



European
Commission



The EU External Investment Plan

A range of financial guarantees

to boost investment in Africa
and the EU Neighbourhood

ec.europa.eu/eu-eip

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About the **EU External Investment Plan** including the EFSD Guarantee



Jobs. Growth. Prosperity.

That's what the EU External Investment Plan is about.

It means public and private investors are more willing to bring investment into countries neighbouring the EU and in Africa.

And in doing so, to create jobs, boost economies –
and offer people a brighter future.

How does the Plan work?

The €5.1 billion **European Fund for Sustainable Development (EFSD)** is the financial arm of the EU External Investment Plan. Through it we provide financing for development projects and programmes, in two ways:



Guarantee (€1.55 billion)

This is a new way of financing development projects. We share the risks involved in investing, so development banks and private investors will come in and lend to local entrepreneurs or finance development projects.

We've divided the overall EFSD Guarantee into individual guarantees focusing on five sectors:

- small business financing
- sustainable energy and connectivity
- local currency financing
- digitalisation
- sustainable cities.

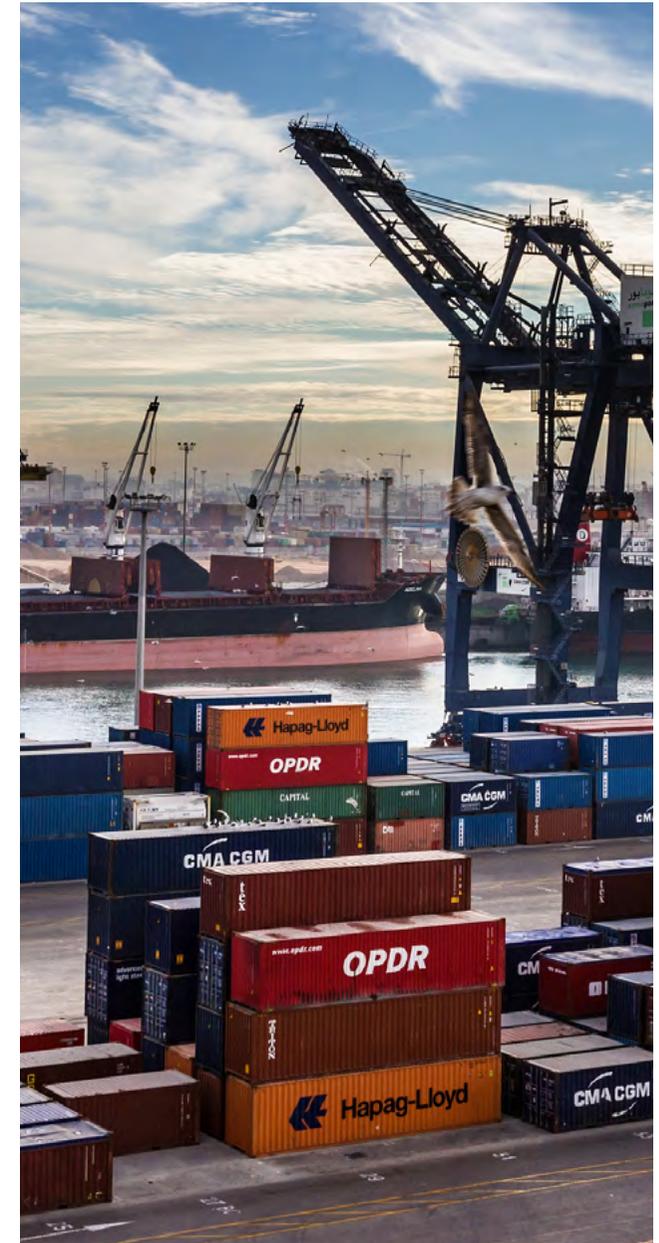


Blending (€3.5 billion)

We also fund blending projects. These combine – or ‘blend’ – a grant from the EU with loans and/or other financing from public and private investors. The grant covers part of the costs of the project and helps to get it off the ground.

EFSD blending projects are financed through two regional investment platforms:

- the Africa Investment Platform (AIP)
- the Neighbourhood Investment Platform (NIP).



What else does the Plan provide?

As well as financing, the Plan works in two other ways to scale up investment in our partner countries and deliver deep and lasting change.



Expertise

We fund 'technical assistance' from experts in different fields, from accountancy to engineering, to:

- help develop new projects and ensure they succeed
- enable local and EU firms to draft business plans
- support governments in enacting reforms to attract investors.



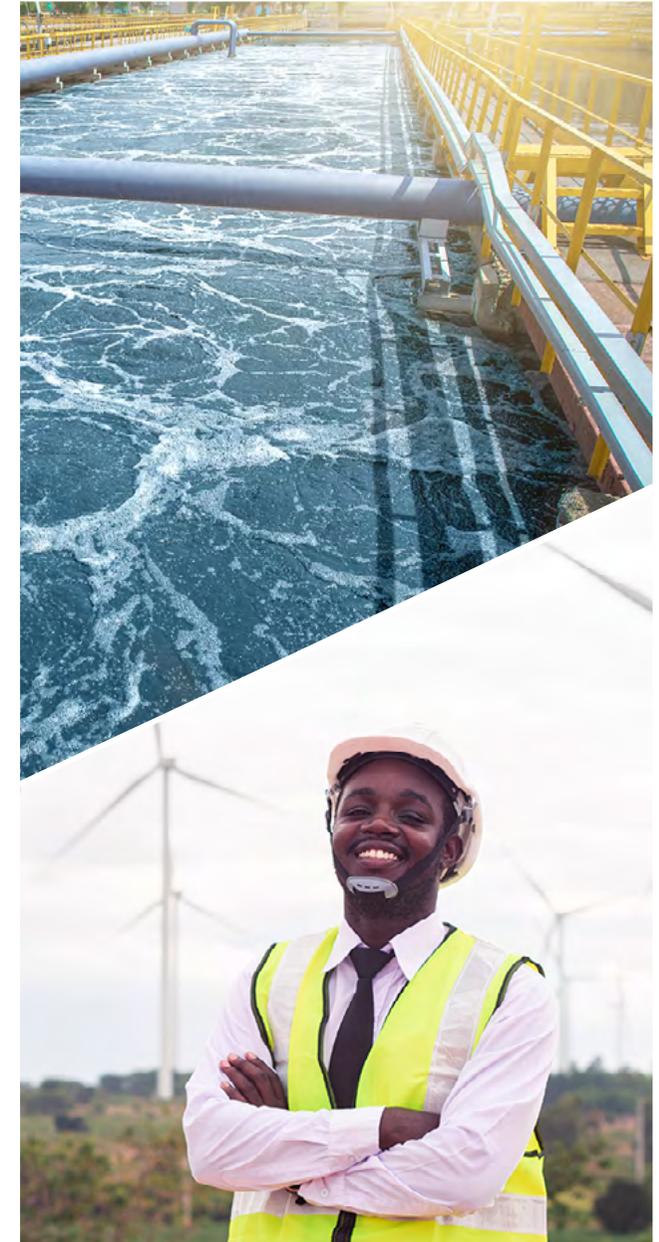
Investment climate support

We work with governments closely to help them improve the investment climate.

