefly illustrate the impact of the WB EDIF Guarantee Facility in the Western Balkans so far?

Thousands of SMEs in the region have received loans thanks to the WB Guarantee Facility, and its success has led to multiple funding rounds. The European Commission funded the facility with EUR 21.9m in 2013 and topped it up with another EUR 17.5m in 2015. Together, these rounds have supported 2,727 SMEs in the six WB beneficiary economies, with EUR 220.8m in financing on favourable terms by the end of 2018.

Following the success of the two WB EDIF Guarantee Facility rounds, additional funding of EUR 30m was contracted to the EIF, of which EUR 20m was earmarked as a national window for SMEs in the Republic of Serbia. Five banks were selected under the open call for expression of

interest in 2018, offering up to EUR 180m of loans on the Serbian market.

The residual budget under EIF's management has been allocated to a recently launched window of the WB Guarantee Facility which specifically targets enhanced access to employment for young people in the region. This tailored guarantee facility will cover credit risk on at least EUR 50m of loans to SMEs, which will commit to providing jobs and vocational training / internships to young people in the region.

What are the next steps and the most important goals for the EIF and the Guarantee Facility in the Western Balkans?

The Western Balkans is high on the EU agenda in the context of the new accession strategy - "A credible enlargement perspective for and enhanced EU engagement with the Western Balkans" published by the EC in 2018.

In this light, the EIF will keep delivering the much-needed support to SMEs in the region; improving access to finance for the private sector and contributing to the economic development. However, a new cycle is ahead of us, where the aim is to create and deliver even more impactful financial instruments.

This can only happen with the close coordination and contribution of all institutions involved under the direction of the Commission. On the EIF's side, we are assessing how the GF could build on its strength and be fine-tuned to accompany and support the beneficiary economies in their path to accession.

Pillar 03

Lending

The Regional SME Competitiveness Support Programme constitutes the first lending instrument deployed under the newly 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 resources from the Regional IPA II resources via EDIF and the National IPA II Programmes. Through EDIF, EUR 15m is provided by the EU for the grant component of the Programme in support of up to EUR 70m from the EBRD for lending to local commercial banks and credit institutions in the countries 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*, and North Macedonia.

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.
- 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.

Progress so far

At the end of the 2018, a total of EUR 10m was signed with 2 PFIs in Bosnia and Herzegovina under the EDIF-funded Programme. Programme consultants have been selected by EBRD and will support the action across Western Balkans.

The national SME Competitiveness Support Programmes, which run in parallel, allowed the deployment of EUR 50m via 2 PFIs in Kosovo* and 3 in North Macedonia at year-end 2018.

In 2019, under EDIF, an estimated further total lending volume of EUR 60m is expected to be signed with 6 PFIs across Western Balkans countries. Those deals will complement operations supported under the national programmes.

Lending component
provided by EBRD

Grant component
provided by EU



Pillar 04

Support Services

Expected benefits

The projects brought under the Advisory & Support Services Pillar to date, as well as the structure to be brought by the Pillar Manager, 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



Case Study

Own



FAST Platform

A flagship solution from Own which enables companies to create digital assets and launch private fundraising offerings

Own is a fast-growing financial services technology company with headquarters in Sarajevo. Its digital asset marketplace breaks down investment barriers to help companies get quicker, cheaper access to capital by connecting them with investors around the world.

In early 2019, the company was preparing to raise EUR 2m in a second financing round, and needed a strong strategy to protect the intellectual property and patented assets underpinning its business model.

Own's flagship solution is its FAST Platform, which enables companies to create digital assets and launch private fundraising offerings, in addition to managing their investor relationships online. This product is unique in the market, and Own planned a global product roll-out as part of its business development strategy.

The FAST Platform is built on a bespoke blockchain that Own has developed, and the team wanted more information on existing patents to understand whether they would have the freedom to operate as they intended on an international level. With this in mind, Own requested EIB Advisory support under the Western Balkan Enterprise Development and Innovation Facility. Advisors helped to develop a trade-secret strategy, reviewing all Own's non-disclosure agreements and employment contracts to determine how the company could legally make money out of information contained in its database. Own also asked for some intellectual property-related metrics that it could use in promotional materials targeting potential investors.

Under the support programme, Own worked with consulting firm ClearViewIP to develop the necessary tools. ClearViewIP helped the company create an intellectual property strategy and a roadmap for future developments. It also reviewed patents filed in the blockchain sector, identifying Own's closest competitors. Lastly, the consultant helped the company implement a policy for protecting trade secrets, providing guidance on the appropriate terms and conditions to use when collecting data.

Coordination, needs assessment and delivery of support services



The Joint Research Centre

EIB established close cooperation with the Joint Research Centre in an effort to coordinate development of support services implementing a Proof-of-Concept advisory scheme, aimed at providing much needed support in very early stage SME development. Preparation for the implementation consisted of identifying and contacting national partner institutions that will support the activity in their respective countries in the next year.

The Feasibility Study for Regional Centres of Excellence

The Feasibility Study for Regional Centres of Excellence had provided precise mapping of available facilities and human potential with the highest probability of achieving excellence in R&D and impact in innovation, within an eco-system of innovative SMEs, to support commercialisation of research. Following a benchmarking exercise, among the shortlisted institutions, INNOFEIT Centre at the University of Skopje was identified for further development. The consultancy to develop a Road Map for the development of the selected entity into a significant regional Centre of Excellence over a 3-year period was finalised in the first half of 2018, with specific goals and indicators of achievement.

Study on IP and Intangibles

The impact of the previously completed Study on IP and Intangibles was such that a second round of IP Strategy mentoring was launched in 2018, focusing even more on the mentorship activities to a wider range of SME clients, while still maintaining regional visibility through four Workshops. Light-touch mentorship was provided to 30 regional SMEs aimed at profiling and valuation of their intangibles portfolio for the scope of approaching financial intermediaries. The services provided included prior art searches, IP risk assessment, IP strategy advice, competitive landscape analysis, etc. Eight of the companies received further in-depth mentorship, where the development of an IP strategy was likely to benefit the company's future growth.

The Belgrade PAG meeting approved the launch of a new study entitled Prospective Analysis of the SME sector in the Western Balkans, for which the preparation is underway.

