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ACCESS TO FINANCE IN SOUTHEAST EUROPE

Regional Initiative Implementation Plan

January 18, 2011

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ACCESS TO FINANCE IN SOUTHEAST EUROPE

Regional Initiative Implementation Plan

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ACRONYMS

ATF	Access to Finance
B2B	Business to business
B2Bank	Business to bank
B2Fund	Business to investment fund
BAS	Business Advisory Services
BEE	Business Enabling Environment
CEED	Center for Entrepreneurship and Development
DCA	Development Credit Authority
EBRD	European Bank for Reconstruction and Development
E&E	Europe and Eurasia region
EU	European Union
EIB	European Investment Bank
GTZ	German Society for Technical Cooperation
IFI	International Financial Institution
IFC	International Finance Corporation
IMF	International Monetary Fund
IPA	Instrument for Pre-accession Assistance
IT	Information Technology
KfW	German Development Bank
MFI	Microfinance Institutions
MIGA	Multilateral Investment Guarantee Agency
OECD	Organization of Economic Cooperation and Development
PFS	Partners for Financial Stability
PPP	Public Private Partnership
RCC	Regional Cooperation Council
RCI	Regional Competitiveness Initiative
SEAF	The Small Enterprise Assistance Fund
SEE	Southeast Europe
SIDA	Swedish International Development Cooperation Agency
SME	Small and Medium Size Enterprise
TAM	Turnaround Management
USAID	United States Agency for International Development
WB	World Bank

1. BACKGROUND

An ongoing challenge for policymakers and donors is finding ways to help bridge the gap between the ‘demand’ for finance by small and medium sized enterprises (SMEs) and the ‘supply’ of credit and investment by financial intermediaries in Southeast Europe (SEE). While SMEs have always struggled to gain sufficient access to finance, this has been further aggravated by the global financial crisis when even viable SMEs often saw their loan applications rejected. Policymakers recognize that the return to health of the small business sector is a key ingredient for generating new employment and supporting the region’s economic recovery. Many SMEs in the SEE region report that they are not able to build their businesses because they lack access to credit and other sources of finance. Local financial institutions and other providers of credit and investment to small businesses are still recovering from the financial crisis, but many financial intermediaries in SEE have since gained liquidity and are ready –albeit cautiously - to lend or invest in creditworthy businesses.

Two donor-funded regional programs in SEE are combining their resources to lead a coordinated donor initiative to improve access to finance for SMEs. USAID’s Partners for Financial Stability program (PFS), together with USAID’s Regional Competitiveness Initiative program (RCI), organized a Working Meeting of international donor organizations in Tirana, Albania, on October 5-6, 2010. During the Working Meeting, donors, other financial institutions and project implementers shared their experience from ongoing Access to Finance (ATF) development programs and looked for specific areas for collaboration and cooperation in the SEE region. The Working Meeting resulted in an identification of four specific regional activities in collaboration with other donors where PFS, RCI and other partners can leverage their platforms to bridge the gap between providers of credit and investment to promising small and medium firms in SEE which are ready to grow and prosper.

Purpose

The purpose of this ATF Regional Initiative Implementation Plan is to present those ATF activities where PFS will take the lead in its implementation. The Implementation Plan includes the initiative’s development challenge, its overall objective, proposed partnerships and activities, and its monitoring plan and proposed outcomes. We took into account feedback and recommendations received from each of the organizations represented at the Working Meeting (see Table 1) and during the subsequent meetings and follow-up discussions with the potential partners.

Table 1. Organizations Represented at the Donors Working Meeting

International Donors and Others	USAID
European Bank for Reconstruction and Development	Partners for Financial Stability Program
Black Sea Trade and Development Bank	Regional Competitiveness Initiative
Southeast Europe Assistance Fund	Europe & Eurasia Bureau
World Bank	Albania Mission
United Nations Development Program	Bosnia and Herzegovina Mission
Raiffeisen Bank Albania	Albania Competitiveness Project

International Donors and Others	USAID
Centers for Entrepreneurship and Executive Development, Washington	Serbian Economic Growth Activity
Centers for Entrepreneurship and Executive Development, Macedonia	Albania Agribusiness Project
KfW	Albania Financial Sector Project
Regional Cooperation Council	

Audience

This Implementation Plan’s primary audience is USAID PFS COTR and USAID Missions in SEE. A separate “ATF Roadmap in SEE” document containing most of the content from this Plan as well as a description of additional ATF activities to be supported by USAID RCI project will be shared with the Working Meeting participants, USAID projects, counterparts and other stakeholders active in ATF activities in SEE. The Roadmap document will be available on PFS portal at www.PFSprogram.org.

2. THE DEVELOPMENT CHALLENGE

The participants at the Donors Working Meeting in Tirana identified and discussed a number of obstacles and challenges for financing of SMEs in SEE. These challenges were also “ground-truthed” by recent data from several other sources, such as World Bank Doing Business Report, World Economic Forum’s Global Competitiveness Report, World Bank/EBRD Enterprise Surveys, OECD SME Policy Index, and OECD Investment Reform Index. The ATF regional initiative will aim to address the following key challenges

- **Financial institutions have difficulty utilizing donor credit facilities and guarantees because of complex conditions imposed by the donors (for instance, prohibitions on financing existing clients).** While the supply of financing that donors and IFI’s have provided to SEE financial institutions amounts to the hundreds of millions of euros, only a fraction of the total available funds are actually extended to SMEs. The main impediments to utilization of these financing sources, according to financial institutions, are the limitations imposed by the donors and IFIs. These limitations combined with the lack of bankable clients and insufficient SME lending capacity by financial institutions have resulted in low utilization of credit facilities and guarantees.
- **Many financial institutions in SEE still lack sufficient internal capacity and know-how to extend finance to SMEs.** The small loan size for SMEs results in relatively high transaction costs for the banks. The transaction costs associated with processing and administering loans are fixed and banks often find that processing small SME loans is inefficient. They lack the techniques, such as credit scoring, new lending technologies, or specific SME lending departments, to increase volume and lower costs.
- **Entrepreneurs are not familiar with financial institutions’ documentation requirements, creditworthiness and investment criteria.** Inexperienced

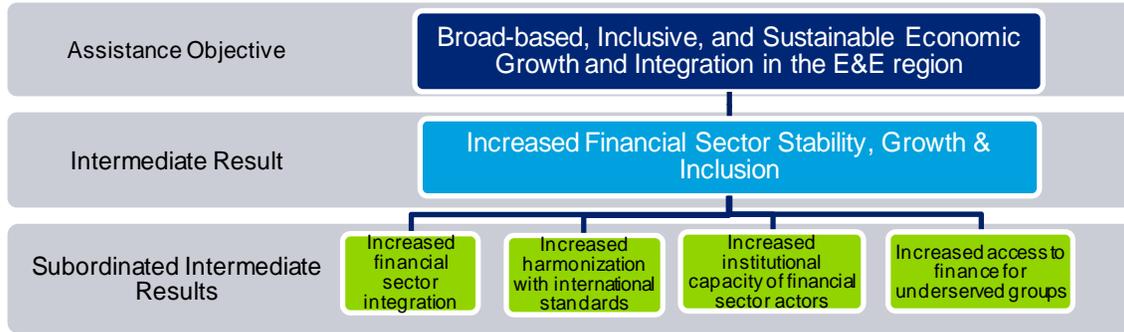
entrepreneurs find it frustrating to work with financial institutions and sometimes give up on obtaining finance from the formal financial sector. World Bank/EBRD Enterprise Surveys indicate that a majority of firms in the SEE rely on internal sources as their predominant source of finance and rely less on bank finance, trade finance or equity finance. Financial institutions and investors find it unprofitable to offer advisory services which small companies need when applying for finance.

