



**UNECE**



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*Promoting support policies for innovative,  
high-growth enterprises (IHGEs) in  
Eastern Europe and South Caucasus (EESC)*

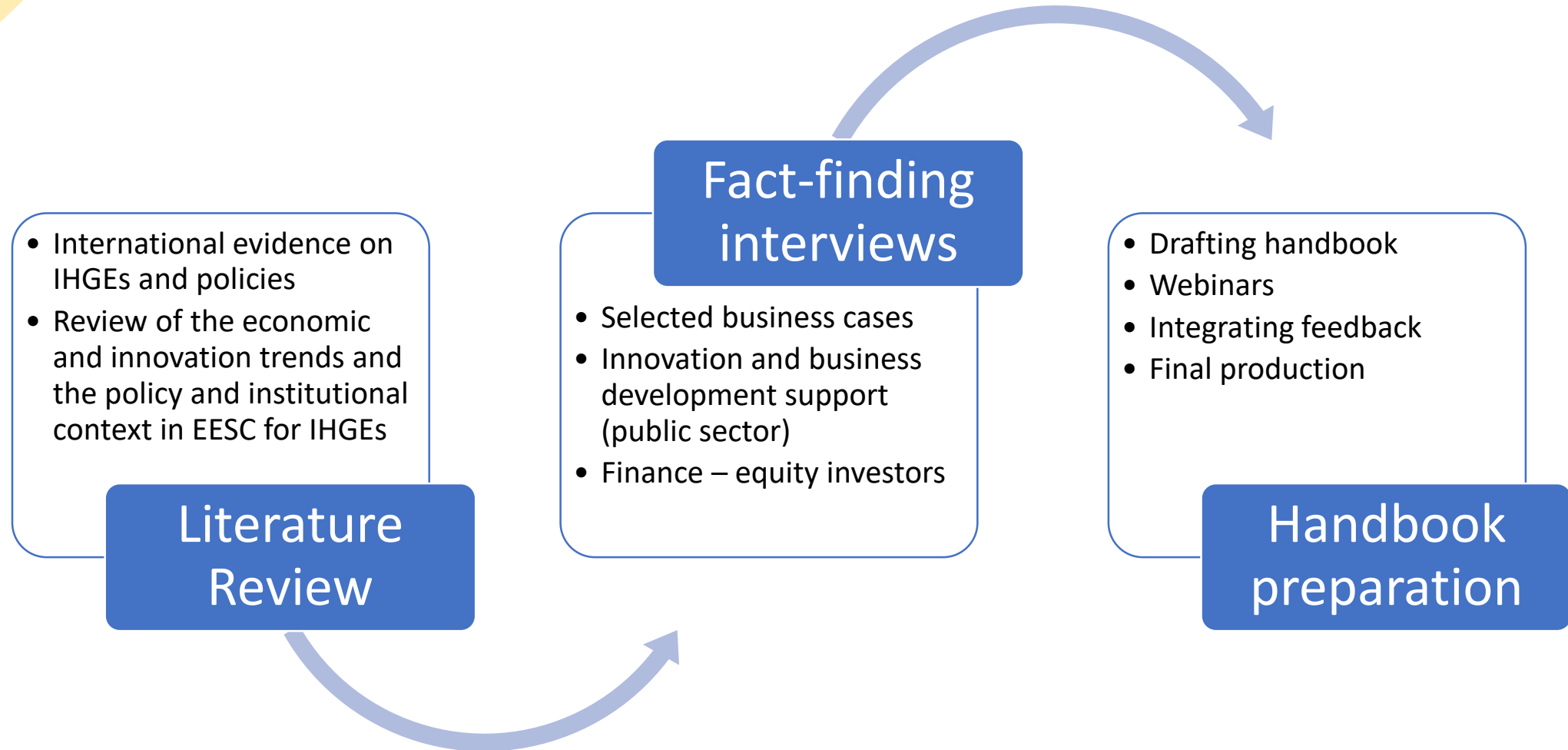
Webinar series :15 & 17 September 2020

## **Webinar 2**


**Enabling access to finance for IHGEs in EESC  
region**

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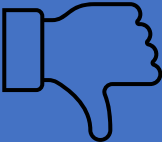
# The handbook process



