



INSTRUMENT FOR PRE-ACCESSION ASSISTANCE (IPA II)

2014-2020

MULTI-COUNTRY

Western Balkans Enterprise Development and Innovation Facility (EDIF) and European Fund for Southeast Europe (EFSE)

Action summary

The action responds to the demand for enhanced private sector financing, in particular for innovative and high-potential small and medium-sized enterprises (SMEs), through equity, lending, guarantees and capacity building programmes. The activities also targets entrepreneurship of the most vulnerable including women and youth through access to funding and training to support entrepreneurial spirit.

The action provides for the financing of phase II of the two EDIF equity funds for the region - one for start-ups and innovative companies and the other for more mature, expanding businesses. The action will also ensure EU funding for the EFSE Development Facility, as to maximize development finance impact and outreach for micro, small and medium-sized enterprises (MSEs).

The proposed initiatives work in synergy to enhance the entrepreneurial capacity of companies in the region and improve their access to finance, to allow companies to become more competitive, and to align with the EU *acquis*. In the context of the COVID-19 pandemic, these initiatives play an important role to support crisis adaptation and alleviation and are included in the Commission response outlined in the "Communication on the Global EU response to COVID-19". The action supports the implementation of the Western Balkans Strategy - Flagship 3 – supporting socio-economic development, as well as regional economic integration.

Action Identification	
Action Programme Title	IPA II Multi-country Action Programme 2020 – part 1
Action Title	Western Balkans Enterprise Development and Innovation Facility Development Facility (EDIF) and European Fund for Southeast Europe (EFSE)
Action ID	IPA 2020/041-818.01/MC/EDIF-EFSE
Sector Information	
IPA II Sector	9. Regional and territorial cooperation
DAC Sector	32130 - Small and medium-sized enterprises (SME) development
Budget	
Total cost	EUR 38 million
EU contribution	EUR 38 million (EUR 30 million EDIF + EUR 8 million EFSE)
Budget line(s)	22.020401 – Multi-country programmes, regional integration and territorial cooperation
Management and Implementation	
Method of implementation	Indirect management
<i>Indirect management:</i> Entrusted entity	Component 1: European Investment Fund (EIF) and the European Bank for Reconstruction and Development (EBRD) Component 2: Kreditanstalt für Wiederaufbau (KfW)
Implementation responsibilities	Directorate-General for Neighbourhood and Enlargement Negotiations – Unit D5 Western Balkans Regional Cooperation and Programmes
Location	
Zone benefiting from the action	Western Balkans (Republic of Albania, Bosnia and Herzegovina, Kosovo*, Montenegro, Republic of North Macedonia, and Republic of Serbia)
Specific implementation area(s)	N/A
Timeline	
Final date for contracting including the conclusion of contribution/delegation agreements	At the latest by 31 December 2021
Final date for operational implementation	168 months from the adoption of the Financing Decision (until 31/12/2035)

* 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.

Policy objectives / Markers (DAC form)			
General policy objective	Not targeted	Significant objective	Main objective
Participation development/good governance	X	<input type="checkbox"/>	<input type="checkbox"/>
Aid to environment	X	<input type="checkbox"/>	<input type="checkbox"/>
Gender equality (including Women In Development)	X	<input type="checkbox"/>	<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"/>
RIO Convention markers	Not targeted	Significant objective	Main objective
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

The reforms undertaken by the Western Balkans in the last decade removed some barriers to trade and investment. They contributed to the integration of the region into global value chains and markets, and increased economic growth. This led to a doubling of the size of their economies and a six-fold increase of their export volumes¹. However, there are still non-tariff trade barriers and regulatory restrictions, which continue to hamper full access to regional, European and global markets. Many industries in the Western Balkans are lagging behind when it comes to technology and innovation and their products are not sufficiently competitive outside the region. Limited business opportunities are a cause of high unemployment, pressing young, highly skilled and talented people to search for better opportunities abroad.

Despite stronger growth in 2018, the pace of job creation in the region slowed, reflecting limited private sector dynamism². Throughout the region, unemployment continues to be of major concern. In the Western Balkans more than ¼ million people aged between 15 and 24 years are without jobs, some of them remain long term unemployed, which erodes skills and increases brain drain by seeking labour opportunities abroad.

In order to support job creation, the Western Balkans leaders agreed, in the Poznan Summit on 5th July 2019, to intensify regional cooperation in the area of financial markets diversification, with a focus on capital markets aiming to expand access to finance for micro, small and medium enterprises in the Western Balkans. Most recent reports on the growth potential of the Western Balkan private sector stress the following key features:

- The combination of public and private investments is a key factor for growth;
- An important constraint for development of capital markets in the region is a lack of demand, notably the lack of companies suitable and willing to embark on equity-based financing³;
- Access to finance should be a priority for the Western Balkans, and greater diversification of financial markets can enhance this access. Equity finance is an important source of funding for businesses that have the potential for high growth.
- High-growth firms create most of the jobs in the Western Balkans, but there are few of these firms;
- There is a need to unleash opportunities for younger companies (boost their capacity to innovate and provide access to capital). Start-ups and innovative companies have potential to create jobs and are likely to become high growth firms;
- Youth inactivity is high, young people need support (access to finance and entrepreneurial capacity) to search for opportunities in the private sector;
- The share of women in the Western Balkans' labour market is significantly lower than the share of men (male activity rate 62.4% vs. female 42.1%), a trend reproduced in the employment (male 52.8% vs. female 35.8%) and self-employment rates (male 27.9% vs. female 16.1%). Thus, supporting women self-employment/women-led businesses as well as women employment in stronger businesses represents an opportunity to overcome this problem⁴.
- Agriculture is a socio-economically important sector in the Western Balkans, characterised by a strong contribution to economic output but also by underdeveloped agro-food chains, marginalisation of rural areas, and net trade deficits. Rural development is crucial in terms of employment and provides between a fifth and half of jobs in the Western Balkans. The impact of investments in rural areas on poverty reduction and economic development in the region is significant.

