

**EN**

**ANNEX**

**to the**

**Commission Decision**

**on the approval of the conclusion of EFSD guarantee agreements with selected eligible counterparts under the EFSD Guarantee**

**LIST AND DESCRIPTION OF GUARANTEE TOOLS FOR INVESTMENT**

**1. List of guarantee tools to be funded**

<b>Title of the project</b>	<b>Selected Entrusted Entity</b>	<b>Maximum EFSD Guarantee amount</b>
1. European Guarantee for Renewable Energy and De-Risking Investments in Sustainable Energy	AFD, EIB, CDP, KfW	EUR 168.5 million
2. Renewable Energy Support Programme for Mainly Rural Areas in Sub-Saharan Africa	AECID, COFIDES	EUR 20 million
3. MSME Investment Platform - Investing in start-ups and venture capital, and developing sustainable innovative ecosystems	EIB	EUR 25 million
4. FISEA+ SMEs and Agribusiness Investment Guarantee - Catalysing investment and support for small and medium-sized businesses in riskier environments	AFD	EUR 35 million
5. Social Impact Fund for Africa (SIFA) - Investing in digital innovation projects with a high social impact	AfDB	EUR 25 million
6. Ventures Programme - Empowering entrepreneurs for sustainable development	FMO	EUR 45 million

7. Sustainable Cities Investment Fund Platform - Creating resilient and climate-friendly urban infrastructure	EIB	EUR 37 million
8. TCX Concessional and Collateral Facility	KfW	EUR 15 million
9. AfDB proposal for the local currency - Unlocking investment for local banks, small businesses, and sustainable energy, and developing capital markets	AfDB	EUR 12.5 million
10. InclusiFI - Financial inclusion driven by diasporas	AECID, CDP COFIDES	EUR 20 million
11. Financial Inclusion in the Neighbourhood - catalysing investment in and support for local businesses in riskier environments	EBRD	EUR 30 million
12. SME Access to Finance Initiative	EIB	EUR 20 million
13. Joint SME Guarantees for Inclusive Growth and Job Creation	AfDB, EDFIs	EUR 60 million
14. Small Loans and Guarantee Program - catalysing investment in and support for local businesses in riskier environments	IFC	EUR 42 million
15. Archipelagos - One Platform for Africa - Supporting African SMEs throughout their lifecycle and developing capital markets	AfDB	EUR 30 million
16. European Guarantee to Increase - Local Governments' Access to Financing - Developing urban infrastructure and services in African cities	AFD	EUR 30 million
17. Agricultural and rural finance - catalysing investment in and support for local agricultural businesses in riskier environments	AFD	EUR 85 million
TOTAL		EUR 700 million

## 2. Description of guarantee tools

### 2.1. European Guarantee for Renewable Energy and De-Risking Investments in Sustainable Energy - **Supporting investment in sustainable energy in Sub-Saharan Africa**

EU budgetary guarantee programme	EFSD Guarantee
Date Board Opinion	Operational Board of 13 November 2018
Partner country/region	Sub-Saharan Africa
Lead FI	AFD, EIB, CDP, KfW
Maximum EFSD Guarantee amount	EUR 168.5 million
Maximum Technical Assistance amount <sup>1</sup>	EUR 24 million
Expected total investment to be generated	EUR 3.4 billion
Objectives and expected results	<p>This guarantee will help to expand the generation of renewable energy in Sub-Saharan Africa and cut the region's carbon emissions, increase energy efficiency, enable many more people to access energy and reduce often daily power shortages.</p> <p>It will partially cover the offtake risks in renewable energy projects such as windfarms and solar energy to meet growing energy demand. It will address bottlenecks to private investment by helping independent power producers to obtain the liquidity they need in the event that their off-taker (typically a public utility) delays payment. It will also aim to bridge the gap between perceived and actual risks for private investors in the African renewable energy market.</p> <p>Preliminary estimates suggest that the resulting investment could create up to 12,000 jobs and add around 2 gigawatts of generating capacity from renewable sources.</p> <p>In addition, the renewable energy sector in partner countries will receive a comprehensive package of technical assistance to:</p> <ul style="list-style-type: none"> <li>• support the implementation of guarantees and the tendering process</li> <li>• enable power utilities to become commercially viable</li> <li>• support an enabling environment that facilitates private</li> </ul>

<sup>1</sup> All Technical Assistances mentioned in this Annex will be financed by funds outside of the EFSD Guarantee.

	<p>investment in renewable energy</p> <ul style="list-style-type: none"> <li>• improve the regulatory framework, energy sector and policy dialogue. This guarantee will directly benefit wide sections of the population, especially those from poorer backgrounds. It will:</li> <li>• help start new and expand ongoing sustainable, renewable energy projects</li> <li>• create decent jobs and develop skills and entrepreneurship</li> <li>• promote local industry and commerce</li> <li>• improve industrial and labour productivity</li> <li>• diversify economic activities</li> <li>• contribute to climate action and environmental protection and management</li> <li>• provide more reliable, available and affordable energy services</li> <li>• make air cleaner and lower the risk of fires.</li> </ul>
Sectors covered	Sustainable energy – renewables, energy efficiency
Types of instruments	Co-guarantees
Expected leverage ratio	1:20
Justification/additionality of the EFSD Guarantee	The EFSD Guarantee will address the market failure of an underinvestment in renewable energy projects by the private sector in Sub Saharan Africa due to the risk of non-payment by energy off-takers.

