

# Case Study: Western Balkans

Built for All: A global framework for building inclusive economies



Center for  
Inclusive Growth

Ali Schmidt-Fellner and Daniel Barker  
Mastercard Center for Inclusive Growth



Centre for  
Public Impact  
A BCG FOUNDATION

Devon Genua and Brian Zuluaga  
Centre for Public Impact

## TABLE OF CONTENTS

### 1.0. About *Built for All*

|                                       |   |
|---------------------------------------|---|
| 1.0. About <i>Built for All</i> ..... | 3 |
|---------------------------------------|---|

### 2.0. Western Balkans Enterprise Development & Innovation Facility

|   |   |
|---|---|
| 2.1. Background .....   | 6 |
| 2.2. Western Balkans Enterprise Development and Innovation Facility ..... | 7 |

### 3.0. *Built for All*: Applied

|  |    |
|--|----|
| 3.1. Pillar Two spotlight: A level playing field for work and competition .....                      | 9  |
| 3.2. Pillar One highlight: Equitable access to resources and opportunities .....                     | 11 |
| 3.3. Pillar Three highlight: Collective stewardship of shared resources for future generations ..... | 12 |

### 4.0. References

|                       |    |
|-----------------------|----|
| 4.0. References ..... | 13 |
|-----------------------|----|



# About *Built for All*

The Mastercard Center for Inclusive Growth and the Centre for Public Impact engaged with more than 30 experts, including Nobel laureates, heads of international organizations, and some of the world's leading thinkers from the government, the private sector and academia to debate innovative approaches to the major questions facing humanity. Through an extensive literature review and series of conversations, we captured and tested key concepts, definitions, frameworks and proposals on the interlinked challenges facing our economic systems. The resulting global framework for building inclusive economies, *Built for All*, aims to renew and strengthen our collective understanding and thinking around issues of economic inclusion to prompt a much-needed dialogue.

This case study, and others featured on [built4all.org](https://built4all.org), is a part of an ongoing body of work dedicated to building truly inclusive economies that prioritize the flourishing of all people and the planet.

Visit [built4all.org](https://built4all.org) to learn more about the framework, read related content and case studies, view our upcoming events, and connect with our team to get involved.

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This case study was written and coordinated by Devon Genua, Senior Program Associate at the Centre for Public Impact; Brian Zuluaga, Associate at the Centre for Public Impact; Ali Schmidt-Fellner, Manager at the Mastercard Center for Inclusive Growth and Daniel Barker, Vice President for Research at the Mastercard Center for Inclusive Growth.