This includes support to improve:

- the business environment, for example, how easy it is to start a business
- other factors, such as how reliable a country is to invest in.

In addition, we bring together governments and businesses to discuss investment challenges.



What is the EFSD Guarantee?



In a nutshell

With the €1.55 billion EFSD Guarantee, we share the risks involved in investing together with development banks and private investors. By doing this, we encourage them to come in and lend to local entrepreneurs or finance development projects.

We've divided the overall Guarantee into smaller, individual guarantees. Each one targets a specific area, like renewable energy or lending to small businesses. One or more publicly-owned development banks (financial institutions) are responsible for putting each guarantee into practice.

We use these guarantees to back loans or investments which other investors make.

If those investors lose money – for example, because they've lent money to small businesses which can't then repay their loans – we agree to cover some of that loss.

In this way, we generate much more investment in countries neighbouring the EU and in Africa than would happen otherwise.





How we use the Guarantee

We can use the Guarantee in several ways:

- through our partner financial institutions, to enable local banks in partner countries to lend more, and on affordable terms, to small businesses
- to partially cover the financing risks for big infrastructure projects through partner financial institutions
- to encourage potential investors to invest in a fund which a financial institution has set up to finance development projects (risk capital); we share with them some of the risk that they might not get all of their money back.

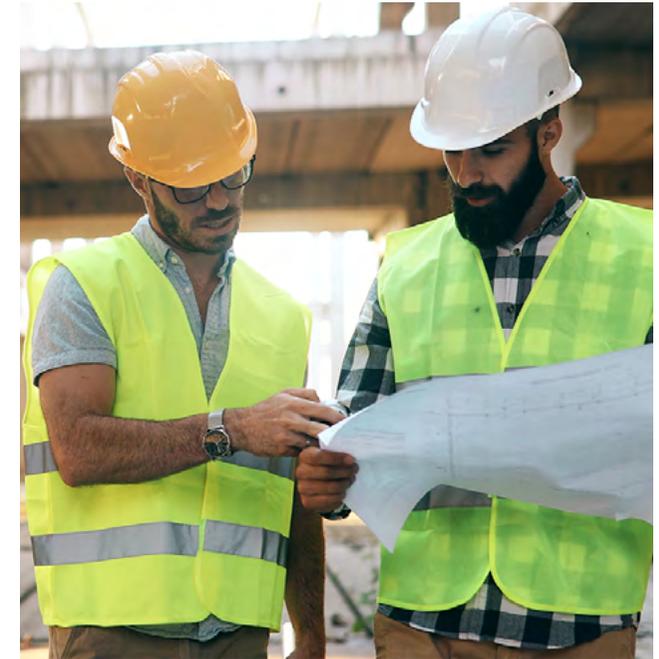
The guarantee is not a grant. We will only pay out money if a loss occurs.



Expected investment overall

We expect every €1 invested from the Guarantee to generate €10 in overall investment.

In other words, we expect the Guarantee to generate investment amounting to 10 times the value of the guarantee put in place. This is known as the leverage ratio.



For every

€1

we invest from the EFSD
we expect to generate

€10

in overall
investment

Who else are we working with?

Implementing partners

We've joined forces with a selected group of publicly-owned financial institutions to fund and manage development projects in our partner countries.

They have extensive experience of working in the kinds of place which we want the Guarantee to benefit.

These include countries or regions where:

- there is peace but the state is weak (fragile state)
- there is conflict, or has been recently
- few, if any, banks or other financial institutions or investors are present
- the criteria for so-called least developed country (LDC) status are met; these include:
 - low average incomes
 - weak education and healthcare systems
 - a fragile economy.

By working together with us in a new way on the Guarantee, our partner financial institutions are helping us deliver on our shared objectives.





Guarantee agreements

Our partner financial institutions implement individual EFSD-backed guarantees. Before they can do so, they first need to sign guarantee agreements with us.

Each agreement sets out the terms on which we on the EU side offer a guarantee to the financial institution(s) we're working with.

These terms cover, for example:

- the profile of the business that is going to receive investments
- the kind of risks everyone involved is going to take
- how much the guarantee costs.



A range of innovative financial guarantees



There's now a wide range of EFSD-backed financial guarantees up and running. Read on to find out all about them.

And to learn more about the EU External Investment Plan visit ec.europa.eu/eu-eip.



Small businesses and agriculture

These guarantees support micro-, small and medium-sized businesses (MSMEs) and farmers and food businesses (agriculture).

They create or support many jobs, often in countries affected by migration.

In the wake of the coronavirus (COVID-19) pandemic, we're also using these guarantees to help small businesses stay afloat. They are able to get more loans from local banks, and in many cases, pay less in interest, or repay the loan over a longer period, than they would otherwise.





SME Access to Finance Initiative

Boosting support for small and medium-sized companies (SMEs) in Africa and the EU Neighbourhood

Key information



Region
– EU Neighbourhood
– Sub-Saharan Africa



Year
2019



Total investment expected
up to €800 million



Total EFSD guarantee
€100 million



Sector
Micro-, small and medium-sized enterprises (MSMEs)



Lead financial institution
European Investment Bank (EIB)



Technical assistance
N/A



Types of instruments offered
Partial portfolio guarantees

Why this guarantee

The European Investment Bank (EIB) has established the SME Access to Finance Initiative, which aims to increase financial inclusion in Sub-Saharan Africa and the EU Neighbourhood.

The Initiative targets small and medium-sized enterprises (SMEs) as well as groups with limited or no access to finance, particularly:

- start-ups
- women-led businesses
- businesses led by young people.

The overriding goal is to address some of the root causes of migration.

The Initiative facilitates access to finance for local SMEs, especially for those who currently have no or limited access to finance.

It does so through partial portfolio guarantees.



These allow local banks to take on more risk and improve lending conditions by:

- offering lower interest rates and/or
- reducing collateral requirements.

How it works

The Initiative aims to reduce risks for local banks and financial institutions. It does so by protecting them against the amount that is exposed first to any loss suffered on a collection of loans – what’s called the first loss of the loan portfolios.

It also covers the risk of bank guarantees and letters of credit to small businesses. These are both promises from a financial institution that a borrower will be able to repay a debt to another party. If the borrowing party cannot repay, the financial institution will step in on behalf of the borrower.

The guarantee from the EU provides the EIB with a first loss credit protection. The EIB then passes this on to selected

local banks and financial institutions. As such, the guarantee covers a share of losses on a loan portfolio of a local bank or financial institutions.

In response to the COVID-19 pandemic, the guarantee may also be used to provide liquidity and cover unforeseen costs for local banks and financial institutions.

Who benefits

- Business owners who would otherwise have limited or no access to finance, now gain better access, especially:
 - female and young entrepreneurs
 - start-ups
 - businesses in host communities
 - SMEs impacted by the COVID-19 pandemic.
- This contributes to inclusive and sustainable economic growth and social development.

- Some 5 000 small businesses are expected to receive support through the additional financing of €800 million to be unlocked by the guarantees, which is expected to sustain 90 000 jobs across the target countries.
- The Initiative contributes to stimulating local economies and reducing inequalities, poverty, unemployment and hunger.
- Financial inclusion of the target group tackles some of the root causes of migration as it gives people a chance to succeed economically, increase their livelihoods and build a decent life.

