

Management Response

Sector/ Programme Evaluation

“Evaluation of the Small Business Initiative (Phase 2)”

01 April 2026

1. Executive summary

Management welcomes the “Evaluation of the Small Business Initiative (Phase 2)” and expresses appreciation for the constructive cooperation with IEvD. SME F&D thanks IEvD for the comprehensive assessment of the Small Business Initiative (“SBI”) over the period 2015–2023, examining its effectiveness and impact.

Management commends IEvD for producing a methodologically robust study, drawing on mixed methods, including primary surveys, secondary data, and triangulation across multiple countries and instruments. This approach has generated a rich and credible evidence base. The Study’s full coverage of all SBI pillars demonstrates a deep understanding of the initiative’s complexity and operational realities.

Management welcomes the Study’s findings and notes that the majority of the issues identified are already addressed in the design of the new EBRD SME Offer. Key elements include:

1. **Integration of finance and advisory services** through a structured, multi-pillar approach, delivering greater synergies and systemic impact while addressing demand-side constraints via capacity-building and strengthened collaboration with partner financial institutions (PFIs) and corporates.
2. **Increased selectivity** with a focus on high-potential SMEs, combining firm-level interventions with ecosystem-level support.
3. **Emphasis on innovation and technology-enabled solutions**, including digital delivery channels and advanced analytics.
4. **Refined targeting and KPIs** to reduce persistent regional and demographic disparities.
5. **Enhanced alignment** between policy engagement, advisory activities, and investment operations.
6. **Country-based workforce engagement**, ensuring alignment with national strategies and closer proximity to local markets.
7. **Expanded collaboration** across PFIs, corporates, fintechs, and development partners.
8. **Improved ecosystem-level policy dialogue**, addressing previously fragmented engagement through the new SME Offer’s ecosystem layer.

Management also notes several areas where revisions could enhance the clarity and accuracy of the report:

- Ensure a more precise representation of SME finance, including the scale of indirect financing and systemic impact achieved through FI and corporates' channels.
- Adopt more accurate terminology, for instance, replacing “credit lines” with “term debt/finance” to reflect the Bank’s actual operations.
- Better highlight the development impact achieved through FI operations, particularly in smaller markets and Early Transition Countries (ETCs), where SBI support has strengthened financial-sector depth and sustainability.
- Address minor methodological inconsistencies, including survey coverage and reporting accuracy.
- Explicitly acknowledge ongoing initiatives, such as risk-sharing, non-financial services, and digitalisation, which already support the proposed directions of the recommendations.

Management welcomes the Study’s recommendation to strengthen the integration of financing and advisory services and notes that this approach is fully embedded in the SME Offer. Its three-pillar structure is specifically designed to enhance synergies across instruments and delivery channels.

Management’s comments on the Study’s recommendations are provided below.

2. Recommendations

Recommendation 1: *Strengthen risk-sharing and access to long-term finance for first time and/or riskier SME borrowers.*

Management **Agrees** with the recommendation.

Management agrees with the recommendation and notes that it aligns with ongoing efforts by the Bank to strengthen SME support using both EBRD and donor resources. Under SBI Pillar 1, SME facilities do not differentiate between first-time/ riskier and established borrowers, to avoid restricting repeat access for growing firms. Start-ups are eligible, but typically require greater donor support to align with EBRD’s risk appetite. While EBRD reviews credit underwriting standards, partner financial institutions decide, which customer segments to target within eligibility rules, and increased lending to riskier borrowers would require greater risk-sharing.

Since 2023, there has been an expansion of FIF/Pillar 1 programmes, with broader geographical coverage and scaling-up of initiatives such as European Fund for Sustainable Development Plus and InvestEU. However, scaling up support must be balanced against risk considerations, donor resource allocation, and operational constraints linked to internal systems. EBRD is also exploring innovative risk-sharing mechanisms with insurers, including portfolio-based structures such as those agreed with AXA XL in late 2025.