## 2.2. Renewable Energy Support Programme for Mainly Rural Areas in Sub-Saharan Africa – Enhancing private investment in sustainable energy

EU budgetary guarantee programme	EFSD Guarantee
Date Board Opinion	Operational Board of 13 November 2018
Partner country/region	Sub-Saharan Africa
Lead Financial Institution	AECID, COFIDES
Maximum EFSD Guarantee amount	EUR 20 million
Maximum Technical Assistance amount	EUR 2 million
Expected total investment to be generated	EUR 160 million
Objectives and expected results	<p>This guarantee will promote private sector financing for energy generation projects - such as wind, solar, hydro, geo-thermal and biomass from sustainable sources – with a special focus on rural areas of Sub-Saharan Africa.</p> <p>The guarantee will lower the risk of non-payment of a financial obligation and encourage developers and investors to engage in renewable energy projects, both connected to the grid (e.g. in Côte d’Ivoire, Kenya, Ghana), and mini or off-grid projects.</p> <p>Enabled by the EU guarantee, investors are expected to:</p> <ul style="list-style-type: none"> <li>• add 120 MW in generation capacity from renewable energy sources</li> <li>• improve living standards</li> <li>• help provide reliable, clean energy to rural, remote and underserved regions</li> <li>• cut the generation of energy which produces greenhouse gases.</li> </ul> <p>This guarantee is expected to improve living conditions and contribute to the provision of reliable and clean energy, including in rural, remote and underserved areas. It is also expected to:</p> <ul style="list-style-type: none"> <li>• support job creation and address the root causes of migration</li> <li>• stimulate local business development</li> <li>• contribute to making economies more competitive and sustainable</li> <li>• improve public and private infrastructure.</li> </ul>

	As a result, countries in Sub-Saharan Africa will be able to move more rapidly to producing sustainable, reliable energy, and source their energy in a more secure way.
Sectors covered	Micro-, small and medium-sized enterprises financing
Types of instruments	Debt and equity guarantee cover
Expected leverage ratio	1:8
Justification/additionality of the EFSD Guarantee	The EFSD Guarantee will enable the support of renewable energy projects that otherwise could not be consider for financing.

### 2.3. MSME Investment Platform - Investing in start-ups and venture capital, and developing sustainable innovative ecosystems

EU budgetary guarantee programme	EFSD Guarantee
Date Board Opinion	Operational Board of 13 November 2018
Partner country/region	EU Neighbourhood
Lead Financial Institution	EIB
Maximum EFSD Guarantee amount	EUR 25 million
Maximum Technical Assistance amount	N/A
Expected total investment to be generated	EUR 84 million
Objectives and expected results	<p>This guarantee will help create jobs in the private sector, develop people's skills and encourage entrepreneurship. In this way it will address many of the root causes of migration in countries neighbouring the European Union.</p> <p>It will address the strong demand for start-up and venture capital, support the growth of local enterprises and ensure the development of a sustainable ecosystem - dynamic, interactive business and investment networks that breed innovation - in the region.</p> <p>A first loss guarantee is expected to reduce the financial risks and attract private and institutional investors alongside the EIB, encouraging them to invest in the innovation ecosystem in the region. It will amplify the investment into start-ups in their early development and later growth stages by investing in venture capital funds and providing early to later stage financing to enterprises.</p> <p>The guarantee will also:</p> <ul style="list-style-type: none"> <li>• address bottlenecks to private investments by providing appropriate financial instruments</li> <li>• contribute to the expansion of the financial intermediaries' funding base and the availability of capital in the early investment stages.</li> </ul>

	<p>The EIB estimates that the Platform will directly create 2,000 permanent jobs and indirectly some 6,000 more. It will focus on empowering women and young people in particular.</p> <p>The guarantee will particularly benefit innovative, fast-growing and tech-oriented companies in countries neighbouring the EU.</p>
Sectors covered	Small and medium-sized enterprises financing
Types of instruments	Equity
Expected leverage ratio	1:3.3
Justification/additionality of the EFSD Guarantee	Catalyse private sector financing of innovative start-up companies via specialised equity funds in Near Region.



## 2.4. FISEA+ SMEs and Agribusiness Investment Guarantee - Catalysing riskier investments and support for small and medium-sized

EU budgetary guarantee programme	EFSD Guarantee
Date Board Opinion	Operational Board of 13 November 2018
Partner country/region	Sub-Saharan Africa
Lead Financial Institution	AfD
Maximum EFSD Guarantee amount	EUR 35 million
Maximum Technical Assistance amount	EUR 5 million
Expected total investment to be generated	EUR 260 million
Objectives	<p>This guarantee will create jobs and promote development that benefits all sections of society in Africa, by boosting private equity investments in promising African businesses. It will target vulnerable communities and regions that have experienced instability or are emerging from crises, as well as sectors of the economy traditionally bypassed by investors.</p> <p>The AFD will build on the experience of the original FISEA fund launched in 2009. The EU guarantee will help diversify risks and offer private investors a first-loss protection and technical assistance to take on bigger risks in exchange for higher impact. This will catalyse investment towards Africa, including fragile and post-conflict countries.</p> <p>Besides investing in traditional SMEs, the guarantee will unlock private investment in very high-impact segments such as:</p> <ul style="list-style-type: none"> <li>• SMEs located in conflict or post-conflict countries</li> <li>• digital companies and start-ups</li> <li>• entrepreneurs addressing social needs using sound business principles</li> <li>• agribusinesses</li> </ul> <p>The AFD estimates that its new FISEA initiative, which is partly covered by the EU guarantee, will create jobs for up to 60,000 people – many of them women and young people</p>