¹ Report "Unleashing the Transformation Potential for Growth in the Western Balkans", OECD, 2018

² Western Balkans regular economic report No 15, spring 2019

³ Diversification and Regional integration of financial markets to support growth, IBRD/World Bank Group 2019

⁴ "Western Balkans Labor Market Trends 2019", World Bank Group, 2019 (data from Q2 2018)

OUTLINE OF IPA II ASSISTANCE

The two proposed components under this programme aim at providing a coherent response to the above mentioned market failures. Their purpose is also to ensure sustainability, impact, visibility of the EU programmes for private sector development, channelled through the Western Balkans Enterprise Development and Innovation Facility (WB EDIF) and the European Fund for Southeast Europe (EFSE). The focus is on the continuation of EU support to ongoing successful activities under those platforms that will complement the array of instruments and products that are in the disposal of small and medium enterprises (SMEs) as to collectively enhance their access to finance, job creation and growth in the region.

Component 1: EU contribution to second-generation equity funds under the WB EDIF

The WB EDIF was launched in 2011 as a platform to foster economic development and access to finance of SMEs in the region. The 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.

EDIF is hosting two equity funds, which complement each other:

- the Enterprise Innovation Fund (ENIF, coordinated by the EIF), which focuses on start-ups and innovative companies, and
- the Enterprise Expansion Fund (ENEF, led by the EBRD), which offers opportunities for more mature companies to grow.

Those two equity funds are well performing and have successfully invested EUR 53 million, so far, in more than 40 companies in the entire region since 2014. They bridge an important and well-identified market failure of providing non-conventional financing beyond commercial banks' debt to fast growing companies, in markets where Private Equity, Debt or Mezzanine funds are scarcely present. ENEF and ENIF are both closed-end funds and are structured to have a total life span of ca. 10+2 years. The investment period will end in June 2020, which means that no investments will be made in new companies afterwards (5 years investment period). The portfolios will be progressively liquidated in 2025 – 2026 (5 years exit). The equity funds follow a unique approach and complement each other in the market by covering each companies with different profiles and sizes. Both funds combine tailor-made finance with significant advisory support and post-investment value creation activities. Widely recognised as highly successful, unique and key for developing the local equity market, ENEF and ENIF will now, building on their market knowledge and positioning, continue their efforts by entering into their second phase⁵.

As a consequence of the COVID-19 pandemic and the associated contraction in economic activity, the supply of tailor-made debt, quasi-equity and equity financing in the Western Balkans is likely to decrease. It is therefore essential to continue serving companies requiring this kind of financing instrument by setting up and launching the second phase of equity funds, as quickly as reasonably feasible. It is also essential to deploy the support of the EU, where feasible, in the form of the first loss risk cover, in order to provide incentives for: a) financing riskier operations in the context of COVID-19 related consequences; b) providing incentives to other investors, in particular private, to engage in the Fund in the new challenging business

⁵ ENIF II and ENEF II represent the continuation of the previous two closed-end funds, which will follow the same structure, strategy and purpose. Two recent studies were conducted to assess the equity market situation in the Western Balkans: 1) one specifically requested by DG NEAR in the framework of the EDIF platform carried out by the World Bank in 2019 “*Diversification and Regional Integration of Financial Markets to Support Growth*”, and 2) the other carried out by the EBRD in 2018 “*The Western Balkans in transition: diagnosing the constraints on the path to a sustainable market economy*”. Both studies show that the Western Balkans financial market is heavily dominated by bank finance and that the lack of capital financing, still at a nascent stage across the region, is an important barrier to entrepreneurship, research and innovation by SMEs. They both conclude that there is a need for both regulatory reforms and Government support programmes to develop the private/equity/venture capital market in the region and that initiatives such as ENIF and ENEF need to be pursued. These market assessments and the fact that these are continuation of the previous funds contain the main elements required in an ex-ante assessment as per Regulation (EU, Euratom) 2018/1046 on the financial rules applicable to the general budget of the Union (hereinafter referred to as the FR).

environment. Support under this Action Programme is part of the support to the Western Balkans as outlined in the “Communication on the Global EU response to COVID-19”⁶.

The EU participation is critical for attracting new investors and shape the purposes and impact of these continuation funds. The launch of ENEF II and ENIF II is foreseen for autumn of 2020, with EU contribution for both funds, to in principle cover only investments and trusteeship fees, with possible TA support for companies to become investment- ready.

Component 2: EU contribution to the EFSE Development Facility

The EFSE Development Facility (EFSE DF) was established in 2006 to enhance the long-term development impact of EFSE’s investments and to maximise outreach to micro, small and medium enterprises (MSEs) and low-income households. The EFSE DF deploys effective, targeted and innovative technical assistance to maximize the impact and outreach of the Fund’s development finance mandate to final target groups, i.e. micro, small and medium enterprises and low-income private households, in its beneficiary economies. The EFSE DF applies a holistic approach to identify and address constraints in the ecosystem (including business incubators and accelerators, platforms for growth and seed capital, technology platforms, social enterprise support organisations, think tanks, non-governmental organisations (NGOs), regulators, financial institutions) that hinder MSEs and households to prosper.

The EFSE DF co-creates and supports the EFSE’s Entrepreneurship Strategy by capacitating its partners to strengthen the ecosystem and facilitate access to capital for scalable, innovative businesses and growing MSEs in the EFSE beneficiaries, and by supporting the Fund in preparing, developing and testing financial products that enable enterprises to grow. This ecosystem with improved access to finance enables enterprises to be competitive and grow. Special emphasis is given to high-risk market segments, such as young entrepreneurs and their start-ups.

Furthermore, the EFSE DF promotes, facilitates and leverages regional cooperation of partners. Inter alia, the project strengthens a regional network of social enterprise support organisations in areas ranging from improved advocacy and service delivery to support of regional exchange of organisations promoting young entrepreneurs. In this way, it supports and complements other EU initiatives in the region, such as the Training and Education Initiative and the Enterprise Development Initiative.

The activities of the EFSE DF have been designed to deliver a wide range of benefits in the region, which will address the different issues raised above in line with IPA II assistance:

- Ecosystem building and business enabling environment for entrepreneurs and MSEs;
- Capacity building of individual Partner Lending Institutions (PLIs), business support organisations and other ecosystem players to serve entrepreneurs and MSEs effectively and efficiently;
- Sector wide measures to improve standards and ensure responsible finance practices that strengthen local financial markets.