The coordination services were mostly focused on preparation work and reporting related to the semi-annual Support Services Working Party meetings (held in EIB's Brussels premises), which in turn serve as preparation for the semi-annual Platform Advisory Group (PAG) meetings. During 2018, the Platform Advisory Group meetings were held in Belgrade on June 26 and Luxembourg on December 5.

Overview of projects

EU REPARIS

The objective of EU REPARIS is to support implementation of corporate financial reporting frameworks in line with EU standards to promote enhanced availability, transparency and reliability of financial information.

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, expend and grow, and thus become genuine catalysts for their local economies.

Venture Capital and Investment Readiness

The Venture Capital Ecosystem aims to build a framework for the assessment of and recommendations for reforms and a tailored TA programme. Investment Readiness encompasses design, implementation and evaluation of the pilot Western Balkans MAP programme and generation of a pipeline of projects to be taken up by potential investors.

SME Policy Index

SME policies in the six Western Balkan economies and Turkey are regularly monitored through the SME Policy Index since 2006. It aims to improve entrepreneurship and domestic capacity to implement reforms relevant to SME competitiveness. Based on the Small Business Act for Europe, the assessment takes into account 10 dimensions, including innovation, access to finance and internationalisation.

EU-REPARIS

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CFRR 
Centre for Financial Reporting Reform



Economies



Project purpose

The objective of EU-REPARIS is to promote financial transparency and an improved business and investment climate by supporting implementation of corporate financial reporting frameworks in line with the EU standards in the countries of Southeast Europe.

Project status as at December 2018

- A Ministerial Conference on “Financial Information as a Catalyst for Integration” took place on 27 November with several regionally organized side events, including a meeting of EU REPARIS senior officials to discuss policy objectives.
- An Accounting and Auditing Education Community of Practice meeting with the participation of the International Federation of Accountants (IFAC) took place on 11 April 2018 and included related coverage on the IFAC Knowledge Gateway.
- A regional accounting education benchmarking study was completed as well as regionally organized, five-module Audit Training of Trainers program reaching educating 30 trainers in 10 institutions. This also included the development of case studies and learning materials.
- A Financial Reporting Community of Practice meeting took place on 26-27 April 2018 and a study on Audit Public Oversight Reporting was published thereafter.
- The empirical study on the linkages between quality financial reporting and cost of finance in Serbia has been finalized. Three workshops for SMEs were held in Nis, Novi Sad, and Belgrade.

Expected project outcomes

EU-REPARIS aims to support countries in comprehensive reforms of financial reporting frameworks. Sound financial reporting practices in line with international practices are promoted at the regulatory level, in the accounting profession and in the business community. Accounting and auditing laws are being more closely aligned with EU requirements and international standards, including through introduction and implementation of international financial reporting and auditing standards.

Case Study

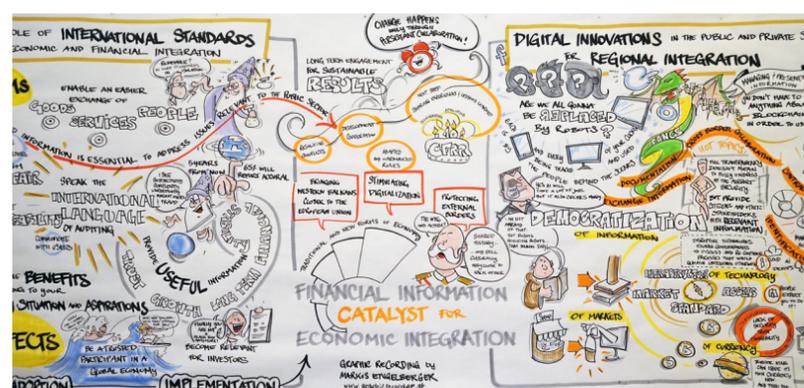
EU-REPARIS ministerial conference on “high-quality financial information & economic integration”

Read more about the conference



The 2018 Ministerial Conference was held on Tuesday, 27 November 2018 at the Hofburg Congress Centre in Vienna, Austria. Building on the successful 2016 Ministerial Conference and its theme “Catalyst for Growth”, the conference this time explored role financial reporting plays in economic integration.

The conference convened high level delegates, including ministers of finance, financial sector regulators, business leaders, professional and academic communities in Europe and Central Asia, and experts from key international and EU institutions. Participants explored how financial information can help mitigate risks and support economic integration, the role international accounting standards play in integrating capital markets, and the impact of technology on financial reporting.



Organized by the World Bank’s Centre for Financial Reporting Reform (CFRR) the event was hosted under the auspices of the Austrian Presidency of the Council of the European Union. The European Commissioner for European Neighbourhood Policy and Enlargement Negotiation, Johannes Hahn, addressed the audience with a video message, and

representing the EU Council Presidency, the Austrian Finance Minister addressed the audience.

Blog post
Sometimes overlooked, but essential - like good plumbing: Why accounting matters for development



An important element in the EU-REPARIS programme, the conference gathers policy makers and decisions makers for a regional discussion, and provides an opportunity to discuss jointly the progress made, to share important lessons and experiences regarding the implementation of reform, and to strengthen networks that have been established through the programme. Several regional side events geared to particular programme beneficiaries were organized and included policy discussions of deputy ministers of finance, a technical workshop for financial sector supervisors, and regional workshop for officials of finance ministries and other stakeholders. A blog post published in connection with the conference provided additional context on how transparency, accountability and trust are necessary to unlock market opportunities in emerging economies.

Venture Capital and Investment Readiness

Becoming ‘investment ready’: the path to success

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 2018

The World Bank team engaged on the Capital Markets reform agenda in Albania and North Macedonia, preparing an assessment of legislative gaps in the area of capital markets, including venture capital and private equity funds, and used EDIF resources to support the review of the assessment and further assistance for legislative change. Both activities will be completed by February 2019.

Phase 2 was launched in December 2018.

The team also finished with the internal review process for the Project Concept Note of Pioneers of the Balkans 2. Activities are expected to start in January 2019.

