



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

### **MULTI-COUNTRY**

EU support to SMEs through EBRD Advice for Small Businesses and EU-REPARIS under the Western Balkan Enterprise Development and Innovation Facility (WB EDIF)

#### **Action summary**

The Western Balkans Enterprise Development and Innovation Facility (EDIF) was launched in December 2012 in response to the demand for enhanced private sector financing in the region, in particular for the innovative and high-potential SMEs. WB EDIF has equity, lending and guarantee instruments, as well as capacity building programmes to support their absorption.

The current action aims to provide possibility for phase II of 2 main technical assistance programmes under the facility- the EBRD's Advise for Small Businesses and the World Bank Group EU REPARIS programme.

The initiatives aim to enhance the entrepreneurial capacity of the companies in the region in order to help them to get out of the shadow economy, become competitive, align with the EU *acquis*, access finance and run business. The action supports the implementation of the Western Balkans strategy - Flagship 3 – supporting socio-economic development, as well as the regional economic integration.

<b>Action Identification</b>			
<b>Action Programme Title</b>	IPA II Multi-country Action Programme 2019		
<b>Action Title</b>	EU support to SMEs through EBRD Advice for Small Businesses and EU-REPARIS under the Western Balkan Enterprise Development and Innovation Facility (WB EDIF)		
<b>Action ID</b>	IPA 2019/040-826.05/MC/SMEs-REPARIS_under EDIF		
<b>Sector Information</b>			
<b>IPA II Sector</b>	9. Regional and territorial cooperation		
<b>DAC Sector</b>	32130 – SME development		
<b>Budget</b>			
<b>Total cost</b>	EUR 20 million		
<b>EU contribution</b>	EUR 20 million		
<b>Budget line(s)</b>	22.020401- Multi-country programmes, regional integration and territorial cooperation		
<b>Management and Implementation</b>			
<b>Management mode</b>	Indirect management		
<i>Indirect management:</i>	World Bank Group (WBG) – component 1		
<b>Entrusted entity</b>	European Bank for Reconstruction and Development (EBRD) – component 2		
<b>Implementation responsibilities</b>	Directorate-General for Neighbourhood and Enlargement Negotiations– Unit D.5 Regional Cooperation and Programmes		
<b>Location</b>			
<b>Zone benefiting from the action</b>	Western Balkans (Albania, Bosnia and Herzegovina, Kosovo*, Montenegro, North Macedonia, Serbia)		
<b>Specific implementation area(s)</b>	N/A		
<b>Timeline</b>			
<b>Final date for contracting including the conclusion of delegation agreements</b>	At the latest by 31 December 2020		
<b>Indicative operational implementation period</b>	72 months from the adoption of the Financing Decision		
<b>Policy objectives / Markers (DAC form)</b>			
<b>General policy objective</b>	<b>Not targeted</b>	<b>Significant objective</b>	<b>Main objective</b>
Participation development/good governance	<input type="checkbox"/>	X	<input type="checkbox"/>
Aid to environment	X	<input type="checkbox"/>	<input type="checkbox"/>

\* This designation 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.

Gender equality (including Women In Development)	<input type="checkbox"/>	X	<input type="checkbox"/>
Trade Development	<input type="checkbox"/>	<input type="checkbox"/>	X
Reproductive, Maternal, New born and child health	X	<input type="checkbox"/>	<input type="checkbox"/>
<b>RIO Convention markers</b>	<b>Not targeted</b>	<b>Significant objective</b>	<b>Main objective</b>
Biological diversity	X	<input type="checkbox"/>	<input type="checkbox"/>
Combat desertification	X	<input type="checkbox"/>	<input type="checkbox"/>
Climate change mitigation	X	<input type="checkbox"/>	<input type="checkbox"/>
Climate change adaptation	X	<input type="checkbox"/>	<input type="checkbox"/>

## 1. RATIONALE

### PROBLEM AND STAKEHOLDER ANALYSIS

SMEs in the Western Balkans are fundamental for economic growth and job creation. Across the region, on average, these enterprises account for over half of value added and generate between 60% and 80% of total employment. However, as the Western Balkans move closer to the European Union, the private sector is encountering both new opportunities and competitive challenges. Despite numerous efforts, private sector development is generally constrained by low level of efficiency and limited value added. Main challenges the SMEs are facing are: lack of product development and innovation, lack of access to affordable finance, lack of skills and available advice to run more effectively their businesses, including in areas such as cash and financial management. All those deficiencies are related to the existence of a large “informal” sector of enterprises competing without paying taxes or incurring other costs of the official economy. Limitation in management capacity and corporate governance standards, in particular related to financial management, is one of the major impediments to private sector growth.

Investors and lenders, both foreign and domestic, deem many enterprises not to be “investment or credit ready,” because of their inadequate or non-existent business planning and processes, accounting practices or book keeping etc.

Additionally, while most of the Western Balkans have made very good progress in aligning their laws and standards with the EU *acquis*, some gaps remain, and more importantly, the work of building effective and regionally coordinating institutions and capacity to implement these laws and standards is at an early stage.

There is also a need to promote women’s participation in business in the region by enabling SMEs led by women to access the finance and know-how. The action will try, whenever relevant, to take this issue into account.