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Agricultural and Rural Finance Guarantee Programme (AgreenFi)

Support for small businesses in agriculture and/or affected by the COVID-19 pandemic

Key information



Region

- EU Neighbourhood
- Sub-Saharan Africa



Year

2020



Total investment expected

€526 million



Total EFSD guarantee

€160 million



Sector

- Micro-, small and medium-sized enterprises (MSMEs)
- Agriculture



Lead financial institution

- Agence Française de Développement (AFD)
- Proparco



Technical assistance

€14.2 million



Types of instruments offered

Debt

Why this guarantee

The Agricultural and Rural Finance Guarantee Programme (AgreenFi) addresses the high risks, both perceived and real, in lending to micro-, small and medium-sized enterprises (MSMEs) in Sub-Saharan Africa and the EU Neighbourhood, who currently have no or limited access to finance.

It facilitates access to finance and/or makes borrowing money more affordable in particular for small businesses:

- operating in agriculture
- located in rural areas
- impacted by the COVID-19 pandemic.



How it works

The guarantees enable local financial institutions to provide affordable credit to small businesses and producers who currently have no or limited access to finance.

Our partner financial institutions provide operational support and advice to local financial institutions, such as banks, to increase their capacity to lend.

As a result, small businesses are able to access finance, expand and withstand shocks or recover from setbacks more easily.

Who benefits

- More than 240 000 farms and small businesses will gain easier access to business loans and other financial services. This will allow them to expand and withstand shocks or recover from setbacks.
- It will also help create or support over 1.2 million jobs.
- In addition, local banks and other financial institutions are better able to:
 - measure risks
 - provide appropriate financial products to agricultural producers and small businesses in rural areas
 - implement environmental and social procedures.
- The technical assistance also improves the end-beneficiaries' technical, management and financial skills, so that their businesses are run in a productive, efficient and profitable way, and they are able to borrow from financial institutions, to invest and grow.

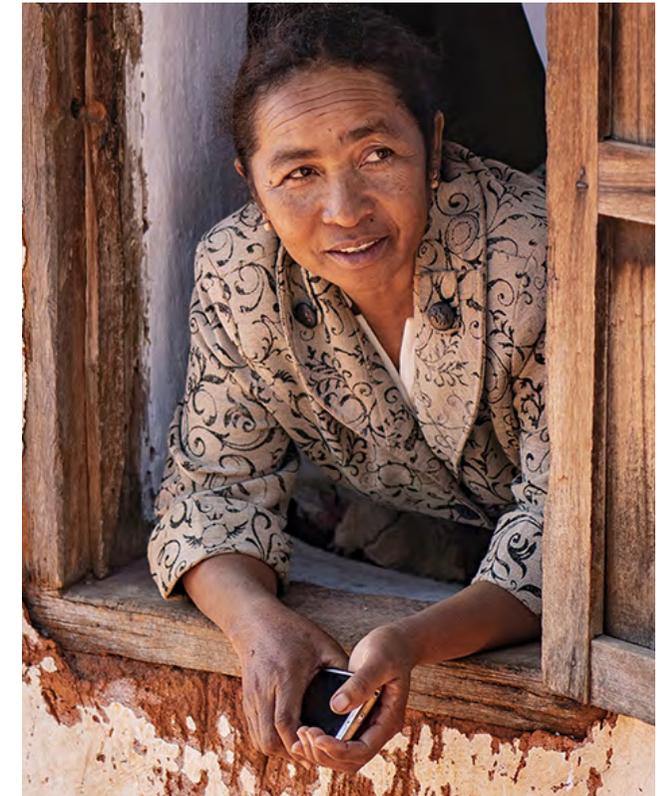
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Small Loan Guarantee Programme

Increasing access to finance for small businesses

Key information



Region

- Sub-Saharan Africa
- EU Neighbourhood



Year

2020



Total investment expected

up to €840 million



Total EFSD guarantee

€58 million



Sector

Micro-, small and medium-sized enterprises (MSMEs)



Lead financial institution

International Finance Corporation (IFC)



Technical assistance

€4.2 million



Types of instruments offered

- Guarantees
- Loans

Why this guarantee

The Small Loan Guarantee Programme, implemented by the International Finance Corporation (IFC), encourages local banks and finance institutions in the EU Neighbourhood and in Africa to scale up lending to micro-, small and medium-sized enterprises (MSMEs).

It especially targets businesses in agriculture, education, health, engaged in climate change activities, impacted by the COVID-19 pandemic, including those led by women.

To do so, the Programme provides risk-sharing facilities along with advisory services to improve the availability of loan, guarantee and other financing facility products relevant for small businesses.

This helps business owners particularly in low-income, fragile and conflict-affected countries to access finance, grow and expand their businesses.

It is expected that the implementation of the Programme would also boost economic growth, create jobs and reduce poverty in the partner countries.

How it works

Under the Programme, IFC shares with local banks and financial institutions who meet the pre-defined eligibility criteria, the risk of providing loans, guarantees and other financial assistance to small businesses.

This enables participating financial institutions to lend to MSMEs, which are otherwise considered too risky. As a result, small business owners who had limited or no access to finance, are now able to borrow from local banks to expand their businesses.

Also, operational and technical support to eligible local banks and financial institutions helps them to better serve small business owners, diversify and increase the availability of loan products offered.

Who benefits

- The Programme is expected to provide up to €840 million in local currency finance to small businesses including:
 - very small enterprises
 - led by women
 - working in agriculture, education or health
 - engaged in climate change activities
 - impacted by the COVID-19 pandemic.

To do so, it is providing up to 50 000 loans to small business owners, which gives them access to financial services and helps them expand or grow their businesses.

- Populations in partner countries will benefit from up to 200 000 new jobs, stimulated local economies, reduced inequalities, unemployment and poverty.
- Financial inclusion of small business owners tackles some of the root causes of migration by giving them a chance to succeed economically, increase their livelihoods and build a decent life.

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NASIRA Risk-Sharing Facility

Financing for
underserved and
displaced entrepreneurs

FMO

Entrepreneurial
Development
Bank

Key information



Region

- Sub-Saharan Africa
- EU Neighbourhood



Year

2018



Total investment expected

up to €1.1 billion



Total EFSD guarantee

up to €100 million



Sector

Micro-, small and medium-sized
enterprises (MSMEs)



Lead financial institution

Nederlandse Financierings
Maatschappij voor
Ontwikkelingslanden (FMO)



Technical assistance

up to €8 million



Types of instruments offered

Portfolio guarantees

Why this guarantee

NASIRA addresses the high risks, both perceived and real, involved in lending to entrepreneurs who currently have limited or no access to finance in countries neighbouring the EU and in Sub-Saharan Africa. It encourages local banks to lend to people they would usually consider too risky, such as migrants, women, young people or COVID-19 affected small and medium-sized enterprises (SMEs).

With this guarantee, we are addressing root causes of migration, including irregular migration.



How it works

This guarantee will generate €1.1 billion investment to provide affordable loans to these entrepreneurs. It does so by offering local financial institutions, such as banks and microfinance institutions, portfolio guarantees. These cover several loans and partially secure the repayment of the principal amount of the loan.