	<p>- and indirectly support a further 430,000. This will reduce poverty and widen access to education, healthcare and other essential services.</p> <p>Promising African MSMEs will enjoy greater access to financing and growth, and will be able to adopt responsible approaches and processes. The private sector will be able to make a much greater contribution to sustainable development and promoting action on climate change, social development, gender equality, poverty reduction, innovation, inclusive production, and affordable and accessible services.</p>
Sectors covered	Small and medium-sized enterprise financing, including start-up companies and agribusiness
Types of instruments	Loans, equity, mezzanine, guarantees
Expected leverage ratio	1:7.4
Justification/additionality of the EFSD Guarantee	Catalyse private sector financing of start-up and small to mid sized companies in high impact segments (social, digital, fragile countries, agribusiness) via specialised equity funds.

## 2.5. Social Impact Fund for Africa (SIFA) - Investing in digital innovation projects with a high social impact

EU budgetary guarantee programme	EFSD Guarantee
Date Board Opinion	Operational Board of 13 November 2018
Partner country/region	Sub-Saharan Africa, EU Neighbourhood South
Lead Financial Institution	African Development Bank (AfDB)
Maximum EFSD Guarantee amount	EUR 25 million
Maximum Technical Assistance amount	EUR 2 million
Expected total investment to be generated	EUR 350 million
Objectives and expected results	<p>African rural communities face specific challenges due to their remoteness and the absence of adequate infrastructure that supports economic activities. Business models that deliver social goods or services - such as education, healthcare, financial inclusion - online can change this.</p> <p>Through risk sharing and de-risking mechanisms, SIFA will lower the current barriers to investment in, and increase the capital available for, more than 200 businesses engaged in digital innovation. It will do so by enabling private investors to share the risks involved, and/or by lowering such risks considerably.</p> <p>It will focus on social impact investing to deliver services through information technology platforms and applications, for example:</p> <ul style="list-style-type: none"> <li>• off-grid solar panel systems based on mobile technology (e.g. pay-as-you-go)</li> <li>• accredited primary and secondary education to local communities</li> <li>• value chains between rural agricultural producers and urban markets</li> <li>• workload planning of doctors or nurses in rural communities</li> <li>• local and rural health insurance allowing for fairer access</li> </ul>

	<p>to health services.</p> <p>The AfDB estimates that SIFA will create directly some 55,000 jobs and indirectly some 165,000 more. It will focus on projects that:</p> <ul style="list-style-type: none"> <li>• in particular involve women and young people on low incomes</li> <li>• are in rural areas in least developed, fragile, or landlocked countries.</li> </ul> <p>The Bank also estimates that the guarantee will:</p> <ul style="list-style-type: none"> <li>• improve access to education through digital technology for 1.5 million people</li> <li>• bring renewable energy supplies to up to 400,000 people.</li> </ul>
Sectors covered	SMEs engaged in digital innovation applied to healthcare, education, agriculture, energy, water and financial inclusion
Types of instruments	Equity, quasi equity
Expected leverage ratio	Between 1:14
Justification/additionality of the EFSD Guarantee	Catalyse private sector financing of innovative start-up and SME companies in digital space via specialised equity funds with social impact.

## 2.6. Ventures Programme - Empowering entrepreneurs for sustainable development

EU budgetary guarantee programme	EFSD Guarantee
Date Board Opinion	Operational Board of 13 November 2018
Partner country/region	Sub-Saharan Africa, EU Neighbourhood
Lead Financial Institution	FMO
Maximum EFSD Guarantee amount	EUR 45 million
Maximum Technical Assistance amount	EUR 6.5 million
Expected total investment to be generated	EUR 1 billion
Objectives and expected results	<p>This guarantee will promote sustainable development by bringing scarce private investment to the venture sector; enable the development and growth of young companies; and contribute to healthy small local businesses. It will boost investment for innovative start-ups that use digital solutions to improve or enable access to products and services for unserved and underserved communities.</p> <p>It will enable FMO to pursue early stage direct and indirect investment in:</p> <ul style="list-style-type: none"> <li>• Fintech - financial services to improve financial inclusion</li> <li>• Off grid energy - distributed renewable energy to improve access to energy</li> <li>• Agritech – agribusiness, to improve access to inputs, farming techniques and markets</li> <li>• Venture funds investing in technology-enabled solutions in sectors such as: access to education and healthcare; mobility and transportation, supply chain optimization, and efficient logistics; digital and business infrastructure and e-commerce.</li> </ul> <p>The resulting investment will address some of the root causes of migration by creating jobs. It will also contribute to climate and environmental protection.</p> <p>This guarantee will boost private investment in innovative start-ups in financial services, energy, farming, education and healthcare that use digital technologies to offer services to people who currently have little or no access to them.</p>