Expected project outcomes

The Venture Capital TA is expected to provide technical assistance in preparation of legislation and regulations improving the legal framework for VC in line with the EU *acquis communautaire*. The Investment Readiness Programme will help entrepreneurs become more investment ready and increase the likelihood of getting equity

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Advice for Small Businesses

Supporting enterprises with advice to best attract and utilise their investment

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Economies



Project purpose

The overall objective of EBRD Advice for Small Businesses (ASB) is to facilitate access to high quality business advice to SMEs which have high potential for growth, export and innovation including SMEs receiving financing under WB EDIF at the pre- and post-investment stage. The program also aims to provide an access to business and sector development activities, as well as trainings for local consultants. ASB combines advisory services with capacity building measures. All advisory services, provided under the programme have a cost share component in order to ensure sustainability of the intervention and retain beneficiary companies' commitment and ownership of the projects. The regional Advice for Small Businesses Programme under WB EDIF is complemented by smaller, but similar national programmes, which run in parallel in a synergetic way.

Project status as at December 2018

Under WB EDIF funding some 235 advisory projects have been supported during 2018 reporting period - 212 projects with local consultants and 23 projects with international advisers. Beneficiaries are well represented across all sectors, the majority operating in the food & beverages sector (21%). Some 138 projects under the EDIF programme were evaluated in 2018 (evaluation methodology based on the OECD DAC criteria): 88% of the evaluated projects have been rated as highly successful or successful. The total number of projects implemented since the inception of the Program under EDIF, is some 557 projects - 494 local consultancy and 63 international advisory.

Under WB EDIF, 30 market development activities were delivered until late 2018 - 18 trainings for consultants with over 251 local experts as trainees and 12 sector development activities gathering over 350 SMEs in total. Seven SMEs, supported also under WB EDIF, have become ENEF clients. 13 leading companies from all the countries in the WB region have reached the financing stage.

EBRD ASB is also complimentary with the newly established SME Lending Facility (Competitiveness Programme).

Expected project outcomes

Business advice and industry expertise will be primarily offered to SMEs in the region. Local providers of advice and consultancy services will receive professional development opportunities and industry know-how will be transferred to SMEs through the dissemination of best practices and successful business models. The programme will enter in its second phase to at the end of 2019.

Project purpose

Small Business Act for Europe contributes to private sector development in the Western Balkans, by monitoring the implementation of Small Business Act for Europe (SBA) principles and enhancing the capacity to implement reforms related SME competitiveness.

Project status as at December 2018

In the first half of 2018, the government and independent assessments were completed, and statistical data from the national statistical offices were collected. Eight reconciliation meetings were organised in the Western Balkans and Turkey, in close partnership with EC DG NEAR and EU delegations (March-June 2018). The meetings served as an opportunity to seek the views of a broad range of stakeholders on how SMEs are impacted by current policies, and what else can be done across different policy areas to improve SMEs' performance and competitiveness in both economies.

The OECD and the partner institutions (EBRD and European Training Foundation) embarked upon outlining the key findings of the assessment. Main achievements and ongoing challenges concerning SME policies were compiled and presented to the SBA Co-ordinator's meeting on July 12. The drafting process of the SME Policy Index 2019 Western Balkans and Turkey publication continued through the second half of 2018.

Moreover, the fourth regional policy dialogue meeting titled "SMEs in a green economy" was held in March 2018., focusing on policies facilitating smooth and successful transition of SMEs towards greener economy. In addition to experts from EU countries, who presented good practice examples, EC DG Environment presented the Commission's Green Action Plan for SMEs that could serve as a blueprint for the Western Balkans in improving SMEs' competitiveness while reducing environmental impact.

Expected project outcomes

The following outcomes are expected:

- the finalised assessment of the SBA principles' implementation and its key results under the SME Policy Index: Western Balkans and Turkey 2019 publication.
- enhanced capacity of the policy makers to design and implement better SME policies.

Small Business Act for Europe

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OECD
Organisation for Economic Co-operation and Development

Economies



The Small Business Act for Europe Assessment Interview



Marzena Kisielewska

Head of Division for South East Europe
OECD Global Relations Secretariat

The competitiveness of SMEs is essential for fostering growth and development in the Western Balkans. Speaking to Marzena Kisielewska, Head of Division for South East Europe in the OECD Global Relations Secretariat, we learn more about The Small Business Act for Europe Assessment and its implications for the region.

Can you tell us more about the Small Business Act for Europe assessment?

Reliable financial information is not easily available in the Western Balkans, nor widely understood or trusted. This impedes lending for growth, as well as foreign and local investment. EU REPARIS is addressing this issue on several fronts. We advise regulators and professional bodies, we support regulatory institutions that both monitor the performance of reporting entities and impose consequences and we

build the capacity of accountants to serve both compliance and broader business needs of their small and medium-sized enterprise (SME) clients. Ultimately, we seek to foster a business environment with more transparency and trust that will inspire confidence among regional and external lenders and investors concerned about investing in the Western Balkans.

How has the region evolved over the last years?

Governments in the Western Balkans have made significant strides over the past decade in building a more SME-friendly policy environment. The average time and cost of business registration in the Western Balkans are now comparable to those of OECD countries. Our data confirms that this has had a positive impact on levels of firm creation: between 2013-2016, the number of SMEs in the Western Balkans grew by 10% on average, compared to 6.8% in the EU.

Significant administrative reforms have already impacted positively on businesses. For example, electronic portals allowing businesses to complete various services on line, such as filing social security returns and pensions services. Given the limited human resources of SMEs, the positive impact of these reforms on businesses cannot be denied. All these developments represent tangible improvements for SMEs in the region, yet of course more remains to be done.

What are the main challenges of implementing policy reforms in the region?

Inherent challenges exist in the Western Balkans, as elsewhere. Firstly, implementing policy reforms requires the strong political will of governments. I believe that the prospect of moving closer to the EU, including possible membership, serves as powerful stimulus for governments across the region to step up their efforts.

However, successful implementation of policy reforms ultimately depends on the extent to which different stakeholders participate in the reform process. Without involving a wide range of players, such as civil society and the private sector, the likelihood of successful policy reforms diminishes. Our SBA assessment, for instance, revealed that governments do not always have a regular engagement with the private sector in cutting red tape and when developing and implementing new policies affecting SMEs.