By providing technical assistance to EFSE’s partners, the Western Balkans will benefit from more market driven business orientation, access to finance including in rural areas. In addition, the technical assistance will help to promote young entrepreneurship and create sustainable business models.

In the context of the COVID-19 pandemic, the EFSE DF support, in particular in the form of capacity building and advisory services to SMEs, incubators, partner lending institutions and public sector, shall play an important role to support crisis adaptation and alleviation. In addition, the EFSE DF shall continue

⁶ JOIN (2020) 11, 08.04.2020

creating synergies with the EFSE fund to increase the outreach of the access to finance provided by the Fund in order to mitigate layoffs and bankruptcies due to the COVID-19 pandemic.

While the EFSE Fund has been supported by the European Union since it was established in 2005 (amongst other public and private investors), this will be the first EU contribution to EFSE Development Facility.

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

EU internal and external investments focus 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 European Commission.

The action is entirely in line with the EU Enlargement Strategy, the 2019 Communication on its implementation⁷ and supports the implementation of the SEE 2020 Strategy as it improves competitiveness of SMEs as well as the overall business and investment environment and encourages regional approaches to boost job creation, halter brain drain and improve competitiveness.

The revised Multi-country Indicative Strategy Paper 2014-2020⁸ (hereinafter referred to as the Strategy Paper) states that the region is facing a significant challenge in ensuring that new jobs accompany the forecast growth. This will primarily require substantial private sector development in order to better include the region into global and European value chains. The Strategy Paper also stresses that investments are particularly needed to create a favourable business climate for small and medium-size, innovative enterprises and for improving access to finance. 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. EFSE's mission to create and sustain jobs and help to increase family income contributes in meeting the objectives and priorities described in the Strategy Paper. The proposed activities have a clear regional dimension that helps socio-economic development with the aim to boost private sector competitiveness.

Economic development and increasing employment is essential also to stem the demographic challenges of the Western Balkans, with high emigration and low birth rates. Without stronger economies and more robust democratic governance, these phenomena will continue, with the associated risks of widespread disenchantment, especially among the youth, and increased brain drain.

The objective of the action is to improve the entrepreneurial capacity, the investment readiness and the competitiveness of the Western Balkan entrepreneurs, with focus on start-ups and regional business expansion as well as on rural development and agriculture. Therefore, it contributes directly to Flagship 3 "Supporting socio-economic development" and more specifically Action 3.4.2 "Increase access to finance and harness the growth potential of small and medium-sized enterprises". 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 Sofia Declaration (17 may 2018) also stresses the need to support the socio-economic development of the region, putting a special focus on youth⁹.

⁷ 2019 Communication from the Commission to the European Parliament, the Council, the European Economic And Social Committee and the Committee of the Regions on EU Enlargement Policy Brussels, 29.5.2019 COM(2019) 260 final, https://ec.europa.eu/neighbourhood-enlargement/sites/near/files/20190529-communication-on-eu-enlargement-policy_en.pdf

⁸ Brussels, 31.5.2018 C(2018) 3442 final, <https://ec.europa.eu/neighbourhood-enlargement/sites/near/files/20180817-revised-multi-country-indicative-strategy-paper-2014-2020.pdf>

⁹ EU-Western Balkans Summit, declaration, 15.05.2018, https://www.consilium.europa.eu/media/34776/sofia-declaration_en.pdf

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 initiatives will help the companies to attract potential investors in the region and improve their capacity. This 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.

The proposed action, in all its three components, is contributing to the achievement of the EU priorities and objectives for the region, mentioned in the above-mentioned programming and strategic documents.

LESSONS LEARNED AND LINK TO PREVIOUS FINANCIAL ASSISTANCE

One of the key priorities in the region as it progresses towards the European perspective is to increase the competitiveness of local enterprises. Activities will build on the existing financial instruments and programmes, as well as good practises from other EU led platforms.

Component 1: EU contribution to second-generation equity funds under the WB EDIF

Since 2011, EU has provided more than EUR 170 million to EDIF. This financing, as well as the EU reputation, helped leveraging more than EUR 0.6 billion for SME competitiveness in the Western Balkans. The two equity funds under the WB EDIF became operational in 2014. Supporting the growth of a venture capital (VC) ecosystem in a highly fragmented and historically unstable region like the Western Balkans requires a strong commitment and an amount of time reaching well beyond the life cycle of a single fund. The funds have succeeded to mobilise enough investors, including private ones, and to invest in 38 companies across the entire region. The EU contribution of EUR 14.1 million to ENIF (with additional EUR 6.2 million for setting up the fund's activities including market analysis, communication events, pitch events, due diligences) leveraged additional EUR 41.4 million of investments, including private. The EU contribution of EUR 10 million to ENEF (with additional EUR 1 million for advisory services to the existing Fund) leveraged additional EUR 97 million investments. ENEF has started returning capital to the investors, with EUR 1.5 million paid back in December 2018. The main lessons learnt from the current funds are the following:

- EU as an investor in the region: the EU is the major investor in the two funds (14.1 million in ENIF and EUR 11 million in ENEF). The EU presence as equity investor has strategic and political value, as there are also other, non-European investors trying to enter the Western Balkans equity market, which have their own business culture and interests to bring into the region. The EU contribution to the funds is crucial to attract other investors and shape the profile of the funds (invest also in riskier companies as start-ups). The EU should remain key investor in phase II and identify ways to cover riskier investments in priority businesses (start-ups, companies with impact on the market etc.), which other investors might be unwilling to cover;
- Good cases for EU visibility: ENEF and ENIF, which pioneered equity finance in the region, provided great opportunities for the EU visibility;
- Tackling the brain drain: the managers of the funds began to work with the expat community of Serbian tech entrepreneurs living in the United States and 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). This effort should continue and be expanded in the future; -Impact of the funds on policy level: by way of interacting with local public agencies as investors the funds became agents of change. They raise local public authorities' awareness for private sector concerns and the

equity market. Most of the investments contribute to the integration of markets and exports from the region, as many companies intend to expand in other parts of the region or outside of it (thereby contributing to the implementation of the Multi-annual Action Plan on a Regional Economic Area-MAP REA). Business expansion, in the form of impact investment should increase in phase II.