Management acknowledges the risk-sharing utilisation remains driven by the risk appetite of both EBRD and partner financial institutions, with acceptable risk levels achieved through a combination of donor support and effective portfolio diversification. The new SME Offer strengthens the Bank’s ability to reach these segments through targeted early-stage support, enhanced risk sharing instruments and blended finance solutions. High level actions from SME F&D under the new SME Offer will include:

- Expand support to underserved, higher risk SMEs by scaling the Star Venture programme, targeting high potential startups and early-stage firms that are typically excluded from commercial finance. Crowd in private capital by strengthening SME readiness for external fundraising, (building on evidence from the Office of the Chief Economist’s study that Star Venture firms outperform peers), and continuing to create pathways into EBRD and partner VC financing.
- Improve investment readiness to enable risk sharing, using bespoke advisory and hands on support to derisk and prepare firms for RSF or other forms of financing.
- Use blended support catalytic funding (e.g., repayable grants) to address early financing gaps and attract follow-on capital without increasing EBRD’s risk exposure.
- Deploy innovative structures for high-risk segments, such as Supply Chain Finance, which enables support to SME suppliers while taking the credit risk of strong anchor buyers.

Expand access to local currency finance through the SME Local Currency Programme, reducing FX risks that disproportionately affect higher-risk SMEs.

Recommendation 2: *Strengthen demand-side support through partner financial institutions.*

Management **Agrees** with the recommendation.

Management agrees with the IEvD’s recommendation and underscores the stronger focus on non-financial services (NFS) within the enhanced EBRD SME Offer, notably under Layer 2 – Finance and Value Added at Scale. NFS are designed to complement financial products where they enhance PFIs’ service offering to SMEs, particularly underserved segments, and are aligned with both PFI priorities and the Bank’s strategic objectives in its Countries of Operations.

To support delivery, the SME F&D Regional Network team and FI have recently onboarded a dedicated NFS Specialist.

Demand-side constraints remain a major bottleneck to SME transformation. The new SME Offer places significant emphasis on strengthening SMEs’ absorption capacity and improving their readiness for finance, particularly through PFIs. High-level actions from SME F&D under the new SME Offer will include:

- Offer structured advisory support and training/NFS for FI sub-borrowers, enhancing SME financial capability, operational readiness, and growth potential.
- Support PFIs in developing and scaling advisory, training, and diagnostic services for their SME clients.

Recommendation 3: *Accelerate digital transformation across SBI operations.*

Management **Agrees** with the recommendation.

Management concurs with the IEvD’s recommendation, which is fully aligned with the 2026 - 2030 FI Strategy. FIBG is advancing digital transformation across intermediated finance by promoting innovative financial products, digital loan solutions, stronger cybersecurity, and responsible AI adoption to enhance efficiency, resilience, and green and inclusive lending.

In 2023 - 24, digital-focused programmes included Go Digital in the Western Balkans and the Digital Transformation Financing Facility in Türkiye, alongside digital components in Youth in Business (Western Balkans) and Women in Business (Central Asia). In trade finance, the Bank partnered with digital solution providers to support banks' digital upgrades. Notably, EBRD invested in TBC Bank Uzbekistan in 2021, with further capital support in 2023 - 24, followed by a Pillar 1 facility to scale innovative digital financing for MSMEs. Digital transformation across intermediated products is expected to further intensify in the coming years.

The Study rightly identifies digitalisation as a key lever for SME competitiveness yet still underdeveloped in SBI implementation. The new SME Offer makes digital transformation a crosscutting enabler across all layers. High-level actions from SME F&D under the new SME Offer will include:

- Appoint a Digital Specialist to provide country specific support for SME digitalisation needs.
- Expand digital delivery channels (e.g., AI-enabled tools, online training platforms) to reach more SMEs, including remote or underserved segments.
- Scale digital supply-chain finance solutions and partnerships with tech platforms to improve SME access to working capital.
- Internal efficiency - Integrate new MIS systems (e.g., ASB MIS integration with Monarch, Project Compass), streamline processes and enhance automation to support end-to-end digital delivery.
- Innovation partnerships - collaborate with fintechs, corporate anchors and data platform providers to deploy digital solutions with strong demonstration effects in EBRD CoOs.