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

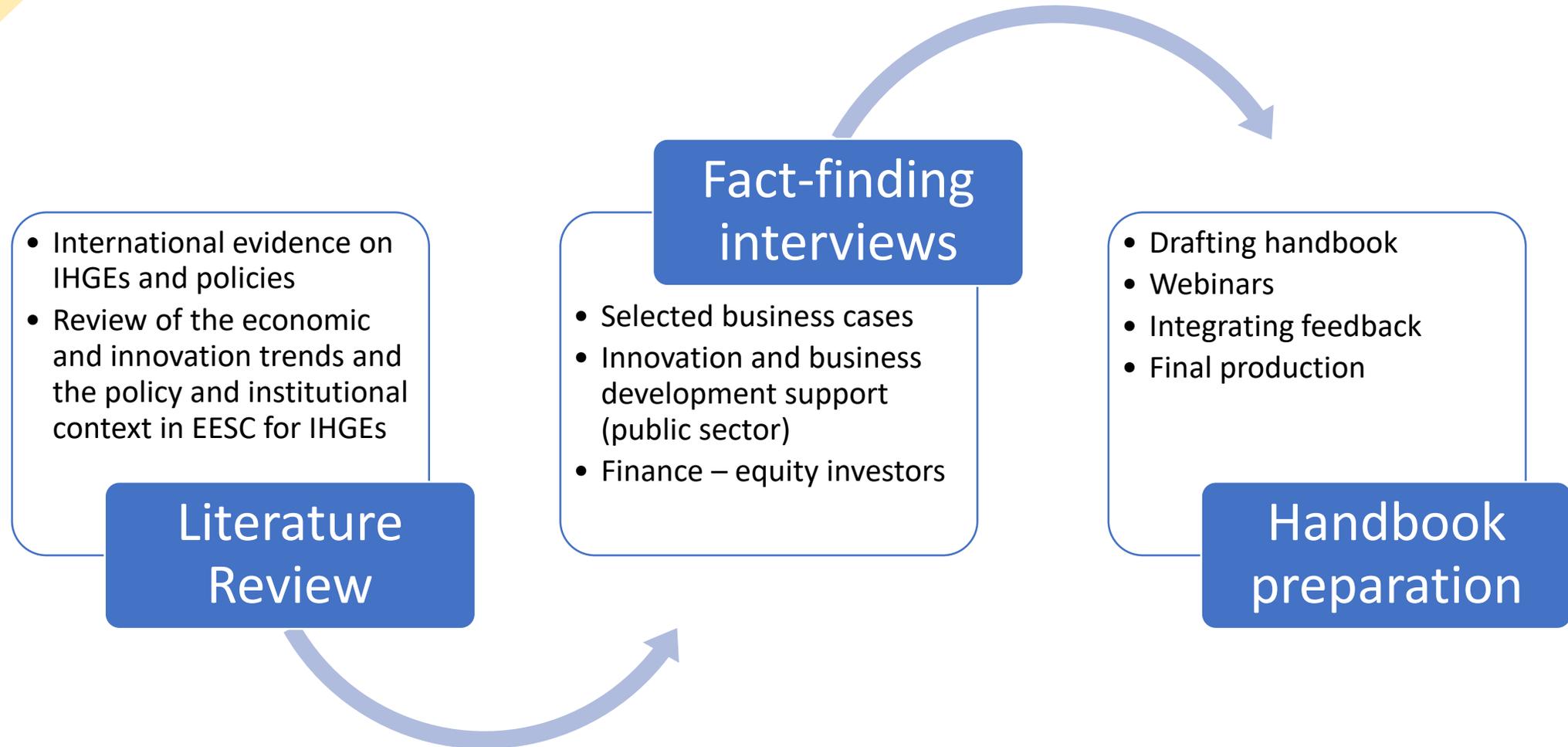
Webinar series :15 & 17 September 2020

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 ?



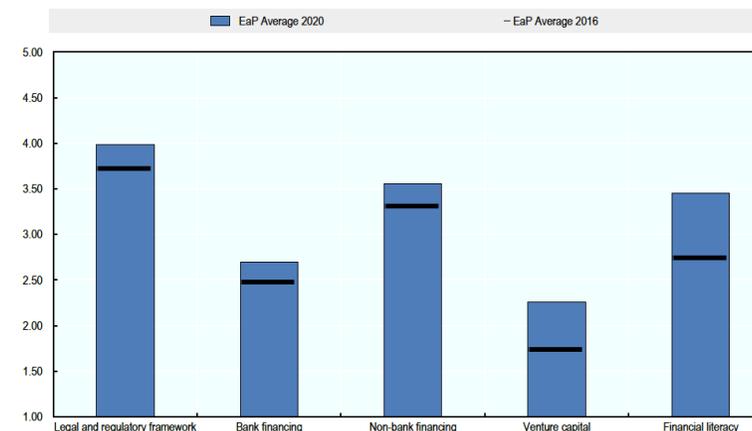
- Bank lending remains the single most commonly used type of finance,
- Many countries have or are developing credit guarantee schemes to support lending expansion.