FMO, the Dutch development bank, also provides technical assistance, that is expertise, to financial intermediaries, such as local banks, and to those taking out loans (end-borrowers).

Who benefits

- The guarantee benefits a wide cross-section of society that currently has difficulty borrowing money at affordable rates. It focuses on:
 - people who have been forced to flee to other parts of their countries (internally displaced people) or leave their countries altogether (refugees)
 - those who had fled but have recently returned (returnees)
 - women and young people aged 18 to 35
 - entrepreneurs that are affected by the COVID-19 pandemic.
- Entrepreneurs are now able to set up a business more easily or expand the small firms which they already run.
- NASIRA aims to create or support up to 800 000 jobs in Africa and the EU Neighbourhood.

Contact

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Mulhem Nadeem Al-Sokmani

Syrian refugee and shop owner, Jordan

Mulhem recently benefited from an EU-backed financial guarantee.



Watch his story at
ec.europa.eu/eu-eip



Financial Inclusion Programme (InclusiFi)

Easing access to finance for more small businesses



cooperación española

Key information



Region

- Northern Africa
- Sub-Saharan Africa



Year

2020



Total investment expected

€235 million



Total EFSD guarantee

€60 million



Sector

Micro-, small and medium-sized enterprises (MSMEs)



Lead financial institution

- Cassa Depositi e Prestiti (CDP) in partnership with
- Agencia Española de Cooperación Internacional para el Desarrollo (AECID)



Technical assistance

€11 million



Types of instruments offered

- Guarantees
- Loans

Why this guarantee

InclusiFi increases the financing available for local entrepreneurs in Sub-Saharan and Northern Africa, who currently struggle to access the loans or capital they need to start or expand their businesses.

It particularly supports small businesses led by women, young people and migrants. As a result, the Programme helps to reduce inequality and create jobs.

How it works

By providing a financial guarantee, the EU's partner financial institutions share the risk which local banks and investors take when lending to small businesses.

In this way, the guarantees help local entrepreneurs start or expand their businesses and cope with the COVID-19 pandemic.

Who benefits

- Up to 10 000 local entrepreneurs who would otherwise struggle to access business loans or capital, especially women, young people and migrants, now find it easier.
- The wider population benefits too. The Programme helps to create new or expand existing businesses. This will in turn create or support up to 26 000 jobs, foster prosperity and reduce inequality in partner countries.
- Diaspora communities and migrants in Europe are now also able to invest more in micro-, small and medium-sized enterprises (MSMEs) in their countries of origin, thus contributing to their development.

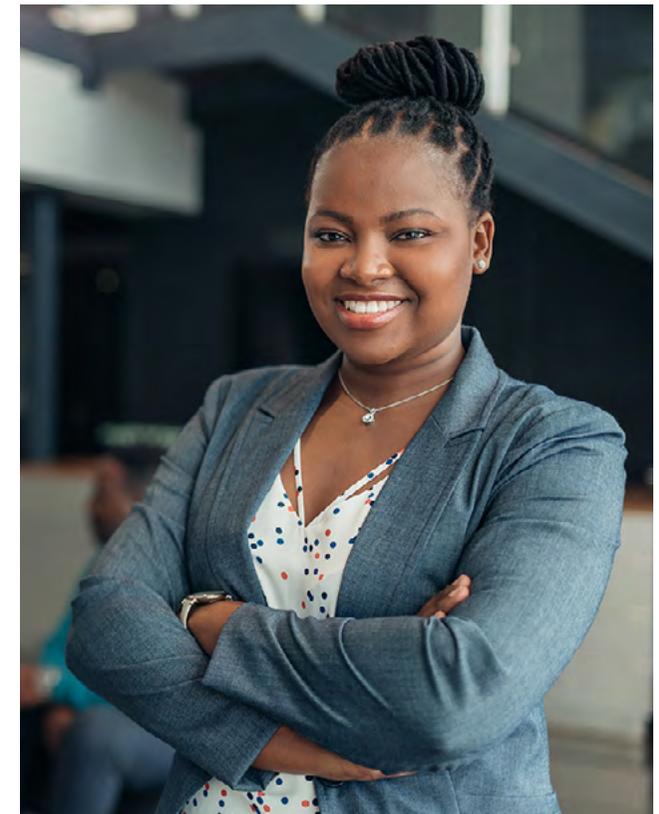
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Archipelagos – One Platform for Africa (ONE4A)

Supporting African SMEs throughout their lifecycle and developing capital markets



Key information



Region
– Northern Africa
– Sub-Saharan Africa



Year
2019



Total investment expected
€150 million



Total EFSD guarantee
up to €30 million



Sector
Small and medium-sized enterprises (SMEs)



Lead financial institution
– Cassa Depositi e Prestiti (CDP)
– African Development Bank (AfDB)



Technical assistance
up to €5 million



Types of instruments offered
– Guarantees
– On-lending schemes

Why this guarantee

This guarantee supports high-potential African small and medium-sized enterprises (SMEs) in reaching their next stage of growth by:

- accelerating access to debt financing notably by piloting innovative capital markets solutions
- enabling financing partners to share the risk of investing in projects.

This allows high-potential African SMEs to:

- mobilise financing and scale up investments
- drive enterprise development
- create new jobs
- generate sustainable economic growth
- improve the quality of life of people living in Africa.

It also strengthens Africa’s SME capital markets, making them effective intermediaries for mobilising resources for the private sector.



Seven African capital markets are set to act as ‘capital hubs’. These 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 benefits in particular low-income countries with less developed capital markets.

How it works

ONE4A spreads best business practices and know-how to SMEs. It also enables a smaller number of high-growth SMEs, currently perceived as too risky, to obtain funding from institutional investors.

These are companies that invest money on behalf of their clients.

The EU, Cassa Depositi e Prestiti and African Development Bank share the risk with eligible investors, such as local financial institutions or special purpose vehicles.

By doing so, the Platform improves the credit risk profile of SMEs capital markets solutions to crowd in local and private sector investors. The Platform builds SMEs’ capacity to leverage regional capital markets and broadens their access to finance. Thanks to the EU guarantee, some of these businesses are able to list on capital markets.

Technical assistance helps to identify barriers limiting SMEs’ access to capital markets, improve the business environment, mentor SMEs to scale up operations and prepare them for investors. It also builds capacity of African capital markets to support SMEs.

Who benefits

- ONE4A will generate up to 50 000 jobs, many for young people, and benefit at least 1 000 small businesses in countries across Africa. Priority is given to SMEs in less developing countries, and to youth and women empowerment.

- This drives economic growth that benefits all sections of society, helps to raise living standards and enables many more people to access healthcare and education services.
- ONE4A has a positive impact on local governance and services for the population, as the economy is evolving from informal to formal, increasing overall income and consumption.

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Sustainable energy and connectivity

Tackling climate change and expanding clean energy

A large proportion of the overall EFSD Guarantee supports climate-related investment, notably through guarantees in the sustainable energy and connectivity sector.

These guarantees help to set up or expand projects that:

- generate more renewable energy
- increase energy efficiency
- connect many more communities to sources of energy, such as national power grids (connectivity).