- **Due to lack of records and required documentation, most financial institutions require businesses to provide substantial real estate or land as collateral for loans.** World Bank/EBRD Enterprise Surveys indicate that the market value of the real estate ranges between 1.2 to 2 times the amount of the loan. Hard collateral requirements are especially difficult to be met by SMEs that often lack access to sufficient real estate property. Only a few institutions provide lending based on movable collateral (vehicles, machinery, livestock etc.) or asset-based financing (purchase orders, warehouse receipts). Both enterprises and finance providers are also not familiar with ‘alternative sources of finance’, such as leasing or factoring.
- **Investor equity as a potential funding source to SMEs is very limited in the SEE countries.** Investment needs by SMEs are often too small and therefore too costly to make SMEs an attractive or viable market for a typical equity investor. Even medium businesses are often ill-prepared when approaching investor funds, unable to provide sufficiently developed business plans and other documentation required by potential investors. The SMEs also have a very limited understanding how debt or equity investments are structured or how they impact their business. There is also a problem of information asymmetry: SMEs lack appropriate know-how to locate potential investors while on the other hand investors have limited access to or knowledge of investment-worthy SMEs. Some donors have established investment vehicles targeted toward the SME market segment, such as the Small Enterprise Assistance Fund (SEAF). However, the demand for investment by SMEs far exceeds available supply of investment funds.
- **Numerous donors are supporting access to finance activities in the region, yet the information about their projects is limited and difficult to find.** Demand-side ATF projects are finding it difficult to locate up-to-date information on supply-side projects, such as available regional investment funds or enterprise funds for SMEs, SME financial literacy opportunities, commercial banks with donor-funded SME lending facilities. Similarly, financial institutions lack information about “investment- or credit-worthy” SMEs. The bridging of this information gap could result in more effective leveraging of different donor projects in the ATF area in SEE whereby demand-side projects could actively engage with supply-side projects, or vice versa, in identifying and implementing common activities or share lessons learnt/ best practices.

3. THE INITIATIVE OBJECTIVE

The primary objectives of PFS ATF regional initiative within the overall PFS Results Framework (Figure 1) is to support increased institutional capacity of financial sector actors (Subordinated Intermediate Result No. 3) and increased access to finance for underserved groups (Subordinated Intermediate Result No. 4).

Figure 1. PFS Results Framework



Specifically, within this framework, the ATF regional initiative will aim to achieve the following intermediate objectives:

Intermediate Objective 1: Increase the capacity of SEE commercial banks to better utilize donor funded loan and guarantee mechanisms.

Intermediate Objective 2: Increase the capacity of financial advisory profession in SEE countries.

Intermediate Objective 3: Expand horizon about investors and financial institutions/products, including “alternative financial institutions” with SMEs and financial advisors/consultants.

Intermediate Objective 4: Promote sharing of information and best practices among ATF stakeholders in the region.

Intermediate Objective 5: Create opportunities to connect finance institutions and SMEs in the SEE region.

4. POTENTIAL PARTNERSHIPS

This regional activity anticipates several types of partners, including the Working Group participants. Specifically, the partners may include:

- USAID E&E Bureau, Missions, USAID DCA
- USAID implementing partners in the region: RCI, competitiveness and value-chain projects, financial sector or SME development projects.
- Other donors with ATF projects: EBRD BAS, KfW, EBRD, KfW, EIB, UNDP, IFC, RCC, World Bank, bilateral donors (Swedish, Swiss, Austrian, UK donor agencies)
- Investors and regional funds: SEAF, KfW, EIB, EBRD, Investment Promotion Agencies

- Commercial banks: Raiffeisen, Unicredit, other commercial banks, Bank Associations
- Alternative financial institutions: Crimson Capital, other leasing and factoring institutions
- Business and entrepreneurship institutions: CEED, Business Associations
- Financial Advisors: EBRD BAS program consultants, other management consultants and financial advisors

5. PROPOSED REGIONAL ACTIVITIES

This section lists and describes the specific activities and partnerships which were put forth during the Working Meeting to address the main obstacles and challenges. A proposed timeframe for these activities, including potential partners, is included in Table 2 below.

5.1 ‘Knowledge Sharing’ Among Financial Institutions to Maximize Utilization of Donor Credit Lines and Guaranty Facilities

PFS will facilitate workshops among financial institutions with donor credit lines and guarantee facilities to promote knowledge sharing of best practices and lessons learned in utilizing donor financing sources. For example, financial institutions with a newly established guarantee mechanism provided by the USAID Development Credit Authority (DCA) can learn from the experiences of those financial institutions that are successfully utilizing DCA-backed guarantees to promote extension of credit to SMEs. PFS will work with other donors to identify and bring together those financial institutions that are ready to learn and have expressed interest to adopt new practices to increase their lending to SMEs.

While the main focus of the workshops will be to increase utilization rates of donor financing sources, the workshops will also provide technical advisors and experts to discuss and encourage best practices in SME finance. The workshops will encourage the participants to learn how to develop holistic approaches to SME lending. This could include establishment of SME units within institutions, promotion of SME-focused culture, development of credit risk management practices tailored to SMEs, offering of diversified SME-targeted products, including asset-based products, and adoption of appropriate automated transaction processing and management information systems. The banks might also learn about a consultative or “solutions based” approach to SME client relationship management. This approach seeks to assess and understand an SME client’s financial condition, as well as their broader business and risk characteristics properly, and it seeks to apply credit or other (non-credit) products as “financial solutions” to actual SME customer needs.

5.2 Promoting and Supporting the Development of Professional Financial Brokers or Advisors for SMEs

PFS will support the development of professional financial brokers or advisors who will assist SMEs in obtaining credit, other financial products and investment from financial institutions. While some custom training programs will be developed, PFS will focus on building upon available training programs by potential PFS partners. Trainees will include existing services professionals, such as financial advisors or management consultants. PFS project in partnership with other donor programs and institutions, such as EBRD Business Advisory

Services (BAS) program or CEED, will develop a pilot training program to be expanded further across the region.

5.3 Organizing Finance Fair and Matchmaking Events to Increase Financial Literacy and Connect SMEs and Financial Advisors with Financial Institutions/ Investors

This activity aims to regionalize successful project experiences by different donors' programs in SEE, such as CEED, USAID RCI, and other demand-side projects with business to business knowledge sharing and matchmaking events at a country level. The activity will also be able to leverage lessons learned and experiences from other USAID competitiveness and financial sector projects and their experiences with connecting investors/ financial institutions with financial consultants and SMEs (for example, in Macedonia, Kosovo).

The regional Finance Fair and Matchmaking event will take up to two days. It will start with an overall panel discussion to promote sharing of knowledge, followed by matchmaking focused activities. The matchmaking part of the event will require an identification and extensive preparation of select SMEs to be "matched" with specific investors during private meetings with investors. The key benefit to the investor is to have access to prescreened and potentially investment-worthy SMEs; SMEs had the opportunity to pitch their firm to potential investors. While deal-making is not expected at the event itself, deals may result in the subsequent months once sufficient due diligence takes place. Such matchmaking activities also raise investors' profile with a group of firms in target countries and they help level-set SMEs' expectations about equity investment requirements.

In preparation for the event, PFS will also conduct informal surveys on obstacles to access top finance for women entrepreneurs. Their feedback will be incorporated into design of final agenda of the event.

The first event is currently anticipated for June, 2011, in Macedonia. A separate Concept Paper has been developed for this overall activity (see Annex 5).

5.4 Improving and Promoting Ongoing Information Sharing Amongst the Donors

The participants of the Donors Working Meeting confirmed interest and commitments by each donor to participate in this joint donor initiative in the SEE region. The participants also agreed to "institutionalize" their collaboration by establishing a Donors ATF Working Group. The Group will meet at least once a year to discuss progress made against the proposed ATF roadmap and discuss any new and ongoing donor and regional priorities in the ATF area.

PFS will manage this initiative and coordinate the Working Group's activities and events. PFS will use its PFS portal to share information and communicate with Working Group participants about progress made against the proposed roadmap timeframes. As a coordinator, PFS will assist with designing and organizing Working Group coordination meetings, design other event agendas, develop participant lists with organizing institutions, and communicate with the Working Group's participants. PFS will also conduct occasional surveys to better understand the Working Group's interests and priorities over the next three years.

As part of its coordinating role, PFS will also take the lead in collecting, organizing and sharing information about ATF donor projects and other relevant information in the region by

utilizing the PFS portal at www.PFSprogram.org. The portal will include the following key features:

- An up to date inventory of donor-funded projects that focus on ATF activities from the supply and the demand side. Donors and other users will be able to register on the site and upload as well as download documents. The portal will also serve as a tool for web-enabled training on ATF topics.
- An updated list of SME-focused investment funds interested in the region. These funds will also be invited to participate in matchmaking events discussed above.
- Joint calendar of ATF events in the SEE offered by donors and other organizations.

6. MONITORING PLAN AND PROPOSED OUTCOMES

6.1 Monitoring Plan

This initiative will follow the existing PFS PMP process for monitoring progress towards the PMP outcomes by gathering data against an established set of outcome indicators. In addition, the activity establishes new outcomes and indicators to be added to the existing PFS PMP, as discussed in section below.