- *Impact on the local business environment and financial systems:* In the current COVID-19 context, it becomes evident how important it is for the region to have access to a deeper and well diversified financial system. In times of financial distress, commercial banks may be able to provide support to their existing clients, but may not have enough recourses to lend to new ones, in particular when they do not have much of a credit history or collateral. Investment funds on the other hand are not subject to capital adequacy and other similar regulations, so they are much more flexible to respond to the demand for alternative financing. Therefore, it would be important to continue supporting the nascent ecosystem on investment funds in the region, in order to improve its resilience;
- *Geographic coverage and thematic focus:* it took time to establish the necessary expertise, experience and networking to run the funds and build a healthy pipeline of investments. One of the funds did not yet succeed to cover all targeted Western Balkans, but is about to find suitable investments also in Albania, Bosnia and Herzegovina and Kosovo. The new generation funds should have at least one operation per beneficiary and focus on start-ups, innovative companies, regional expansion and impact;
- *It is not only difficult to realise but also to exit equity investments in the region:* Western Balkans entrepreneurs are reluctant to release the full ownership of their companies and instead prefer to keep businesses within the family. This makes also difficult the exit from the investment (i.e. sell shares) in a region where the venture capital market remains underdeveloped. Both funds would benefit from more flexibility to be able to respond to this particular context.

Component 2: EU contribution to the EFSE Development Facility

EFSE was established as a result of a consolidation effort concerning the EU financing in the Western Balkans region in the late nineties when revolving loans were provided to support the reconstruction of destroyed houses and the creation of SMEs to encourage return and stabilisation. The European Commission invested ca. EUR 87 million in C-shares for the Western Balkans, which helped creating an outstanding investment portfolio of EUR 913.6 million with 67 Partner Lending Institutions (PLI), thereof EUR 419.6 million with 37 PLIs in the Western Balkans and Turkey. The EFSE Development Facility (EFSE DF) was established in 2006 to strengthen the entrepreneurship environment and facilitate/improve the investment (climate) for the fund.

Based on an excellent record of accomplishment over more than a decade, the EFSE DF accumulated substantial experience in implementing projects and business activities. EFSE has been subject to many evaluation missions confirming its excellent results¹⁰.

¹⁰ EU ROM with AAAAAA rating. At the conclusion of EU evaluation, the evaluators remarked all together: “There is a continuing need for EFSE support in terms of the lending activities and the indirect technical assistance.”

2. INTERVENTION LOGIC

LOGICAL FRAMEWORK MATRIX

OVERALL OBJECTIVE(S) / (IMPACT(S))	INDICATOR'S NAME	OBJECTIVELY VERIFIABLE INDICATORS			SOURCES & MEANS OF VERIFICATION
		BASELINES 2017 (INCL. VALUE & REFERENCE YEAR)	MILESTONES (INCL. VALUE & REFERENCE YEAR)	TARGETS (INCL. VALUE & REFERENCE YEAR)	
<p>Long-term overall objective: To boost the socio-economic, sustainable and smart development of the Western Balkans, in particular by businesses reporting an increase in income and employment.</p> <p>Intermediate Overall objective(s): To provide incentives for the private sector to grow, create jobs, innovate and improve business performance.</p>	<ul style="list-style-type: none"> - Annual growth rate of real GDP per capita - Trade balance - Ranking of Western Balkans in the Global Competitiveness Report - Annual foreign direct investments (FDI) inflow per capita (EUR) - Improvement in the number of businesses' employees: net increase in number of direct full-time equivalent (FTE) jobs supported and/or sustained, disaggregated by sex and age (15-30 years); number of indirect FTE jobs supported (if applicable) - Improvement in business income: net increase in number of MSEs reporting increased turnover (as a result of direct support of the investment), disaggregated by sex and age (15-30 years) of MSE owners; net increase in EUR value of business turnover reported by MSEs - Proportion of small-scale industries in total industry value added - Proportion of small-scale industries with a loan or line of credit - Improvement in productivity measures: net increase of reported productivity gains in businesses between the beginning and end of the reporting period - jobs created 	<p>3.8 (2018) Negative (2018) 65-91 position (2018)</p> <p>192.98 (2018)</p> <p>n.a.¹¹</p> <p>n.a.</p> <p>n.a.</p> <p>n.a.</p> <p>n.a.</p> <p>n.a.</p> <p>96 000 created (2018)</p>	<p>At least 3.8 (2022) + trade balance (2022) > 65-91 position (2022)</p> <p>n.a.</p> <p>n.a.</p> <p>n.a.</p> <p>n.a.</p> <p>n.a.</p>	<p>Sustain growth + trade balance > 61-89 posit. (2028)</p> <p>n.a.</p> <p>n.a.</p> <p>n.a.</p> <p>n.a.</p> <p>n.a.</p> <p>120 000 (2026)</p>	<p>Eurostat, SEE 2020 Strategy Monitoring framework EBRD transition indicators World Bank Group (WBG) Doing Business report Secondary sources (e.g. annual reports of Statistical Offices , economic reports) Survey among participant MSEs at the end of the overall reporting period By the EFSE DF Manager (via consultants) Secondary sources (e.g. annual reports of Statistical Offices , economic reports) Survey to be provided by the EFSE DF Manager, contractual obligation of DF partners and consultants to provide information Representative market studies</p>

¹¹ As this represents a first contribution to the EFSE Development Facility, we have no available information (n.a.) for many of the target for the indicators that we will set at the contracting stage.

