



EU support to private sector development in the framework of Enlargement and Neighbourhood Policies

**FINANCIAL INFORMATION: CATALYST FOR GROWTH
SENIOR OFFICIALS WORKSHOP**

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Negotiations**

*Neighbourhood and
Enlargement
Negotiations*



Structure of the presentation

- Enlargement Strategy
 - **Macro-economic performance in the Western Balkans**
 - **Policy Framework**
 - **Financial Assistance - EDIF**
- European Neighbourhood Policy
 - **ENP Review**
 - **ENI and EaP: support to Private Sector Development**
 - **DCFTA Facility**

EU candidate and potential candidate Countries



Macro-economic performance of the WB countries

2015 Positive notes

- Growth recovery (Avg. SEE 1.8%; Serbia 0.5%; Montenegro 3.4%)
- Domestic demand supported by recovering investments and export
- Positive short term outlook with risks...



Macro-economic performance of the WB countries

Challenges ahead

- Structurally high unemployment (Avg. SEE 24%; Youth unemployment 45.8%)
- Mixed progress on fiscal consolidation
- Key structural rigidities against economic growth – Public administration reform needed



Regional Policy Framework

- **South East Europe 2020 Strategy**
 - Enhancing political and economic cooperation
 - Boosting prosperity and job creation
 - Adopting a European perspective to the region's future
- **Berlin Process**
 - Connectivity Agenda: Transport and Energy
 - Economic Corridors: Exploiting regional Value Chains
 - Youth dimension



European Enlargement Strategy 2015

Among main elements of the EU Enlargement Strategy 2015

- Reaffirming the focus on the **fundamentals first** (rule of law, economic governance, public administration reform)
- **Economic governance** – Economic Reform Programmes (ERP) for improved competitiveness and growth, to help fulfilling political and economic accession criteria
- Areas for structural reforms priorities include: PFM, infrastructure, sector-based developments, business environment, innovation, trade, employment



EU Enlargement Strategy - Acquis Private Sector Development

Enterprise and Industrial Policy (Chapter 20)

Policy principles and instruments through which the EU promote the formulation of competitiveness enhancing enterprise policies and industrial strategies.

- Implementation of the **Small Business Act**
- Sound **Industrial Policy** favourable to business creation and growth as well as **to attract FDI**



EU Enlargement Strategy - Acquis Private Sector Development

Company Law (Chapter 6)

- Rights of **establishment**, registration, disclosure requirements; domestic and cross-border merger and division of companies.
- Requirements for the preparation and publication of annual and consolidated financial statements, as well as rules governing statutory auditors, and the establishment of an efficient public audit oversight and quality assurance system.



EU Enlargement Strategy

Financial assistance

Instrument for Pre-accession Assistance (IPA II)

- Support the Partners political, social and economic **reforms**
- To **be compliant** with the Union's values and principles
- To **progressively align** to the Union's rules, standards, policies and practices

IPA II 2014–2020 (EUR millions)

2014	2015	2016	2017	2018	2019	2020
1573.8	1605.2	1637.4	1670.1	1703.5	1737.6	1771.1
Total amount for IPA II			11698.7			

IPA 2007–2013 (EUR millions)

2007	2008	2009	2010	2011	2012	2013
1263.2	1501.4	1541.6	1591.3	1796.8	1876.0	1956.3
Total amount for IPA			11526.7			

IPA II – Competitiveness Pillar

- Business Environment – SBA implementation
- Access to Finance for SMEs - REPARIS
- Value chain development
- Cluster Development
- SMART Specialisation: A tailor made approach to innovation



WB EDIF Platform
is managed by the EIF and
is comprised of four different and scalable pillars
The entire structure is governed by the Platform Advisory Group (PAG) whereby
WBEDIF investors and the WB beneficiaries are represented

ENIF

Enterprise Innovation Fund

A VC fund focusing
on innovative
SMEs, providing
equity and quasi
equity to start-up
to expansion
phase SMEs

**Target size:
EUR 40m**

ENEF

Enterprise Expansion Fund

Supporting
established SMEs
with high growth
potential
Managed by the
EBRD with EUR
50m LEF co-
investment facility

**Target size:
EUR 100m**

Guarantee Facility

Guarantees are
provided to banks
to incentivise them
to build up new
SME loan
portfolios

**Generating a
loan volume of
over
EUR 110m**

Support Service (TA)

Beneficiary
governments can
obtain support in
implementing
policy reforms to
foster a favourable
regulatory
environment for
SMEs



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European Neighbour Partner Countries



EUROPEAN NEIGHBOURHOOD POLICY

EU cooperation with its neighbours





European Neighbourhood Policy review

- The European Neighbourhood Policy (ENP) was launched in 2004, to help the EU support and foster stability, security and prosperity in the countries closest to its borders.
- In 2015 the Commission has launched a public consultation to review the ENP with the aim to **build more effective partnerships** in the neighbourhood.
- Basic principles of the ENP review: differentiation and flexibility of the approach, greater ownership, focused interventions, greater involvement of MS, civil society and social partners.