6.2 Proposed Outcomes

The proposed outcomes for this activity will contribute to the overall PFS outcomes outlined in the PFS Performance Monitoring Plan (PMP).

Existing PMP Outcomes

Specifically, this activity will contribute to the following existing PMP outcomes, as measured by the existing PMP outcome indicators:

- Contribution of PFS program to USAID missions' programs.
- Increased access to finance for underserved groups
- Development of sustainable networks for financial stakeholders of PFS countries in PFS areas of interest.

Additional Outcomes

This activity will add the following new outcomes and indicators to the existing PFS PMP:

- NEW Outcome: Increase of access to finance by those SMEs participating in the Finance Fair and Matchmaking events in SEE.
 - Indicator type: Outcome
 - Indicator description: Number of SMEs (segregated by country and ownership of SMEs by gender) with new loans, other types of alternative finance (leasing, factoring, trade finance) or potential investment commitments.
 - Data Collection: It will be measured by a feedback survey of SMEs, financial advisors and financial institutions six months after the event.
- NEW Outcome: Increase capacity of financial advisors in SEE.
 - Indicator type: Outcome

- Indicator description: Number of financial advisors (segregated by country and gender) who report increased advisory services, business contacts and application of knowledge based on the PFS ATF events.
- Data Collection: It will be measured by a feedback survey of financial advisors six months after a training or matchmaking event. The survey will assess the perceived value of the event by the financial advisors as measured by different indicators, such as number of advisory services provided after the event, leverage of business contacts made during the event, and application of knowledge gained during the event.

Based on the informal surveys of women entrepreneurs during Q1-Q2 2011 and their feedback about constraints in access to finance, we may add another outcome targeted specifically toward women SMEs.

7. CONCLUDING REMARKS AND NEXT STEPS

This regional initiative currently includes ATF activities for six countries in SEE. During 2011, PFS will develop a plan to include the remaining six PFS countries in Eurasia region.

As part of the planning for this initiative, a draft summary of key activities and proposed events is presented in Table 2 below. Tina Mendelson will lead the overall initiative with support from several expatriate and regional advisors and potential grantees, as listed below.

Table 2. Summary of Regional Activities, Timeframes and Resources

Regional Activity	Approximate Date	PFS Resources	Comments
Coordinate and manage the PFS ATF Regional Initiative			
Coordinate all activities and report to USAID on regular basis on progress made	Jan, 2011 - ongoing	Tina Mendelson	Report progress to USAID COTR and Chief of Party on weekly basis
Secure advisors and relevant resources to support the initiative	Jan, 2011 - ongoing	Tina Mendelson, Lori Bittner	Engage financial advisors and trainers to support the initiative
Present the PFS ATF Initiative on PFS portal	Jan, 2011 - ongoing	Tina Mendelson	Provide regular blogging and support other Community of Practice events to increase interest in the activity
Organize Second Working Group Coordination Meeting for SEE donors and implementing partners	October 2011 -	Tina Mendelson, Renata Petrusevska, Anita Mlinaric	Upon completion of initial events and activities, consider having a virtual donor coordination meeting of the Working Group
Update the plan with potential ATF activities in Eurasia, including consider another Working Group Coordination Meeting in Eurasia	May – August, 2011,	Tina Mendelson, Leslie Sulenta	Reach out to USAID Missions and other donors in Eurasia to gauge their interest and priorities in ATF areas (explore interest at PFS Annual Conference in May 2011) Collect additional interest via informal interviews and discussions Update the plan based on their feedback
Organize Third Working Group Coordination Meeting for SEE and	2012	TBD	TBD

Regional Activity	Approximate Date	PFS Resources	Comments
Eurasian donors and partners			
Develop Regional Initiative Assessment Report	Jan – March, 2013,	TBD	Conduct an assessment of the achievement of ATF initiative objectives and outcomes
'Knowledge Sharing' Among Financial Institutions to Maximize Utilization of Donor Credit Lines and Guaranty Facilities			
Identify commercial banks interested to participate in the event, including topics of interest	Jan – Feb, 2011	Michael McNertney, Ivan Pilepic	Reach out to USAID DCA office and other donors (EBRD) with credit lines/ guarantee mechanisms to identify a list of commercial banks. Reach out to commercial banks to confirm their interest to participate.
Develop training material for the event	March 2011	Michael McNertney	Coordinate with USAID DCA to develop case studies or leverage existing DCA training material. Coordinate with other donors, such as EBRD, to develop material
Confirm monitoring plan to measure increases in utilization of donor credit lines and guarantee mechanisms	March 2011	Michael McNertney, Tina Mendelson	Liaise with the DCA office to develop a monitoring process of data collection on utilization of DCA mechanisms. Develop process with other donors or commercial banks directly to measure progress.
Conduct logistics for the event	February – April 2011	Anita Mlinaric, Renata Petrusavska	Establish participant list, develop invitations, identify the venue
Hold event No. 1	April 2011	Michael McNertney, Tina Mendelson, Ivan Pilepic	Hold first commercial bank event; Generate interest to establish an active group as part of PFS Community of Practice
Collect participant feedback	April 2011	Michael McNertney	Gauge trainees' satisfaction with the course
Collect data on utilization of credit lines	April 2011, October 2011	Renata Petrusavska	The data establishes a baseline as of April 2011, and an additional report six months after the event.
Conduct logistics for PFS webinars	June 2011 - September 2012	Marc Vogtman, Renata Petrusavska Kaizen/DMS	Work with Kaizen/DMS to develop virtual events/ webinars for the commercial bankers
Develop training material for PFS webinars	June 2011 – September 2012	Michael McNertney, Marc Vogtman, Other Financial Trainers Kaizen/DMS	Work with Kaizen/DMS to develop virtual events/ webinars for the commercial bankers
Hold a sequence of brief virtual events on PFS	September 2011 – September	Michael McNertney, Kaizen/DMS,	Hold quarterly webinars on topics of interest.

Regional Activity	Approximate Date	PFS Resources	Comments
portal	2012	Tina Mendelson, Marc Vogtman, Renata Petrusevska, Other TBD Financial Trainers	Conduct feedback survey to gauge interest in webinars and ongoing priority topics for banks
Collect data on utilization of credit lines	April 2012, October 2012	Renata Petrusevska	Continue data collection process.
Promoting and Supporting the Development of Professional Financial Brokers or Advisors for SMEs			
Conduct preliminary discussions with existing financial advisors	Jan – Feb, 2011	Ivan Pilepic, Tina Mendelson	Reach out to current financial advisors of Macedonia Financial Platform project or EBRD BAS program, CEED to confirm their interest to contribute to this regional activity (as planners, trainers etc.)
Conduct an assessment of status of financial advisory profession in SEE countries	Feb, 2011	TBD Regional Financial Advisors Mike McNertney	Coordinate with EBRD BAS programs, other USAID programs in the region, CEED Consider engaging CEED centers via a grant to support this initiative
Identify gaps that currently exist in financial profession and develop training material for financial advisors	March - April, 2011	Mike McNertney, Ivan Pilepic, TBD Regional Financial Advisors	Identify specific areas of gaps to be addressed by training Consider engaging CEED centers via a grant to support this initiative
Finalize the event agenda, speakers and topics	April 2011	Mike McNertney, Tina Mendelson	Communicate the agenda with the event stakeholders and on PFS portal to obtain comments and feedback
Conduct logistics for the event	Feb – April 2011	Anita Mlinaric, Renata Petrusevska, DMS	Establish participant list (coordinate with RCI for SMEs, other donors for financial advisors), develop invitations and online registration, identify the venue, prepare marketing material for the event Engage with DMS to develop online registration module Conduct marketing on PFS portal in preparation for the event (countdown)
Financial Advisor Training Event	Week of May 9, 2011 (prior to PFS annual conference)	Michael McNertney, Renata Petrusevska, TBD Regional Financial Advisors, Tina Mendelson, Ivan Pilepic	Hold first commercial bank event; Generate interest to establish an active group as part of PFS Community of Practice
Collect participant feedback	May 2011	Michael McNertney	Gauge trainees' satisfaction with the course
Measure outcomes via survey	May 2011, November 2011	Renata Petrusevska	The data establishes a baseline as of April 2011, and an additional report six months

