

Local Enterprise Facility



European Bank
for Reconstruction and Development

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The Local Enterprise Facility (LEF) is a €405 million proprietary vehicle for investments in small and medium-sized enterprises (SMEs) in the Balkans (Albania, Bosnia and Herzegovina, Bulgaria, Croatia, FYR Macedonia, Kosovo, Montenegro, Romania and Serbia); Turkey and the SEMED region (Egypt, Jordan, Morocco and Tunisia). It provides a wide range of flexible financial products (including equity, quasi-equity and debt financing) to companies, whose needs are not sufficiently addressed by existing financing sources.

The Facility was established in 2006 by the EBRD, which to date has provided funding of €385 million, and the Italian government, which has provided €20 million in the form of subordinated investment funds. The Facility is also endowed with technical cooperation (TC) funds provided by the Italian government, the EBRD Shareholder Special Fund and the SEMED Multi-Donor Account to cover costs facilitating the implementation of projects. As of December 2013, LEF has invested €318 million in 66 SMEs in 13 countries.

A team of dedicated bankers and advisers located in the EBRD Resident Offices in Amman, Belgrade, Cairo, Casablanca, Istanbul, Podgorica, Pristina, Sarajevo, Skopje, Sofia, Tirana and Zagreb implement and supervise the LEF's investments.

Eligible investments

LEF is designed to invest in a wide range of sectors, excluding weapons, spirits and liquor, tobacco and gambling. LEF funds can be used to finance a variety of projects including, inter alia: expansion and modernisation investments, acquisitions, balance-sheet restructuring, working capital, guarantees and risk-sharing arrangements. All projects must be in line with the sound banking and environmental principles adopted by the EBRD. Investments under the Facility vary in size between €1-10 million. The average investment horizon is between five and seven years for equity and quasi-equity investments, while the maximum tenor is up to 10 years for corporate loans and up to 15 years for project finance.

Turkey, Meykar

In 2011 LEF made a €1.4 million equity investment in Meykar, one of Turkey's leading private manufacturers and distributors of frozen beverages. The funds are being used to finance the purchase and installation of new equipment with the aim to increase the company's production capacity and expand the product range. Part of the funding will support the development of Meykar's distribution network across Turkey. By becoming an early investor in the company, LEF will play a key role in the future development of Meykar and will continue to provide support as the company grows.



Montenegro, Codra Hospital

In 2013 LEF provided a €1 million loan to Codra Hospital, a leading private healthcare institution in Montenegro. The loan will strengthen the company's competitiveness and efficiency, helping Codra Hospital to invest in a new maternity ward to include deliveries and post-delivery care for mothers and their babies.



Financing instruments

LEF provides various financing instruments such as senior and junior debt, quasi-equity and equity capital, all tailored to fit the needs of the company:

- ▶ debt deal: the company receives a long-term loan, with an appropriate grace period and a market-based interest rate, reflecting the potential risk of the project
- ▶ quasi-equity deal: LEF provides a convertible loan, mezzanine debt or purchases preferred shares to complement the other financing sources utilised by the company
- ▶ equity capital: LEF contributes to the (share) capital of the company and becomes a minority partner in the business. The EBRD and the owners of the company agree to develop the business together and to bring it to the next level. They share proportionally the benefits (profits, dividends) but also the associated risks. The company is not requested to provide collateral for the capital.

Post-investment assistance

LEF devotes particular attention to the post-investment phase of its projects, with significant resources employed to enhance the value of the investee companies through intensified monitoring, implementation of value creation plans, provision of advisory services, and so on. The role of the EBRD as a shareholder allows it to better promote corporate governance practices and business conduct, compliance with applicable standards and better financial transparency. By promoting sound business standards and practices, LEF signals to the local private sector that these standards will facilitate access to finance and ultimately better performance. LEF tends to work in a complementary way to local banks, via strengthening investee companies' capital base and therefore helping their "bankability".

Regional, ENEF

Starting in 2014, LEF will co-finance projects alongside the Enterprise Expansion Fund (ENEF), which will be established as a separate legal entity with the purpose of making equity and quasi-equity investments in high-growth SMEs in the Western Balkans and Croatia. ENEF constitutes one of the four pillars of the Western Balkans Enterprise Development and Innovation Facility (EDIF), a €145 million initiative co-led by the European Union, the EBRD and the EIB Group to promote the emergence and growth of innovative and high-potential companies, as well as the creation of a venture capital market in the region.

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