	Contribution to the sustainable development goals (SDG) indicators: SDG 1: no poverty, SDG 2: zero hunger, SDG 8: decent work and economic growth, SDG 9: industry innovation and infrastructure, SDG 10: reduced inequalities, SDG 17: partnerships for the goals					
SPECIFIC OBJECTIVE(S) / OUTCOME(S)	OBJECTIVELY VERIFIABLE INDICATORS (*)				SOURCES OF VERIFICATION	ASSUMPTIONS
<p>Specific Objective 1: To increase investments for small and medium-size, innovative enterprises and through PLLs, financial intermediaries, accelerators, venture and equity vehicles and other financing platforms/vehicles.</p> <p>Specific Objective 2: To increase the competitiveness of SMEs in the Western Balkans (business skills, standards and business sophistication) to unlock their growth potential and contribution to the economy</p> <p>Specific Objective 3: Businesses and ecosystem players (including business support organisations and lenders) to report change in the use and delivery of products and services received (for business) and/or facilitated (ecosystem players) in relation to capacity building and access to finance for businesses</p>	<p>1. Number of beneficiaries, disaggregated by sex and age (15-30 years) and regions if relevant</p> <p>2. Amount invested in SMEs within the Western Balkans</p> <p>3. Net enterprise creation (new business per year)</p> <p>4. Number of jobs created</p> <p>5. Trading across borders (rank) from the WBG Doing Business</p> <p>6. Improvement in the number of businesses reached through BSO products and services:</p> <p>7. Improvement in the quality of products and services of business support organisations and platforms</p> <p>8. Improvement in the quality of ecosystem players' products and service offer</p>	<p>96 000 jobs created (2018)</p> <p>n.a.</p> <p>n.a.</p> <p>n.a.</p>	<p>n.a.</p> <p>n.a.</p> <p>n.a.</p>	<p>120 000 jobs created (2026)</p> <p>n.a.</p> <p>n.a.</p> <p>n.a.</p>	<p>Eurostat</p> <p>SEE 2020 Strategy Monitoring framework</p> <p>EBRD transition indicators</p> <p>WBG Doing Business report</p> <p>Survey</p> <p>Semi-annually</p> <p>Survey to be provided by the EFSE DF Manager, contractual obligation of DF partners to provide information</p> <p>Representative market studies</p> <p>Secondary sources (e.g. annual reports of Statistical Offices)</p>	<p>Political and economic stability in the region</p> <p>Favourable economic conditions enable MSEs to demand products and services.</p> <p>Stable regulatory conditions do not further hamper MSE development</p> <p>Real commitment by beneficiaries</p>
OUTPUTS	OBJECTIVELY VERIFIABLE INDICATORS (*)				SOURCES OF VERIFICATION	ASSUMPTIONS
Output 1 (influencing Specific Objective 1 and 2): Improved access to finance for the Western Balkans SMEs by diversification of financial markets	<p>1) Number of investee companies under the EDIF equity funds</p> <p>2) Number of advisory projects benefitting investee companies</p> <p>3) Share of investee companies that increase their revenues and/or enter into new markets</p>	<p>0 (2019)</p>	<p>20 (2023)</p>	<p>40 (2026)</p>	<p>Report by ENEF II and ENIF investment advisor</p> <p>Regular reporting on financial instrument</p> <p>WB EDIF Steering meetings</p>	<p>-Normal take-up of the programmes offered;</p> <p>- Participating beneficiaries are committed to</p> <p>- Financial institutions and relevant stakeholders are open and dedicated;</p> <p>- Responsiveness</p>
Output 2 (influencing Specific Objective 1 and 2): Improved access and availability of business support services, including tailored made access to finance products	<p>1) Change in participants' knowledge provided through capacity building OR product development and piloting</p> <p>2) Quality of training: average ranking of the quality of training on post-training questionnaire</p>	<p>n/a</p>	<p>n/a</p>	<p>n/a</p>	<p>- Results monitoring of each DF activity ongoing</p> <p>- Survey to be provided by the EFSE DF Manager, contractual</p>	<p>- Results monitoring of each DF activity ongoing</p> <p>- Survey to be provided by the EFSE DF Manager, contractual</p>

	3) Number of DF projects and partnerships/Number of direct and indirect beneficiaries, disaggregated by sex and age (15-30 years) and regions if relevant				obligation of DF partners to provide information - Partner Banks and Consultant's reports	and commitment of entrepreneurs to enhance and grow their businesses and access finance - Awareness of the enterprises about their needs; - Consultants and industry experts perform according to expected standards.

DESCRIPTION OF ACTIVITIES

Component 1: EU contribution to second-generation equity funds under the WB EDIF (Output 1)

To continue the equity investments under WB EDIF after mid-2020 is of paramount importance, as ENEF and ENIF would otherwise enter into a disinvestment period after this date, without possibility to launch new operations (according to the structure of the fund). To capitalise from the achievements under EDIF since 2014, the further growth of the two equity funds needs to be supported.

ENIF II will continue its focus on start-ups, which are a priority under the Western Balkans Strategy. It will invest and support economically and technically companies in their early stage of growth, typically from seed to pre-expansion, in all sectors provided that such companies utilise or promote technology as part of their business model. The segment of SME market targeted will be the early stage one, essentially in order to ensure a smooth co-existence and synergy with the ENEF successor fund, which on the contrary will target the higher segment of SME stage, i.e. from expansion upwards. Geographically, investments will be possible in a wider relevant geography but the EU contribution will be ring-fenced to the benefit of IPA II beneficiaries only. The precondition for the EU investment is linked to the Fund's commitment to dedicate at least twice as the IPA II contribution to investments into SMEs in the Western Balkans IPA II beneficiaries. It is therefore expected that, for an IPA II contribution of EUR 15 million, an amount equal to EUR 30 million will be invested in SMEs established and operating in the Western Balkans IPA II beneficiaries. The Fund could further explore possibilities to work with diaspora investors, where feasible.

ENEF II will be further streamlined, according to the actual EU priorities. This will be achieved in dialogue with the EBRD as to identify the most appropriate structure of the fund for the EU involvement in riskier operations, which are less attractive for other investors¹². ENEF will potentially diversify the type of operations to follow and become more flexible. The fund will explore the potential of covering investment “niches” like assisting restructuring, succession, etc. ENEF will be more focussed on impact investments: governance, environmental, social (youth employment, women). The fund will target ca. 20 enterprises, which are growing and require support in materially scaling up and/or diversifying their activities into new products, geographical markets and/or other stages of the supply/value chain. This will be done by deploying both financing and advisory support. The fund would step in to provide the required tailor-made financing, which would be coupled with various post-investment support (or value creation) measures.

