



The DCFTA Facilities for SMEs

Brussels, 21 May 2015

Why is EU supporting SMEs in Georgia, Moldova and Ukraine?

On 27 June 2014, Georgia, Moldova and Ukraine signed **Association Agreements (AA)** with the European Union (EU). These agreements aim at fostering economic development, long-term stability, efficiency and predictability to businesses. AAs are also the basis for the creation **of Deep and Comprehensive Free Trade Areas (DCFTA)**, which in turn will create new trade opportunities, boost foreign direct investments, economic modernisation and create new jobs in these three countries.

DCFTA will fundamentally change the business rules and regulations within each country. The changes will affect not only exporters to the EU, but all companies, as the domestic business environment will also need to be aligned with EU standards. These changes may be particularly challenging for SMEs, which may need extra skills and more financial resources to adapt.

To reply to these needs, the European Commission - jointly **with** the European Investment Bank (EIB) and the European Bank for Reconstruction and Development (EBRD)- has put in place the DCFTA Facility for SMEs. The DCFTA Facility for SMEs is an integral part of the **SME Flagship Initiative**, a wide-ranging regional initiative of the EU, which aims to provide support to SMEs in the Eastern Partnership to tackle the challenges impeding them from reaching their full potential. The Facility will complement the EU programmes in each country that help small businesses grow and prepare for the new market opportunities of the DCFTA and help national authorities to implement their Association Agreements.

How much funding will be available?

The DCFTA Facility for SMEs will receive approximately **€200 million of grants** from the EU budget. This contribution is expected to **unlock at least €2 billion of new investments** by SMEs in the three countries, to be financed largely by new loans supported by the Facility.

What will be funded and who will receive it?

The funding will:

- Help SMEs to **seize new trade opportunities** with the EU and within the region which have been opened up thanks to the DCFTA;
- Improve **access to finance** for SMEs, enabling them to make the necessary investments to increase their competitiveness;
- Allow SMEs to **integrate into global value chains** by becoming business partners of foreign direct investors ;
- Enable SMEs to **comply with new sanitary, phytosanitary, technical and quality standards**, as well as with environmental protection measures, thereby benefiting local customers and boosting exports to the EU and beyond.

The DCFTA Facility for SMEs will reach tens of thousands of SMEs and their hundreds of thousands of employees, suppliers and service providers in Georgia, Moldova and Ukraine, and is designed to support SMEs in making the changes required to benefit most from the new business opportunities.

The unprecedented investments that the DCFTA Facility for SMEs will inject in the real economy will also contribute to **improvements in the business environment**: the local banking sectors, business services to SMEs, trade and quality infrastructure, and the overall business climate will all benefit greatly from the Facility, creating a virtuous cycle of growth and contributing to significant job creation.

How will the Facility work?

The DCFTA Facility consists of a **set of programmes** to be implemented by EIB and EBRD. SMEs will benefit from the EU grants by accessing **four types of support**:

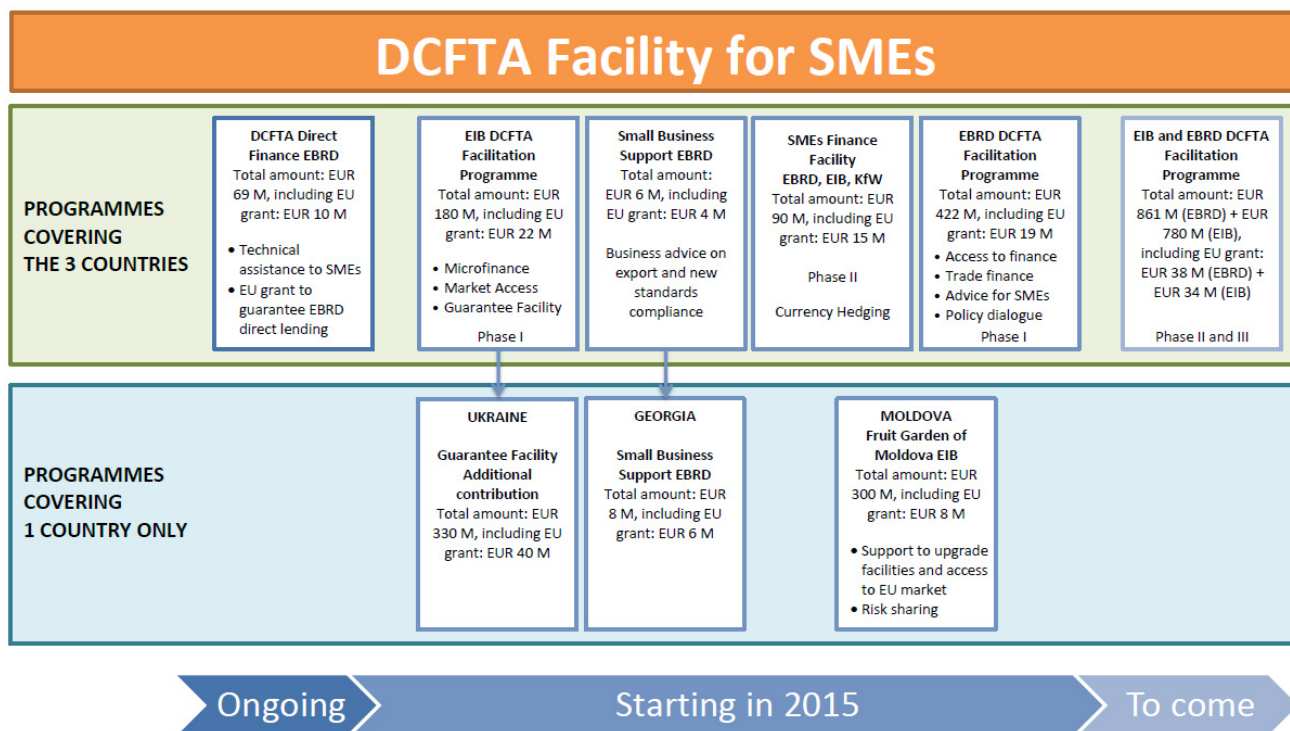
Risk sharing instruments: to improve credit conditions for SMEs by reducing the risk for European and local financial institutions in lending to them;

Currency hedging: to allow SMEs to borrow in local currency at accessible rates;

Investment incentives: to reduce investment costs by providing incentives for SMEs to upgrade their technology and production/service processes in order to comply with EU standards and regulations ;

Technical assistance: a range of specifically designed projects to support SMEs and other stakeholders (business support insitutions) by identifying investments complying with DCFTA requirements; helping prepare business and financing plans to get bank credits; identifying new market opportunities opened by the DCFTA; as well as fostering improvements in the regulatory and policy environments of the three countries.

The Facility will be accompanied by **communication** activities to raise awareness amongst SMEs of the support available to them and how to make best use of it.



MEMO/15/5013

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Attachments

[Memo for RIga on DCFTA Facility-v4_hj.pdf](#)