African Energy Guarantee Facility (AEGF)

De-risking investments in sustainable energy in Sub-Saharan Africa

Key information



Region
Sub-Saharan Africa



Year
2019



Total investment expected
up to €745 million



Total EFSD guarantee
up to €46 million



Sector
Energy



Lead financial institution
Kreditanstalt für Wiederaufbau (KfW)



Technical assistance
€2 million



Types of instruments offered
Counter-guarantee

Why this guarantee

The Facility boosts private investments in sustainable energy projects in Sub-Saharan Africa, both expanding access to clean energy and contributing to economic growth. It helps cut the region's carbon emissions, increase energy efficiency and enable many more people to access energy.

This guarantee is part of the European Guarantee for Renewable Energy, a European platform of collaboration for guarantees and technical assistance for sustainable energy projects jointly proposed by:

- KfW, the German development bank
- AFD, the French development agency
- CDP, the Italian development finance institution
- EIB, the European Investment Bank.





This platform currently comprises up to four distinct yet complementary financial guarantees:

- African Energy Guarantee Facility (AEGF)
- European Guarantee for Renewable Energy – non-sovereign, offtake guarantees without a sovereign recourse
- European Guarantee for Renewable Energy – sovereign, offtake guarantees with a sovereign recourse
- European Liquidity Support for Sustainable Energy (RLSF+).

EIB is reinforcing the preparation of bankable projects for these four distinct financial guarantees with a separate Technical Assistance contract of €12 million.

How it works

Through the AEGF Facility, the EU, KfW, EIB, Munich Re and the African Trade Insurance Agency (ATI) have joined forces to insure and reinsure sustainable energy projects. By doing so, they are encouraging potential investors to come in.

Reinsurance means that an insurer gets insured to reduce the risk of their portfolio. AEGF is the first risk-sharing facility targeting the reinsurance market for the African energy sector.

The Facility has a unique risk-sharing structure that increases the insurance capacity of primary insurers such as ATI. In this way, the primary insurer is now able to insure important Sustainable Energy for All (SE4All) projects that normally would not fall within its capacity.

Munich Re, one of the world's largest and best-rated reinsurers, then reinsures the primary insurer. KfW with the backing of the EFSD guarantee and EIB issues guarantees to Munich Re.

AEGF enables insurers to become active in the energy sector in Africa, especially by:

- providing insurance policies to small and medium scale projects
- making affordable insurance available to private sector.

It helps to increase investors' trust in the credit worthiness of public utilities and host governments (sovereigns).

AEGF also provides technical assistance that aims at:

- enabling the implementation of the AEGF EFSD Guarantee
- enhancing the impact of AEGF Facility in Sub-Saharan Africa.



Who benefits

- The population is set to have better access to more reliable and cleaner energy. It will be possible due to the expected additional 180 MW electricity generation capacity from renewable energy sources and around 3 700 km of transmission and distribution lines projected to be installed or upgraded.
- Partner countries are cutting their carbon emissions and increasing energy efficiency. As a result, the countries are able to develop their economies in a green, just and inclusive way. This in turn creates more jobs and reduces poverty.
- AEGF also complements the Team Europe package to support EU partner countries in the fight against the COVID-19 pandemic and its consequences.

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European Guarantee for Renewable Energy (non-sovereign)

Removing barriers to private investment in renewable energy



Key information



Region

Sub-Saharan Africa (min. 80%) and Northern Africa (max. 20%) regions with a strong focus on fragile and least developed countries



Year

2020



Total investment expected

€806 million



Total EFSD guarantee

€62 million



Sector

Renewable energy



Lead financial institution

– Agence Française de Développement (AFD)
– Cassa Depositi e Prestiti (CDP)



Technical assistance

€9.8 million



Types of instruments offered

Counter-guarantee

Why this guarantee

European Guarantee for Renewable Energy (EGRE) – non-sovereign consists of two agreements, one signed with AFD, the French development cooperation agency, the other with CDP, the Italian development finance institution.

It increases access to sustainable energy to meet growing energy demand in Sub-Saharan Africa and the EU Neighbourhood. It reduces the offtake risk of energy projects, which is the risk of not getting paid for the energy produced.

It gives investors more certainty and thus a bigger incentive to invest in or to finance a renewable energy project. The support for renewable energy projects helps partner countries' economies become low-carbon and climate resilient.

EGRE (non-sovereign) is part of the European Guarantee for Renewable Energy, a European platform of



collaboration for guarantees and technical assistance for sustainable energy projects jointly proposed by:

- AFD, the French development agency
- CDP, the Italian development finance institution
- EIB, the European Investment Bank.
- KfW, the German development bank.

This platform comprises up to four distinct yet complementary financial guarantees:

- European Guarantee for Renewable Energy (EGRE) – non-sovereign, offtake guarantees without a sovereign recourse
- European Guarantee for Renewable Energy – sovereign, offtake guarantees with a sovereign recourse
- European Liquidity Support for Sustainable Energy
- African Energy Guarantee Facility.

EIB is reinforcing the preparation of bankable projects for these four distinct financial guarantees with a separate Technical Assistance contract of €12 million.

How it works

EGRE (non-sovereign) provides a partial risk coverage to power producers from the private sector, against the risk of not getting paid by utility companies (offtakers) for the energy produced and sold.

Electric utility companies are often public service companies that distribute the electricity generated to households and businesses generally in regulated markets.

This guarantee provides short-term liquidity to power producers by partially covering the risk of non-payment by the offtaker. There is no counter-guarantee in place from the partner country, so power producer can't claim the money from the state as a shareholder of the offtaker.

The guarantee is provided to a financial intermediary, like a local commercial bank, which then provides the liquidity (e.g. issuance of a letter of credit) the

power producer needs in case of payment delays by the power purchaser.

In that way, this guarantee enables the financing of renewable energy projects which would not have taken place otherwise due to uncertainty of a stable revenue stream.

EGRE (non-sovereign) also provides technical assistance, that is expertise, to:

- enable banks and investors to develop high-quality bankable projects
- assist with their financial closing and monitoring of implementation.





Who benefits

- Power producers from the private sector are now able to reduce the risk of their renewable energy project and thus attract more funding investment to finance it.
- Over one million people are expected to get access to electricity and around 1 700 jobs will be created.
- The electricity generation capacity from renewable energy sources will increase by 720 MW.
- The power production from renewable energy sources will increase by 1 085 GWh per year.
- Partner countries' economies are set to become more climate resilient.