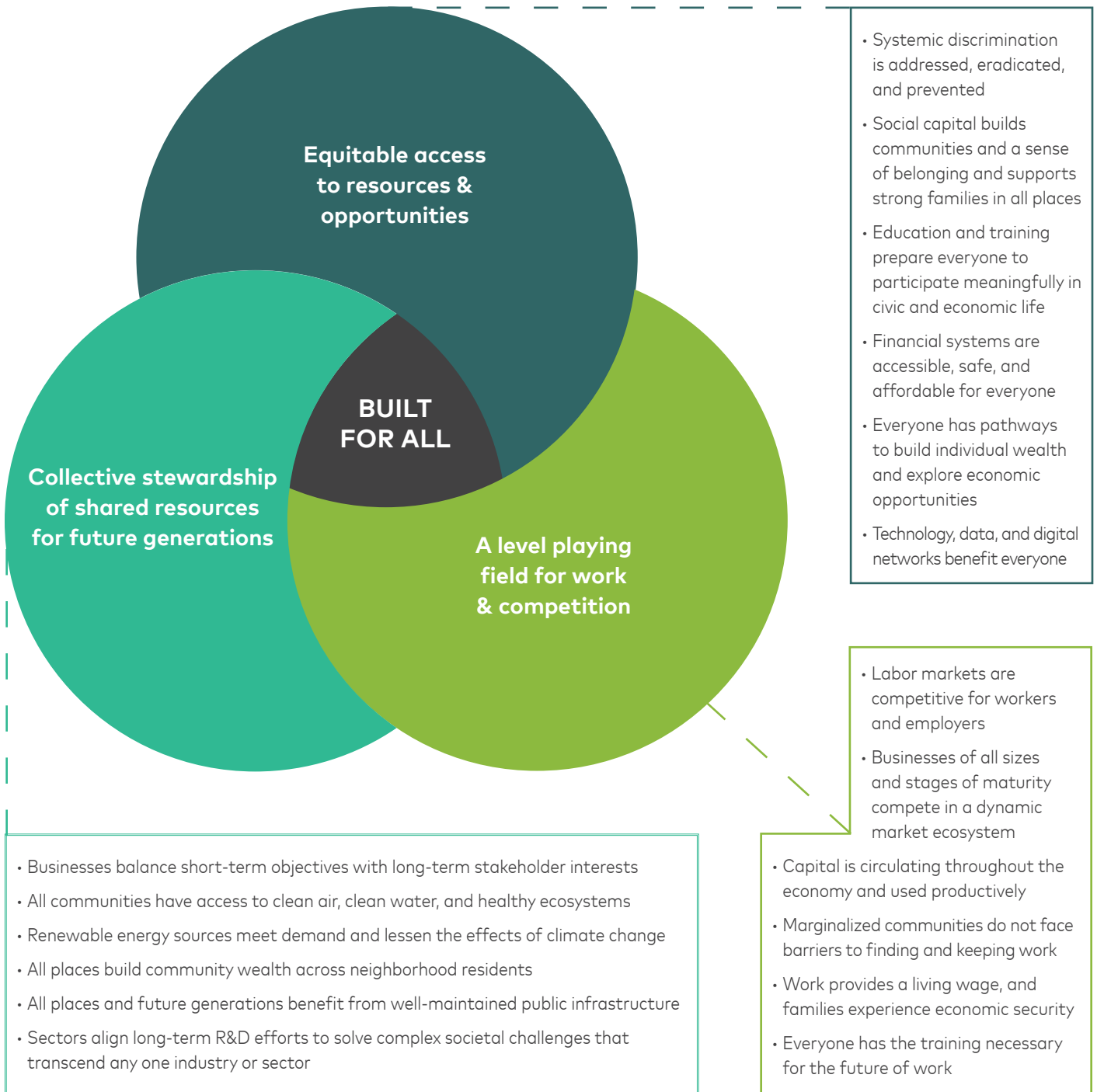
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*Built for All* defines an inclusive economy as **a system that is intentionally designed to prioritize the flourishing of all people and the planet.** Three Pillars, each comprised of a set of outcomes, support this vision.



The following case study features an initiative that aligns with the economic principles envisioned by *Built for All*. Visit [built4all.org](https://built4all.org) to read related content and additional case studies.

# Western Balkans Enterprise Development and Innovation Facility



The Western Balkans is a region in transition. As Western Balkan countries strive for EU membership<sup>1</sup>, supporting entrepreneurial dynamism is a key strategy for improving the region's economic competitiveness and economic inclusion. The Western Balkans Enterprise and Innovation Fund "supports and enhances the private sector development of the region by providing both improved access to finance and access to support measures aimed at both Small and Medium Enterprises (SMEs) as well as policy makers in the region<sup>2</sup>."



### 2.1. Background

The legacy of conflict and instability in the Western Balkans has hampered countries in this region (Albania, Bosnia and Herzegovina, North Macedonia, Kosovo, Montenegro, Serbia, and Croatia) from achieving the prosperity necessary to join the European Union. As the region stabilizes, Western Balkan countries are making progress toward achieving EU membership, but are still working to overcome obstacles to inclusive growth, legitimate governance, and adequate human rights protections.<sup>3</sup> Firms in the Western Balkans must navigate insufficient access to finance, unfavorable regulatory environments, corruption, and reliance on the informal sector.<sup>4</sup> These obstacles are a particularly serious constraint for small and medium enterprises<sup>5</sup> (SMEs), which comprise 99 percent of all enterprises in the Western Balkans and employ between 60 and 80 percent of the active working population.<sup>6</sup> As Claudio Vizzoli, Managing Director for SME Finance and Development at the European Bank for Reconstruction and Development said:

*"SMEs are essential for the economic development of the region, but that pool of entrepreneurial talent remains largely untapped. Unfavorable regulatory conditions, limited access to finance and skills development are structural issues of a business environment hampering SMEs' productivity, growth and competitiveness."*<sup>7</sup>

Looking to the future, supporting the growth, and fostering an environment where SMEs thrive are all critical to elevating the region. The Western Balkans offer a strategic geographic location of interest to global economic powers, diverse economies, and have a relatively well-educated population. These features, in addition to rapidly improving macroeconomic stability, make the region ripe for economic growth<sup>8</sup>.

## 2.2. Western Balkans Enterprise Development and Innovation Facility

The Western Balkans Enterprise Development and Innovation Facility (WB EDIF) launched in 2012 with the purpose of providing financing and support services to SMEs in the Western Balkans. WB EDIF is a joint initiative of the EU, International Financial Institutions (IFIs), bilateral partners, and the public institutions of the Western Balkans economies. Via this structure, WB EDIF leverages the expertise of 27 international, regional and local market players. These include the European Investment Bank (EIB), European Investment Fund (EIF), European Bank for Reconstruction and Development (EBRD), World Bank, Organisation for Economic Co-operation and Development (OECD), KfW Group, German Investment Corporation (DEG), Development Bank of Austria (OeEB), and the Italian Republic.

By supporting SMEs and the infrastructure surrounding them, WB EDIF contributes to the overall growth and development of the Western Balkan economies themselves. The WB EDIF features five key initiatives:

- The **Enterprise Expansion Fund** provides equity, quasi-equity, and (to a limited extent) debt funding to private companies incorporated or investing in projects to be implemented in the Western Balkan region.
- The **Enterprise Innovation Fund** is a venture capital fund focusing on an investment portfolio consisting of innovative SMEs at various stages of business development, from the seed to expansion phase, in the Western Balkans.
- The **Guarantee Facility** serves to provide a capped guarantee for SME loans via the participating commercial banks in the region. SMEs can obtain a loan to cover financing for investment and working capital up to EUR 500k.
- **Policy monitoring** to support a stronger, more resilient operating environment for SMEs. WB EDIF engages in substantial policy efforts to "target interventions that are feasible and impactful for SMEs." WB EDIF and the OECD partnered to launch the SME Policy Index, a "benchmarking tool designed for emerging economies to assess SME policy frameworks and monitor progress in policy implementation over time."<sup>9</sup>
- **Technical assistance** to support entrepreneurs and SMEs by providing advice on accounting, financial reporting, marketing, sales, strategy, human resource management, intellectual property, and many more areas related to enterprise management and investment readiness.

Since its inception in 2012, WB EDIF has connected with 5,390 SMEs, provided EUR 480m in financing, and created over 100,000 jobs throughout the Western Balkans.



3.0

# Built for All: Applied







### 3.1. Pillar Two spotlight: A level playing field for work and competition

The Western Balkans Enterprise Development and Innovation Facility demonstrates how international governing bodies, financial institutions, and local economies can effectively work together to build a thriving, resilient, and inclusive economy. WB EDIF's efforts are concurrent with accelerated economic growth in the region. Economic growth in the Western Balkans accelerated from 2.6 percent in 2017 to 3.8 percent in 2018.<sup>10</sup> Further, SMEs' contribution to employment in the region rose by 6.3 percent and the gross value added by SMEs grew by 15 percent between 2013 and 2016.<sup>11</sup>



WB EDIF exemplifies Pillar Two of *Built for All* because it is dedicated to improving the region's competitiveness and to creating a level playing field to support small businesses and entrepreneurial dynamism. WB EDIF also supports increased access to learning and training for the workforce.