### OUTLINE OF IPA II ASSISTANCE

The Western Balkan Enterprise Development and Innovation Facility (WB EDIF) was launched in 2011 as a platform to foster economic development and access to finance of small- and medium-sized enterprises (SMEs) in the region. WB EDIF offers a variety of financing instruments, including the provision of early-stage financing, expansion capital, a guarantee facility, a lending programme and a facility for technical assistance/support services to enable regulatory reforms in the area, as well as to build up the capacities of SMEs<sup>1</sup>.

The two proposed components under this programme aim at providing a coherent response to the market failures mentioned above, as well as to ensure sustainability of EDIF and continuity in its programmes. The focus is on the continuation of the successful activities under the platform that will complement the array of instruments and products that are in the disposal of SMEs as to collectively enhance the access to finance, the job creation and the growth in the region.

**Component 1. The EU REPARIS programme:** this is a phase II of an ongoing regional programme implemented under WB EDIF. The objective of the activities to be run is to build robust accountancy profession, comprised of competent and ethical professionals that can help create an enabling environment for SME growth in the Western Balkans. To achieve this potential, the Western Balkan accountancy profession needs to overcome its present capacity challenges in critical areas. The main expected activities are:

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<sup>1</sup> EDIF Pillars include: the Enterprise Innovation Fund (ENIF), the Enterprise Expansion Fund (ENEF), the Guarantee Facility, the Competitiveness Programme- lending and the Support Services Pillar.

- **equipping accountants** to provide broad business advice to the SME sector;
- continuing the work of **building the standards, institutions and practices** of financial transparency in the region.

The expected results are: SMEs will improve their accountancy and financial management and thus become competitive but also resilient to common impediments to growth; on the other hand the capital and landing markets could develop by having companies and professionals able to take advantage of the opportunities they offer.

**Component 2. The Advice for Small Businesses Programme (ASB programme), implemented by the European Bank for Reconstruction and Development (EBRD):** this is phase II of an ongoing regional programme implemented under WB EDIF which runs in parallel with national envelopes. The proposed regional action aims at complementing the national one by introducing the possibility for exchange of good practice between economies, use of common approaches and cooperation. The Facility will be designed to help enterprises improve their competitiveness, strengthen human capital and expertise, introduce new and innovative technologies and business processes and thereby prepare companies to obtain finance, which will take them to the next level. The action will envisage the following main activities:

- **Business advice and industry expertise provided to enterprises, as well as value chains and clusters of enterprises:** Local consultancy and international advisory provided to enterprises to improve their business performance and competitiveness, as well as enhance their capacities in order to attract finance and absorb and utilise investment;
- **Market development activities** to build and improve capacity of local consultants improving the quality and supply of local business advisory services;
- **Knowledge-transfer** to SMEs and their executives via seminars, workshops, trainings, sector development activities and visibility events. Priority areas will include finance, corporate governance and sector expertise;
- **Work with** potential partner institutions with SME mandate to be involved in joint activities under the action.

The expected results are: 800 tailored made advisory projects; 12 trainings for local consultants to increase the quality of their services; at least 6 events for entrepreneurs and managers to disseminate sector and management best practices; up to 12 activities jointly implemented with local institution to strengthen SME support structure.

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

EU internal and external investments are focussing on the partnerships between public and private sectors as a precondition for more investment projects, sustainable prosperity and job creation. Private sector development, as part of the economic reform processes in the Western Balkans, continues thus being a priority for the Commission. The last report on the "Enlargement package"<sup>2</sup> also reiterated that the enlargement is also an investment space and more needs to be done on the investment climate in the Western Balkans through the deepening of a Regional Economic Area that aims to remove obstacles to trade, mobility and investment across the region.

The action is entirely in line with the EU Enlargement Strategy and also supports the implementation of the SEE 2020 Strategy as it improves competitiveness of SMEs as well as the overall business and investment environment.

The revised Multi-country Indicative Strategy Paper 2014-2020<sup>3</sup> (hereafter referred to as Strategy Paper) states that the region is facing a significant challenge in ensuring that new jobs accompany the forecast growth. And that this will first and foremost require substantial private sector development in order to better include the economies into global and European value chains. The Strategy paper also stresses that

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<sup>2</sup> 2018 Communication on EU Enlargement Policy, [https://ec.europa.eu/neighbourhood-enlargement/sites/near/files/20180417\\_strategy\\_paper\\_en.pdf](https://ec.europa.eu/neighbourhood-enlargement/sites/near/files/20180417_strategy_paper_en.pdf)

<sup>3</sup> C(2018) 3442 final, 31.05.2018.

investments are particularly needed to create a favourable business climate for small and medium-size, innovative enterprises and for improving access to finance. The governments need to facilitate their growth through improvements in the business and investment regulatory environment including supporting the ability of businesses to compete and innovate, the Strategy Paper underlines that EDIF provides for a comprehensive set of complementary measures at regional level to improve access to finance for SMEs and to foster economic development in the Western Balkans.

Through this programme for WB EDIF will continue with the implementation and further financing of some of its existing and successful activities while also adding new elements linked to local ownership and regional integration.