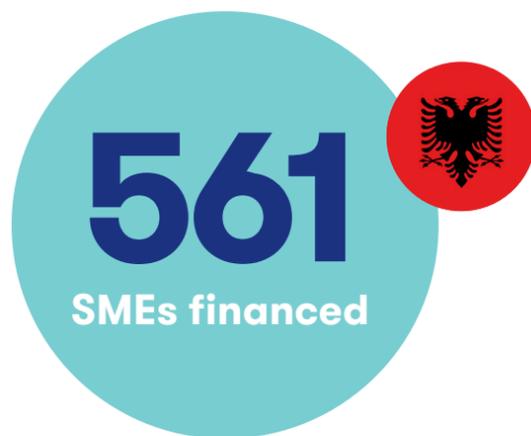
How does the programme complement EDIF?

Our work is very complementary to other EDIF activities in improving the SME ecosystem in the Western Balkans. Most EDIF activities aim to improve SMEs' access to finance, whereas our work promotes policy reforms that help create an environment for SMEs to thrive. In other words, we are helping policy makers improve the policy framework, that would support, amongst others, greater SME financing.

The Small Business Act for Europe Assessment has run in the Western Balkans since 2006. It covers six Western Balkan economies and Turkey.

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

Under the Guarantee Facility I, EIF signed a total portfolio of EUR 20m with ProCredit Bank Albania in December 2013. As of 31 December 2018, ProCredit Bank Sh.A. Albania was able to provide a total of EUR 19.67m of loans at preferential conditions to 464 SMEs in Albania for an average loan amount of EUR 38,400 and average maturity of four years.

Guarantee Facility II

Under the Guarantee Facility II, EIF signed an agreement with Raiffeisen Bank Sh.A. Albania for a total portfolio volume of EUR 17m in December 2016. As of 31 December 2018, Raiffeisen was able to provide a total of EUR 15.9m of loans at preferential conditions to 96 SMEs in Albania for an average loan amount of EUR 147,500 and average maturity of two 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.

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. In Albania (regional funds), one PFI has expressed interest in joining the Programme for an expected total lending volume of up to EUR 5m. This loan is expected to be signed in 2019.

Pillar 4 Support Services

Albania was the last beneficiary country to start utilising WB EDIF funding for **EBRD's Advice for Small Businesses (ASB)** in the second half of 2017. By the end of December 2018, using WB EDIF funds, it has provided advisory support through 64 projects - 58 local consultancy projects and 6 international advisory projects. In addition, two trainings for local consultants were organized which gathered 26 local experts. Two clients have joined EBRD's Blue Ribbon Programme, one of which has also become an ENEF client and signed a loan with the Bank and the other one is expected to receive finance from the Bank in the upcoming period.

The **Small Business Act (SBA)** assessment that is led by the **OECD** supported Albania in improving SME policy-making and enhancing the capacity of its policy makers to address related challenges. A number of policy-makers participated in various OECD events that helped them implement the recommendations under the last SBA Assessment in close co-operation with the private sector.

The **World Bank Investment Readiness** Programme team engaged on the Capital Markets reform agenda in Albania, preparing an assessment of legislative gaps in the area of capital markets, including venture capital and private equity funds, and used EDIF resources to support the review of the assessment and further assistance for legislative change.

Under the World Bank's **EU-REPARIS** programme, activities are primarily organized on a regional basis with regular participation of the various stakeholders of Albania. A separate stand-alone companion project partially developed under EU-REPARIS helps advance particular aspects of financial reporting reform. As part of select country-level activities, an initial assessment of SME financial management and governance capabilities was completed. Overall, in supporting a business and SME friendly environment and supportive ecosystem, alignment of legal frameworks with EU provisions, and the implementation of international standards is progressing. The capacity of the profession is improving. Public oversight has been implemented and oversight capacity is being established.

EIB consultants provided mentoring services targeting four Albanian companies for profiling and **valuation of the SMEs' intangibles portfolio** with the aim of approaching financial intermediaries and commercialisation of innovation, of which two SMEs received extended mentoring (developing for each SME a complete Intellectual Property Strategy and operating plan).

Breakdown by sector**



49%

Wholesale and retail trade
Repair of motor vehicles
and motorcycles



18%

Manufacturing



8%

Agriculture, forestry
and fishing

6.8% Construction

5.6% Transportation and storage

3.0% Accommodation and food service
activities

2.5% Other service activities

1.4% Electricity, gas, steam and air
conditioning supply

1.4% Human health and social work
activities

1.3% Professional, scientific
and technical activities

0.9% Information and Communication

0.6% Administrative and support service
activities

0.5% Mining and quarrying

0.2% Real estate activities

0.2% Activities of households as
employers; undifferentiated good
and services-producing activities
of households for own use

0.2% Public administration and defence;
compulsory social security

0.08% Education

0.06% Arts, entertainment
and recreation

**loans under the Guarantee Instruments.

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 1.37m to two 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.

The total committed via ENEF, including the EBRD's co-investment, in Bosnian companies amounts to EUR 2.74m.

Pillar 2 Guarantee Instruments

Guarantee Facility I

Under the Guarantee Facility I, EIF signed a total portfolio of EUR 20m with ProCredit Bank d.d. in December 2013. As of 31 December 2018, ProCredit Bank d.d. was able to provide a total of EUR 20m of loans at preferential conditions to over 142 SMEs in Bosnia and Herzegovina for an average loan amount of EUR 134,200 and average maturity of 4.2 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 Programme is supported by EU under IPA II (regional funds).

Following the signature on 20 December 2017 of the Delegation Agreement with the EU providing grant funding in support of the Programme, implementation activities commenced in Bosnia and Herzegovina in 2018. Two transactions totalling EUR 10m were signed with local PFIs UniCredit Bank Banja Luka and UniCredit Bank Mostar in December 2018. Each loan is tranching in two equal parts of EUR 2.5m. Further two transactions are expected to be signed in 2019 with a total lending volume of EUR 10m under the Programme.

At end 2018, UniCredit Bank Banja Luka had on-lent EUR 1m to one SME and together with UniCredit Bank Mostar have a total pipeline of EUR 3.26m of sub-loans expected to be signed in H1 2019 to support sub-projects.



