

Note on EDIF to WBIF Steering Committee 4 December 2013

This note on the Western Balkans Enterprise Development and Innovation Facility (EDIF) is presented to the Steering Committee (SC) of 4 December 2013 for information. The objective is to: **(i) to provide an overview of the EDIF since its approval by the SC of 7 December 2011 (to be further elaborated at the SC on 4 December 2013) and (ii) to confirm the drawdown of costs relating to the period 2013 – 2015.**

On 7 December 2011, the WBIF SC approved the scope and intended financing plan for the EDIF for the whole period (2011 – 2015), specifically endorsing the drawdown of funds for the first two years of the project implementation. It was agreed that the initial grant of EUR 34.2M for this Private Sector Development Project would be financed through the following sources: EUR 30M from the EU budget, EUR 2.2M from the European Western Balkans Joint Fund (EWBJF) and EUR 2M from the EBRD's Shareholder Special Fund. Following the approval of the SC, a contribution agreement was signed between the EC and the EIB so that the grant funds were transferred and the project launched in December 2012, when the first Platform Advisory Group meeting took place.

The overall objective of the EDIF is to improve access to finance for SMEs in the Western Balkans and to foster economic development in the region through the creation of preconditions for the establishment and growth of innovative and high-potential companies. Furthermore, it aims to catalyse the built-up of the Venture Capital ecosystem so that this particular market develops more for the benefit of innovative and high growth SMEs. In order to achieve the former, four complementary facilities for the Western Balkan region have been established. The progress of each individual facility can be summarised as follows:

- a) **Enterprise Innovation Fund (ENIF):** European Investment Fund (EIF) received 10 expressions of interest from fund managers active in the WB region. Currently EIF is undertaking a due diligence process on preselected managers and expects to finalise its selection by the end of the year. Following obtaining mandatory approvals, and subject to the completion of its establishment, the fund should be operational in early 2014.

- b) **Enterprise Expansion Fund (ENEF):** ENEF fund, advised by EBRD, is currently in the process of finalising legal documentation and will proceed with the mandatory registration process in the coming weeks. The fund should be operational in early 2014.

- c) **Guarantee Facility (GF):** Under the call for expression of interest published by EIF three proposals have been received so far (with additional three under preparation). Two operations have been already approved by EIF Board of Directors with third transaction being submitted to the Board's meeting in October. EIF expects to sign first guarantee agreements by end of 2013.

- d) **TA Facility:** The stakeholders are in the process of identifying TA opportunities and it is envisaged that first projects will be put in place towards end of 2013.

The SC is now asked to endorse the drawdown of funds for the period 2013-2015 of EUR 4.8M. The breakdown is as follows: EUR 3.3M from EWBJF and EUR 1.5M from the EBRD's Shareholder Special Fund to support platform fees and expenses. The respective Project Grant Application Fiche has already been fully approved by the SC in December 2011, together with the overall financing plan which already envisaged the above mentioned amount for the period 2013-2015 and resources are available.