# What is the situation for access to finance in the EESC ?



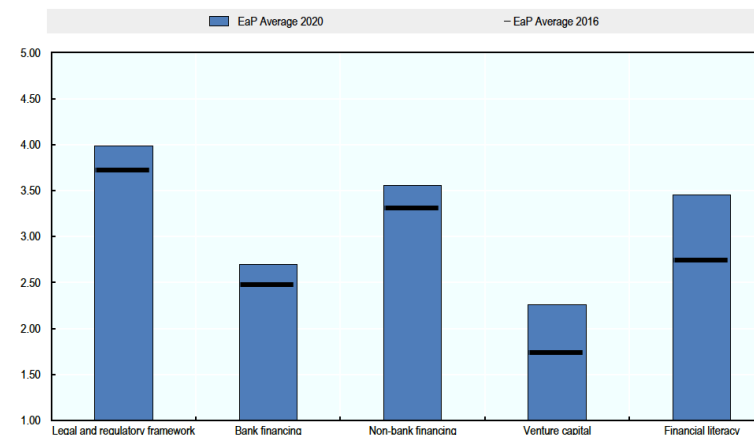
- Bank lending remains the single most commonly used type of finance,
- Many countries have or are developing credit guarantee schemes to support lending expansion.



- Non-bank financial instruments such as microfinance, leasing and factoring, and equity financing remain largely underutilised.

	ARM	AZE	BLR	GEO	MDA	UKR	EaP average 2020	EaP average 2016
<b>Access to finance for SMEs</b>	<b>3.81</b>	<b>3.12</b>	<b>3.57</b>	<b>4.02</b>	<b>3.61</b>	<b>3.31</b>	<b>3.57</b>	<b>3.28</b>
Legal and regulatory framework	4.18	3.63	3.74	4.42	4.10	3.85	3.99	3.72
Bank financing	2.89	2.21	3.05	3.42	2.79	1.79	2.69	2.48
Non-bank financing	3.66	2.45	4.38	3.01	3.79	4.02	3.55	3.31
Venture capital	3.37	1.81	2.27	2.92	1.53	1.66	2.26	1.74
Financial literacy	3.82	3.29	3.25	4.66	2.67	3.06	3.46	2.74

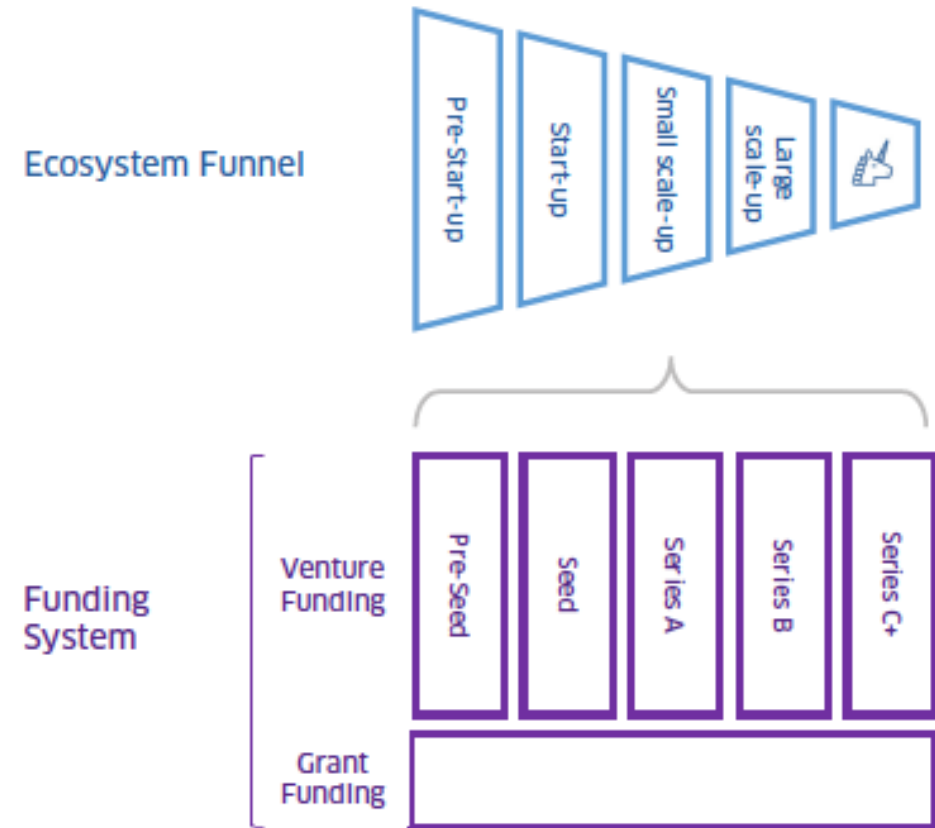
**SME Policy Index scores - Access to finance (OECD, 2020)**