- 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
Access to finance for SMEs	3.81	3.12	3.57	4.02	3.61	3.31	3.57	3.28
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

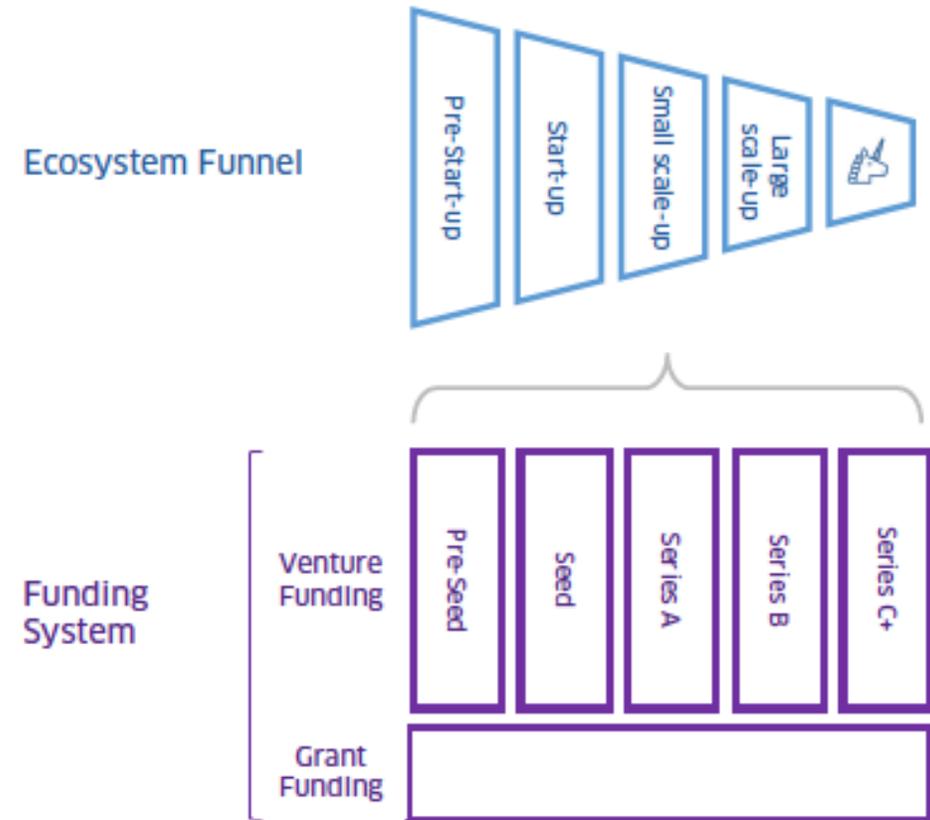
SME Policy Index scores - Access to finance (OECD, 2020)



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)



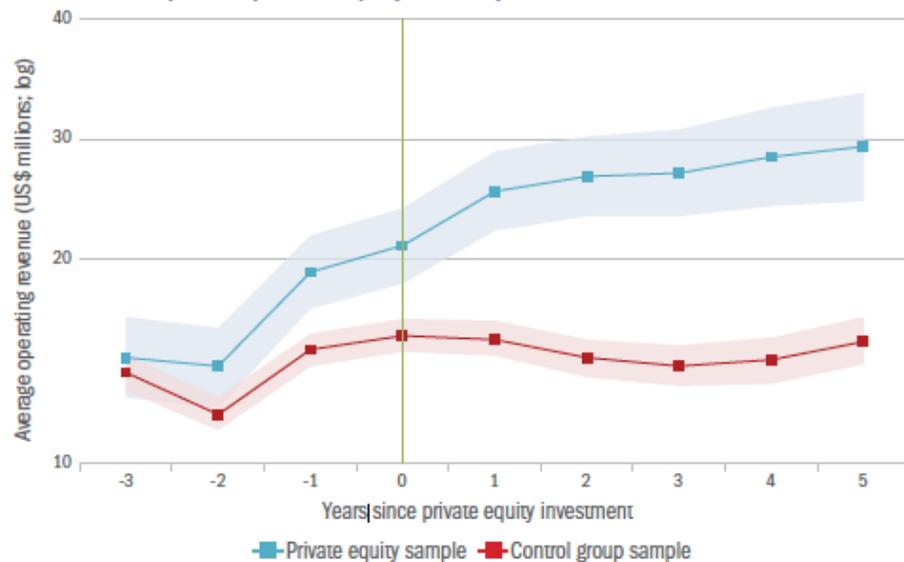
Key take-aways from the interviews on finance for IHGEs

- 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.