ENP review

Proposed joint priorities for cooperation

- **Economic Development for stabilisation** – macroeconomic stability and support to sustainable growth
- **Trade and entrepreneurship** – greater flexibility on trade agreements (DCFTA and lighter agreements)
- **Economic Modernisation** - support reforms to improve the business environment; support to SME; support to innovative sectors
- **Partnership for growth** greater involvement of the private sector to boost investment and reforms; new alliances and partnership with EU private sector and MS



The roll out of the ENP review

Development of **new individual partnership priorities** for each partner country.

Focus on **ownership and differentiation**. No longer one size fits all.

Single Support Framework connected to assistance

European Neighbourhood Instrument (ENI)

To advance further towards an area of shared prosperity and good neighbourliness involving the Union and the partner countries by developing a special relationship founded on cooperation, peace and security, mutual accountability

	ENI (Million Euro)
TOTAL 2014-2020*	15 515
2015	2 036
2016	2 084



Eastern Partnership Initiative

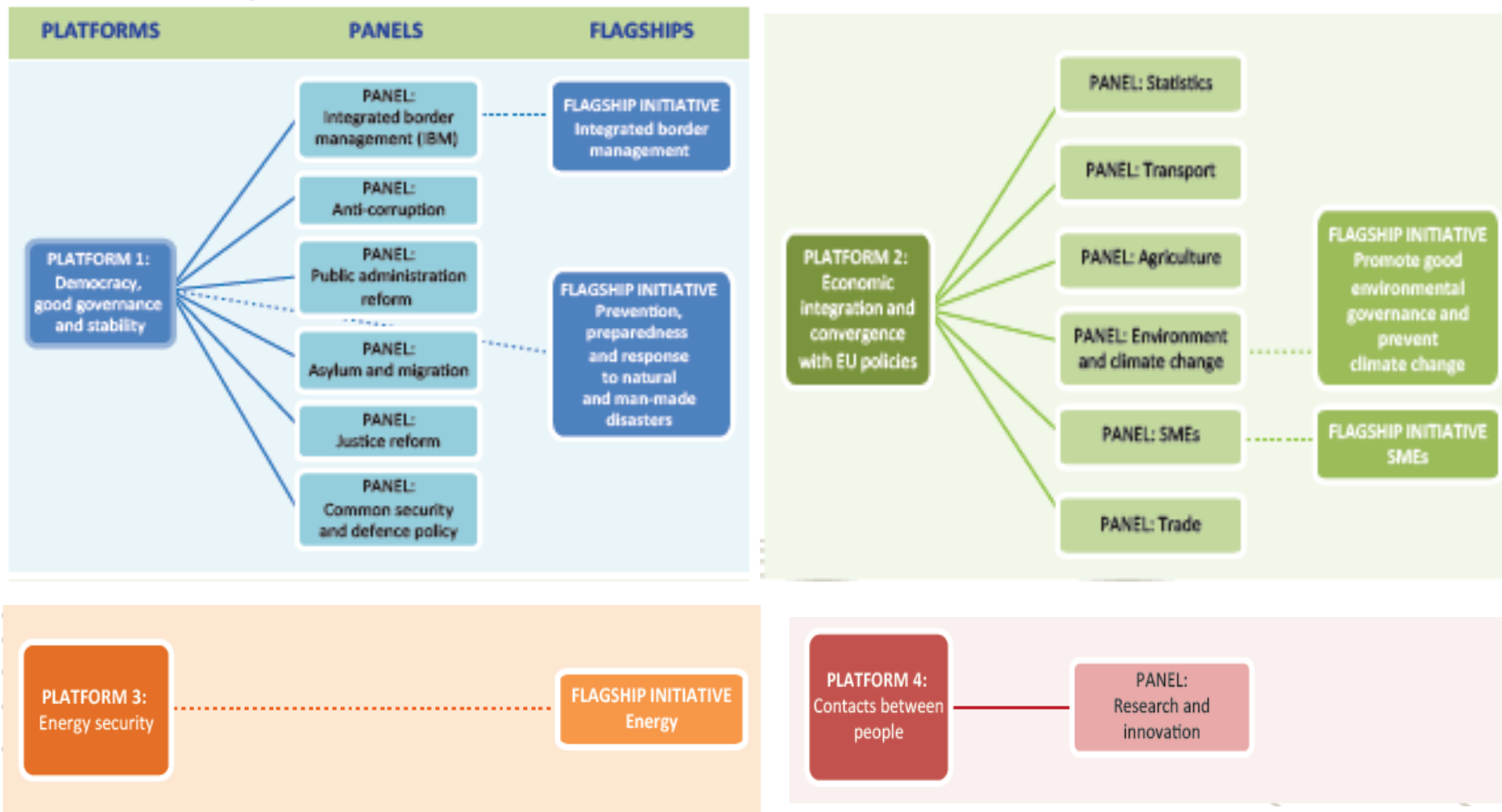
Joint initiative of the the EU and Eastern European partner countries - Eastern dimension of the ENP