In times of economic adaptation (challenges stemming from the COVID-19 pandemic), where the companies may need to adjust to new ways of working, shorter and more localised supply chains and introduce other operational changes, the ENEF II significant pre- and post-investment advisory support to its investee companies will become even more important and valuable. EBRD would be very well positioned to provide such support to the investee companies through its available advisory programmes, which are currently being adjusted to the new realities. Particularly relevant is the advisory to be provided to SMEs in the areas of financial management in a crisis period, cash management, conversion to digital and management of HR issues. The potential basin of advisory work can cover an estimated 3,000 SMEs in the region, including also ENIF investee and pipeline companies, banks' sub-borrowers under guarantee schemes and competitiveness credit lines.

The target fund size is EUR 40 million. EBRD will participate in each transaction with a co-investment, which further increases the leverage. Part of the EU contribution to the first phase of equity funds was

¹² Probably a vehicle registered in Luxembourg, possibly using a registered alternative investment fund manager (“AIFM”) to reduce the administrative burden stemming from the current self-managed structure of ENEF.

dedicated also to technical assistance as to cover partially the administrative fees related to setting up the pioneer funds and build their teams.. Related to the COVID-19 challenges, the EU contribution will cover investments and TA support for client companies, as to prepare them for investment, overcome new challenges and help them in the post investment period to sustain and grow.

Component 2: EU contribution to the EFSE Development Facility (Output 2)

The component targets micro and small enterprises (MSEs) as beneficiaries, who have the potential to develop, grow and expand their businesses in such a way that they can increase their turnover and support and maintain employment. Beneficiaries of the component include: innovative and/or tech based MSEs and businesses in rural areas, youth entrepreneurs and young business owners, export oriented growth stage businesses, social enterprises and cooperatives – both registered as well as not registered businesses. These entrepreneurs and MSEs will scale their projects and generate impact in terms of economic and social development.

This component is in principle sector agnostic, i.e. it does not target specific economic sectors or industries. However, one special focus will be on technology to promote business innovation and support specific technology in sectors such as Agriculture (Agtech for agricultural innovations and integration) and Financial Services (Fintech for financial inclusion).

This component will work through business and financial sector partners (target group) who will develop and deliver products and services to the beneficiary MSEs. Partners include partner-lending institutions (PLIs) of the EFSE Fund, other financial intermediaries, regulators, business development partners (incubators, accelerators), venture capital and equity platforms, think tanks, etc. Such products and services include: mentoring, coaching and access to early stage investors by business support organisations, access to business intelligence and seed capital by venture capital vehicles, ‘soft’ finance (such as recoverable grants) for pre-seed finance, financial products and advisory services by financial institutions, enabling policies by regulators.

The target group acts as multipliers to reach out to MSEs. They will support MSEs in their idea to seed stage (for the generation of an MSE pipeline that can be served by the broader ecosystem) and in their early growth to growth stage (registered businesses with a proven track record of at least 1 year and/or proven revenue generation) for scaling up of businesses so that they can start generating impact in terms of turnover and employment. The capacity, relevance and viability of these partners will influence the results in terms of its impact on the ecosystem for entrepreneurs and MSEs. The focus is therefore on capacity building and institutional development of the partners (target group). However, MSEs can also be directly supported through dedicated activities if they have a particular relevance for this component. For example, dedicated activities can be implemented to support a group of high potential AgTech businesses. The following list of activities will be implemented in order to achieve the objectives set:

Activity 1: Mentoring, coaching, customised advisory services, start-up acceleration, linkages with investors and financial institutions, exposure visits/participation in investor and industry platforms in the region and internationally, and to the extent possible, targeted support to access seed investments (e.g. seed, recoverable and convertible grants), etc.;

Activity 2: Trainings, advisory services, peer to peer learning, access to international good practice (e.g. via an exchange with Western European academia) and other capacity building measures in areas such as governance, strategy, product and service development, investor relations, business ventures/collaboration with corporates, etc.;

Activity 3: Market research, studies, technical assistance for improved or new policies, strategy development, regional exchange, cooperation and collaboration;

Activity 4: Market research, studies, product development, piloting and testing, upscaling and mainstreaming of new products;

Activity 5: Market research, individual consultancy services, technical assistance for improvements in targeted business areas.

These identified activities will take into consideration the COVID-19 pandemic developments in order to provide valuable, tailored-made to the current situation, support to SMEs, incubators, partner lending institutions and public sector and thus, to the extent possible, alleviate the consequences of the crisis.

RISKS

Risk Assessment categories	Description	Mitigation
Political	<p>A potentially unstable and unpredictable political environment.</p> <p>Reversal of governments' progress in aligning with the EU <i>acquis</i>.</p> <p>Legal and administrative restrictions that may be imposed on private sector development.</p>	<p>Implementing partner 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, between investors and fund managers to manage the risk</p>
Economic	<p>Adverse external conditions (economic and/or political instability). Reduced willingness of the companies and investors to pursue risky investment projects. If economic crisis occurs once the funds have invested most of their capital, the performance of the underlying investments may deteriorate. An economic crisis as the one that could be produced by the COVID-19 pandemic can potentially reduce private sector investments hence having an adverse effect on the action in terms of final beneficiaries reached and leverage achieved</p>	<p>These factors will be monitored carefully throughout implementation to raise and address pertinent issues and developments. Shareholders will actively supervise the performance of the investments.</p>
Implementation	<p>Change in management/ ownership, and/or lack of management response in benefiting SMEs.</p> <p>Lack of engagement and ownership (participation, commitment, and consensus must be secured)</p>	<p>Rigorous selection of beneficiaries and oversight of consultant selection.</p> <p>Grants are not paid until the consultants' final reports have been fully accepted.</p> <p>Cancel or reallocate activities/projects if necessary.</p> <p>Solid relations already built.</p>

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 organisations) that the proposed programmes are priority in the region.

Therefore, in order to maximise the impact of their interventions and leverage on synergies, the EBRD, KfW, the EIF and the service provider will work closely with other relevant stakeholders in the SME sphere such as business organisations, donors, International Financial Institutions.