The action is directly contributing to the efforts to achieve the objectives of the one of the six flagships initiatives outlined in the - European Commission communication “*A credible enlargement perspective for and enhanced EU engagement with the Western Balkans*”<sup>4</sup> the one dedicated to socio-economic development of the region. Indirectly, by supporting regional approaches, regional collaboration, and exchange of good practices, the action also contributes to the objectives of the strategy linked to reconciliation and good neighbourly relations.

The action also supports the implementation of the plan linked to the Western Balkans Regional Economic Area and more concretely the efforts to develop an area where goods, services, investments and skilled workers can move without obstacles. The two programmes will help the companies to attract potential investors in the region, will assist the emergence of the necessary preconditions for the creation of value chains across borders and boost the economic attractiveness, competitiveness and openness of the Western Balkans companies.

The action is also aligned with the priorities defined in the respective Economic Reform Programmes, and more concretely when it comes to creation of an SME-friendly business environment, promotion of an entrepreneurial culture and the raise of the competitiveness of SMEs in the regional market.

#### **LESSONS LEARNED AND LINK TO PREVIOUS FINANCIAL ASSISTANCE**

One of the key priorities in the region as it progresses towards the European path is to increase the competitiveness of local enterprises. Activities will build on the existing World Bank’s and EBRD’s SME programmes implemented under the WB EDIF. The proposed action constitutes therefore the second phase of the above mentioned programmes and this prolongation has been approved by WB EDIF platform in June 2017 in Stockholm, and confirmed in two consecutive meetings afterwards.

The proposed regional ASB programme should be even tighter coordinated with the national actions, in cooperation with the respective EU Delegations, the geographic units and throughout the planning and reporting process.

The primary lesson learned from the previous interventions has been that, while laws and institutions must be built at central level, technical assistance should be provided through regional knowledge-building and cooperation that builds links between key institutions and stakeholders in the Western Balkans. Individually, the Western Balkans economies are of a small scale and cannot succeed and prosper on their own, and many needed reforms, including in education and regulation, will be far more successful if substantial regional coordination and cooperation can be nurtured. Regionally delivered assistance can assist with the integration needed for success across the Western Balkans.

The action will build on the achievements so far by the two programmes, but with add more emphasis on support to regional coordination or integration of functions where possible. The action will also rely more on local ownership and try to build sustainable local expertise. There are measures included which will help to

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<sup>4</sup> COM(2018) 65 final, February 2018

transfer the knowledge and experience of the two financial Institutions implementing the programmes to the local competent bodies and institutions.

Lessons learned from first phase also include the fact that SMEs often require support that goes beyond financial assistance to increase competitiveness and growth. By combining access to finance and access to know-how, the two programmes will increase the reach in this area, offering more tailored assistance linked to the specific needs and stage of development of the target groups.

## 2. INTERVENTION LOGIC

### LOGICAL FRAMEWORK MATRIX

OVERALL OBJECTIVE	OBJECTIVELY VERIFIABLE INDICATORS (*)	SOURCES OF VERIFICATION	
To support the economic development and the private sector-led, integrated, sustainable and smart growth of the Western Balkans	<ul style="list-style-type: none"> <li>- Annual FDI inflow per capita</li> <li>- Volume of trade (Exports and imports) as percentage of GDP</li> <li>- Ranking of Western Balkans in the Global Competitiveness Report</li> </ul>	Eurostat, SEE 2020 Strategy Monitoring framework EBRD transition indicators WBG Doing Business report	
SPECIFIC OBJECTIVE	OBJECTIVELY VERIFIABLE INDICATORS (*)	SOURCES OF VERIFICATION	ASSUMPTIONS
To enhance the competitiveness of the SMEs in the Western Balkans and their integration to the regional, EU and global markets by complying with EU and international standards.	<ul style="list-style-type: none"> <li>Net enterprise creation (new business per year)</li> <li>Number of jobs created.</li> <li>Trading across borders (rank) from the WBG Doing business</li> </ul>	Eurostat SEE 2020 Strategy Monitoring framework EBRD transition indicators WBG Doing Business report	<ul style="list-style-type: none"> <li>Real commitment by beneficiaries to conduct the necessary reforms</li> <li>Political and economic stability in the region</li> </ul>
RESULTS	OBJECTIVELY VERIFIABLE INDICATORS (*)	SOURCES OF VERIFICATION	ASSUMPTIONS
<b>Result 1:</b> Strengthened regional and local ownership and capacity (of institutions, Professional Accounting Organizations, Business Support Organizations, organisations, institutions) to provide business advisory services, including for accountancy, financial reporting and auditing	<ul style="list-style-type: none"> <li>- Number of strengthened local institutions, enforcement mechanisms and processes of alignment with EU acquis improved, including the Accounting and Auditing directives;</li> <li>- Number of regional activities, networks and partnerships created;</li> <li>- Increased quality, demand and supply of business advisory services provided by local experts and organisations</li> <li>- number of small and medium-sized accounting practices (SMPs) and SMEs equipped with new skills, advisory and business support</li> </ul>	<ul style="list-style-type: none"> <li>Public records of enforcement actions and public inspection reports or summaries</li> <li>Reports delivered under WB EDIF</li> <li>Standard WBG and EBRD reporting</li> <li>Survey results of SMPs trained and from the SMEs assisted by the SMPs</li> </ul>	<ul style="list-style-type: none"> <li>- Normal take-up of the programmes offered;</li> <li>- Participating beneficiaries are committed to continue funding the regional activities. /The project will assist with this./</li> <li>- Financial institutions and relevant stakeholders are open and ready to cooperate in the action;</li> <li>- Responsiveness and commitment of entrepreneurs to enhance and grow their businesses and access finance</li> </ul>
<b>Result 2</b> Enhanced capacity of the Western Balkans SMEs to grow, expand and create jobs, by improving their financial and human resources management, innovation, access to finance, market development activities and networking.	<ul style="list-style-type: none"> <li>- Number of entrepreneurs that became investment ready or improved their business skills, compliance with the EU and international standards, know-how and investment readiness;</li> <li>- Number of beneficiaries that got access to external sources of funding – EDIF and others</li> <li>- New employment in client enterprises after project completion.</li> </ul>		<ul style="list-style-type: none"> <li>- Awareness of the enterprises about the needs of advice;</li> <li>- Selected consultants and industry experts perform according to expected standards;</li> <li>- SMEs and SMPs are willing to pay for business advisory after completion of the programmes</li> </ul>