Pillar 4 Support Services

The EBRD's Advice for Small Businesses (ASB) has provided advisory support to 91 projects in total, in order to help SMEs to develop and grow, enhance competitiveness and bankability: out of these, 12 were international advisory projects and 79 projects were supported through local consultancy. In addition to one sector development activity in the agribusiness sector, which gathered 20 local SMEs, ASB supported two trainings with 30 attendees in total, two workshops gathering 75 SMEs and three visibility events with more than 100 participants. Three companies have been accepted to the EBRD's Blue Ribbon Programme. Krajina Klas, EBRD's investee company and long-lasting ASB client, being the last addition to the Programme.

The Small Business Act (SBA) assessment that is led by the OECD supported Bosnia and Herzegovina in improving SME policy-making and enhancing the capacity of its policy makers to address related challenges. A number of policy-makers participated in various OECD events that helped them implement the recommendations under the last SBA Assessment in close co-operation with the private sector.

Under the World Bank's EU-REPARIS programme, activities are primarily organized on a regional basis with regular participation of the various stakeholders of BiH.

Overall, in supporting a business and SME friendly environment and supportive ecosystem, alignment of legal frameworks with EU provisions, and the implementation of international standards is progressing. The capacity of the profession is improving. Public oversight has been implemented and oversight capacity is being established.

EIB consultants provided mentoring services targeting three Bosnian companies for light-touch Intellectual Property mentoring including profiling and **valuation of the SMEs' intangibles portfolio** for the scope of approaching financial intermediaries and commercialisation of innovation.

Breakdown by sector**



38%

Wholesale and retail trade
Repair of motor vehicles
and motorcycles



32%

Manufacturing



13%

Transportation and storage

5.3% Agriculture, forestry
and fishing

2.5% Construction

2.3% Electricity, gas, steam and
air conditioning supply

1.7% Financial and insurance
activities

1.6% Human health and social
work activities

1.5% Information and
Communication

1.4% Administrative and support
service activities

0.3% Other service activities

0.2% Accommodation and food
service activities

0.1% Professional, scientific
and technical activities

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 5.53m to six companies:

- **Agrivi:** development and sales of the 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.

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 5m to one company:

- **Trgovacki Centar Max Stoja d.o.o. (ex - Pula Regeneration Centre):** retail and entertainment centre.

The total committed via ENEF, including the EBRD's co-investment, to Croatian companies amounts to EUR 10m.



Pillar 2 Guarantee Instruments

Guarantee Facility I

Under the Guarantee Facility I, EIF signed a total portfolio of EUR 20.00m with Raiffeisenbank Austria in April 2015. As of 31 December 2018, 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

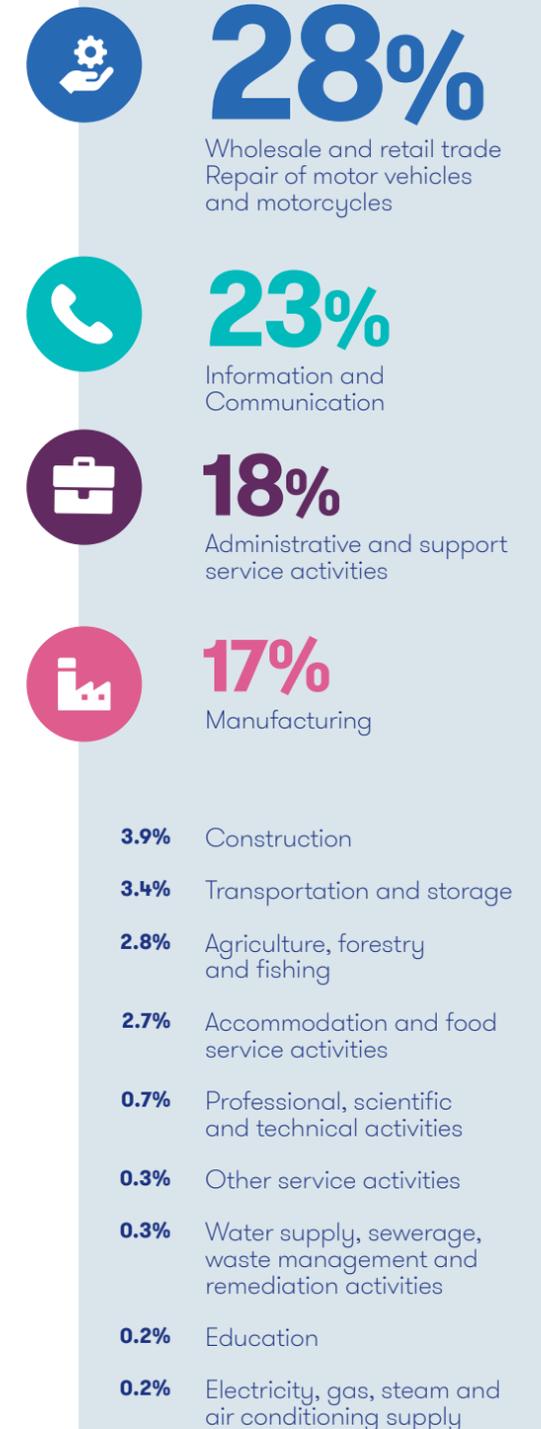
The EBRD's Advice for Small Businesses (ASB) in Croatia is supported outside of the WB EDIF platform.

The World Bank Investment Readiness Programme

"Pioneers of the Balkans" provided mentoring to entrepreneurs to help them get access to external sources of funding. Twenty-seven percent of the beneficiaries of the programme are from Croatia. In addition, 5 out of 7 winners from the semi-finals and 2 out of 4 entrepreneurs invited to negotiations to have access to Risk Capital come from Croatia.



Breakdown by sector**



**loans under the Guarantee Instruments.

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 4.86m 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 1.75m to one North Macedonian company:

- **Ceramat:** a leading producer of ice cream and other frozen goods in North Macedonia.
- The total committed via ENEF, including the EBRD’s co-investment, to North Macedonian companies’ amounts to EUR 3.5m.