It should also be added that in parallel with the action the KfW, EIF 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, and strategies. This "beneficiary-based" engagement complements and strengthens the financing and advisory activities under this action. There are significant opportunities to combine activities across beneficiaries to deliver mutually reinforcing, integrated programmes that maximises value for money.

The availability of the EU contribution in the pre-investment phase of the venture capital is crucial for the setting up of the funds.

Failure to comply with the requirements set above may lead to a recovery of funds under this programme and/or the re-allocation of future funding.

3. IMPLEMENTATION ARRANGEMENTS

ROLES AND RESPONSIBILITIES

Component 1: EU contribution to second-generation equity funds under the WB EDIF

- 1) European Commission – to provide risk capital and eventually funding for small technical assistance to support some strategic but very fragile investments. The risk capital may be subordinated to the capital provided by the other investors, in order to ensure higher risk-taking capacity.
- 2) EBRD – to serve as investment advisor, investor (with ca. EUR 10 million of capital, co-investor (with ca. EUR 20 million of co-investment facility), coordinator of TA component linked to an equity fund;
- 3) Other investors – to provide around EUR 20 million of capital and participate in the governance of the fund;
- 4) The equity funds will be managed by specialised fund managers: to provide services related to the fund administration and compliance should be selected.
- 5) Other financial institutions (funds) – to offer deals to ENEF II for co-investment.
- 6) The European Investment Fund: investor in the equity funds and Trustee for the EU investment contribution

Component 2: EU contribution to the EFSE Development Facility

The General Assembly of Shareholders is the highest level of authority of EFSE. The main decision-making powers lie with the Board of Directors supported by its technical committees: the Investment Committee and the EFSE Development Facility Committee. KfW – an AAA-rated institution – is the Fund's lead investor and initiator. The Board of Directors comprises representatives from international financial institutions and donors, provides access to a wealth of diverse knowledge and experiences, and

has the authority in decision-making. It also appoints the Investment Committee – a specialist body that supports the Board in key decisions on investment transactions.

The Development Facility of EFSE is operated separately alongside the Fund. All activities financed by the EFSE Development Facility require the prior authorization of the EFSE Development Facility Committee, which is made up of representatives of KfW and from donor agencies that contribute grant funding to the EFSE Development Facility.

Finally, the Advisory Group, formed by the Governors and other high-level representatives from Central Banks in the target partners, provides EFSE with better linkages to local realities, concerns and needs, shares local experiences and makes recommendations to the Fund Management and the Board of Directors in terms of policies and operations.

METHOD(S) OF IMPLEMENTATION AND TYPE(S) OF FINANCING (SEE ANNEX IMPLEMENTATION – BUDGET)

Component 1: EU contribution to second-generation equity funds under the WB EDIF

Regarding the EU investment contribution to the funds: to be implemented in indirect management with the European Investment Fund (EIF) via Trusteeship Agreements for the EU participation in both funds. An indicative amount of EUR 27 million is planned for both investment agreements. The indicative duration of the agreements will be 168 months.

Regarding the technical assistance component to accompany ENEF II: in the current COVID-19 circumstances a contribution to EBRD is envisaged (ca. EUR 3 million) under indirect management for advisory services to the investee companies. The indicative duration of the agreement will be maximum 120 months.

Component 2: EU contribution to the EFSE Development Facility

It will be implemented in indirect management by KfW and relevant professional service providers. An indicative amount of EUR 8 million is planned. The indicative duration of the agreement will be 168 months.

4. PERFORMANCE MEASUREMENT

METHODOLOGY FOR MONITORING (AND EVALUATION)

Having regard to the nature of the action, a final evaluation will be carried out for this action or its components contracted by the European Commission. It will be carried out for accountability and learning purposes at various levels (including for policy revision), taking into account the novelty of the action and its additionality potential to enhance its impact.

In particular, component 1 (EDIF) will 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 platform level activities. Reporting is also provided regarding the bilateral programmes running in parallel to this regional component, where existing. This helps avoiding overlaps between IPA bilateral and IPA regional activities and increases synergies.

For component 2 (EFSE DF), the specific arrangements are as it follows:

- Annual evaluation surveys among DF partners (as part of their contractual obligation towards the DF) which requests them either i) to collect the required information among their clients or ii) to directly provide the requested information from their records.
- A dedicated impact study at the end of the overall reporting period that aims to assess the increase in MSE income and employment due to the dedicated program.
- The EFSE Development Facility team will invite representatives of KfW and the European Commission to participate in the main monitoring and evaluation missions relating to the performance of the project.
- EFSE/EFSE DF will use the bilateral Semi-Annual Meetings in Brussels to present all achieved milestones and performance figures of the project, as well as upcoming opportunities or weaknesses if there any.

The European Commission shall inform the implementing partners in advance of the dates foreseen for the evaluation missions. The implementing partner shall collaborate efficiently and effectively with the evaluation experts, and inter alia provide them with all necessary information and documentation, as well as access to the action/component premises and activities.

Any evaluation reports shall be shared with the IPA II beneficiary and other key stakeholders. The implementing partner and the European Commission shall analyse the conclusions and recommendations of the evaluations and, where appropriate, in agreement with the relevant IPA II beneficiaries, jointly decide on the follow-up actions to be taken and any adjustments necessary, including, if indicated, the reorientation of the action/component.

For all components: The European Commission may carry out a mid-term or an ex-post evaluation for this action or its components for duly justified reasons either on its own decision or on the initiative of the partner.

The evaluations should be carried out following Directorate-General for Neighbourhood and Enlargement Negotiations guidelines on linking planning/programming, monitoring and evaluation¹³. It is recommended that a Reference Group comprising the key stakeholders of this action be set up to steer the evaluation process and ensure the required quality level of the evaluation outputs as well as the proper follow-up of the recommendations of the evaluation.

In addition, the action might be subject to external monitoring in line with the European Commission rules and procedures.

Progress and final reports transmitted by the implementing partner (lead financial institution) to the European Commission will have to include information on the expected and actual results (i.e. at the time of reporting), as defined in the relevant contract. Reporting on the expected and actual results should include relevant disaggregation of data whenever possible and relevant, e.g. for beneficiaries that are people: disaggregation by sex, age, location, income/poverty levels; for beneficiaries that are firms: disaggregation by size of firm, sex/age of firm owner, location of firm; etc. Where disaggregation is relevant, but it is not yet possible or cost-effective for monitoring and reporting, then tangible efforts should be made to improve tracking and reporting in the future. All results should also be disaggregated by respective beneficiary economies.