Contact

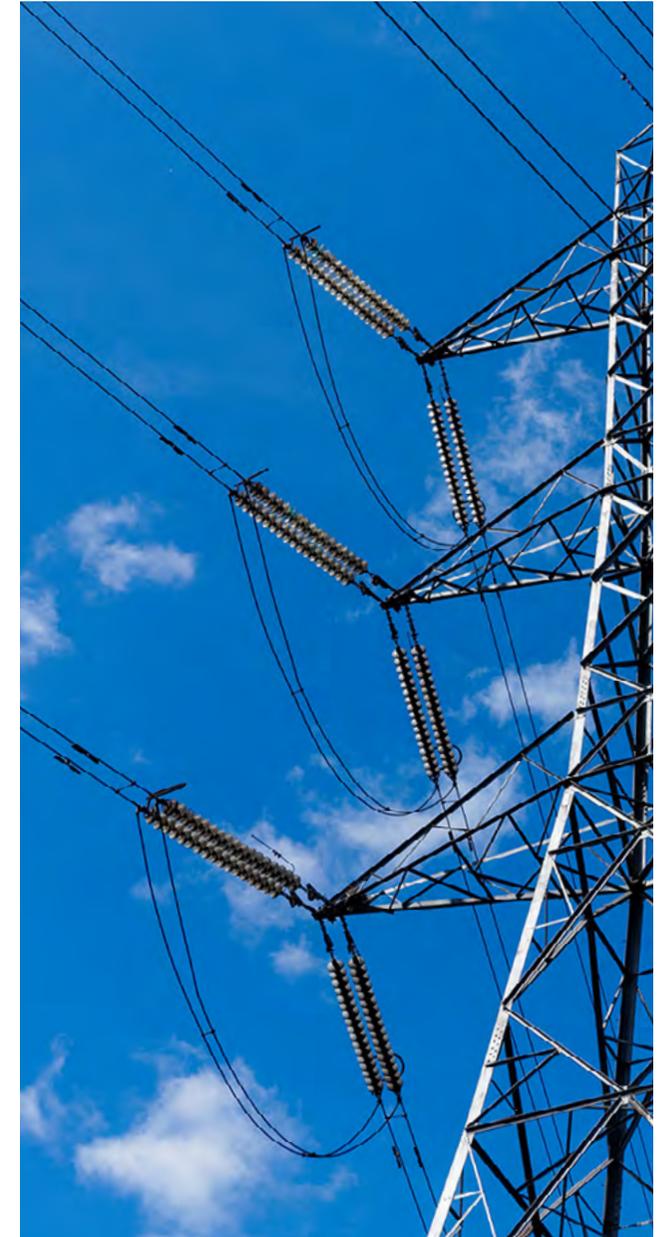
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Renewable Energy Support Programme for mainly rural areas of Sub-Saharan Africa

Increasing energy access in rural areas



Key information

 **Region**
Sub-Saharan Africa (especially rural and peri-urban areas)

 **Year**
2020

 **Total investment expected**
€81.6 million

 **Total EFSD guarantee**
€20 million

 **Sector**
Energy

 **Lead financial institution**
Compañía Española de Financiación del Desarrollo (COFIDES)

 **Technical assistance**
€2 million

 **Types of instruments offered**
Loans

Why this guarantee

The Renewable Energy Support Programme for mainly rural areas of Sub-Saharan Africa helps to develop and finance renewable energy projects, which are not connected to the electricity distribution networks, so-called off-grid and mini-grid projects.

It targets rural and peri-urban areas in Sub-Saharan Africa and areas without access to energy.





How it works

The EU guarantee enables COFIDES, the Spanish development finance institution, and AECID, the Spanish development agency, to lend money to renewable energy projects.

This subordinated debt has a lower priority for repayment than other debt, meaning it is in line to be repaid last, in case of default or liquidation, and is thus the riskiest.

By doing so, the Programme aims to crowd in private investors in the renewable energy sector in Sub-Saharan Africa.

The Programme is part of the EU global response to the COVID-19 pandemic and supports partner countries in reducing negative impacts on people's jobs and livelihoods caused by the pandemic.

Who benefits

The Programme is expected to:

- improve access to clean and reliable energy for rural populations and those currently without access to energy (at least 180 000 new people)
- increase investment options for renewable energy projects in Sub-Saharan Africa by mobilising local commercial bank financing and private sector financing
- increase the renewable energy capacity by 36.7 MW
- increase the electricity production from renewable sources by 51 GWh per year
- lower greenhouse gas emissions by 17.4 CO₂ eq. ktons per year
- contribute to mitigating the effects of the pandemic by improving access to energy for people with no access to on-grid electricity.

By doing so, the guarantee:

- stimulates local business development
- improves living standards
- fosters sustainable and inclusive economic growth
- increases the population's capacity to mitigate negative impacts on their jobs and livelihoods.

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Boosting Investment in Renewable Energy

More clean power generation thanks to more certainty for investors



European Bank
for Reconstruction and Development

Key information



Region
EU Neighbourhood (Ukraine and EU Southern Neighbourhood)



Year
2019



Total investment expected
€500 million



Total EFSD guarantee
€50 million



Sector
Renewable energy



Lead financial institution
European Bank for Reconstruction and Development (EBRD)



Technical assistance
€1.25 million



Types of instruments offered
Guarantees that cover private sector co-financier loans

Why this guarantee

This guarantee enables renewable energy investments by:

- addressing barriers to finance of viable power projects
- crowding-in the private sector.

As a result, the guarantee:

- unlocks the countries' substantial renewable energy potential
- promotes wider renewable energy development
- demonstrates how the private sector can play a role in meeting growing demand for power.

This matters because public money is insufficient to cover the large-scale investment needed, and private investment can also help make projects operate more efficiently.



How it works

The EU guarantee provided to the European Bank for Reconstruction and Development (EBRD) is passed on to lenders, such as local commercial banks. This allows them to provide financing to projects alongside the EBRD's own loans.

By doing so, this guarantee enables the development of multiple private, renewable energy projects, which aims to significantly reduce CO₂ emissions and introduce a number of new private investors to the sector and countries, supporting its transition to a low-carbon economy.

It contributes to climate action and environmental protection and management, thus producing climate co-benefits. 100% of the financing is set to be allocated to renewable energy investments.

Who benefits

- Individuals, communities and businesses benefit from cleaner, cheaper, more reliable energy and experience fewer power cuts.
 - Renewable energy capacity will increase by an estimated 340 MW, producing an extra 970 GWh per year of electricity from renewable sources. This will cut annual greenhouse gas emissions by equivalent to 530 ktons of CO₂.
 - It helps unlock countries' substantial renewable energy potential, promote the development of renewable energy more widely and demonstrate how the private sector can help meet growing demand for energy.
- The guarantee also:
 - creates jobs and raise people's incomes
 - improves people's health since they'd no longer have to burn biomass to cook
 - helps businesses operate more efficiently
 - makes it easier to deliver healthcare and education services that rely on electricity
 - cuts carbon emissions
 - creates additional capacity from renewable energy sources
 - increases power production from renewable energy sources.



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EU Municipal, Infrastructure and Industrial Resilience Programme

Support for industrial, building, municipal and sustainable infrastructure investments to boost prosperity and benefit the environment



European Bank
for Reconstruction and Development

Key information



Region
EU Neighbourhood



Year
2020



Total investment expected
appx. €500 million



Total EFSD guarantee
up to €100 million



Sector
– Industrial
– Buildings
– Municipal and sustainable infrastructure



Lead financial institution
European Bank for Reconstruction and Development (EBRD)



Technical assistance
€7.5 million



Types of instruments offered
– Guarantees
– Loans

Why this guarantee

This Programme bolsters industrial, building, municipal and sustainable infrastructure investments to address the negative impact of the COVID-19 pandemic on businesses, assets and employment in the EU Southern and Eastern Neighbourhood.