## DESCRIPTION OF ACTIVITIES

### Component 1 - The EU REPARIS Programme includes three major activity streams:

**1. Developing a Sustainable Network of Support Providers for SMEs.** An existing body of practitioners who already support the SME sector in the Western Balkans - small and medium sized accounting practices (SMPs)- will be equipped to provide broader services to help SMEs (1) present more relevant and reliable financial information to access finance; (2) overcome common problems in financial management to improve their operations and grow, such as cash management, budgeting, business planning, and succession. Over time, these valuable services can then be offered to SMEs on a sustainable, fee-for-service basis. Results will be achieved through the following two coordinated efforts:

- **Training of Trainers:** building on phase I, this activity provides training sessions and tools for professional accounting organizations to train accountants in providing effective financial reporting support to SMEs and private sector enterprises. This helps professional accounting organizations (PAOs) provide assistance to the private sector, particularly high-potential SMEs, to create fundable business plans, raise finance, take advantage of fiscal and other incentives, and generate credible financial information that meets the needs of investors, lenders and guarantors. This also includes support for the implementation of international standards issued by the IAASB<sup>5</sup> and the quality assurance of auditors that are necessary for a credible information infrastructure underpinning SME private sector financing, as well as guidance and mentorship on transformational changes SMPs practice models.
- **Accountants for Growth (A4G):** This multifaceted effort will support a sustainable system for developing skills in SMPs to help their SME clients overcome common challenges to success and growth. It will include a landscape assessment in each relevant IPA II beneficiary, through surveys, stakeholder interviews, and research to assess financial management deficiencies and other constraints to SME growth; identify gaps in the business advisory market for SMEs; and assess capacity of PAOs to support their members serving SMEs, among other issues. SMEs and SMPs will be identified for targeted assistance, and a working group developed to oversee further activities. Work will then include (1) development of a Specialist SME Advisor Qualification for SMPs; (2) training on access to finance for accounting professionals; (3) an SMP Mentoring Program; (4) SMP Start-up assistance, particularly for women practitioners; (5) assistance for SMPs on use and implementation of software.

### 2. Facilitating Regional Collaboration and Integration:

- **Regional PAO Network.** direct support to Professional Accountancy Organizations (PAOs) of the Western Balkans particularly in the areas of: (i) accountancy education and professional development, (ii) supporting members who serve SMEs and (iii) outreach to business community, including Business Support Organizations (BSOs) and other users of financial information, (iv) discussion of potential mutual recognition of licensing, accreditation and CPD. In addition to face-to-face regional meetings and online / virtual meetings, the Network will engage in developing a (i) a shared database of resources such as educational and other materials.

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<sup>5</sup> International Auditing and Assurance Standards Board

- **Senior Officials Regional Engagement:** The activity aims to nurture continued reform momentum and facilitate greater regional cooperation and regulatory coordination by regularly engaging with senior officials and policy makers as they play a pivotal role in driving the reform agenda in the relevant IPA II beneficiary. Activities will include Ministerial conferences, annual Senior official workshops.
- 3. Developing the Institutional, Regulatory and Educational Environment:** development of conducive and appropriate institutional frameworks, regulatory environment and educational systems through a combination of knowledge transfer, and in-country technical assistance.
- **Regional Peer Learning Forum and Community of Practice:** In-depth technical learning activities help build technical understanding for reform and transfer relevant knowledge and content for implementation. Focus areas of learning are legal and institutional reform, alignment with prerequisites of the EU *acquis communautaire*, accounting education as well as international financial reporting standards in the area of financial sector regulation. Activities are to a large degree carried out with relevant EU and international bodies or expert organizations in the relevant fields and will include peer learning activities and experience sharing, workshops and virtual seminars. Target groups will include ministries of finance, academia, professional accountancy organizations, financial sector regulators and other relevant stakeholder groups.
  - **In-Country Implementation Support:** Support accounting and auditing reform at IPA II beneficiary level, helping with the implementation of institutional change, the preparation of projects, and financing of small and targeted technical assistance. There will be regular dialogue with the relevant authorities, typically focused on one or two priorities identified for a specific year. There will also be ongoing monitoring and evaluation.