Regional Activity	Approximate Date	PFS Resources	Comments
			after the event.
Conduct logistics for PFS webinars	June 2011 - September 2012	Marc Vogtman, Renata Petrusevska Kaizen/DMS	Work with Kaizen/DMS to develop virtual events/ webinars for financial advisors
Develop training material for PFS webinars	June 2011 – September 2012	Michael McNertney, Marc Vogtman, Other TBD Financial Advisors Kaizen/DMS	Work with Kaizen/DMS to develop virtual events/ webinars for financial advisors
Hold a sequence of brief virtual events on PFS portal	October 2011 – October 2012	Michael McNertney, Marc Vogtman, Kaizen/DMS, Tina Mendelson, Renata Petrusevska, Other TBD Financial Trainers	Hold quarterly webinars on topics of interest. Conduct feedback survey to gauge interest in webinars and ongoing priority topics for advisors
Continue to measure outcome via survey	October 2012, December 2012	Renata Petrusevska	Continue data collection process.
Organizing Finance Fair and Matchmaking Events to Increase Financial Literacy and Connect SMEs and Financial Advisors with Financial Institutions/ Investors			
Develop and Share Concept Paper	January 2011	Tina Mendelson	Concept paper shared with RCI and USAID Missions
Finalize the event's budget with RCI	February 2011	Tina Mendelson, Renata Petrusevska	While PFS will lead the event, RCI will help develop a long list of SME participants in the overall event; Develop a short-list of SMEs for the matchmaking event (focus on those firms that are seeking finance); Prepare the SMEs for the event, including develop appropriate collateral and marketing material for investors; Assist with developing a list of investors with interest in SMEs in SEE; and contribute other financial resources in support of the event.
Conduct logistics for the event	Jan/ Feb – June 2011	Anita Mlinaric, Renata Petrusevska, DMS Macedonian venue management vendor	Establish participant list (coordinate with RCI for SMEs, other donors for financial advisors), develop invitations and online registration, identify the venue in Skopje, Macedonia, prepare marketing material for the event Engage with DMS to develop online registration module Conduct marketing on PFS portal in preparation for the event (countdown)
Develop investor and financial institution lists and	Jan – June, 2011	Tina Mendelson	Coordinate with USAID Missions, implementing partners, RCI, CEED,

Regional Activity	Approximate Date	PFS Resources	Comments
guidelines for investor presentations and booths		TBD Research Analyst Ivan Pilepic	EBRD BAS, SEAF, other donors to obtain a list of potential contacts of investors Reach out to investors to confirm their interest to participate in the event.
Gauge interests and priorities of women entrepreneurs in the region	Feb-April 2011	Ivan Pilepic	Identify key obstacles to access to finance for women entrepreneurs in SEE Identify topic areas of interest for women entrepreneurs
Finalize the event agenda, speakers and topics	March – April 2011	Tina Mendelson	Communicate the agenda with the event stakeholders and on PFS portal to obtain comments and feedback
Design surveys to measure access to finance for SMEs and impact for financial advisors	April – May 2011	TBD Survey Specialist	Design online surveys in support of outcome measurement (baseline survey at time of registration, and six months after the event)
Present event at Access to Finance breakout session at Annual PFS and RCI conference	May, 2011	Tina Mendelson	Refine the format of Macedonia event and solicit feedback and input prior to design of additional finance fair events
Macedonia: First event	June 2011	Tina Mendelson, Ivan Pilepic, Renata Petrusevska, Anita Mlinaric, TBD Speakers	Conduct a two-day event, and follow-up online with via participant surveys to establish a baseline. Implement Access to Finance community of practice activities on the PFS portal.
Conduct logistics for the event No. 2	July – Sep, 2011	Anita Mlinaric, Renata Petrusevska, DMS TBD local vendor (for logistics)	Establish participant list (coordinate with RCI for SMEs, other donors for financial advisors), develop invitations and online registration, identify the venue (potentially Serbia), adjust prior marketing material for the event Conduct marketing on PFS portal in preparation for the event (countdown)
Update investor and financial institution lists and guidelines for investor presentations and booths	July - September, 2011	Tina Mendelson TBD Research Analyst Ivan Pilepic	Reach out to investors to confirm their interest to participate in the event.
Finalize the event agenda, speakers and topics	September, 2011	Tina Mendelson	Communicate the agenda with the event stakeholders and on PFS portal to obtain comments and feedback
TBD: Second event	November, 2011	Tina Mendelson, Ivan Pilepic, Renata Petrusevska, Anita Mlinaric, TBD Speakers	Conduct a two-day event, and follow-up online with via participant surveys to establish a baseline.
Collect outcome measurement data via online surveys for Macedonia event	December 2011	Renata Petrusevska	Collect data after six months of the event

Regional Activity	Approximate Date	PFS Resources	Comments
Collect outcome measurement data via online surveys for TBD event	April 2012	Renata Petrusavska	Collect data after six months of the event
Hold event No. 3 in the region	2012	TBD	TBD
Improving and Promoting Ongoing Information Sharing Amongst the Donors			
Launch online repository of ATF projects in the SEE region and calendar of ATF projects & events	Jan-Feb, 2011	Ivan Pilepic, Marc Vogtman DMS	Design template and forms for country dashboards on PFS portal Include data currently collected by PFS Concept Paper on ATF program in SEE region Reach out to ATF initiatives' donor participants to obtain data
Design roles and responsibilities and overall process for keeping data current	March, 2011	Ivan Pilepic, Tina Mendelson	Reach out to other donors or USAID initiatives (RCI, Business Growth Initiative) to develop process to keep data current, Consider a grant competition to manage data gathering for the future
Ongoing update of data and calendar	April 2011 – June 2013	TBD	Continue to update information with new data.

ANNEX 1. RELEVANT ACCESS TO FINANCE PROJECTS IN SOUTHEAST EUROPE

Donor	Supply-Side Projects	Demand-Side Projects
Albania		
EBRD	SME Credit Line (Landeslease) SME On-lending Loan (Union Bank)	TAM/BAS- Advisory Services
USAID	DCA Guaranty Program (Raiffesien), USAID - FSVC Financial Sector assistance	Competitive Enterprise Development Project (RRITJE), Agrobusiness priject
EIB/EU	EIB Loan to Tirana Bank for SMEs	Improving the Business Enabling Environment (Albinvest) Business Advisory Services for SMEs (Business Relay and Innovation Centre)
UNDP		Sector Focused Development Program (tourism and environment) Vulnerable population
KfW	Establishment of SME Financial Institution ProCredit, and Onlending to MFIs	
Bosnia and Herzegovina		
EBRD	SME Credit Line (Intesa Sanpaolo Banka)	TAM/BAS- Advisory Services
USAID	DCA Guaranty Program	Sector-focused Development Program/Technical Assistance (FARMA/FIRMA/ELMO/IPR)
EU		SME Development/Advisory
World Bank	Bank On Lending to SMEs	
IFC	Bank and Microfinance Capacity Building and Developing the Regulatory Framework	
Kosovo		
USAID	DCA Loan Guaranty –Agriculture (Raiffeisen Bank Kosovo)	CEED Kosovo
IFC	Kosovo Enterprise Fund and Credit for Microfinance	
Macedonia		
EBRD	Ohridska Bank SME On-lending Program	TAM/BAS- Advisory Services
USAID	MSME - DCA Loan Guaranty (Unibanka and NLB Leasing) The Commercial Finance Fund –short-term working capital products to SMEs (Purchase Order finance)	Macedonia Competitiveness Project AgBiz Program CEED Macedonia
EIB	Loan to Macedonian Bank for Development Promotion	
IFC	Senior Loan Investment to NLB Tutunska bank, A.D. Skopje Loan to Komercijalna Banka for SME	
Montenegro		
EBRD	Podgoricka Banka Societe Generale Group Credit Line	TAM/BAS Business Advisory Services
EIB	Bank on Lending / Guaranty Scheme	Improving BEE
KfW	European On Lending Fund for SME	Business Advisory Services
IFC	NLB Montenegrobanka Podgorica On Lending Loan	
Serbia		
EBRD	Credit Lines/Loans: <ul style="list-style-type: none"> Banca Intesa Societe Generale Serbia 	TAM/BAS Business Advisory Services

