

Small Business Support



European Bank
for Reconstruction and Development

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Micro, small and medium-sized enterprises (MSMEs) are the backbone of a dynamic market economy. The EBRD fosters entrepreneurship and promising businesses not only through finance, but also by providing advisory assistance. As one of the main pillars of the EBRD's SME strategy, the Small Business Support (SBS) team is an essential component of the EBRD's transition toolkit, supporting enterprises to achieve high growth, new export potential and employment opportunities. SBS provides support both to individual enterprises and to the local consultancy sector, helping consultants improve their skills and broaden their expertise to create a sustainable and effective business advisory market for local businesses to draw on. SBS reinvests all its client contributions back into its projects, which are donor funded, primarily by the European Union.

Enterprise Growth Programme(EGP)

The Enterprise Growth Programme (EGP) works with enterprises to develop new business skills at the senior management level, to better equip them to compete in a modern market economy. EGP clients adopt international best practices as a result of the advisory services provided by experienced international experts – individuals with more than 15 years of experience in a particular industry or field. EGP has a database of more than 1,500 advisers from a multitude of industries.

An EGP project typically lasts 12-18 months and is tailored to the specific needs and requirements of the enterprise, but can cover anything from restructuring, marketing and design, financial management, human resources, compliance with local or international quality standards, to exploring export opportunities and energy efficiency and environmental management.

Since it began in 1993 EGP has helped 1,880 companies across 30 countries, committing more than €123 million in donor funding, from the European Union the EBRD, the Central European Initiative, and several bilateral donors, in particular Luxembourg, Japan, Switzerland and Taiwan. The impact of EGP projects is immediately apparent, with 52 per cent

of enterprises reporting an average turnover increase of 21 per cent and a 36 per cent increase in the number of employees following an EGP project.

EGP has recently introduced client cost-sharing as a method of increasing client ownership of and commitment to the project by encouraging their financial contribution while simultaneously reducing expenses incurred by donors. Under EGP's cost-share policy, clients pay between 10 and 50 per cent of the project costs, depending on their turnover and number of employees and whether this is their first project with EGP. The average cost share is 21 per cent.

Looking ahead, the SBS team will continue to focus on quality and results, with a primary objective being increased access to finance for EGP's clients. As such, they will continue to work closely with the EBRD's banking teams and local financial institutions. They will also continue to make greater use of local advisers and to disseminate best practice at a local and sectoral level.

At a glance figures

Number of projects to date
(EGP and BAS combined)

14,000+

EGP projects

1,880

BAS projects

12,300

BAS market development activities

800+

EGP case study

In 2012 EGP worked with YugEnergoService, a thermal energy supplier from Yekaterinburg, Russia, on improving their financial performance and making them more energy efficient. Acting on the recommendations of the EGP adviser, YugEnergoService is investing €2 million in a gas co-generation plant that will reduce its CO₂ emissions by more than 7,000 tonnes a year, and, together with two other adaptations to their production process, reduce YugEnergoService's greenhouse gas emissions by 20 per cent. The company also increased its turnover by 35 per cent since the beginning of the project.

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Business Advisory Services (BAS)

Business Advisory Services (BAS) helps enterprises to define their most pressing business needs and access the professional consulting expertise that will better equip them to meet their growth and competitiveness potential. Working both with individual enterprises on a cost-sharing basis and with the local consultancy sector, BAS also seeks to ensure there is a commercially viable market for business advisory services for local businesses to draw on long into the future.

BAS projects are very diverse, covering a wide range of business advisory services from market research and analysis, strategic planning and feasibility studies, to restructuring and HR management, finance and accounting, quality management and energy efficiency and environmental management. BAS also works to improve the availability and quality of local consultancy services through targeted market development activities. These help local consultants to broaden their expertise and professionalise their business, as well as improving the outreach of business advisory services to more rural areas. Seventy per cent of the consultants who have worked with BAS report improved skills and a subsequent increase in their number of projects – and 83 per cent of enterprises go on to engage a consultant independently after a BAS project.

Since its inception in 1993 BAS has undertaken more than 12,300 projects, committing more than €100 million of donor funds from the European Union, the EBRD and various bilateral donors, particularly Luxembourg and Sweden. In 2012, Kazakhstan became the first EBRD country of operations to support the programme, with a €2.9 million contribution over three years. BAS projects have also generated more than €68 million in client contributions. BAS provides a flexible grant from 25 to 75 per cent of the project cost, up to a maximum of €10,000. BAS's cost-sharing with clients has enabled the programme to develop a true partnership approach that ensures a focus on achieving results and maximising sustainability in the long term.

BAS projects are not only tailored to the needs of individual clients but also to the maturity of the local SME sector and local consultancy market. Local BAS teams develop a flexible grant structure that

reflects local market conditions in order to minimise market distortion. As the local business advisory services market becomes stronger and BAS's additionality decreases, BAS phases out, eventually exiting the market once it is independently sustainable.

Looking ahead, BAS is continually focused on providing the most effective services to clients, and on disseminating best practices developed across the region. With this in mind, BAS will launch new professional development courses for consultants while partnering with a range of local institutions to ensure continuing benefits to SMEs. Building on the success of the Women in Business programmes, BAS will continue to enable women in business to play a key role in advancing sustainable growth and transition.

Cross-cutting objectives

SBS recognises that a strong private sector is about more than just financial investment. Energy efficiency, environmental management, gender equality and regional development are all vital parts of a thriving SME sector. As such, SBS focuses on these through special initiatives such as the Women in Business programme, supporting women entrepreneurs, and on increasing the number of projects that take place outside of the capital and major cities and those that deal with energy efficiency and environmental management. More than a third of SBS projects were targeted at enterprises owned or managed by women in 2012. More information on SBS's cross-cutting objectives can be found at www.ebrd.com/sbs.

Close cooperation with EBRD Banking

The Small Business Support team works closely with the EBRD banking teams and external financial institutions to help prepare their clients for future investment. This assistance is both direct – working with enterprises on accounting, transparency and corporate governance issues that can impede them from receiving financing, and indirect, through referrals to local financial institutions. In 2012, 30 SBS clients reached the preliminary review stage for investments with the EBRD; more than double the number for 2011.

BAS case study

One of the companies BAS recently worked with is Tea House, a tea-producing and packing company from Almaty, Kazakhstan. Tea House had experienced rapid growth, becoming in less than a decade becoming a company of more than 200 employees – but it needed advice on putting the structures in place to manage its larger company and enable it to export tea abroad.

BAS assisted Tea House in employing a local consulting company to look at Tea House's existing workflows and suggest possible improvements. They also helped Tea House obtain and implement crucial international quality standards certifications that would allow them to export their tea abroad. Following the project, Tea House's revenues increased significantly and Tea House's product is now sold in many surrounding countries.

Donors and financing

SBS uses funds from a wide range of donors. More than 20 bilateral and institutional donors have supported SBS with €224 million in funding to date. The biggest single donor is the European Union which has provided more than €96 million in funding. Both EGP and BAS take a cost-sharing approach, with client enterprises paying a portion of the project costs, which is then reinvested into SBS's programmes. This gives more ownership to the client, ensuring their commitment to the project, as well as providing for more continuity in funding. Cost-sharing percentages are determined following a guideline, which asks for more cost-share for repeat clients and a minimum contribution of approximately 10 per cent of total project costs for new clients. BAS provides an average grant of around half of the total net projects cost of the project (although this varies), to a maximum of €10,000.