	The guarantee will also help people working in the so-called informal economy. This includes activities such as bartering, odd jobs, and street trading, which aren't recorded for tax purposes. Services which these start-ups could provide include digital payments and off-grid electricity for street vendors. A thriving venture sector will help to create jobs, formalize informal economies, improve people's career prospects and raise wages.
Sectors covered	Start-ups, scale-ups offering tech-enabled solutions in: <ul style="list-style-type: none"> <li>• financial services</li> <li>• renewable energy</li> <li>• agribusiness</li> <li>• education, healthcare</li> <li>• mobility and transport</li> <li>• digital and business infrastructure</li> <li>• e-commerce</li> </ul>
Types of instruments	Equity, convertibles and other forms of funding or credit enhancement
Expected leverage ratio	1:22
Justification/additionality of the EFSD Guarantee	Catalyse creation of new equity fund managers and private sector financing of innovative digital start-up companies via specialised equity funds with impact in financial inclusion, renewable energy, agribusiness, healthcare, education, etc.

## 2.7. Sustainable Cities Investment Fund Platform - Creating resilient and climate-friendly urban infrastructure

EU budgetary guarantee programme	EFSD Guarantee
Date Board Opinion	Operational Board of 13 November 2018
Partner country/region	Sub-Saharan Africa, EU Neighbourhood
Lead Financial Institution	EIB
Maximum EFSD Guarantee amount	EUR 37 million
Maximum Technical Assistance amount	EUR 8 million
Expected total investment to be generated	EUR 370 million
Objectives and expected results	<p>This guarantee will address the current market failures and risks that hamper investment in urban infrastructure. It will mobilise private and public capital in cities where resilient municipal infrastructure and services are lacking, including in fragile and least-developed countries.</p> <p>The EU guarantee will:</p> <ul style="list-style-type: none"> <li>• enable investment in water and sanitation infrastructure, as well as affordable and clean energy</li> <li>• create jobs and develop better living conditions in cities</li> <li>• improve the quality of local governance</li> <li>• address bottlenecks to private investment in infrastructure projects</li> <li>• contribute to climate action and environmental protection and management.</li> </ul> <p>Indirectly it will also:</p> <ul style="list-style-type: none"> <li>• boost emerging examples of fiscal decentralisation (shifting some responsibilities for expenditures and/or revenues to lower levels of government)</li> <li>• help create a new asset class for investors</li> <li>• encourage local private banks to become more engaged in co-financing suitably prepared, quality projects at the municipal level.</li> </ul> <p>The EIB will provide technical assistance to transform sustainable urban development strategies into projects, and to prepare and develop these projects. EU Delegations will support the investment through dialogue with local policy-</p>

	<p>makers.</p> <p>Cities will benefit from new infrastructure, including:</p> <ul style="list-style-type: none"> <li>• reliable and clean electricity supplies</li> <li>• better and safer water supply and sewerage services</li> <li>• improved access to public transport</li> <li>• higher air quality, and</li> <li>• less polluting and better functioning solid waste services.</li> </ul> <p>Such investments will also improve cities' competitiveness and attractiveness to businesses and investors. And the EIB estimates that they will create:</p> <ul style="list-style-type: none"> <li>• up to 350,000 jobs during the construction of the infrastructure being financed</li> <li>• up to 15,000 permanent jobs linked to its operation and maintenance.</li> </ul>
Sectors covered	Sustainable urban infrastructure
Types of instruments	Investment guarantees into regional investment funds providing loans, equity, mezzanine, guarantees
Expected leverage ratio	1:10
Justification/additionality of the EFSD Guarantee	Help create a new equity funding mechanism for cities infrastructure and catalyse private & public sector financing of sustainable cities infrastructure via specialised equity funds in the region.



**2.8. TCX Concessional and Collateral Facility - Unlocking investment for local banks, small businesses, and sustainable energy, and developing capital markets**

EU budgetary guarantee programme	EFSD Guarantee
Date Board Opinion	Operational Board of 13 November 2018
Partner country/region	Sub-Saharan Africa
Lead Financial Institution	KfW
Maximum EFSD Guarantee amount	EUR 15 million
Maximum Technical Assistance amount	EUR 1 million
Expected total investment to be generated	<ul style="list-style-type: none"> <li>• up to EUR 125 million from the Concessional Hedging Facility</li> <li>• up to EUR 350 million from the Collateral facility</li> </ul>
Objectives and expected results	<p>Demand for local currency financing in many parts of Sub-Saharan Africa is far greater than supply. Loans are often denominated in hard currency. However, by borrowing in hard currency the unhedged foreign exchange rate risk can cause serious problems to borrowers in the event of severe currency depreciation. Hedging solutions are often not readily available or are expensive.</p> <p>The guarantee will address risks associated with currency depreciation, and boost lending in local currency for projects. It will help to lower the cost of funding, and enable many more local banks, project developers, and small companies to access it than can at present.</p> <p>The guarantee will give businesses and governments more protection from exchange rate changes, which will in turn:</p> <ul style="list-style-type: none"> <li>• create jobs and promote entrepreneurship</li> <li>• foster green economic growth that benefits all sections of society</li> <li>• help develop sustainable capital markets - crucial for economic growth.</li> </ul> <p>The guarantee will make local currency financing and hedging instruments more accessible for investors, triggering financial sector growth and deepening local currency capital markets. It will accelerate Sustainable</p>