Highlights of WB EDIF's work in this area include:

**Supporting entrepreneurial dynamism:** The Enterprise Innovation Fund (ENIF) is a standalone venture capital fund with EUR 41.4m available for investment. ENIF focuses its investments in technology sectors with potential for high growth that will help elevate the region's technological infrastructure and attract talent. To date, the ENIF has invested in 27 early-stage companies across five Western Balkan countries. As an example, in 2017, Croatian technology company AdScanner launched with the vision of disrupting the TV data harvesting market. Since launching, the company has more than doubled its revenue in each year of operation and is on track to continue this trend in 2021. ENIF invested in AdScanner in 2019 to strengthen their sales team in Europe, with a focus on expanding to Germany. With just 27 team members, AdScanner is a small and growing company, and ENIF's investment will support their ambitions to expand across Europe. To improve the overall investment climate in the Western Balkans, the WB EDIF's Guarantee Facility (GF) offers longer loan maturities, a lower cost of borrowing, and a reduction of collateral requirements to local financial institutions. The WB EDIF is currently partnered with 16 commercial banks to build new portfolios of SME loans in the region. Banks partnered with WB EDIF receive a guarantee or counter-guarantee of the risk built up through taking on SME loans, allowing the banks to offer loans at more favorable terms.



**Supporting talent development:** In 2018, the Guarantee Facility received an additional EUR 10m in funding to support youth employment. This new funding stream, available to SMEs through regional banks selected in August 2020, will improve access to finance specifically for SMEs committed to creating employment and training opportunities for young people (15-30 years old) in the Western Balkans. Supporting youth employment is critical, with youth unemployment rates ranging from 30 percent in Albania to over 50 percent in Bosnia and Herzegovina and many young people citing lack of opportunity as a reason why they chose to leave the country.<sup>12</sup> The WB EDIF also advocates for comprehensive strategies to improve entrepreneurial learning for young people in and outside of the education system through the SME Policy Index, which regional policymakers lean on to guide their priorities. The 2019 SME Policy Index report found the environment for supporting entrepreneurial learning in the region has improved since 2016. For example, at The School for Chemical Technology “students establish and run school-based companies involving market analysis, product identification (e.g. liquid soap), sourcing of raw materials, production management, testing and quality assurance packaging, marketing, and sales.”<sup>13</sup>

**Technical assistance for SMEs and policy makers:** Loans, financing, and talent development are not the only inputs required for business success. To this end, WB EDIF has over 500 “support projects” that offer complementary support measures like workshops, conferences, seminars, and competitions that guide SMEs in building their businesses and support Western Balkan policy makers working on EU membership negotiations. Offerings include creating bankable business plans, developing transparent financial reporting, pitching to investors, and how to breed innovation through university and government ties.<sup>14</sup>

### Opportunities for enhancing inclusion:

- WB EDIF offerings are focused on indirectly supporting SMEs through intermediary financing to commercial banks. In practice, this can leave governments in Western Balkan countries in a difficult position. Katarina Obradović-Jovanović, an Assistant Minister of Economy in Serbia explains, “It can be challenging to motivate commercial banks as partners” and commercial banks’ investments do not always align with local market development needs. To further incentivize banks, Obradović-Jovanović suggests WB EDIF place more emphasis on financial products that can be tailored to the individual priorities of Western Balkan countries.

## Lessons for action

- Supporting entrepreneurial learning in schools expands the base of people exposed to those skills and provides increased access to training for those without the financial or social capital to attain those skillsets. By including educational institutions as a partner in your inclusive economy vision, there is great potential to better prepare young adults for the opportunities for economic mobility in the workforce.
- Programs that provide technical assistance or other forms of knowledge-sharing will empower workers in small or medium enterprises to feel confident and well-equipped to be leaders in their industries. Successful workforce development programs will address financial barriers, as well as soft skills or social capital creation.

For more information, view the [WB EDIF website](#) and [informational PDF](#).