All activities include dedicated publication(s) as analytical work, guides, case studies and awareness raising initiatives.

## **Component 2 - Advise for small businesses Programme (ASB Programme), implemented by EBRD**

EBRD will continue the provision of direct enterprise assistance under the WB EDIF and implement the envisaged second phase of Advice for Small Businesses with a replenishment of EUR 15 million. This amount would be matched with a further estimated EUR 5 million in client contribution, and additional expenses by the EBRD.

### **1. Business advice and industry expertise provided to enterprises, as well as value chains and clusters of enterprises to improve their performance and serve as a catalyst for securing finance**

Depending on the needs of selected SMEs, the EBRD will provide either business advisory through local consultants or industry expertise through international advisors. For medium-sized companies with the potential to become market leaders, the EBRD will typically provide industry expertise through international industry experts, as well as continuous and comprehensive capacity building support. For smaller businesses that need specific types of know-how and technical knowledge, the EBRD will typically provide business advice delivered by local consultants through narrowly focused, specific projects. In order to provide for greater impact EBRD will work with value chains and clusters as per the industry or theme.

The EBRD will further assess company's needs for external finance and will assist with investment preparation and planning. The EBRD will encourage utilisation of national and regional funding instruments, in particular the WB EDIF, but also other partners such as EBRD-supported financial intermediaries.

In order to qualify for assistance, interested enterprises must adhere to the following eligibility criteria:

- Size: up to 250 employees for projects with local consultants or international advisers; for a limited number of enterprises the number of employees can be higher for both local consultancy and international advisory projects
- Ownership: Be privately owned and majority locally owned. On an exceptional basis enterprises that are in the process to be privatized. It can be foreign ownership when working with aggregators with spill over effect on SMEs (value chain) or training centres for training skilled labour force.
- Area of activity: All activities except military products or services, gambling and tobacco in line with ERBD policies. Industry sectors may also be ruled out if the respective EBRD country strategies specifically excludes them from the EBRD's operations
- Maturity: At least 2 years of successful operation, but exceptions may be considered for enterprises assisted through the WB EDIF Enterprise Innovation Fund (ENIF) or similar
- Management commitment: Management must be open and committed to the assistance and achieving agreed objectives, and willing to contribute to the cost of the project
- Integrity: Enterprise and management are credible and respectable, and must comply with EBRD integrity procedures. There must not be any previous or ongoing legal proceedings which may affect the implementation of the project or constitute reputational risk to the EBRD
- Viability: Be able to demonstrate further potential for growth in terms of having a competitive advantage, be able to demonstrate profitability, and have sufficient financial and operational resources available for implementation and follow up of advisory services
- Experience with external consultancy services: The enterprise must have a genuine need for business advice and a capacity to absorb the assistance.

**2. Market development activities implemented to improve the quality and supply of local business advisory services and to develop sustainable markets of local providers of advice and consultancy services**

The EBRD will undertake training activities for local consultants in order to contribute to the development of sustainable local business advisory services markets. Activities will include:

- Implementation of trainings targeting the capacity building of local consultants. In order to increase the quality of consultancy services and professionalism in the industry, the EBRD will develop and implement a suite of specific training curricula that will be offered to local consultants.
- Implementation of trainings for local consultants to increase their expertise and diversify the range of services available. Trainings will cover a range of specific topics, such as but not limited to financial management, export promotion and energy efficiency.

**3. Industry know-how transfer to SMEs through the dissemination of best practices and successful business models**

The EBRD aims to implement industry specific activities for entrepreneurs and managers under the action, aiming to disseminate sector best practices and innovative business tools. These activities will typically involve:

- Dissemination of best practices through seminars, workshops, training, sector development activities, business to business, and visibility events, to promote wider sector best practices
- SME seminars to train entrepreneurs and managers in financial management and best international accounting practices, and other relevant topics, or other events which will typically focus on addressing cross-cutting issues. All activities will be geared towards raising awareness and interest among potential beneficiaries and disseminate results, and the EBRD will seek to cooperate with local stakeholders, including the Chambers of commerce and WB EDIF partners in implementing these activities, as to leverage and build on their expertise.

**4. Work with local institutions with SME mandate on joint initiatives under the Action in order to share know-how**

The EBRD will endeavour to identify reliable local partners with the mandate, experience and competences in working with SMEs. Joint initiatives will be developed: trainings, curricula, analyses, database. EBRD will also set actions as to share know how with key local institutions and help them building capacity in providing business consultancy and advisory services. This activity will aim to improve the existing local market for SME advisory services as a form of an exit strategy for the programme when it comes the Western Balkans region.