	<p>Energy for All (SE4ALL) projects, MSME growth, and investment in the energy sector that supports economic stability in partner countries. For example, it will enable first time risk protection (derivatives, cross currency swap, interest rate swap, foreign exchange swap, foreign exchange forward) for utility companies currently excluded from any foreign exchange risk protection.</p> <p>The EU guarantees will cover a portion of the risks associated with local currency projects, allowing local currency borrowers to reduce their funding cost. Indirectly, they will also contribute to fiscal predictability and financial and economic stability in partner countries, helping to reduce poverty, stimulate economic growth and create job.</p>
Sectors covered	Sustainable energy and connectivity, micro-, small and medium-sized enterprise financing
Types of instruments	Loans, bonds; derivatives (cross currency swaps etc.); guarantees
Expected leverage ratio	1:10 (for the collateral facility)
Justification/additionality of the EFSD Guarantee	This facility is bridging the financing gap by facilitating access to medium to long-term finance in local currency for SMEs, thus being key for achieving sustained, inclusive economic growth, employment development and poverty reduction.

## 2.9. AfDB proposals for the EFSD local currency - Unlocking investment for local banks, small businesses, and sustainable energy, and developing capital markets

EU budgetary guarantee programme	EFSD Guarantee
Date Board Opinion	Operational Board of 13 November 2018
Partner country/region	Sub-Saharan Africa
Lead Financial Institution	AfDB
Maximum EFSD Guarantee amount	EUR 12.5 million
Maximum Technical Assistance amount	EUR 1 million
Expected total investment to be generated	EUR 82.5 million
Objectives and expected results	<p>Demand for local currency financing in many parts of Sub-Saharan Africa is far greater than supply. Loans are often denominated in hard currency. However, by borrowing in hard currency the unhedged foreign exchange rate risk can cause serious problems to borrowers in the event of severe currency depreciation. Hedging solutions are often not readily available or are expensive.</p> <p>The guarantee will address risks associated with currency depreciation, and boost lending in local currency for projects. It will help to lower the cost of funding, and enable many more local banks, project developers, and small companies to access it than can at present.</p> <p>They will give businesses and governments more protection from exchange rate changes, which will in turn:</p> <ul style="list-style-type: none"> <li>• create jobs and promote entrepreneurship</li> <li>• foster green economic growth that benefits all sections of society</li> <li>• help develop sustainable capital markets - crucial for economic growth.</li> </ul> <p>The EU guarantee will enable the AfDB and local financial institutions to provide affordable long-term local currency loans to local businesses (including SMEs) in key sectors, including in least developed countries and fragile countries, lower part of the project risks in local currency and therefore the lending margin stimulate listings of local currency bonds and crowd in private sector funds, helping to develop local</p>

	capital markets and unlocking local currency investment in Africa serve as an example for investors and other potential corporate bond issuers.
Sectors covered	Sustainable energy and connectivity, micro-, small and medium-sized enterprise financing
Types of instruments	Loans, bonds; derivatives (cross currency swaps etc.); guarantees
Expected leverage ratio	1:7
Justification/additionality of the EFSD Guarantee	This facility is highly additional as it addresses the scarcity of local currency funding and help build local capital markets.

## 2.10. InclusiFI - Financial inclusion driven by diasporas

EU budgetary guarantee programme	EFSD Guarantee
Date Board Opinion	Operational Board of 13 November 2018
Partner country/region	Sub-Saharan Africa, EU Neighbourhood
Lead Financial Institution	AECID, COFIDES, CDP
Maximum EFSD Guarantee amount	EUR 20 million
Maximum Technical Assistance amount	EUR 7 million
Expected total investment to be generated	EUR 120 million
Objectives and expected results	<p>The guarantee aims to:</p> <ul style="list-style-type: none"> <li>• enable up to 13,000 small businesses and households to access new financial products, such as mobile accounts and long-term credit for capital expenditures, saving and protection programmes, or to receive lower-cost remittances</li> <li>• foster partnerships between financial institutions, and financial technology and telecoms companies to offer financial technology (fintech) solutions</li> <li>• encourage diaspora organizations in the EU to pool investment to foster innovation and entrepreneurship in their regions of origin</li> <li>• encourage local financial institutions to offer more access to affordable financial services, including remittances reception and new credits linked to diaspora investments.</li> </ul> <p>InclusiFI will:</p> <ul style="list-style-type: none"> <li>• create (directly and indirectly) over 26,000 sustained jobs in MSMEs</li> <li>• enable people in African and EU Neighbourhood states with family and friends overseas (diaspora communities) to receive money from them more easily and affordably</li> <li>• help to attract investment from diasporas in small businesses in their countries of origin, thanks to a risk-sharing mechanism which the EFSD Guarantee provides</li> <li>• encourage investment in businesses set up by migrants' families and migrants who have recently returned to their</li> </ul>

	<p>country of origin (returnees)</p> <ul style="list-style-type: none"> <li>• incentivise local finance institutions (mainly banks, guarantee funds, microfinance institutions) to offer specific and innovative products to micro and small businesses and entrepreneurs.</li> </ul> <p>The guarantee will benefit in particular the poorer sections of society, by narrowing income inequality, creating jobs, and making it easier for women and young people running micro- and small businesses to access finance.</p>
Sectors covered	Micro-, small and medium-sized enterprises financing
Types of instruments	Debt, guarantee, equity
Expected leverage ratio	1:6
Justification/additionality of the EFSD Guarantee	The amount of guarantee will allow AECID/COFIDES and CDP to increase the awareness of local financial institutions and local guarantee funds on the subject of diaspora and remittance – related investments, by providing guarantees or counter guarantees. The market of new financial products connected to diaspora savings will also be explored through technical assistance.