USAID Partners for Financial Stability Project

Donor	Supply-Side Projects	Demand-Side Projects
	<ul style="list-style-type: none"> Komercijalna bank Unicredit Bank and Leasing Serbia Development of Financial Instruments (Warehouse Receipts for agricultural commodity financing); Societe Generale Serbia (Jointly with IFC, DEG and Swedfund) Komercijalna Banka-Convertible Preference Shares	
USAID		Projects: Agribusiness; Competitiveness; Economic Growth
EIB	Multiple Loans and Leasing and Fund programs (e.g. National Bank of Serbia – onlending to commercial banks; Pireus, Raiffeisen, HVB, EFG Bank and Leasing, Unicredit Leasing, Erste Bank, KBC Bank, Cooperation with Italy) West Balkan Energy Efficiency Fund	
EAR	On-Lending facility for SMEs (grant) – created Revolving Credit Fund	
IPA	Development of Financial Instruments, Donor Supported Investments in SMEs	Technical assistance to SMEs on product and process innovation
Denmark	SME Onlending (NLB bank)	
EU	EU Regional Socio Economic Development Program - grants	
KfW	Credit line to 5 banks	
IFC	NBG/Vovjodjanska equity investment in SME Pro Credit On Lending loan Cacanska Banka Equity Investment Loan to Procredit Leasins Serbia (leasing finance to SME, ag)	Business Advisory Services/Grants
MIGA	Guarantee for Raiffeisen Zentralbank Osterreich AG's Leasing Company Guarantee for Bank Austria Creditanstalt AG	
Multi-donor or Regional Programs		
EBRD	US/EBRD SME Finance Facility – onlending, TA and BEE EBRD/Italy Local Enterprise Facility – debt, quasi equity and equity financing	
EIB	SME Onlending – under appraisal – under Procredit Bank	
European Investment Fund	Risk Sharing to Support Financial Institutions' Access to Capital Markets EU Guarantees for equity financing to SMEs High Growth and Innovative SME Facility (GIF)	
IFC	Green for Growth Fund Southeast Europe (formerly known as Southeast Europe Energy Efficiency Fund)	
OECD		SME Policy Index: Improving the Business Enabling Environment
Small Enterprise Assistance Funds	Direct Credits and Equity Investments in SMEs	
JASMINE	Joint Action to Support Micro-finance Institutions in Europe and Onlending to SMEs	

USAID Partners for Financial Stability Project

Donor	Supply-Side Projects	Demand-Side Projects
Enterprise Europe Network		Business Advisory Services for SMEs
European Fund for Southeast Europe	On-Lending to SMEs / Technical Assistance to Financial Institutions	
UNDP		Growing Sustainable Business Program

ANNEX 2. ACCESS TO FINANCE DONOR'S MEETING AGENDA

Tuesday, 5 October 2010

- 8:30am – 9:00am *Coffee and Introductory Networking*
- 9:00am – 9:14am **Welcoming remarks**
- Andrew Maybrook, Program Office Director, USAID Albania
 - Steve Eastham, Senior Capital Markets Advisor, USAID Washington
- 9:15am – 10:00am **Brief Overview of USAID Regional Economic Growth Programs in Southeast Europe**
- Leslie Sulenta, Chief of Party, Partners for Financial Stability (PFS)*
Filip Stojanovic, Regional Director, Regional Competitiveness Initiative (RCI)
- 10:00am – 10:45am **Setting the Stage:**
- An Overview of Donor Projects to Boost Access to Finance for SMEs throughout SEE**
- Presented and moderated by Tina Mendelson, USAID – PFS*
Highlights of ‘Supply side’ donor programs in SEE
- On-lending and direct lending facilities
 - Developing innovative financial products
 - Technical assistance to financial institutions
 - Promoting private equity capital investments
 - Launching of guarantee funds which fill the collateral gap
 - Improving the business enabling environment
 - Risk sharing and other innovations
- Highlights of ‘Demand side’ donor programs in SEE*
- Business advisory services for SMEs
 - Firm-specific technical assistance or management projects
 - Sector-focused development programs
- Open Discussion – all participants*
- 11:15am -12:45pm **Donor Programs: “Where are we going?” — A forward-looking view of A2F Programs**
- Moderated by Sara Keefe, USAID Washington*
- 2:00pm – 3:30pm **Donor Programs: “Where are we going?” — A forward-looking view of A2F Programs (Cont.)**

- 4:00pm – 5:00pm **Daily Wrap-up:**
“Opportunities to collaborate and leverage USAID regional programs in A2F area”
Moderated by Lori Bittner, USAID - PFS Program
- Leveraging USAID assistance –opportunities within current landscape of donor programs where leveraging of USAID regional programs’ (PFS and RCI) assistance results in highest rate of return
 - ‘Regionalizing’ country success stories - what are potential regional activities where PFS and RCI can build on successful donor programs
 - Identifying preliminary A2F thematic areas for proposed Donor Implementation Roadmap

Wednesday, 6 October 2010

- 9:00am – 9:14am **Introductory remarks**
Sara Keefe, USAID Washington
- 9:15am – 10:30am **A2F Donor Implementation Roadmap:**
“How to Bridge the Gap Between Supply and Demand for Credit and Investment”
Moderators: Scott Calhoun, USAID – SEGA and Filip Stojanovic, USAID – RCI
- What gaps remain in A2F programs?
 - ‘Bridging the Gap’ through Intermediation — Where and how should the donors best collaborate to fill those gaps?
 - Forging donor partnerships and public-private partnerships
- Open Discussion – all participants*
- 11:00am – 12:00pm **A2F Donor Implementation Roadmap (Cont.):**
“Conclusions and Next Steps — A Coordinated Approach: Establishing the Way Forward toward Achievable Outcomes”
Moderators: Leslie Sulenta, USAID – PFS and Filip Stojanovic, USAID – RCI
- A2F Donor Working Group and Implementation Roadmap – Identified common areas of collaboration and coordination
 - Next steps
 - Introduction to proposed Brussels donor coordination meeting, March 2011
- 12:00pm – 12:15pm **Conference Wrap-up, Closing Remarks**
Steve Eastham, USAID Washington

ANNEX 3. OBJECTIVES OF THE ACCESS TO FINANCE DONORS WORKING MEETING

1. Partnerships

Objective: Design innovative donor partnerships and public-private partnerships for connecting bankable SMEs with sources of finance and investment.

The Working Meeting will explore areas where the donors can work together or cooperate with local partner institutions to connect promising enterprises with banks, investment funds, and other available sources of finance or investment. The PFS and RCI programs, with their hands-on work with regional financial sector players and businesses, will commit to contribute expertise and resources toward the realization of new partnership ideas.

2. Knowledge Sharing and Regionalization of Successful Access to Finance Programs

Objective: Identify opportunities for PFS and RCI to share knowledge and ‘regionalize’ successful bilateral Access to Finance (ATF) programs.

Both PFS and RCI take a regional approach to achieve development goals. Each program works with a number of public and private sector players in the local markets and incorporates regional knowledge sharing as a key program component. As just one example, PFS brings together different financial sector practitioners, such as bankers associations, stock exchanges, or investor protection advocates from around the region to share knowledge and experience with their counterparts from neighboring countries. These knowledge-sharing events normally result in the formation of ongoing formal and informal cooperation amongst the regional counterparts.

Workshops and events in the region are further enhanced by virtual knowledge-sharing via PFS knowledge management portal at www.PFSprogram.org. This portal is currently under development and it will be launched in early October, 2010. Additional releases will be added to provide specific functionality to financial stakeholders, including Communities of Practices, content development, blogging, webinars, calendar of events in the region and e-learning opportunities.

During the donors Working Meeting, PFS and RCI will identify regional issues or challenges which can be addressed through knowledge sharing. Both programs will look for ways to leverage success stories from other donors and to “regionalize” effective approaches to SME finance through partnerships with other donors, private sector players, or public entities in Southeast Europe. The PFS project will look for opportunities with donors to leverage technology and its PFS portal to jointly develop tailored Access to Finance content, e-learning programs and share lessons learned stories to its Communities of Practice members across the region.

3. A Holistic Approach to SME Financing

Objective: Take a Strategic Approach - Develop a Holistic SME Financing Template focused on Commercial Banks

This paper has identified a number of deficiencies that impede SME access to finance. Central to these is a lack of SME lending know-how and engagement by commercial banks in the region. Unless the banks perceive SME market as a long-term business opportunity, it is unlikely that a critical mass of SME credit will be generated.

Accordingly, a strategic and systematic (“supply side”) approach for building SME lending and business capacity at commercial banks should be considered country by country across the region. This process can be guided and supported by PSF and its partners.

The approach will involve defining and subsequently supporting the building of focused and specialized SME units, SME product portfolios and SME risk management/credit scoring methodologies in commercial banks in these countries. It will also involve putting systems and software programs that allow for automated processing into place. There are SME banking platforms in a number of emerging market settings which might serve as templates for this purpose.