## 3.2. Pillar One highlight: Equitable access to resources and opportunities

### Strengths of the WB EDIF approach:

- WB EDIF's work to improve access to safe and affordable financing ensures individuals have the opportunity to translate access to resources into economic prosperity through a more formalized finance system, rather than relying on informal (and often unstable) financing strategies. WB EDIF does not offer direct financial support to SMEs, rather, it provides funding to local financial intermediaries through debt and equity products.
- Because WB EDIF financing instruments are focused on high-growth technology industries, these investments will help spur greater availability of technology, data, and digital networks for all residents.
- The SME Policy Index includes several measures that evaluate women's entrepreneurship. Only 27 percent of business owners in the Western Balkans are women. To address the gender gap, the WB EDIF advocates for policy mechanisms that consider the cultural, economic, legal, and regulatory barriers to achieving gender equity in entrepreneurship and for rigorous evaluation mechanisms that can determine the success of those policies.<sup>15</sup>

### Opportunities for enhancing inclusion:

- Ethnic minorities in the Western Balkans face substantial obstacles to entrepreneurial success and economic self-sufficiency. Entrepreneurs who are members of ethnic minority groups are particularly likely to rely on the informal sector for business needs and financing and are also more likely to have low profitability. In addition, the majority of companies that received early-stage investments through the ENIF are high-tech companies, which tend to be run by wealthier, more educated members of dominant ethnic groups. This bias can perpetuate existing prosperity divides in the Western Balkans. The WB EDIF should increase transparency around how its initiatives impact historically marginalized ethnic groups and make a substantial effort to prioritize those groups in its offerings.

## Lessons for action

- To ensure your initiative is meeting social impact metrics, one solution is to set "Impact KPIs (Key Performance Indicators)," which measure how an initiative is creating outcomes such as sustained access to economic opportunity, youth employment and access to jobs, or to what extent vulnerable groups are being reached. The European Investment Bank's new Impact Finance Business program plans to utilize Impact KPIs to set expectations for banks that receive EIB Impact Finance Business Loans. Impact KPIs are adaptable metrics to keep organizations committed (and accountable for) inclusive economic outcomes.





### 3.3. Pillar Three highlight: Collective stewardship of shared resources for future generations

#### Strengths of the WB EDIF approach:

- To support cross-sector collaboration, WB EDIF features a “Triple Helix” program that aligns business, academia, and government to work together on innovative ideas and bring them to market with the goal of cementing long-term relationships that help create a favorable environment for Research and Development (R&D) in the Western Balkans. Triple Helix projects are “innovative, bold, and socially responsible.” In Kosovo, for example, a Triple Helix team is working on a project to reimagine how senior citizens share health data with providers, family, and friends in real-time<sup>16</sup>.
- A central aim of the WB EDIF is to work with government leaders to strengthen the rules, norms, and institutions related to the private sector to create lasting change in the Western Balkans that will benefit future generations. WB EDIF’s policy advocacy work and their technical assistance offerings make it clear that sustainability, transparency, and accountability are key operating principles for business owners and for Western Balkans’ economies overall.

#### Opportunities for enhancing inclusion:

- WB EDIF operates within the Western Balkans Investment Framework, which focuses on investments in infrastructure, energy efficiency, and private sector development. Though WB EDIF’s work is informed by this framework, there are no dedicated funding streams supporting SMEs focused on climate resilience or sustainability (as there are for youth employment). WB EDIF could strengthen its alignment with Pillar Three of our framework by creating greater incentives for entrepreneurs focused on climate resilience and considering how to use its platform to build community wealth in the Western Balkans.



This EIB Impact Finance Loan is not just a matter of trying to level up local businesses and economies, but trying to do so in an inclusive way where local private markets would not do so on their own. It is a new way of lending to SMEs with far-reaching benefits for social development and the inclusion of people from the most vulnerable groups in the job market. It awards those SMEs who want to grow in a sustainable and inclusive way and allows even more people to benefit from economic development.”

**Guido Clary**  
European Investment Bank

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To learn more about *Built for All*, please visit our website: [www.built4all.org](http://www.built4all.org)

If you are interested in partnering with us to build inclusive economies that serve all people and the planet, get in touch with our team: [info@centreforpublicimpact.org](mailto:info@centreforpublicimpact.org)



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