Encouraging political and social reforms, promoting sustainable and inclusive growth

EU support through policy dialogue, exchange of experience and financial support

Forum for sector dialogue at multilateral level (regional and bilateral cooperation)

Eastern Partnership multilateral dimension



Eastern Partnership SME Flagship

Structure of intervention

Policy

- Create an enabling business environment

Intermediaries (BSOs, local banks, etc.)

- Responding to the needs of the SME Sector

SMEs

- Access to finance
- Access to market

Inclusive development issues

- Green economy
- Women entrepreneurship
- Youth employment
- Rural development

Private Sector Development: SMEs as an increasing priority

➤ Key for sustainable social and economic development

- **2008 Small Business Act for Europe (SBA):** SMEs-focused competitive agenda for the EU based on the principle "Think Small First".
- **2015 Riga Summit:** agreement to further strengthen the business dimension of the Eastern Partnership including through improving the business, environment and legal certainty in Eastern European partners
- **2015 ENP Review:** FOCUS ON economic development, entrepreneurship, support to youth employability, partnership for growth



Private Sector Development: SMEs as an increasing priority

Legal Framework

- STAREP – World Bank
- Small Business Act - OECD

Intermediary bodies

- Financial Sector Institution Building – EBRD
- Business Development Services – EBRD
- Business Support Organisations – East Invest

SME Financing Facilities – Blending Mechanism (EIB, EBRD, KFW)

- SME Finance Facility
- Credit Guarantee Scheme
- Currency Hedging Facility
- MSME lending and Women in Business



The DFCTA Facility for SMEs

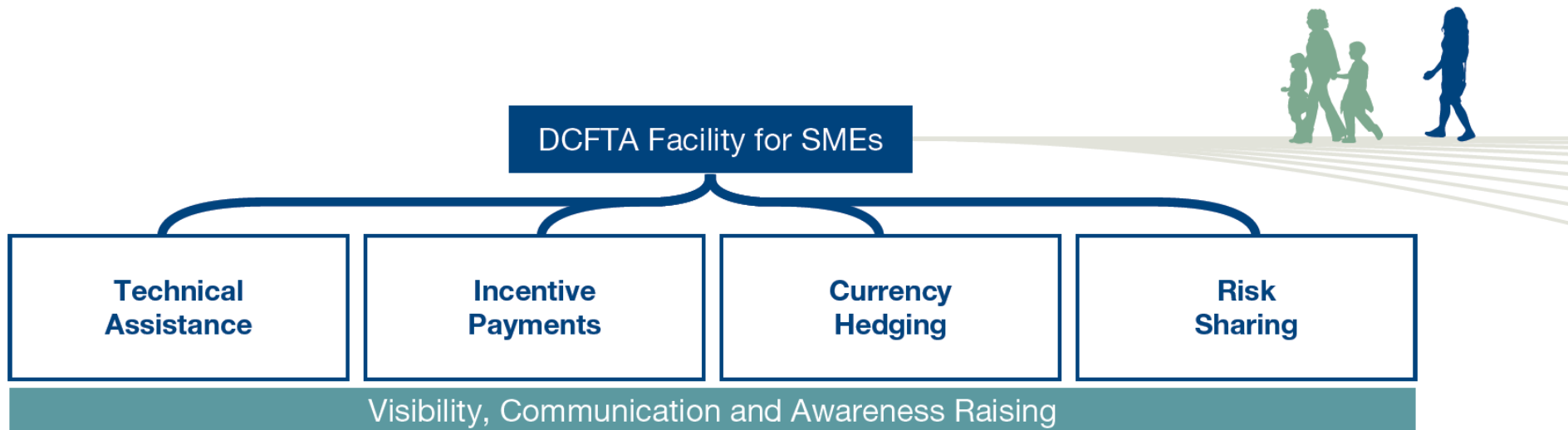
Connecting small business to the global value chain