## RISKS

<b>Risk Assessment categories</b>	<b>Description</b>	<b>Mitigation</b>
Political	A potentially unstable and unpredictable political environment. Reversal of governments' progress in aligning with the acquis Legal and administrative restrictions that may be imposed on private sector development	EBRD/WBG will stay in constant contact with other international organisations including the International Monetary Fund (IMF), local/regional authorities and organisations and the EU to understand and mitigate political and associated risks in the relevant IPA II beneficiary. Regular dialogue and exchange with high-level representatives and senior officials through high-level conferences, senior officials' workshops, etc.
Economic	Adverse external conditions (economic and/or political instability).	These factors will be monitored carefully throughout implementation to raise and address pertinent issues and developments.
Implementation	Lack of capacity within beneficiary entities Change in management/ ownership, and/or lack of management response. Unsatisfactory performance of engaged consultants. Lack of engagement and ownership (participation, commitment, and consensus must be secured)	Rigorous selection of beneficiaries and oversight of consultant selection The cost sharing mechanism ensures client commitment to the project. Grants are not paid until the consultants' final reports have been fully accepted. Cancel or reallocate activities/projects if necessary. Solid relations already built.
Sustainability	After the completion of activities, the benefits of increased capacity are not able to be sustained	It is assumed that as a result of the programme the involved organizations will improve their capacity and become able to support independently its members to serve the SMEs. The improved SME business support services and the increased general awareness in the ecosystem about the entrepreneurial capacity will also mitigate this risk.

## CONDITIONS FOR IMPLEMENTATION

The main condition that has to be in place for an effective and timely implementation of the action is related to the need of building consensus among main stakeholders (e.g., governments officials, donors, entrepreneurs, investors, business services providers and multilateral organizations) that the proposed programmes are key priority in the region.

Therefore, in order to maximise the impact of its intervention and leverage on synergies, the EBRD and the WBG will work closely with other relevant stakeholders in the SME sphere such as business organizations, donors, International Financial Institutions.

It should also be added that in parallel with the action the WBG and EBRD interact locally with policy-makers and larger business community, participate in different consultative process as to share legal and economic expertise on laws, regulations, strategies. This "beneficiary-based" engagement complements and strengthens the financing and advisory activities. There are significant opportunities to combine activities across beneficiaries to deliver a mutually reinforcing, integrated programmes that maximises value for money.

### **3. IMPLEMENTATION ARRANGEMENTS**

#### **ROLES AND RESPONSIBILITIES**

##### **Component 1 - EU REPARIS**

For development of a sustainable network of service providers for SMEs in the accounting professions of the relevant IPA II beneficiaries, the main stakeholders and roles are: (1) professional accountancy organizations, which will be equipped with materials and tools to develop skills of their members in SME advisory and support services; (2) BSOs, which will work in collaboration with PAOs where possible to provide the support; (3) select SMPs to receive mentoring and training; (4) select SMEs to receive targeted assistance and help improve the materials and services developed.

For better alignment with and implementation of the EU acquis in relevant areas, the main counterparts will be the Ministries of Finance (for legal and regulatory change) and audit oversight boards and chambers of auditors (for implementation of stronger quality assurance and enforcement).

##### **Component 2 - Regarding the Advice for Small Businesses**

The action will be implemented by dedicated local teams based in the EBRD Resident Offices in Albania, Bosnia and Herzegovina, Kosovo, Montenegro, North Macedonia, and Serbia, under the oversight of the EBRD ASB Head of Regional Programme based in Belgrade and the EBRD headquarters in London.

A smooth implementation and monitoring of the progress of the action, as well as coordination particularly with EU offices in respective beneficiaries will be ensured to harmonise with other actors' efforts. EBRD team as per request of EU Delegation in respective IPA II beneficiary may organize workshop with relevant inter-ministerial and business associations, once a year to coincide with the annual interim reporting, and present the progress of the action against objectives and ensure ownership and accountability at central level.

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

**Component 1-** The **EU REPARIS** programme will be implemented in indirect management with the WBG and technical assistance by staff of the World Bank's Centre for Financial Reporting Reform (CFRR), based on grant funding provided by the programme. This method of implementation has proved effective through the prior version of this programme, EU REPARIS, which involves similar stakeholders and some similar activities. An indicative amount of EUR 5 million is planned. The indicative duration of the agreement will be 48 months.

**Component 2 - The Advice for Small Businesses** will be implemented in indirect management with the EBRD with dedicated staff based at the EBRD Resident Office in each IPA II beneficiary, and additional support from the Regional Head and EBRD headquarters, ensuring a common overall approach to the management and monitoring of underlying activities. The EBRD applies a cost-share policy for all of its projects to ensure ownership and commitment of the beneficiary. Cost-share for projects with international industry experts in the WB EDIF IPA II beneficiaries is usually set between 10% and 20% of total project costs (calculated by establishing the project's local cost equivalent). For projects with local consultants a

graduation policy for grants is applied. A Grant Guideline Matrix will be set and reviewed annually to reflect the local business advisory services' market conditions. The grant percentage varies, depending on an assessment of the overall additionality of the project, and may be determined on the basis of the size of the beneficiary enterprise, its geographic location and the type of advisory service and when relevant, cross-cutting objectives.