## 2.11. Financial Inclusion in the Neighbourhood - catalysing investment in and support for local businesses in riskier environments

EU budgetary guarantee programme	EFSD Guarantee
Date Board Opinion	Operational Board of 13 November 2018
Partner country/region	EU Neighbourhood
Lead Financial Institution	EBRD
Maximum EFSD Guarantee amount	EUR 30 million
Maximum Technical Assistance amount	EUR 3.8 million
Expected total investment to be generated	EUR 400 million
Objectives and expected results	<p>The objective of the Programme is to shed light on the greater challenges faced by specific segments of MSMEs, such as (1) those operating from outside the main urban centres, (2) agricultural or innovative firms, (3) women-led businesses, and (4) MSME vulnerable to the rising energy prices or fluctuation.</p> <p>This programme provides a dedicated product focused on these targeted MSME segments and includes:</p> <ul style="list-style-type: none"> <li>• A strict definition of the end-borrowers (e.g. women-led businesses, and not only owned), ensuring that the guarantee supports those that need it most</li> <li>• Mostly sole entrepreneurs and small businesses, providing an average sub-loan size of EUR 2500-3000, a segment which is key to address the roots of migration and maintain and promote jobs</li> <li>• A contractual obligation to serve rural areas where the underserved or unserved segments are often located</li> <li>• A dedicated product supporting MSMEs and their vulnerability to rising or the fluctuation of energy prices</li> </ul>
Sectors covered	Micro-, small and medium-sized enterprise financing, including agribusiness
Types of instruments	Includes a broad range of instruments e.g. guarantees, loans, quasi-equity, leases.

Expected leverage ratio	1:13.3
Justification/additionality of the EFSD Guarantee	EBRD will work with banks & non-bank financial institutions (e.g. micro-finance institutions) in targeted segments which offer novel or less developed financial products (e.g. invoice discounts, factoring, leasing, mobile financial services). The Programme will also support new contractual mechanisms to promote distributed electricity through net-metering, power purchase agreements with private off-takers, and wheeling. Due to the novelty of these mechanisms, perceived risk amongst relevant market players is high and as such markets for these projects remain underserved by financing institutions.



**2.12. SME Access to Finance Initiative - catalysing investment in and support for local businesses in riskier environments**

EU budgetary guarantee programme	EFSD Guarantee
Date Board Opinion	Operational Board of 13 November 2018
Partner country/region	EU Neighbourhood
Lead Financial Institution	EIB
Maximum EFSD Guarantee amount	EUR 20 million
Expected total investment to be generated	EUR 200 million
Objectives and expected results	<p>The proposed Programme is expected to:</p> <ul style="list-style-type: none"> <li>(i) address the supply–demand gap in SME finance;</li> <li>(ii) lower funding costs for SMEs; and/or</li> <li>(iii) reduce collateral requirements.</li> </ul> <p>In addition, the Programme aims to reduce social opportunity costs - by increasing outreach to the underserved – and contribute to (i) mobilizing SME savings for investment; (ii) increasing the survival rate of SMEs; (iii) providing private sector growth; (iv) sustaining employment opportunities; and (iv) promoting a resilient national economic foundation.</p> <p>By facilitating employment opportunities and inclusive private sector–led growth, the proposed Programme aims to create opportunities for people to escape poverty and achieve better living standards in their home countries by mobilizing financial resources for private enterprises, supporting businesses and other private sector entities and promoting socioeconomic development across the EU Neighbourhood.</p>
Sectors covered	Micro-, small and medium-sized enterprise financing, including agribusiness
Expected leverage ratio	1:10
Justification/additionality of the EFSD Guarantee	By enhancing general access to finance and, consequently, facilitating inclusive private sector–led growth, the proposed Programme contributes significantly to the sustainment and creation of employment, and ultimately, poverty eradication and addressing the root causes of migration.

### 2.13. Joint SME Guarantees for Inclusive Growth and Job Creation - catalysing investment in and support for local businesses in riskier environments