All of this is predicated on the SME segment representing excellent lending and business potential for commercial banks, as other developing countries have amply demonstrated.

In addition to developing commercial banks themselves, a broader SME financing infrastructure should be built country by country. Credit bureaus, guarantee funds and second story funding institutions might constitute this infrastructure. The regulatory setting should be addressed as part of this strategy as well.

4. Outreach to the “Unbankable” Market

Objective: Identify unmet markets that would benefit from SME financing.

Southeastern Europe has unique and special challenges. These include an educated workforce, high unemployment, especially youth unemployment and recent college graduates, and business disincentives. Working with the local governments, potentially universities, and lenders, donors can look for opportunities to tap the unmet market - young, motivated, educated individuals that would excel if given a chance. Program activities may look for ways to expand prior business development services programs to university campuses or other educational institutions. Similarly, joint donor activities may identify opportunities to ‘bank’ other vulnerable, underserved populations. This could be individuals living in rural areas or smaller towns, women or middle aged individuals who lack a formal education yet have business sense and marketable skills.

5. Donor Access to Finance Roadmap

Objective: Develop an Access to Finance Donor Roadmap for coordination and joint donor activities in access to finance area.

The donors Working Meeting should results in a Roadmap that will outline further steps and cooperation amongst the donors and other regional partners toward greater financing opportunities for SMEs in Southeast European region. The roadmap is intended to identify the following:

Areas of potential joint activities in Southeastern Europe.

Expressed interest or commitments by each donor to participate in this joint donor initiative.

“Institutionalization” of this Working Group on PFS portal to continue the collaboration and share best practices and lessons learned with a broader international donor community and financial stakeholders in Southeastern Europe and broader European region.

Discussion of possible future joint donor events in 2011.

Roles of USAID PFS and RCI programs in serving as contributors and coordinators for these activities and Access to Finance Working Group.

ANNEX 4. SUMMARY OF FEEDBACK FROM PARTICIPANTS AT THE DONORS' WORKING MEETING

ACCESS TO FINANCE DONORS' MEETING FEEDBACK

Number of participants who completed the form	19		
Did the event meet your expectations?	YES 19	NO 0	
Was the event relevant to your work?	YES 18	NO 0	Somewhat 1
Would you consider attending another USAID/ PFS/RCI event in the future?	YES 19	NO 0	
Your Affiliation (please select):			
Donor/IFI:	6		
Implementing Partner:	9		
Other:	4		
Did you find the event beneficial to support your Access to Finance activities (Yes/No)	YES 17	NO 0	
What would you like to see as an outcome from this meeting?			
Action plan related to regional activity implementation and strengthening of existing successful regional activity programs			
It will add value if you start training professionals to better understand their role in the market and to better fill the gaps between the demand and the supply			
Follow through!			
Action plan and implementation			
Implementation of recommendations, shared activity plan, PFS supporting A2F in Albania and concrete activities and collaboration with Rritje Albania (USAID Competitiveness Project)			
To set the stage for more focused (or in-depth) discussion for country-specific needs (USAID representative's comment)			
Strengthened coordination with relevant actors			
Potential further support of financing Albanian SMEs and more support related to technical assistance for SMEs. More information on possible programs and institutions for financing SMEs.			
Tangible actions. Not a new topic but important issue.			
Financial access/support to the agricultural sector and agribusiness (production, consolidation, processing, marketing)			
Concrete steps planned for the future - short-term and long-term			
An actionable roadmap to promote A2F donor activities in the SEE region. Active involvement and contribution by different donors and implementing partners.			
Further donor coordination, concrete PFS/RCI activities, follow-up meetings and trainings			
Follow up, implementation roadmap, next meeting			
Specific areas for PFS contribution; roadmap for initiatives and future cooperation; more dialogue with RCC where appropriate (for example, Regional Development Authorities)			
PFS Work plan, Mapping			
Regional facility to facilitate access to finance for SMEs			
Do you find the format of this event appropriate? (Yes/No)	YES 19	NO	

Are you interested in continuing your participation as part of this Working Group? (Yes/No)

YES	NO
18	1

What other participants should be invited to future Working Group's events?

Other commercial banks
 All donor organizations working in the region
 EU, EBRD and IFC
 More heads of credit departments at Banks; Venture capital professionals (for part of meetings); heads of chambers of SME Associations
 Government, business representatives
 Broader regional participation
 Potential beneficiaries or users
 Investors, Investment Funds and SME reps
 Broader group of donors from the region
 More banks and financial institutions
 EBRD Donor Coordination Unit, Swedish SIDE, EU/EC/EIB, IFC, GTZ, OPIC, Investment funds and SME finance groups
 Individuals that bring expanded regional perspective
 Other IFIs in the region

How frequently do you believe this Working Group should meet?

Once a year	4
Twice a year	11
Every 9-12 months	1
Quarterly	1

Do you have any suggestions on how we should do things differently in the future?

More advanced planning in order to attract higher number of participants
 Schedule could be tightened up to prevent some topic overlap
 Receive more feedback from the end users of these opportunities
 Include small workshops with FIs and businesses at the workshop - separate sessions so that some of issues are addressed in more detail
 For this meeting the format was appropriate but in the future a more structured format might be better
 Share information, keep contacts, follow up
 Keep in mind sources of finance other than bank credit lines - perhaps special focus or breakout sessions by source (credit, mezzanine equity, leasing, factoring, non-traditional products, insurance)

For our tracking purposes, please select:

Male:	11
Female:	8

Any Additional Comments or Suggestions:

Discussion must be based on concrete examples in order to identify possible problems
 Good initial meeting for PFS start-up to enable other programs/projects to have input to PFS work plan
 It went very well.
 Thank you!

ANNEX 5. FINANCE FAIR AND MATCHMAKING CONCEPT PAPER

1. BACKGROUND

An ongoing challenge for policymakers and donors is finding ways to help bridge the gap between the ‘demand’ for finance by small and medium sized enterprises (SMEs) and the ‘supply’ of credit and investment by financial intermediaries in Southeast Europe (SEE). While SMEs have always struggled to gain sufficient access to finance, this has been further aggravated by the global financial crisis when even viable SMEs often saw their loan applications rejected. Policymakers recognize that the return to health of the small business sector is a key ingredient for generating new employment and supporting the region’s economic recovery. Many SMEs in the SEE region report that they are not able to build their businesses because they lack access to credit and other sources of finance. Local financial institutions and other providers of credit and investment to small businesses are still recovering from the financial crisis, but many financial intermediaries in SEE have since gained liquidity and are ready –albeit cautiously - to lend or invest in creditworthy businesses.

Two donor-funded regional programs in SEE are combining their resources to lead a coordinated donor initiative to improve access to finance for SMEs. USAID’s Partners for Financial Stability program (PFS), together with USAID’s Regional Competitiveness Initiative program (RCI), organized a Working Meeting of international donor organizations in Tirana, Albania, on October 5-6, 2010. During the Working Meeting, donors, other financial institutions and project implementers shared their experience from ongoing Access to Finance (ATF) development programs and looked for specific areas for collaboration and cooperation in the SEE region. The Working Meeting resulted in an identification of several specific regional activities and/or partnerships with other donors where PFS and RCI can leverage their platforms to bridge the gap between providers of credit and investment to promising small and medium firms in SEE which are ready to grow and prosper. Six specific activities were documented in Access to Finance Regional Initiative Development Plan that outlines those activities and partnerships and establishes a roadmap with a timeline for implementation.

The purpose of this Concept Paper is to provide detail on one of the Access to Finance regional activities: **Finance Fair and Matchmaking**, its proposed objectives and outcomes, activities, and partners. The Concept Paper will be shared with USAID Missions, implementing partners and other donors and stakeholders participating in the Access to Finance Working Group in SEE.

2. DEVELOPMENT CHALLENGE: OBSTACLES AND CHALLENGES TO ACCESS TO FINANCE FOR SMES IN SOUTHEAST EUROPE

The participants at the Donors Working Meeting in Tirana identified and discussed a number of obstacles and challenges for financing of SMEs in SEE. These challenges were also “ground-truthed” by recent data from several other sources, such as World Bank Doing Business Report, World Economic Forum’s Global Competitiveness Report, World Bank/EBRD Enterprise Surveys, OECD SME Policy Index, and OECD Investment Reform Index. The Access to Finance Regional Initiative Development Plan outlines some of these key challenges in more detail.