Pillar 2 Guarantee Instruments

Guarantee Facility II

Under the Guarantee Facility II, EIF signed an agreement with ProCredit Bank AD Skopje for a total portfolio volume of EUR 10m in December 2016. As of 31 December 2018, ProCredit Bank AD Skopje was able to provide a total of EUR 10m of loans at preferential conditions to 53 SMEs in North Macedonia for an average loan amount of EUR 162,000 and average maturity of 4.5 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 North Macedonia, EU/EBRD SME Competitiveness Programme is supported by the EU under the IPA II (national funds). Following the signature with the EU on 21 December 2017 implementation activities commenced in 2018. Three transactions totalling EUR 25m were signed with local PFIs. Ohridska Banka signed a EUR 10m loan in June 2018 comprised of two tranches, Sparkasse Bank signed a EUR 10m in November 2018 comprised of three tranches and Komercijalna Banka Skopje signed a EUR 5m in December 2018 comprised of two tranches. It is expected that the EBRD lending target to local banks of EUR 30m will have been fully met by year-end 2019. Ohridska Banka and Sparkasse Bank have a total pipeline of EUR 1.98m of sub-loans expected to be signed in H1 2019 to support six sub-projects.

Pillar 4 Support Services

The EBRD’s Advice for Small Businesses (ASB)

has provided advisory support to 115 projects in total, helping SMEs in North Macedonia to grow, enhance competitiveness and bankability: out of these, 102 projects were implemented through local consultancy and 13 carried out through international advisory. Five training courses for consultants were held, with 63 local experts participating, one sector development activity gathering around 40 local SMEs and two high visibility events on FMCG gathering more than 400 attendees. Two high prospect companies have been accepted to the EBRD’s Blue Ribbon Programme and supported through advisory support. The long lasting ASB client, Ceramat, was also financed through ENEF.

The Small Business Act (SBA) assessment that is

led by the OECD supported North Macedonia in improving SME policy-making and enhancing the capacity of its policy makers to address related challenges. A number of policy-makers participated in various OECD events that helped them implement the recommendations under the last SBA Assessment in close co-operation with the private sector.

A candidate for Centre of Excellence status under the EIB’s study on Regional Centres of Excellence was identified in North Macedonia: the INNOFEIT initiative of the Faculty of Electrical Engineering Ss. Cyril and Methodus University Skopje. EIB consultants provided mentoring services targeting five companies in North Macedonia for light-touch Intellectual Property mentoring including profiling and valuation of the SMEs’ intangibles portfolio with the aim of approaching financial intermediaries and commercialisation of innovation, of which 3 SMEs received extended mentoring.

The World Bank Investment Readiness Programme started engagement with the Government for the legislative assessment of the private equity and venture capital funds in North Macedonia. The final assessment will be ready by end of February 2019. Under the World Bank’s EU-REPARIS programme, activities are primarily organized on a regional basis while as part of country-level activities, the results of the education benchmarking study were disseminated among key stakeholder groups, and policy actions discussed. In addition, the institutional assessment of the professional Institute for Accountants was delivered. Discussions with MoF on legal amendments continued.

Breakdown by sector**



33%

Wholesale and retail trade
Repair of motor vehicles
and motorcycles



30%

Information and
Communication



16%

Manufacturing

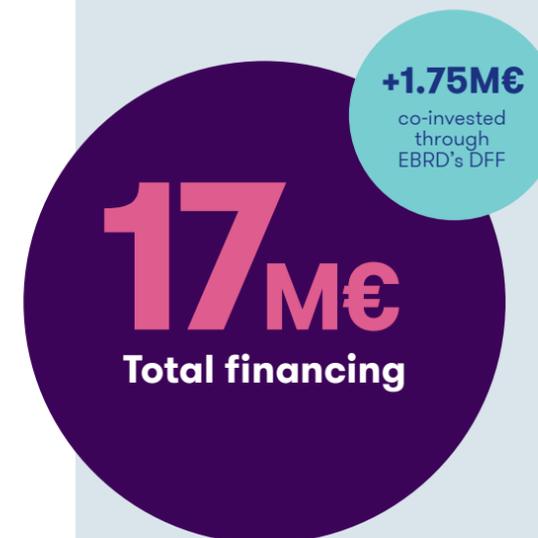
10% Transportation and storage

9% Construction

1.2% Agriculture, forestry
and fishing

0.7% Administrative and support
service activities

0.3% Professional, scientific
and technical activities



**loans under the Guarantee Instruments.



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 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 Kosovo* and to date has committed EUR 4.5m 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 9m.

Pillar 2 Guarantee Instruments

Guarantee Facility I

Under the Guarantee Facility I, EIF signed a total portfolio of EUR 20m with ProCredit Bank Sh.A in Kosovo* in December 2013. As of 31 December 2018, 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 average maturity of 3.4 years.

Guarantee Facility II

Under the Guarantee Facility II, EIF also signed an agreement with ProCredit Bank Sh.A in Kosovo* for a total portfolio volume of EUR 35m in December 2016. As of 31 December 2018, ProCredit Bank Sh.A. Kosovo was able to provide a total of EUR 34.69m of loans at preferential conditions to 318 SMEs in Kosovo* for an average loan amount of EUR 94,900 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 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 Kosovo*, the EU/EBRD SME Competitiveness Programme is supported by EU under the IPA II (national funds).

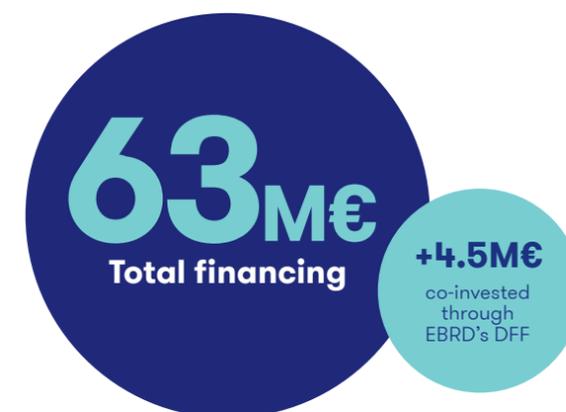
Following the signature on 20 December 2017 of the Delegation Agreement with the EU providing grant funding in support of the Programme, implementation activities commenced in Kosovo* in 2018. Two transactions totalling EUR 25m were signed with local PFIs in 2018 under the Programme. Banka Per Biznes signed a EUR 5m loan in November 2018 comprised of two tranches and Procredit Bank signed a EUR 20m in December 2018 comprised of three tranches. The EBRD lending target of EUR 24m for Kosovo* has already been met and exceeded in 2018.