EU budgetary guarantee programme	EFSD Guarantee
Date Board Opinion	Operational Board of 13 November 2018
Partner country/region	Sub-Saharan Africa, EU Neighbourhood
Lead Financial Institution	AfDB, EDFIs
Maximum EFSD Guarantee amount	EUR 60 million
Maximum Technical Assistance amount	EUR 5.7 million
Expected total investment to be generated	EUR 712.2 million
Objectives and expected results	<p>The guarantee will provide affordable funding to small businesses, some of which are engaged in agriculture.</p> <p>By focusing on mid-size financial institutions that are close to SME clients, the Program provides medium and long duration, competitively-priced financing that supports the capital needs of small and medium-sized businesses for sustainable growth. Additionally, through grant support of AfDB's partners, the Program provides much needed capacity building services to FIs, so that they can better serve the SME market and to the SMEs themselves, so that they can manage their businesses better and create effective strategies for expansion and growth.</p> <p>EDFIs and the AfDB estimate that the guarantee will enable to create 81,500 new jobs directly and 244,500 job opportunities indirectly in Africa, with a special focus on youth and women. Nearly 40,000 micro-, small- and medium- enterprises are expected to receive funding assistance, and almost 2,000 to strengthen their financial literacy. Over a dozen local financial institutions will be able to improve their lending capacity. Local MSMEs will become more resilient and many potential growth candidates will be able to start upscaling business.</p> <p>The guarantee will target in particular businesses owned by women and young people. It is expected to also:</p> <ul style="list-style-type: none"> <li>• foster economic development that benefits all sections of</li> </ul>

		<p>society</p> <ul style="list-style-type: none"> <li>• raise living standards</li> <li>• promote the adoption of high social and environmental standards</li> <li>• reduce incentives for people to emigrate</li> <li>• further gender equality and empower women and young people</li> <li>• support innovation and early stage projects</li> <li>• mobilise domestic resources and expand the tax base.</li> </ul>
Sectors covered		Micro-, small and medium-sized enterprise financing, including agribusiness
Types of instruments		Includes a broad range of instruments e.g. guarantees, loans, quasi-equity, leases.
Expected leverage ratio		1:10.8
Justification/additionality of the EFSD Guarantee		<p>The Program will benefit from the extended footprint of the Development Financial Institutions consortium members/AfDB and local financial institutions on the ground and allow them to extend their action to smaller Tier III financial institutions, more risky private MSMEs as well as high least developed and fragile country coverage.</p> <p>The programme is expected to improve lending capacity of financial institutions, which should lead to increased SME investments, strong job growth and increased dynamism in the African small and medium-sized business segment, which accounts for 80% of employment on the continent and four out of every five new jobs.</p>

**2.14. Small Loans and Guarantee Program- catalysing investment in and support for local businesses in riskier environments**

EU budgetary guarantee programme	EFSD Guarantee
Date Board Opinion	Operational Board of 13 November 2018
Partner country/region	Sub-Saharan Africa, EU Neighbourhood
Lead FI	IFC
Maximum EFSD Guarantee amount	EUR 42 million
Maximum Technical Assistance amount	EUR 4.2 million
Expected total investment to be generated	USD 667 million
Objectives and expected results	<p>IFC will provide risk-sharing facilities to local financial institutions to help reduce the acute access to finance constraints SMEs face in emerging markets. The objective of the Program is to address two main challenges: (i) perceived higher credit risk of SMEs (ii) lack of local currency availability. This is particularly important in markets with high and/or unpredictable structural risks, or with segments that are new to the client (such as women-owned SMEs, climate finance) and therefore the risk / return calculus is uncertain.</p> <p>IFC estimates that the EU guarantee will enable to facilitate the creation of up to 200,000 jobs. Some 50,000 SMEs, including women-owned SMEs and those engaged in green energy projects will gain access to financial services that will help them grow their businesses. The Programme led by the IFC will work with local banks to expand their appetite to lend to SMEs, providing guarantees and technical assistance to improve loan products and channels available for small and medium sized companies. This will play a key role in growing the economy and reducing poverty in partner countries, in particular low income and fragile/conflict-affected countries.</p>
Sectors covered	Micro-, small and medium-sized enterprise financing, including agribusiness
Expected leverage ratio	1:13.54
Justification/additionality of	The Program is a new refinement on the risk-sharing

the EFSD Guarantee	facilities' family of products and leverages the existing footprint of IFC in emerging markets including their existing network of Local Financial Institutions and its portfolio of MSMEs that created an indirect relationship on the ground. The focus is on high impact SMEs/ difficult/ fragile countries.
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**2.15. Archipelagos - One Platform for Africa - Supporting African SMEs throughout their lifecycle and developing capital markets**

EU budgetary guarantee programme	EFSD Guarantee
Date Board Opinion	Operational Board of 13 November 2018
Partner country/region	Sub-Saharan Africa, EU Neighbourhood
Lead Financial Institution	AfDB
Maximum EFSD Guarantee amount	EUR 30 million
Maximum Technical Assistance amount	EUR 5 million
Expected total investment to be generated	EUR 150 million
Objectives and expected results	<p>This guarantee will support high-potential African SMEs in reaching their next stage of growth, catalyse access to debt financing notably by piloting innovative capital markets solutions, and enable financing partners to share the risk of investing in projects.</p> <p>This will allow high-potential African SMEs to:</p> <ul style="list-style-type: none"> <li>• mobilise financing and scale up investments</li> <li>• drive enterprise development</li> <li>• create new jobs</li> <li>• generate sustainable economic growth</li> <li>• improve the quality of life of people living in Africa.</li> </ul> <p>It will also strengthen Africa's SME capital markets, making them effective intermediaries for mobilising resources for the private sector. Seven African capital markets will act as "capital hubs". These will mentor and share capital markets development knowledge and experience with the other neighbouring nascent capital markets, transferring such experiences to other countries across Africa. This will benefit in particular low income countries with less developed capital markets.</p> <p>Archipelagos - One Platform for Africa (ONE4A) will spread best business practices and knowhow to SMEs. It will also enable a smaller number of high-growth SMEs, currently perceived as too risky, to obtain institutional</p>