¹³ https://ec.europa.eu/neighbourhood-enlargement/sites/near/files/near_guidelines.zip

Implementing partners are expected to track and report of relevant indicators both for “direct”¹⁴ and “indirect”¹⁵ operations. Implementing partners should have a sound understanding of the methodologies underlying the data (numbers or other) they report on, including an assessment of the reliability of the data (for example on any possibility of over- or under-reporting of results); and where needed respond to further enquiries from the European Commission on methodologies/data reliability.

The Result Oriented Monitoring (ROM) mechanism will be used to support the monitoring of the action.

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 and support women-led SME initiatives following the principles and practice of equal opportunities.

EQUAL OPPORTUNITIES

The action will ensure that equal opportunities are given to women, men, people with disabilities, minority groups etc. Participants and experts should have an appropriate gender balance given the specific competences and expertise needed in the action. Increasing access to finance to women-led initiatives will be specifically supported.

The equity funding will have as objective to bring social impact, which means that special attention will also be given to disadvantaged groups of entrepreneurs as women, youth entrepreneurs, minorities etc.

MINORITIES AND VULNERABLE GROUPS

Not directly applicable. Participation in the implementation of the action will be guaranteed on the basis of equal access, regardless racial issues or ethnic origin, religion and beliefs, age or sexual orientations.

The equity funding will have as objective to bring social impact, which means that special attention will also be given to disadvantaged groups of entrepreneurs as women, youth entrepreneurs, minorities etc.

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

The action targets SMEs directly and addresses their problems related to access to finance. The decision to deploy the instrument has been established in close consultation with relevant actors (e.g. chambers of commerce, associations, etc.) in the region.

EDIF and EFSE mostly target market participants directly and address their problems related to access to finance, regulatory environment and availability of professional advisory services. In the course of addressing these challenges, EDIF and EFSE fund managers will regularly involve pertinent stakeholders, such as business representatives, regional and local associations and organisations, associations of accelerators.

¹⁴ “Direct operations” are understood to be operations that the implementing partner deliver directly (i.e.: not through financial intermediaries).

¹⁵ “Indirect operations” are operations that the implementing partner deliver through financial intermediaries such as banks, micro-finance institutions, and private equity and investment funds.

In addition, implementing partners (KfW, EIF) and EBRD as investment advisor of ENEF II will continue its close cooperation with *the Western Balkans 6 Chamber Investment Forum* (also member of the EDIF platform) 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 with the EU *acquis*. The proposed equity funds under EDIF, for example, will assist SMEs improving production capacities, enhancing processes and product quality through the introduction of EU standards, including in the field of environmental protection. In some cases, the equity will target investments with environmental impact.

EFSE investments target MSME support without specific environmental objectives *per se*. However and whenever relevant, EFSE will support MSMEs' investments in resource-efficiency technologies, processes limiting the effects of climate change, low-emissions/low-carbon initiatives, sustainable agricultural practices (e.g. deforestation, biodiversity loss, soil erosion, air pollution, water contamination) and comply with environmental regulations in line with the EU environmental *acquis*.

6. SUSTAINABILITY

One of the current funds (ENEF) has started returning capital to the investors, with EUR 1.5 million paid back in December 2018. It is expected that up to $\frac{3}{4}$ of the EUR 32 million EU investment into the two equity funds to date will be returned to the EU general budget. In addition, the two equity teams of EBRD and EIF conducted extensive business development and promotional efforts since 2014. More than 800 companies were assessed and potential investments already identified. Other companies, which were not yet considered mature enough for equity investment, benefitted from advisory services and could potentially reach investment readiness in phase II. The two equity funds will therefore capitalise on the significant effort made by the teams and bring into fruition for the benefit of shareholders the work done over that past years. ENEF II and ENIF II are likely to include all investors from their first phase. To increase their volume and impact, the funds plan to attract additional institutional and private investors.

While the short to medium-term impact of the action is the provision of equity financing to small enterprises leading to their growth and ultimately job creation, the expected long-term impact relates to (i) the creation of a stable and durable equity market ecosystem, which will remain in the region beyond this particular round of investment, and will consist in the birth and growth of a number of intermediaries and entities such as small accelerators, incubators, business consultants, business angels and similar, which will start their activity also thanks to ENIF and ENIF II, and which will be sufficiently rooted in the region at the end of the investment period of ENIF II to remain for longer; and (ii) demonstration effect: Any success of ENIF II will attract more private investors to the Western Balkans region. Such demonstration effect is already visible after four years of investment period of ENIF, and is likely to be more marked going forward if the exit and liquidation of ENIF proves profitable (today it is early to say).

The EFSE DF builds the individual capacity of MSEs as well as the institutional and organisational capacity of ecosystem players for the provision of products and services for MSEs. The sustainability is provided through the improved performance of these ecosystem players as their products and services are relevant, effective and cost-efficient for MSEs. This in return increases the demand from MSEs and improves the revenue of these players.

7. COMMUNICATION AND VISIBILITY

Communication and visibility will be given high importance during the implementation of the action. The implementation of communication activities shall be the responsibility of the implementing partners under the respective agreements (EDIF, EFSE), and shall be funded from the amounts allocated to the action.

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 intervention contributes to the agreed programme objectives, as well as the benefits of the action for the general public. Actions shall be aimed at strengthening general public awareness and support of interventions financed and the objectives pursued. The actions shall aim at highlighting to the relevant target audiences the added value and impact of the EU's interventions and will promote transparency and accountability on the use of funds.

It is envisaged that implementing partners will prepare a communication plan for their respective programmes, to be shared and updated regularly 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.). There will also be an Annual EDIF/EFSE Communication and Visibility Plan.

It is the responsibility of the implementing partners (KfW, EIF and EBRD) to keep the EU Delegations/Office and the European Commission fully informed of the planning and implementation of the specific visibility and communication activities.