Banka per Biznes on-lent EUR 1.49m to SMEs for the benefit of four projects as of 31 December 2018 and has a pipeline totalling EUR 2.1m of sub-loans are expected to be signed in H1 2019.

Pillar 4 Support Services

The EBRD's Advice for Small Businesses (ASB) has provided advisory support to 59 projects in total, in order to help SMEs in Kosovo* grow, enhance competitiveness and bankability: out of these, 51 projects were implemented through local consultancy projects and eight with international advisers. In addition, five training courses for consultants were held, gathering 87 local experts, one training for SMEs with 18 trainees, two conferences with more than 400 attendees and two sector development activities gathering over 70 local SMEs in total. Two clients have joined EBRD's Blue Ribbon Programme, and both have also become ENEF clients and signed a loan with the Bank.

The Small Business Act (SBA) assessment that is led by the OECD supported Kosovo* in improving SME policy-making and enhancing the capacity of its policy makers to address related challenges. A number of policy-makers participated in various OECD events that helped them implement the recommendations under the last SBA Assessment in close co-operation with the private sector. EIB consultants provided mentoring services targeting four companies for light-touch Intellectual Property mentoring including profiling and valuation of the SMEs' intangibles portfolio with the aim of approaching financial intermediaries and commercialisation of innovation, of which one SME received extended mentoring (developing a complete Intellectual Property Strategy and operating plan). Under the World Bank's EU-REPARIS programme, activities are organized on a regional basis with regular participation of the various stakeholders of Kosovo*. A separate companion project partially developed under EU-REPARIS helps advance particular aspects of financial reporting reform. Overall, in supporting a business and SME friendly environment and supportive ecosystem, alignment of legal frameworks with EU provisions, and the implementation of international standards is progressing. The capacity of the profession is improving. Public oversight has been implemented and oversight capacity is being established.



Breakdown by sector**



55%

Wholesale and retail trade
Repair of motor vehicles
and motorcycles



23%

Manufacturing



7%

Construction

- 3.4%** Agriculture, forestry and fishing
- 2.7%** Accommodation and food service activities
- 1.8%** Professional, scientific and technical activities
- 1.3%** Administrative and support service activities
- 1.3%** Transportation and storage
- 1.3%** Information and Communication
- 1%** Human health and social work activities
- 1%** Education
- 0.4%** Water supply, sewerage, waste management and remediation activities
- 0.4%** Electricity, gas, steam and air conditioning supply
- 0.4%** Mining and quarrying
- 0.1%** Other service activities
- 0.1%** Financial and insurance activities
- 0.08%** Arts, entertainment and recreation

**loans under the Guarantee Instruments.

Montenegro

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 300k to one company:

- **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.

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. As of 31 December 2018, 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 2.3 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 2018, 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 2.2 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.

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 Montenegro, the EU/EBRD SME Competitiveness Programme is supported by EU under the IPA II (regional funds).

In Montenegro, one PFI has expressed its interest in joining the Programme and receiving a loan of up to EUR 5m under the Programme.

Pillar 4 Support Services

The EBRD's **Advice for Small Businesses (ASB)** has provided advisory support to 54 projects in total in order to help SMEs in Montenegro grow, enhance competitiveness and bankability. Out of these, 51 projects were supported through local consultancy and three with international advisers. In addition, two training courses for consultants were held, with more than 20 local experts as trainees as well as two trainings for SMEs gathering some 50 participants. One company has been accepted to the EBRD's Blue Ribbon Programme.

The **Small Business Act (SBA)** assessment that is led by the OECD supported Montenegro in improving SME policy-making and enhancing the capacity of its policy makers to address related challenges. A number of policy-makers participated in various OECD events that helped them implement the recommendations under the last SBA Assessment in close co-operation with the private sector.

EIB consultants provided mentoring services targeting two Montenegrin companies for light-touch Intellectual Property mentoring, including profiling and **valuation of the SMEs' intangibles portfolio** for the scope of approaching financial intermediaries and commercialisation of innovation.

Under the World Bank's **EU-REPARIS** programme, activities are primarily organized on a regional basis with regular participation of the various stakeholders of Montenegro.

As part of country-level activities, the Ministry of Finance was supported in the area of quality assurance, development of tools and guidance.

Overall, in supporting a business and SME friendly environment and supportive ecosystem, alignment of legal frameworks with EU provisions, and the implementation of international standards is progressing. The capacity of the profession is improving. Public oversight has been implemented and oversight capacity is being established

Breakdown by sector**



47%

Wholesale and retail trade
Repair of motor vehicles
and motorcycles



10%

Manufacturing



9.9%

Construction

9.6% Accommodation and food service activities

9.5% Transportation and storage

3.8% Professional, scientific and technical activities

2.7% Agriculture, forestry and fishing

1.6% Administrative and support service activities

1% Water supply, sewerage, waste management and remediation activities

1% Information and Communication

1% Mining and quarrying

0.8% Other service activities

0.7% Real estate activities

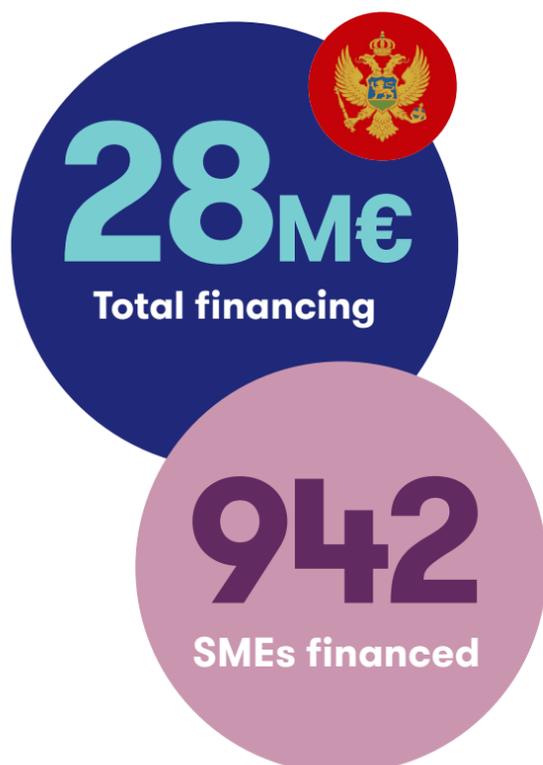
0.9% Other service activities

0.5% Human health and social work activities

0.2% Arts, entertainment and recreation

0.1% Education

**loans under the Guarantee Instruments.



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 8.97m to 10 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.
- **Content Insights:** a company providing software to help web editors.
- **Agremo:** an analysis platform for better crop management.
- **ConveyIQ:** 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 1.96m in three companies:

- **Delmax:** a truck and car parts distributor and retailer
- **Gomma line:** a producer of rubber and plastic parts for the automotive industry
- **BG Reklam:** a company designing, developing and manufacturing permanent point-of-sale materials

The total committed via ENEF, including the EBRD's co-investment, in Serbian companies amounts to EUR 3.92m.