In this section, we highlight those challenges that the “Finance Fair and Matchmaking” regional activity will aim to address:

- **Entrepreneurs are not familiar with financial institutions’ documentation requirements, creditworthiness and investment criteria.** Inexperienced entrepreneurs find it frustrating to

work with financial institutions and sometimes give up on obtaining finance from the formal financial sector. World Bank/EBRD Enterprise Surveys indicate that a majority of firms in the SEE rely on internal sources as their predominant source of finance and rely less on bank finance, trade finance or equity finance. Financial institutions and investors find it unprofitable to offer advisory services which small companies need when applying for finance.

- **Due to lack of records and required documentation, most financial institutions require businesses to provide substantial real estate or land as collateral for loans.** World Bank/EBRD Enterprise Surveys indicate that the market value of the real estate ranges between 1.2 to 2 times the amount of the loan. Hard collateral requirements are especially difficult to be met by SMEs that often lack access to sufficient real estate property. Only a few institutions provide lending based on movable collateral (vehicles, machinery, livestock etc.) or asset-based financing (purchase orders, warehouse receipts). Both enterprises and finance providers are also not familiar with ‘alternative sources of finance’, such as leasing or factoring.
- **Investor equity as a potential funding source to SMEs is very limited in the SEE countries.** Investment needs by SMEs are often too small and therefore too costly to make SMEs an attractive or viable market for a typical equity investor. Even medium businesses are often ill-prepared when approaching investor funds, unable to provide sufficiently developed business plans and other documentation required by potential investors. The SMEs also have a very limited understanding how debt or equity investments are structured or how they impact their business. There is also a problem of information asymmetry: SMEs lack appropriate know-how to locate potential investors while on the other hand investors have limited access to or knowledge of investment-worthy SMEs. Some donors have established investment vehicles targeted toward the SME market segment, such as the Small Enterprise Assistance Fund (SEAF). However, the demand for investment by SMEs far exceeds available supply of investment funds.

3. PRIMARY OBJECTIVES OF PROPOSED REGIONAL ACTIVITY

3.1 Objective

The overall purpose of the activity is to help bridge the gap between financial institutions and SMEs through knowledge sharing and matchmaking activities supporting two key objectives:

- Expand horizon about investors and financial institutions/products, including “alternative financial institutions” with SMEs and financial advisors/consultants. The events will tailor message in light of specific investment trends in the post-financial crisis environment and current Euro region crisis.
- Identify and work with a group of SMEs that are ready to seek finance from investors. This will serve as an opportunity for these firms to present their businesses and see whether they are ‘ready’ for such investors.

3.2 Regionalization of Bilateral Donor Activities

This activity aims to regionalize successful project experiences by different donors’ programs in SEE, such as CEED, USAID RCI, and other demand-side projects with business to business knowledge sharing and matchmaking events at a country level. The activity will also be able to leverage lessons

learned and experiences from other USAID competitiveness and financial sector projects and their experiences with connecting investors/ financial institutions with financial consultants and SMEs (for example, in Macedonia, Kosovo). These country-level finance fairs and matchmaking events brought together investors, financial institutions, advisors, SMEs, business associations and other stakeholders to facilitate networking and expand knowledge about latest financial products.

Some of the events were preceded by an identification and extensive preparation of select SMEs to be “matched” with specific investors during private meetings with investors. The key benefit to the investor was to have access to prescreened and potentially investment- worthy SMEs; SMEs had the opportunity to pitch their firm to potential investors. While deal-making was not expected at the event itself, deals may have resulted in the subsequent months once sufficient due diligence took place. Such matchmaking activities also raised investors’ profile with a group of firms in target countries and they helped level-set SMEs’ expectations about equity investment requirements.

Most of such knowledge-sharing and matchmaking activities have been country-based instead of regional in nature, often driven by the requirements of country-specific donor projects. This Access to Finance donor coordination initiative has now created an opportunity to hold regional knowledge sharing and matchmaking events to reach a broader group of SMEs, financial advisors and finance providers in SEE. Specifically, the regional nature of the initiative will:

- Expand the knowledge of financial products and latest financial/investment trends by a larger group of financial advisors and SMEs across several countries,
- Attract a larger pool of potential regional investors given an expanded target audience,
- Increase the profile of financial advisory services as a profession and enable sharing of lessons learned among financial advisors from different countries, and
- Connect firms across borders.

This regional activity will coordinate with existing country programs to design, cost-share, and hold such regional events.

4. POTENTIAL ACTIVITIES

The Finance Fair and Matchmaking event will take up to two days. It will start with an overall panel discussion to promote sharing of knowledge, followed by matchmaking focused activities. The event would consist of the following key components, as represented by an illustrative event agenda below:

Day 1: 9:00am – 11:00am

Brief Welcome Remarks

Objective: Latest Trends and Developments in Access to Finance for SMEs in SEE

Panel discussions by groups of investors and financial institutions, such as:

- Latest developments in venture capital and investment opportunities (for example, mezzanine, JV, long-term)
- Financial products (leasing, factoring)
- Trade Finance and Asset-based finance

Day 1: 11:15am – 12:30pm

Objective: In-depth Discussions on Specific Financial Products and Investor Interest in SEE

Break-out sessions (40 minutes) with focus on different types of investors, financial institutions and specific products. The actual topic of the session will be confirmed during the initial analysis of SME interest and needs in preparation for the event. For example, in Macedonia and Albania, SMEs expressed interest to learn about

agricultural finance. SME testimonials in each session may be included, especially from women-owned businesses.

Day 1: 12.30pm – 1.30pm Networking Lunch

Day 1: 1:45pm –2.30pm

Continuous Break-out sessions (40 minutes)

Day 1: 2.45pm – 3:00pm

Wrap Up and Introduction to Finance Fair and Matchmaking Part of Event

Day 1: 3:00pm – 6:30pm

“Finance Fair” type of activities with investors and financial institutions setting up booths for different participants to stop by and inquire about specific information.

During this period, private 1-on-1 “matchmaking” meetings for select SMEs and investors will take place.

Day 1: 7:00pm – 9:00pm

Networking Event (sponsored by an investor)

Day 2: 9:00am – 5:00pm

Finance Fair and Matchmaking activities (Day 2).

While the activity will be regional in nature and will cover six countries in SEE, the location for the event will be selected based on the following key criteria:

- “Pre-existing conditions” – interest and support by and/or opportunities to leverage an existing USAID or other donor project to conduct the event. This may include an existing USAID competitiveness program that will be able to benefit from such an event or tie some of its existing/planned activities to such a regional event. Further, this also targets those countries where financial advisory profession has already taken off so that advisors will be able to support the event.¹
- Reach to other countries: logistical, language and cultural proximity relevant for participation of other countries. This takes into account the objective to minimize cost associated with travel and the overall ‘opportunity cost’ to SMEs to invest their productive time in such knowledge-sharing and matchmaking activities.

As a result, this regional activity currently anticipates holding events at three different locations over the next 18-month period. After the first event, the event organizers will conduct feedback surveys to incorporate lessons learned in preparation for the subsequent event. Second and third event will also invite participants from the prior event to promote sharing of lessons learned among participants, and to help establish an access to finance “community of practice” in the region.

The timing of the first event follows the currently scheduled Annual PFS and RCI Conference to be held in May, 2011 in Budapest, Hungary. At this conference, during a proposed Access to Finance break-out session, PFS and RCI will present the upcoming Finance Fair and Matchmaking event to all USAID missions and implementing partners to gauge their interest and gain further input prior to

¹ Another Access to Finance Regional Activity focuses on supporting the financial advisory profession in SEE.

scheduling additional events in the SEE (and potentially the rest of PFS region). The first event is currently proposed to take place approximately 4-6 weeks after the annual event.

The following event locations are currently being considered:

- **Skopje, Macedonia, June 14-15, or June 21-22, 2011:** the first event will be able to capitalize on successes and complement activities of the existing USAID competitiveness project in the area of knowledge-sharing and financial advisory profession. The event will also address the USAID Macedonia Mission's interest to expand SME knowledge about new financial products, including corporate bonds. Participants from Kosovo and Albania will also be invited to participate in the event: the USAID Mission in Kosovo Mission highlighted as one of its key priorities to increase knowledge about agricultural financial products, while the Mission in Albania identified financial literacy of Albanian SMEs as one of its priority needs.
- The proposed locations and preliminary dates for the second and third event include: Belgrade, Serbia, October 2011 and Sarajevo, Bosnia and Herzegovina, May 2012. Actual locations and dates will be further confirmed with relevant USAID Missions.