	<p>investor funding. Thanks to the EU guarantee, some of these businesses will be able to list on capital markets. Technical assistance will help to identify barriers limiting SMEs' access to capital markets, improve the business environment, mentor SMEs to scale-up operations and prepare them for investors.</p> <p>AfDB estimates that, thanks to the EU guarantee, ONE4A will generate up to 50,000 jobs, many for young people, and benefit about 1,500 small businesses in 10 countries in Africa. This will drive economic growth that benefits all sections of society, help to raise living standards, and enable many more people to access healthcare and education services.</p> <p>In addition, ONE4A will have a positive impact on local governance and services for the population as the economy will evolve from informal to formal, increasing overall income and consumption.</p>
Sectors covered	Small and medium-sized enterprise financing
Types of instruments	Guarantee and on-lending schemes
Expected leverage ratio	1:5
Justification/additionality of the EFSD Guarantee	The program is highly additional as it provides SMEs access to funding by crowding in local investors and private sector investors to invest in new capital markets financing instruments issued by high growth SMEs.

**2.16. European Guarantee to Increase - Local Governments' Access to Financing - Developing urban infrastructure and services in African cities**

EU budgetary guarantee programme	EFSD Guarantee
Date Board Opinion	Operational Board of 13 November 2018
Partner country/region	Sub-Saharan Africa
Lead Financial Institution	AFD
Maximum EFSD Guarantee amount	EUR 30 million
Maximum Technical Assistance amount	EUR 2 million
Expected total investment to be generated	EUR 150 million
Objectives and expected results	<p>This guarantee will create incentives for domestic commercial banks in Africa to lend at affordable rates to local governments and public sector companies. It will also develop local borrowing markets for them.</p> <p>The diversified funding sources will help many more local governments to catch up in developing much needed:</p> <ul style="list-style-type: none"> <li>• solid waste management</li> <li>• water and sanitation</li> <li>• transport</li> <li>• public services.</li> </ul> <p>Technical assistance will support the creation or development of skilled teams in commercial banks dedicated to the financing of local governments. It will also support a close dialogue between banks, local governments and the ministries in charge of decentralisation and local government. A part of activities will focus on dialogue between EU Delegations, AFD local offices and the Governments.</p> <p>Investment in urban infrastructure and services will create jobs and growth. Inhabitants will also benefit from higher environmental standards as well as better waste management, water and sanitation services, and public transport.</p>



Sectors covered	Urban infrastructure
Types of instruments	Guarantee, loans
Expected leverage ratio	1:5
Justification/additionality of the EFSD Guarantee	<p>Addresses an underserved market segment, with a potential to accelerate municipal market creation. The aim is to provide risk sharing of Cityriz mechanism in order to incentivise domestic banks to lend to local governments and give local governments access to funding with good financial conditions.</p> <p>Additionally, the Programme is to foster the structuring of local and sustainable borrowing markets by encouraging local commercial banks to improve their knowledge of local government clients and take the risk to lend on longer maturities more adapted to the needs of local government investments.</p>

**2.17. Agricultural and rural finance - catalysing investment in and support for local agricultural businesses in riskier environments**

EU budgetary guarantee programme	EFSD Guarantee
Date Board Opinion	Operational Board of 13 November 2018
Partner country/region	Sub-Saharan Africa, EU Neighbourhood
Lead Financial Institution	AFD
Maximum EFSD Guarantee amount	EUR 85 million
Maximum Technical Assistance amount	EUR 8.5 million
Expected total investment to be generated	EUR 388.5 million
Objectives and expected results	<p>The proposed programme will answer the main gap identified, namely, access to finance under sustainable conditions, for small farmers, their organisations and MSMEs in rural areas, active either in agriculture or in other economic sectors creating job opportunities, improving income and providing socio-economic services improving rural population's livelihoods. This will be achieved by providing credit facilities to local finance institutions with appropriate financial incentives and eligibility criteria tailored to foster adopted and affordable credits in agriculture and rural area.</p> <p>The guarantee will enable AFD's new AGREENFI initiative to provide affordable and sustainable credit to financially underserved producers and rural MSMEs. Projects enabled by the guarantee will lead to a greater financial inclusion of rural populations while promoting environmentally responsible practices (for instance climate smart agriculture). These projects will also contribute to the transformation of partner financial institutions, improving their technical skills and the range of financial products available. The AFD estimates that the resulting projects will help to create or maintain at least 750,000 jobs and improve access to finance for around 400,000 people and agribusinesses, especially in least developed and highly indebted countries.</p>
Sectors covered	Micro-, small and medium-sized enterprise financing, including agribusiness

Types of instruments	Guarantees, loans, quasi-equity, lease
Expected leverage ratio	1:4.57
Justification/additionality of the EFSD Guarantee	The proposed programme will answer the main gap identified, namely, access to finance under sustainable conditions, for small farmers, their organisations and MSMEs in rural areas, active either in agriculture or in other economic sectors creating job opportunities, improving income and providing socio-economic services improving rural population's livelihoods.