



# SME Facility

***An Eastern partnership Flagship initiative***

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# Rationale

EaP partners, EU member states and more advanced economies share, at different degrees, constraints in relation to the development of SME's. These are:

- Inadequacy, at varying degrees, of the business regulatory framework. This includes cumbersome procedures for creating, establishing, closing a business and complex tax obligations with high compliance cost.
- Lack of available and/or cost effective advisory services. The experience of ongoing programmes shows a growing demand for these services as well as for proper pricing.
- Lack of funding due to under-developed capital markets and a financial sector still in transition.



# Objectives

- Contribute to the improvement of the business climate.
- Provision of (cost effective) advisory services to SMEs.
- Improve access to funding for SMEs to foster economic development and mitigate the impact of the financial crisis.

# Three main components

- 1 TA for studies/expertises in matters of regulatory framework and regulatory environment.
- 2 Direct Technical Assistance (TA) to SME's.
- 3 Establishment, together with EBRD and EIB, of a joint SME facility open to participation of other financial institutions.

# Component 1

(Regulatory framework/approximation)

- *Business climate issues: review of existing situation and exchanges of best practices in a multi-lateral forum.*
- *Given the multiplicity of ongoing interventions COM contribution should be especially aimed at addressing the aspects related to the **aproximation** of legislation and integration of markets (norms, standards).*



# Component 2

## (Advisory Services)

- *The experience shows a growing demand for:*
  - *advisory services covering TA for managerial /structural changes; strengthening/restructuring specific company functions (marketing, sales, human resources, production lines) to increase profitability or prepare companies for mobilizing investments; industrial "due diligence" studies; preparation of business plans; investment monitoring/follow up of existing business plan; business incubators;*
  - *Support for establishing SME network and promoting business contacts between SMEs in EU and Eap partners;*
- *The East-Invest programme already approved will address issues of networking at regional and EU-Eap level (€ 7 million – call for proposal about to be launched).*



# Component 3 (SME funding facility)

- *The Prague declaration has called on EIB and EBRD to join their efforts to increase financing assistance for SME in EaP. EIB and EBRD have already responded favorably. Other FI/donors are invited to join.*
- *The Commission will work together with the Banks to establish a facility combining grants and loans and aimed at enhancing the provision of funding to SMEs.*

# An approach building on existing experiences

The initiative will:

- build on existing “*acquis*” in the area of SME’s development (in particular the Small Business Act) by focussing on the aproximation component of EaP studies/reforms in the field of SME legislation/policy framework.
- focus on maximising synergies with existing national and regional programmes and initiatives including the programmes launched by Member States or IFI’s



# Timing and budget

- Start: end of 2009 beginning of 2010 – launching event to be organised.
- Duration: 3-5 years
- Budget: from the Regional Programme East (to be determined).
- Open to co-financing from other donors.

# Link with the work of the platform

- The platform will be informed of the activities of the initiative.
- It is proposed that the Platform establish a Panel on Business climate.
- Policy guidance and input from stakeholders will take place through the Panel and the Platform.