It also supports the transitioning to green, low-carbon and climate-resilient economies by supporting investments in:

- green city infrastructure
- green logistic chains
- energy efficiency
- green technology transfers in industrial processes, commercial operations and buildings.

The Programme helps improve infrastructure and municipal services, increase energy and water efficiency and create jobs in the EU Neighbourhood.



How it works

The EU guarantee of €100 million enables the European Bank for Reconstruction and Development (EBRD) and private sector co-financiers to support industrial and commercial companies that have been severely affected by the pandemic.

This includes:

- restructuring of existing loans, which means altering the terms in favour of the borrower
- new funding to assist companies in their liquidity needs.

Municipalities and infrastructure providers that are under pressure to deliver essential services while facing reduced revenues are also supported in order to keep vital infrastructure functioning.

In the COVID-19 recovery phase, the Programme is increasing the support for industrial and commercial enterprises and the buildings sector in the EU Neighbourhood to move towards:

- mainstreaming energy efficiency
- sustainable technologies and practices.

It also ensures the acceleration of sustainable urban infrastructure development and the greening of the logistics and freight transport sector, supporting the implementation of the Paris Climate Agreement.

Who benefits

This Programme provides liquidity to companies and financing for long-term investment projects that may require support due to temporarily stressed credit conditions.

Sectors of the economy covered include:

- providers of key infrastructure and municipal services
- industrial and commercial enterprises
- the buildings sector.

It also provides access to loans to businesses which work on:

- making infrastructure and logistic chains greener
- improving energy and water efficiency
- mainstreaming green technologies in industrial processes, commercial operations and buildings.

By doing so, it gives thousands of people better access to services, more job opportunities and a safer environment.

The Programme also helps develop green, low-carbon, climate-resilient economies in the Southern and Eastern Mediterranean, Eastern Europe and the Caucasus.



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Sustainable cities

Improving living conditions in cities

The rate of urbanisation is accelerating across our partner countries. So some of the individual guarantees help cities develop in a sustainable way and improve local governments' access to finance.

For people living in cities, this means:

- better living conditions
- more jobs
- new business opportunities.

It also helps cities become more resilient to climate change and adapt to it.





Resilient City Development (RECIDE)

Making investment in urban infrastructure more compelling

Key information

 **Region**
EU Southern Neighbourhood
Sub-Saharan Africa

 **Year**
2020

 **Total investment expected**
over €450 million

 **Total EFSD guarantee**
up to €100 million

 **Sector**
Cities

 **Lead financial institution**
Agencia Española de Cooperación
Internacional para el Desarrollo
(AECID)

 **Technical assistance**
up to €20 million

 **Types of instruments offered**
– Debt
– Land Value Capture transactions
– Public-private partnerships

Why this guarantee

This guarantee helps cities in Africa and the EU Southern Neighbourhood develop public-private partnerships and share the risks with private investors in urban infrastructure.

That includes investment in:

- energy efficiency
- flood protection
- public transport
- water and sanitation
- solid waste management





How it works

The EU guarantee aims to protect private financiers and investors against certain government-related risks in developing urban infrastructure, such as offtake risk. That is the risk of not getting paid by utility companies (offtakers) for the service or goods produced and sold.

The EU guarantee:

- reassures lenders that they'll recover at least some of their investment in the event of losses
- lowers the interest rate for borrowers
- ensures that public-private partnership concessionaires will be paid as promised by government authorities.

The EU-backed technical assistance supports African local authorities and the private sector to identify, assess and prepare bankable urban infrastructures projects.

This makes urban infrastructure projects in African cities better able to attract private finance.

Who benefits

Communities in cities in several African countries benefit from this guarantee, with improvements in utilities ranging from sewage systems, street paving and lighting to the supply of clean water.

They also benefit from:

- better transport links between where they live and where they work
- more affordable housing
- cleaner living conditions thanks to better rubbish collection and disposal
- improved protection from flooding and climate change.

Contact

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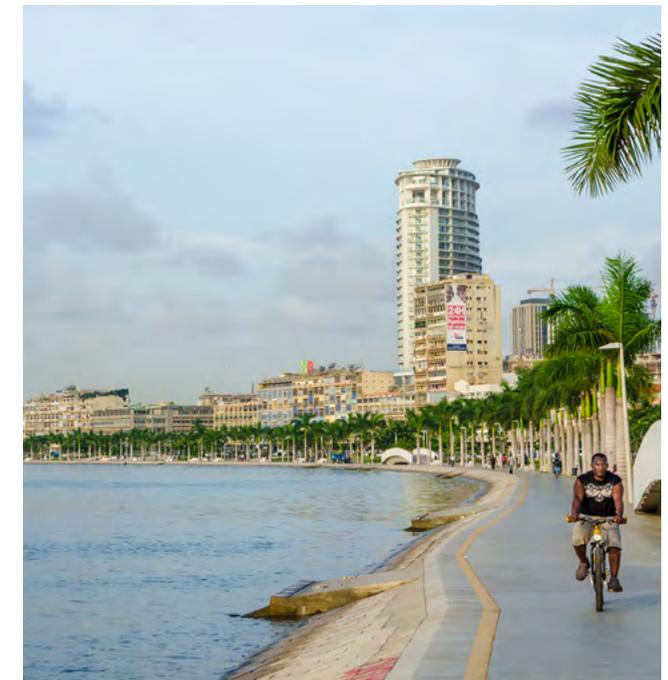
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Digitalisation

Digital development for all

A couple of our guarantees allow people to harness the opportunities that digitalisation brings.

They aim to:

- improve access to broadband
- invest in enabling technologies servicing many other parts of the economy
- widen access to education and healthcare, in particular for women.

We're also providing a €400 million guarantee for the COVAX Facility to secure access to future COVID-19 vaccines for people in lower-income countries, so no one is left behind.



FMO Ventures Programme

Empowering entrepreneurs for sustainable development

Key information

 **Region**
– EU Neighbourhood
– Sub-Saharan Africa

 **Year**
2019

 **Total investment expected**
up to €200 million

 **Total EFSD guarantee**
up to €40 million

 **Sector**
Digital

 **Lead financial institution**
Nederlandse Financierings-
Maatschappij voor
Ontwikkelingslanden (FMO)

 **Technical assistance**
up to €6.5 million

 **Types of instruments offered**
Direct and indirect investment

Why this guarantee

This guarantee promotes sustainable development by:

- enabling the development and growth of young companies
- contributing to healthy small local businesses.

It does so by bringing scarce private investment to the venture sector, which are start-ups and innovative firms with the potential for rapid growth but associated with a high risk.

It boosts investment especially for innovative start-ups that use digital solutions to improve or enable access to digital products and services for communities having no or limited access to these.

The resulting investment aims to address some of the root causes of migration by creating jobs. It also contributes to climate and environmental protection.

How it works

The guarantee enables FMO, the Dutch development bank, to pursue direct and indirect investment for digital solutions.

By investing directly, FMO owns these assets, while by investing indirectly, FMO invests in vehicles that pool investor money to buy assets.