Pillar 2 Guarantee Instruments

Guarantee Facility I

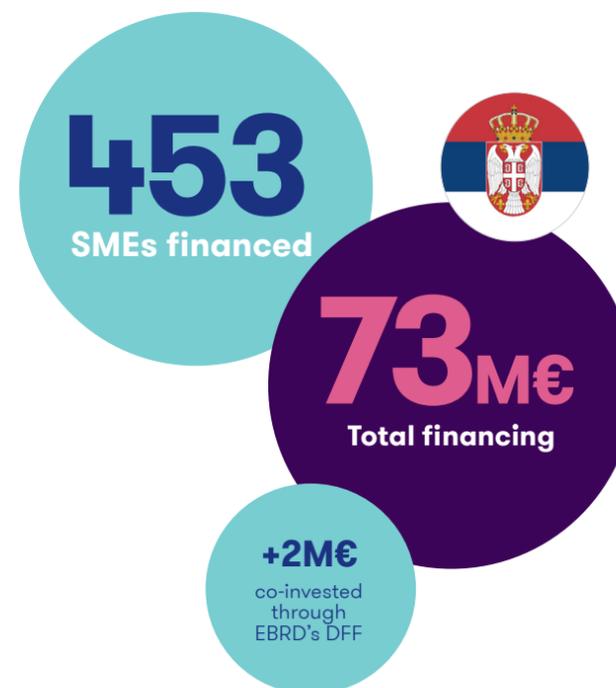
Under the Guarantee Facility I, EIF signed a total portfolio of EUR 30.00m with UniCredit Bank Serbia JSC Belgrade in August 2014. As of 31 December 2018, UniCredit Bank Serbia JSC Belgrade was able to provide a total of EUR 29.56m of loans at preferential conditions to over 253 SMEs in Serbia for an average loan amount of EUR 106,700 and average maturity of 2.3 years.

Guarantee Facility II

Under the Guarantee Facility II, EIF signed an agreement with ProCredit Bank a.d. Belgrade for a total portfolio volume of EUR 25m in December 2016. As of 31 December 2018, ProCredit Bank a.d. Belgrade was able to provide a total of EUR 25m of loans at preferential conditions to over 143 SMEs in Serbia for an average loan amount of EUR 158,200 and average maturity of 3.9 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

Under the 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 4.54m of loans at preferential conditions to over 22 SMEs in Serbia for an average loan amount of EUR 206,200 and average maturity of 3.4 years. Raiffeisen Bank Serbia was able to provide a total of EUR 2.87m of loans at preferential conditions to over 22 SMEs in Serbia for an average loan amount of EUR 130,600 and average maturity of 3.5 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 Serbia, the EU/EBRD SME Competitiveness Programme is supported by EU under the IPA II (regional funds).

Three transactions are expected to be signed in 2019 with two local PFIs with a total lending volume of EUR 40m under the Programme.

Pillar 4 Support Services

By end of December 2018, the **EBRD's Advice for Small Businesses (ASB)** has provided advisory support to 175 projects in total, helping SMEs in Serbia to grow, enhance competitiveness and bankability. Out of these, 153 projects were supported using local consultants while 22 were implemented through international advisory projects. In addition, four training courses for consultants were held, with 63 local experts participating, and four sector development activities, gathering over 180 local SMEs in total. Three companies have been accepted to the EBRD's Blue Ribbon Programme one of which also benefits from ENEF financing (the remaining two are under discussion). The two investee companies financed through ENEF have also been supported through ASB.

Under the World Bank's **EU-REPARIS** programme, activities are primarily organized on a regional basis with regular participation of the various stakeholders of Serbia. A separate stand-alone companion project partially developed under EU-REPARIS helps advance particular aspects of financial reporting reform. As part of the EU-REPARIS, select country-level activities were implemented. These included workshops with SMEs in collaboration with the Chamber of Commerce, to share insights from a SME survey and discussions with six major banks operating in Serbia. Additionally, an initial assessment of SME financial management and governance capabilities was completed.

Overall, in supporting a business and SME friendly environment and supportive ecosystem, alignment of legal frameworks with EU provisions, and the implementation of international standards is progressing. The capacity of the profession is improving. Public oversight has been implemented and oversight capacity is being established.

The Small Business Act (SBA) assessment that is led by the OECD supported Serbia in improving SME policy-making and enhancing the capacity of its policy makers to address related challenges. A number of policy-makers participated in various OECD events that helped them implement the recommendations under the last SBA Assessment in close co-operation with the private sector.

EIB consultants provided mentoring services targeting 12 Serbian companies for light-touch Intellectual Property mentoring including profiling and **valuation of the SMEs' intangibles portfolio** with the aim of approaching financial intermediaries and commercialisation of innovation, of which two SMEs received extended mentoring (developing for each SME a complete Intellectual Property Strategy and operating plan).

Breakdown by sector**



35%

Manufacturing



23%

Wholesale and retail trade
Repair of motor vehicles
and motorcycles



16%

Information and
Communication

- 10%** Agriculture, forestry and fishing
- 6.4%** Transportation and storage
- 3.5%** Construction
- 2.5%** Administrative and support service activities
- 2.4%** Professional, scientific and technical activities
- 0.8%** Accommodation and food service activities
- 0.5%** Water supply, sewerage, waste management and remediation activities
- 0.4%** Real estate activities
- 0.2%** Education
- 0.05%** Other service activities
- 0.03%** Human health and social work activities
- 0.01%** Mining and Quarrying

**loans under the Guarantee Instruments.

To find out more, please visit
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