The EBRD will be responsible for the implementation of the action, including the selection of beneficiaries for each activity, in compliance with the criteria described in Description of Activities. The EBRD accepts applications for assistance on a rolling basis. EBRD may publish a call for interest and use different channels of communication to reach out to companies. An indicative amount of EUR 15 million is planned. The indicative duration of the agreement will be 48 months.

## **4. PERFORMANCE MEASUREMENT**

### **METHODOLOGY FOR MONITORING (AND EVALUATION)**

Implementation is to be monitored through the EDIF existing governance arrangements: The semi-annual and annual WB EDIF reports provide information on overall progress of all programmes at the Platform level activities. Reporting is also provided regarding the national programmes running un parallel to this regional Action, where existing. This helps avoiding overlaps between IPA bilateral and IPA regional activities and increases synergies.

The European Commission may carry out a mid-term, a final or an ex-post evaluation for the actions proposed or their components- via independent consultants, through a joint mission, or an implementing partner. In case a mid-term or final evaluation is not foreseen, the European Commission may, during implementation, decide to undertake such an evaluation for duly justified reasons either on its own decision or on the initiative of the partner. The evaluations will be carried out as prescribed by the Directorate-General for Neighbourhood and Enlargement Negotiations Guidelines on linking planning/programming, monitoring and evaluation. In addition, the action might be subject to external monitoring in line with the European Commission rules and procedures.

Annual progress reports prepared under the project will include a description of the activities carried out, and additionally, reflect on the objectives, results and indicators set forth in the logical framework of this document.

In addition, regarding the EU REPARIS program, the progress will be reviewed annually through a formalized World Bank internal progress review chaired by the director responsible for the Western Balkans.

EBRD applies a well-established methodology that is frequently improved and enriched as new tools and mechanisms are developed every year based on lessons learnt and feedback from beneficiaries. Monitoring and evaluation practices (supported by an internally developed Management Information System) ensure consistent high quality of the technical assistance that action can provide.

## INDICATOR MEASUREMENT

Indicator <sup>6</sup>	Baseline (2010 + year)	Target 2020	Final Target (2023)	Source of information
<i>(i) Improved access to finance of the Western Balkans economies<sup>7</sup></i>	(ii) FDI inflows 5% of the GDP	(ii) FDI inflows 6% of GDP	FDI inflows 7% of the GDP	International data sources EUROSTAT) OECD Competitiveness Outlook framework SEE 2020 Strategy Monitoring Framework Doing Business reports
<p>(i) Number of strengthened local institutions, enforcement mechanisms and processes of alignment with EU <i>acquis</i> improved, including the Accounting and Auditing directives;</p> <p>(ii) Number of regional activities, networks and partnerships created;</p> <p>(iii) Increased quality, demand and supply of business advisory services provided by local experts and organisations</p> <p>(iv) number of small and medium-sized accounting practices (SMPs) and SMEs equipped with new skills, advisory and business support</p>	<p>(i) 30 institutions+</p> <p>(ii) 30 partnerships created</p> <p>(iii) 250 trained local experts</p>	<p>20</p> <p>(i) at least 4 local institutions created</p> <p>ii) at least 10 regional events organised and 5 partnerships created</p> <p>(ii) 250 trained local experts</p> <p>ii) minimum of 10 % of the projects are with local consults without previous engagement in similar activities</p> <p>(iii) increased quality and expertise of local advisory services with a min of 130 local consultants with improved skills</p> <p>(iii and iv) increased demand for local advisory project as seen by at least 25% of</p>	<p>(i) 30</p> <p>at least 6 local institutions created</p> <p>(ii) at least 15 regional events organised and 20 partnerships created</p> <p>(ii) trained local experts 300</p> <p>(ii) minimum of 20% of the projects are with local consults without previous engagement in similar activities</p> <p>increased quality and expertise of local advisory services with a min of 180 local consultants with improved skills (iii and</p>	<p>Action progress and final reports</p> <p>Consultant reports</p> <p>Reports to Steering Committee</p> <p>Annual and semi-annual reports</p>

<sup>6</sup> Whenever possible the data will be presented in gender-disaggregated way

<sup>7</sup> Eurostat, SEE2020





## **5. CROSS-CUTTING ISSUES**

### **GENDER MAINSTREAMING**

Development of women entrepreneurship has been identified as an engine for job creation and economic growth. In the Western Balkans, this source of business however, remains largely unused and female participation in the labour force remains limited. Promoting entrepreneurship and SME growth in the region, the action will, to the extent possible, address these limitations following the principles and practice of equal opportunities.

Gender mainstreaming will be envisaged, where applicable, as a cross-cutting issue. Decisions to finance projects have to be taken on objective eligibility criteria and quality standards. All activities will support equally men and women.

The action will try to introduce also gender specific reporting/data under the different actions, where relevant.

### **EQUAL OPPORTUNITIES**

Regarding the EU REPARIS programme, the accounting profession in the Western Balkans is generally reasonably gender-balanced, so balance in participation is anticipated. However, the WBG team will track participation by gender and take measures, including additional outreach and recruitment of women participants, if reasonable balance is not achieved in participation. To help assure balance, as a target the team will seek to assure that at least 40% of the start-up SMPs assisted will be either partly or entirely owned by women.