FMO is investing in:

- Fintech: technology to support banking and financial services and to make these accessible and affordable to all individuals
- Off-grid energy: renewable energy networks which are not connected to the main electricity grid and give access to energy to people who currently have limited or no access to it
- Agritech: agricultural technology to improve yield, efficiency and profitability

- Venture funds which in turn are investing in technology-enabled solutions in:
 - education and healthcare
 - mobility and transportation, supply chain optimization and efficient logistics
 - digital and business infrastructure and e-commerce.

Who benefits

- This guarantee boosts private investment in innovative start-ups that use digital technologies to offer services to people who currently have little or no access in following sectors:
 - financial services
 - energy
 - farming
 - education
 - healthcare.

- The guarantee also helps 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 helps to create jobs, formalise informal economies, improve people's career prospects and raise wages.

The EU guarantee shares the risk of these investments with FMO.



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European Health Platform

Improving access to quality diagnostics, laboratory services and COVID-19 vaccines

Key information

 **Region**
– Sub-Saharan Africa
– EU Neighbourhood

 **Year**
2020

 **Total investment expected**
N/A

 **Total EFSD guarantee**
€458 million

 **Sector**
– Healthcare
– Digital

 **Lead financial institution**
European Investment Bank (EIB)

 **Technical assistance**
up to €12.5 million

 **Types of instruments offered**
Guarantees

Why this guarantee

This guarantee with the European Investment Bank (EIB) reduces and removes financing constraints for accessing vaccines and health diagnostic services. It has two parts, which focus on improving:

- access to future COVID-19 vaccines in Africa and the EU Neighbourhood,
- access and quality of health-related diagnostic services for low-income populations in Sub-Saharan Africa, particularly in rural areas.

Access to COVID-19 vaccines

The COVID-19 pandemic has already caused the loss of hundreds of thousands of lives and disrupted the lives of billions more. Developing and deploying a safe and effective COVID-19 vaccine is essential to restoring normal economic activity.

This part of the guarantee focuses on improving access to future COVID-19 vaccines in Africa and the EU Neighbourhood. It is implemented by the COVID-19 Vaccines Global Access facility (COVAX Facility), the vaccines pillar of the Access to COVID-19 Tools Accelerator and managed by the Gavi Alliance.

COVAX aims to finance the procurement and distribution of future COVID-19 vaccines in a fair and impartial way. By doing so, it makes them available to low- and lower middle-income countries in Africa and the EU Neighbourhood.

Access to health-related diagnostic services

Where testing (diagnostics) laboratories exist in Africa, they often provide only limited range services of variable quality.

This part of the guarantee, developed in close cooperation with the Bill & Melinda Gates Foundation, aims to improve access and quality of laboratory and diagnostic services for low-income populations in Sub-Saharan Africa.

It does so by mobilising investment and expertise from private diagnostic facilities.

By doing so, this part of the guarantee:

- informs clinical decision-making
- improves cost-effectiveness
- enhances quality of care
- expands access to underserved populations.



How it works

The EU provides a total guarantee of €458 million to EIB, which is using:

- up to €400 million to ensure equitable procurement and supply of vaccines to low- and lower middle-income governments in Africa and the EU Neighbourhood
- up to €58 million to cover the risk of non-payment by governments in Sub-Saharan Africa to private sector laboratory and diagnostic companies, and to partially cover the risk of EIB loans to public and private sectors for improving diagnostics.

Access to COVID-19 vaccines

Pooling demand with other countries through a joint mechanism greatly increases the probability of success for each country and globally in eradicating a disease.

Through the COVAX Facility, countries have the opportunity to benefit from a portfolio of vaccine candidates using a range of technology platforms. Through this Facility, also vaccine manufacturers worldwide benefit from a market with higher security of demand and greater scope than individual governments or regional groups would be able to support. Thus, the Facility ensures early access to safe and efficacious vaccines.

The EU support to this facility ensures equitable procurement and supply of vaccines to low- and lower middle-income governments in Africa and the EU Neighbourhood.

Access to health-related diagnostic services

Governments in low-income countries may sign contracts with private sector laboratory and diagnostic companies to provide public health diagnostic services to their citizens. In case the government can't pay, the guarantee covers part of the loss.

By doing so, the guarantee:

- enables partnerships between governments and private sector laboratory and diagnostic companies in low-income countries
- increases access to quality health diagnostics in the public health sector.

Who benefits

- People on lower incomes will have access to better and more affordable diagnostic services, especially for:
 - primary care and infectious diseases (e.g. Tuberculosis, HIV, Malaria, Ebola and COVID-19)
 - maternal and child healthcare
 - public health priorities as defined by partner governments.
- Doctors will be able to detect and track diseases early, respond faster and provide a targeted treatment to their patients.
- Governments will be better equipped to detect and respond to disease outbreaks.

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Local currency financing

Cutting the risks of borrowing for small businesses

This guarantee enables banks in partner countries to lend to small businesses in their local currency.

By doing so, it shields those businesses from the risk of borrowing in a hard currency, such as the US dollar, which could make the loan much harder to pay back if the local currency falls in value.



Market Creation Facility

Improving access to local currency lending, especially for small businesses, in Sub-Saharan Africa and the EU Neighbourhood

KFW

TÇX

Key information

 **Region**
– Sub-Saharan Africa
– EU Neighbourhood

 **Year**
2020

 **Total investment expected**
€4.4 billion

 **Total EFSD guarantee**
€165 million

 **Sector**
Local currency financing

 **Lead financial institution**
Kreditanstalt für Wiederaufbau
(KfW Group)

 **Technical assistance**
up to €1.07 million

 **Types of instruments offered**
– Derivatives
– Guarantee
– Loan

Why this guarantee

In many parts of Sub-Saharan Africa and the EU Neighbourhood the demand for borrowing money in local currency is higher than the market supply. This guarantee addresses this excess demand for local currency financing.

In development finance, loans are typically denominated in USD, Euro or Japanese Yen. This causes serious problems to borrowers in the event of an external shock like the COVID-19 pandemic, triggering a severe fall in the value of the local currency in which the borrowers earn their income.

Solutions protecting against foreign exchange rate risk, so-called hedging solutions, exist but they are often not readily available or look expensive. The guarantee aims to improve access to hedging solutions and thereby allow for the development of lending products that lift the exchange rate risk from the shoulders of the borrower.

How it works

The EU Market Creation Facility enables the Currency Exchange Fund (TCX) to take on more risk and grow its risk coverage even in challenging circumstances like the pandemic.

The increased capacity of TCX allows TCX's clients to provide more funding to financial institutions. These in turn are in the position to lend more to people and businesses in Sub-Saharan Africa and the EU Neighbourhood, whilst not exposing borrowers to unprecedented currency risk. In addition, investment in the renewable energy sector is fostered.

The Facility makes financial institutions more stable by shielding end-clients from foreign exchange risk.

Who benefits

- Small business owners and renewable energy companies are now able to obtain loans without excessive currency risk.
- Investors have better access to local currency financing and hedging instruments, which contributes to protect up to €4.4 billion of investments in sustainable energy and connectivity and micro-, small and medium-sized enterprise (MSME) financing.
- The guarantee also helps stabilise local financial institutions and creates additional local currency lending capacity when most needed. It accelerates projects in renewable energy, MSME growth, and investment in the energy sector that supports inclusive growth and economic stability in partner countries.

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