5. POTENTIAL PARTNERSHIPS

This regional activity anticipates several types of partners and participants with different roles in the event, as presented in table below. For example, recognizing the limitations for commercial banks and alternative financial institutions (leasing, factoring) to provide cross-border products, these institutions will target the SMEs in a specific country. They will also take advantage of the event for marketing purposes and to showcase their bank's network in the region (as might be relevant for exporters/traders and trade finance products).

Based on prior country experiences with finance fairs and matchmaking, the overall estimate for a total number of participants includes between 150-250 participants over a two-day period.

Table 1. Regional Finance Fair and Matchmaking Partners and Participants

Group of Participant	Illustrative Examples	Knowledge Sharing and Marketing Role	Matchmaking Role
Investors/regional investment funds (private and donor)	SEAF, KfW, EIB, EBRD	Present their investment interest and requirements (marketing aspect)	Engage with a group of prescreened SMEs to discuss specific investment opportunities Obtain access to a group of potential investment-worthy companies
Alternative financial institutions (factoring, leasing, asset-based finance)	Crimson Capital, others	Present their capabilities (marketing aspect)	Engage with a group of prescreened SMEs to discuss specific finance opportunities (at a country-level only)
Commercial banks	Raiffeisen, Unicredit, Bank Associations	Present their capabilities (marketing aspect). Regional banks to showcase their extensive network in the region (trade finance).	Engage with a group of prescreened SMEs to discuss specific finance opportunities (at a country-level only)
Financial Advisors and Consultants	Identified via the following channels: <ul style="list-style-type: none">• USAID	Existing financial advisors: Acquire new contacts and knowledge of investors and financial institutions to	Support select SMEs to prepare for matchmaking activities

Group of Participant	Illustrative Examples	Knowledge Sharing and Marketing Role	Matchmaking Role
	competitiveness projects <ul style="list-style-type: none"> • EBRD BAS program • Business associations • CEED 	better serve its clients New financial advisors: Learn opportunities to expand their advisory profession to include financial advice	
SMEs across all sectors The outreach will also be focused on women-owned or other underserved businesses to participate in the event	Identified via the following channels: <ul style="list-style-type: none"> • RCI • USAID competitiveness projects • Business associations and chambers • CEED • Investment Promotion or Export Promotion Agencies • Country SME Development Agencies 	A broad group of SMEs: <ul style="list-style-type: none"> • Learn about latest investment opportunities and requirements, financial products and financial advisory profession • Network with other firms, investors and financial institutions. 	A target group of SMEs (estimated between 5-10 per country): <ul style="list-style-type: none"> • Have opportunity to meet investors and financial institution to address a specific SME finance need.
Donors	<ul style="list-style-type: none"> • USAID Missions • USAID Washington, E&E Bureau • USAID PFS, RCI and country-level implementing partners • Other donors: EBRD, KfW, EIB, UNDP, IFC, RCC, World Bank, bilateral donors (Swedish, Swiss, Austrian, UK donor agencies) 	Facilitate the knowledge-sharing activities	Facilitate the preparation for matchmaking activities

6. OUTCOMES OF REGIONAL ACTIVITY

The proposed outcomes for this activity will contribute to the overall PFS outcomes outlined in the PFS Performance Monitoring Plan (PMP). Specifically, this activity will contribute to two PMP outcomes:

- Contribution of PFS program to USAID missions’ programs.
- Development of sustainable networks for financial stakeholders of PFS countries in PFS areas of interest.

In addition, the activity will contribute to an increase of access to finance by those SMEs participating in the event. It will be measured by a feedback survey of SMEs, financial advisors and financial institutions six months after the event to determine number of SMEs (segregated by country and ownership of SMEs by gender) with new loans, other types of alternative finance (leasing, factoring, trade finance) or potential investment commitments. The survey will also assess the perceived value of the event by the financial advisors as measured by different indicators, such as number of advisory services provided after the event, leverage of relationships made during the event, and application of knowledge gained during the event.

7. PROPOSED FIRST REGIONAL FINANCE FAIR AND MATCHMAKING EVENT IN MACEDONIA, JUNE 2011

7.1 Existing Donor Programs in Macedonia

Macedonia is a desirable option for the first event given the expressed interest by USAID Macedonia Mission, the current level of development of financial advisory profession and the ability of an existing **USAID competitiveness project** to support the regionalization of the event. The USAID competitiveness project has focused on development of the financial advisory profession. In the past, the project held knowledge sharing activities where regional investors shared their products with interested financial advisors and SMEs. The regional finance fair and matchmaking event will introduce new financial topics to Macedonian SMEs and other participants, attract new investors and financial institutions, and provide a platform for other USAID Mission programs in Albania and Kosovo to achieve those Missions' objectives in a cost-effective manner. During this event, the Macedonia competitiveness project may:

- Assist with identifying financial advisors;
- Assist with identifying eligible firms;
- Assist with inviting relevant investors; and
- Advise on appropriate logistics and venue location in Skopje.

CEED Center in Macedonia has access to a group of interested SMEs and will be able to invite and prepare them for the Finance Fair and Matchmaking event. Prior to event, CEED center may also assist with additional workshops and training targeted at financial advisors via its Top Class Seed Finance programs. **SEAF** will be able to serve as investor, and help identify additional investors and alternative finance providers from the region.

From other donors, **EBRD Business Advisory Services (BAS) program** may assist with inviting registered consultants and those financial institutions with EBRD credit lines to participate in the event. Others donors in Macedonia will also be invited to participate.

7.2 Existing Donor Programs in Kosovo and Albania

Existing donor programs in Kosovo (**Busines Enabling Environment project (BEEP), Kosovo Private Enterprise Program (KPEP), Agricultural project, SME Finance Fund**) and Albania (**Competitive Enterprise Development Project - RRITJE, Agribusiness project**) would focus on providing connections with relevant SMEs and potential financial advisors to participate in the program. They would also recommend specific financial institutions or investors who would be interested to participate in the event.

7.2 Regional Programs

USAID PFS will take the lead role in coordinating the format of the event, agenda, and participant list in coordination with all the stakeholders. Specifically, PFS will:

- Coordinate the development of the investor list and the format of reaching out to investors and financial institutions;
- Help identify relevant presenters and will work with them to develop topics for initial panel discussion and break-out sessions;
- Support RCI in developing a list of interested SMEs (long and short list);
- Provide the logistics support and cover the cost of the event (venue, refreshments); and
- Find sponsors to cost-share lunch and reception.

USAID RCI will take the lead in developing a list of interested SMEs for finance fair. Specifically, the proposed contribution by RCI includes the following:

- Help develop a long list of SME participants in the overall event;
- Develop a short-list of SMEs for the matchmaking event. The short list will focus on those firms that are seeking finance. Working with USAID competitiveness projects and CEED centers, RCI will help prepare the SMEs for the event, including develop appropriate collateral and marketing material for investors;
- Assist with developing a list of investors with interest in SMEs in SEE; and
- Provide any other support of interest to RCI.

8. NEXT STEPS

This Concept Paper on regional Finance Fair and Matchmaking activities will be shared with the three USAID missions where the first event is to take place (Macedonia, Kosovo and Albania). Once concurred by the Missions, PFS and RCI will start with the coordination and preparation activities for Macedonia Finance Fair and Matchmaking activity (estimated by mid/late January). A summary of key activities and proposed events is presented in Table 2 below.

Table 2. Summary of Regional Activities, Timeframes and Participating Donors

Regional Activity	Approximate Date	Organizer	Comments
Develop and Share Concept Paper	January 2011	PFS	Concept paper to be shared with USAID Missions, implementing partners, CEED, EBRD BAS, SEAF
Organize Macedonia event	Jan/Feb 2011 to June 2011	PFS and RCI	Coordinate with USAID Missions, implementing partners, CEED, EBRD BAS, SEAF, other donors Conduct a preliminary survey of obstacles to finance for women entrepreneurs
Present event at potential Access to Finance breakout session at Annual PFS and RCI conference	May, 2011	PFS and RCI	Refine the format of Macedonia event and solicit feedback and input prior to design of additional finance fair events
Macedonia: First event	June 2011	PFS	Conduct a two-day event, and follow-up with participant surveys to gather feedback. Implement Access to Finance community of practice activities on the PFS portal .
Organize additional events	May 2011 – June 2012	PFS and RCI	In coordination with USAID Missions, implementing partners, CEED, EBRD BAS, SEAF and other donors

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