Purpose of the initiative:

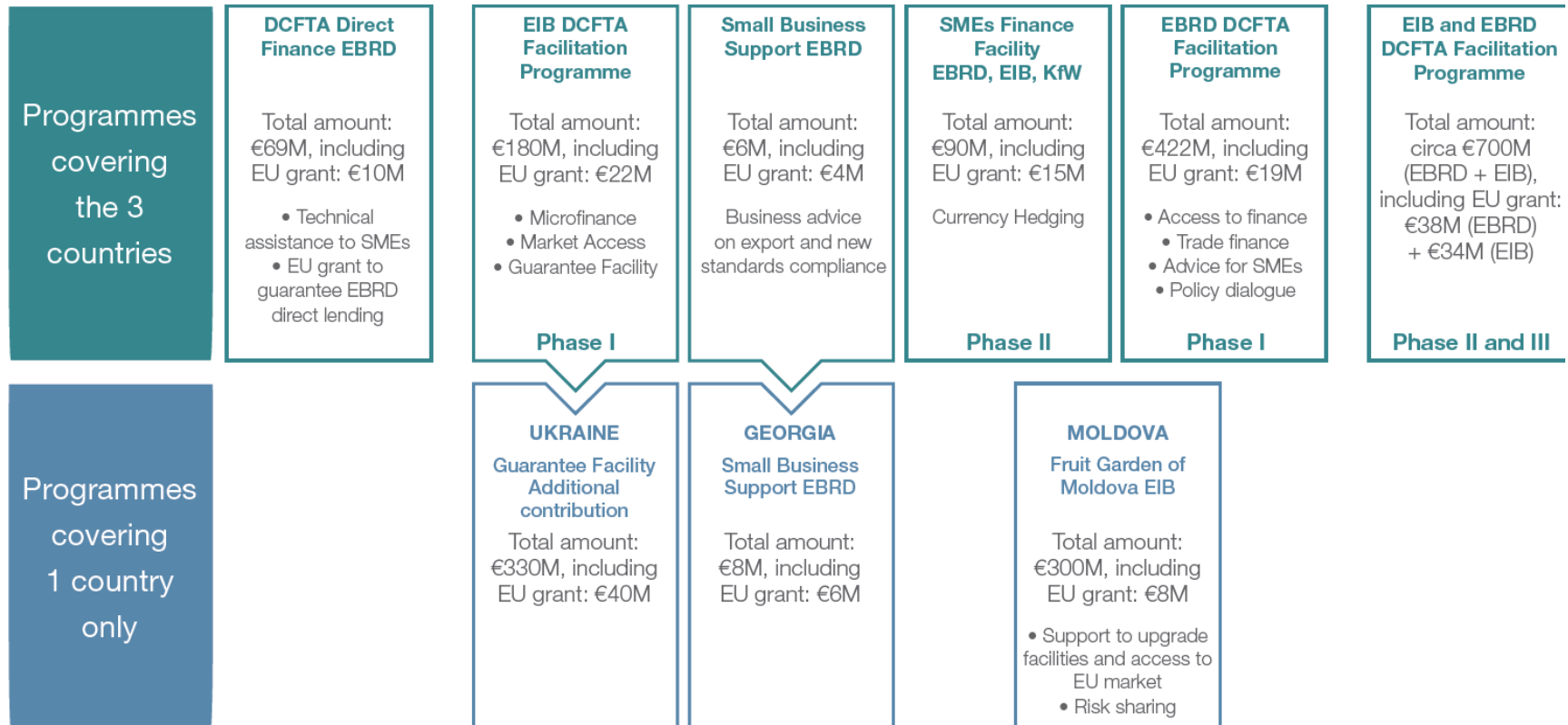
- Help SMEs to seize new trade opportunities
- Improve access to finance for SMEs to make the necessary investments
- Allow SMEs to take advantage of the increased inflow of Foreign Direct Investments
- Enable SMEs to comply with **SPS, technical regulations**

The DCFTA Facility for SMEs Georgia, Moldova and Ukraine

- € 200 million of EU grant expected to unlock at least €2 billion of new investments in SMEs
- Implemented by EFIs (EBRD and EIB mainly)



The DCFTA Facility for SMEs – under the hood



Ongoing

Starting in 2015

To come



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