The Advice for Small Businesses programme seeks to promote equal opportunities by addressing underserved groups in the SME sector – such as female entrepreneurs, and entrepreneurs based outside major cities or displaced by conflict. In order to ensure effective outreach and to support such target groups which typically own very micro companies, EBRD might provide also advisory support to such SMEs as a group via their respective business/sector association (for ex. women entrepreneurs associations).

### **MINORITIES AND VULNERABLE GROUPS**

Not directly applicable.

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

EDIF is mostly addressed to the market participants (SMEs) directly or through the financial intermediaries in the region directly and address their problems related to access to finance, regulatory environment and availability of professional advisory services. During the implementation of the action, business representatives, regional and local associations and organisations from the region are consulted on a number of occasions and expressed their support to EDIF. The non state actors will be further involved through the EDIF communication and networking activities.

Main partners under the EU REPARIS programme are the professional accountancy organizations, which are private sector non-profit entities, in developing a sustainable network of SME support providers. The programme will also seek to include BSOs where feasible in each IAP II beneficiary in this same effort.

In addition, EBRD will explore possibilities to work with Western Balkans Association of Chambers of Commerce in respect to support to SMEs including policy dialogue for enabling business environment.

## **ENVIRONMENT AND CLIMATE CHANGE (AND IF RELEVANT DISASTER RESILIENCE)**

The action does not have environmental considerations *per se*, however through various activities, it will support SMEs to comply with relevant environmental regulations and promote energy efficient technologies and environmental protection, in line also with the EU *acquis*. The proposed Advice for Small Businesses programme, for example, will assist SMEs improving production capacities, enhancing processes and product quality through the introduction of EU standards, also in the field of environmental protection.

Climate action relevant budget allocation: EUR 0
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## **6. SUSTAINABILITY**

The action is part of a multi-annual undertaking with the implementation horizon until at least the end 2024.

The extension of the benefits and the results achieved through the activities undertaken is linked to a broader consensus-building effort to guarantee also follow-up clients' and donors' contributions, where needed. As package the programmes aim at supporting sustainable local capacity- ecosystems, entrepreneurship, business etc. The government of the IPA II beneficiaries, representatives of core policy-making organizations linked to the actions proposed, as well as representatives of the business community (entrepreneurs, investors, business facilitators) and donors are also involved in the consultation process.

The envisaged results contribute to achieving a coherent regional SME support scheme that aims at creating jobs, business activation, attracting knowledge and boosting economic development. The action will create a coordinated and more effective mix of services, including available finance and specific advice. Such sustainable system will help enterprises to overcome the challenges they are currently facing and strengthen their prospects for increasing productivity and raising their competitiveness in the global markets.

The action's activities aim developing a strengthened network of SME service providers which brings sustainability, because the enhanced skills imparted should enable providers to offer new and improved services. EBRD and the WBG are increasingly working to strengthen the institutional capacities of the SME support structure, including public sector institutions like SME agencies, regional development agencies, business associations, professional consulting and other business associations.

The various regional collaboration efforts through communities of practice are intended to create enduring relationships over time among stakeholders in the relevant IPA II beneficiaries who are engaged in similar activities and confront similar problems, which can be continued informally among them at no or little cost.

The assistance given for changing institutional and legal frameworks is closely aligned with the EU *acquis communautaire* and the process towards the European path, providing the necessary conditions for sustainability of implemented changes.

## **7. COMMUNICATION AND VISIBILITY**

Communication and visibility will be given high importance during the implementation of the action. The implementation of the communication activities shall be the responsibility of the various EDIF implementing partners under the respective agreements, and shall be funded from the amounts allocated to the action. The European Commission shall be fully informed of the planning and implementation of the specific visibility and communication activities, each of the components of the action but also through the Annual EDIF Communication and Visibility Plan.

All necessary measures will be taken to publicise the fact that the action has received funding from the EU in line with the EU communication and visibility requirements in force. All stakeholders and implementing

partners shall ensure the visibility of EU Financial assistance provided through IPA II throughout all phases of the programme cycle.

Visibility and communication actions shall demonstrate how the benefits of the intervention for the general public and its contribution to the agreed programme objectives and the accession process as well as the benefits of the action for the general public

Visibility and communication aspects shall be complementary to the activities implemented by the Directorate-General for Neighbourhood and Enlargement Negotiations and the EU Delegations in the field. The European Commission and the EU Delegations shall be fully informed of the planning and implementation of the specific visibility and communication activities.

It is envisioned that the implementing partners (EBRD and WBG) will prepare a communication plan for the their respective programmes, to be shared and updated from time to time in collaboration with Directorate-General for Neighbourhood and Enlargement Negotiations. The plans will also set agreed communication narrative and master messages customised for the different target audiences (stakeholders, civil society, general public, etc.).

Each programme will have at least one high-visibility intervention, like press conferences, roadshows, local community gatherings and regional workshops, as to promote the initiatives and foster EU and EDIF's visibility.

If feasible under the action, the effectiveness of communication activities could be measured inter alia through surveys or other tools regarding the awareness about the action and its objectives.