# What are the specific/additional needs of IHGEs ?

Traditional policy focus on debt financing often does not fit the needs and dynamics of high-growth ventures, many of which are simply too risky.

	SME Policy	High-Growth Entrepreneurship Policy
Source	Mostly from public sources	Combination of public and private sources
Type of financial resources	Grants, subsidies, soft loans	R&D loans/tax credits, innovation grants, business angels, equity finance, IPOs
Main service	Basic (standard) advice for firm creation, business planning, business operation	Experience-based advice for equity finance; strategic planning, internationalisation; organisational growth
Resource distribution principle	Ensure equal access for everyone (resource spread)	Select promising recipients (resource focus)



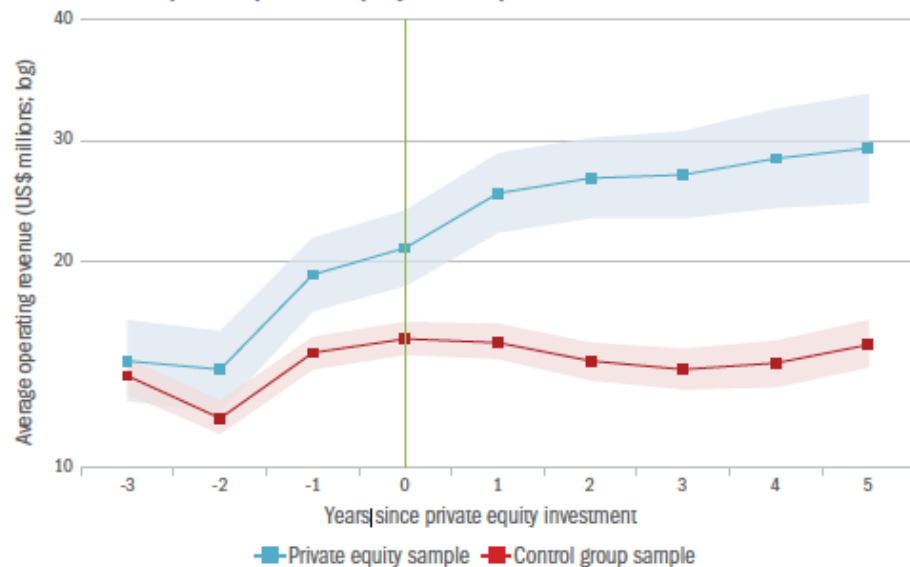
# Key take-aways from the interviews on finance for IHGEs

- Finance is one of the biggest issue for innovation and internalisation:
  - Firms struggle to finance R&D, product development process => role of government for grant funding as complement to other forms of finance.
- Legal framework for investment : the critical issue in most of the EESC – a pre-condition for improving access to finance for IHGEs.
- ‘Crowdfunding’/business angel/investor ecosystems for seed and early stage are ‘missing’ in most of the countries.
- Need to encourage encourage investors (outside and inside country) to invest and work with local start-ups and growth potential firms (e.g. providing tax exemptions for investments).
- Some positive examples exist that show potential for equity finance instruments – Belarus, Armenia.

# An EESC regional fund of funds initiative to boost private equity?

Example: the Baltic Innovation Fund is a Fund-of-Funds initiative launched by the EIF in close co-operation with the Baltic national promotional institutions – KredEx (Estonia), Altum (Latvia) and Invega (Lithuania) to boost equity investments made into Baltic SMEs with high growth potential.

CHART 4.1. Impact of private equity on companies' revenue



Source: EBRD, Orbis and authors' calculations.

