



EUROPEAN UNION

The EU External
Investment Plan

Promoting investment
in Africa and the
European Neighbourhood

#EIP

Summaries of the EU External Investment Plan **Guarantees**



This brochure summarises the guarantees of the European Fund for Sustainable Development (EFSD) Guarantee – part of the EU External Investment Plan.

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Guarantees

A quick introduction

About the External Investment Plan

The External Investment Plan (EIP) is a new EU initiative launched in 2017. It is designed to attract more investment, in particular from businesses and private investors in countries near the EU ('EU Neighbourhood') and in Africa.

The EIP uses public money to lower the risk of investing in key sectors like sustainable energy or lending to small businesses.

By doing so it aims to:

- create jobs
- support entrepreneurs and enable economies to grow
- help tackle some of the reasons why people leave their countries of origin (migration).

The EIP has three parts:

1. Financing - the European Fund for Sustainable Development (EFSD)

This part leverages much more public and private investment in target countries than would otherwise be possible. It comprises:

- a financial guarantee and
- blending instruments.

2. Expertise

This part provides technical assistance - expert help to enable:

- investors and businesses to develop so-called 'bankable' projects
- governments to improve the rules and regulations around investment and doing business.

3. Dialogue - improving the investment climate

This part of the EIP focuses on improving the business environment and investment climate in partner countries, through regular dialogue with governments, businesses and civil society.

About the EFSD Guarantee

The guarantee is a key new feature of the EIP, and is designed to mobilise private investment. Worth €1.54 billion, the guarantee can:

- attract financing for some of the initial capital ('equity' or 'risk capital') a project needs to get off the ground
- serve as a pledge (guarantee) to pay back part or all of a loan if a borrower incurs losses and defaults on it.

The guarantee is therefore not a grant.

One of the EIP's main priorities is to support farmers and people running businesses in the agriculture sector in partner countries.

It does so through guarantees that:

- facilitate lending to micro-, small and medium-sized businesses (MSMEs)
- generate investment in rural areas.

About financial institutions (FIs)

To deliver the Plan, the European Commission is working with publicly-owned institutions that finance and manage development projects in countries outside the EU.

These include:

- national financial institutions in EU countries
- international development banks.

How the EU works with FIs

The EU channels risk capital or offers guarantees through these institutions.

They have proposed investment programmes to pass on the benefits of the guarantee to end-borrowers and finance projects together with:

- private investors and companies
- local banks in partner countries
- institutional investors.

The investment programmes focus on specific areas, such as loans for small firms, agriculture, or renewable energy.

The Commission charges financial institutions a fee for the guarantee, which will go back into the guarantee fund. The guarantee conditions are very attractive in least-developed and fragile countries.

The guarantees for investments

An EIP Operational Board comprises representatives of EU Member States.

In June and November 2018, the Board assessed and gave a positive opinion on the guarantees. This now allows the Commission to negotiate and sign guarantee agreements with FIs.

A Strategic Board guides the progress of the EIP. It comprises representatives of:

- the governments of EU countries
- the European Commission
- the EU High Representative
- the European Investment Bank

The guarantees are expected to leverage a total of around €17.5 billion of sustainable investment in partner countries.

This document:

- summarises the guarantees
- lists the basic criteria you need to meet to be eligible for funding
- gives contact details to find out more.

How to take part

Investors, promoters and other potential partners interested in taking part in EIP investments which the guarantees enable can:

- contact the guarantees' lead financial institutions directly
- submit proposals using a web form provided on the EIP webpage:
<https://ec.europa.eu/external-investment-plan>



EFSD Guarantee
Priority Area

**Financing for
micro-, small and
medium-sized
enterprises
(MSMEs) and
Agriculture**

Intermediated Lending for MSMEs and Agricultural Businesses

Five guarantees catalysing investment in and support for local businesses in riskier environments



Key info

- Lead financial institutions and corresponding EFSD guarantees:
- Consortium of:
 - 15 European Development Finance Institutions (EDFIs)
 - African Development Bank (AfDB) up to €60 m
 - European Bank for Reconstruction and Development (EBRD): up to €30 m
 - European Investment Bank (EIB): up to €20 m
 - Agence Française du Développement (AFD): up to €85 m
 - International Finance Corporation (IFC): up to €42 m

Total EFSD Guarantee: Up to €237 m

Technical Assistance: Up to €22 m

Total investment expected: Up to €2.1 bn

| | | |
|----------|---|---|
| Contact: | Robert Zegers r.zegers@afdb.org | Astrid Hoffmann a.hoffmann@eib.org |
| | Jonathan Lange j.lange@afdb.org | Bruno Vindel vindlb@afd.fr |
| | Renato Giacon GiaconR@ebrd.com | Claude Torre torrec@afd.fr |
| | Yves Ehlert edfi@edfi.eu | Wendy Teleki wteleki@ifc.org |



What will it do?

These five guarantees will provide affordable funding to small businesses, many of which are engaged in agriculture. It is estimated that, together, they will:

- directly and indirectly create or support over 1.3 million jobs
- provide funding and assistance to around 450,000 companies
- scale up local green energy projects
- promote investment in and support for agribusinesses.

The guarantees will enable financial institutions to provide major investment for small businesses, for example, by pooling first loss funds from multiple development financial institutions and donors, and diversifying risks across the participating financial institutions. As a result, small firms will be able to access finance, become more resilient, and will be able to expand.

They will target in particular businesses owned by women and young people. They will also:

- foster economic development that benefits all sections of society
- raise living standards
- promote the adoption of high social and environmental standards
- reduce incentives for people to emigrate
- further gender equality and empower women and young people
- support innovation and early stage projects
- mobilise domestic resources and expand the tax base



Who'll benefit? How?

The first of the five EU guarantees in this group will enable EDFIs and the AfDB 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 will receive funding assistance, and almost 2,000 will 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.

The second guarantee will contribute to addressing a key market failure that has plagued the region for decades – namely lack of financing for underserved MSMEs or MSME with a growth potential that, without such funding, could not invest, grow and contribute fully to the economic development of the countries. It will allow the EBRD to generate investment that will sustain up to 160,000 jobs and potentially serve up to 3,240 MSMEs in countries neighbouring the EU. It will also add around 16 MW of capacity from renewable energy amounting to annual greenhouse gas emissions reductions of 15,680 tons of carbon dioxide per year in the EU's Southern Neighbourhood to scale up investment in small- to medium-sized renewable energy projects, particularly solar. It will help lower the electricity price for small businesses, as they can generate solar energy for their own use or purchase electricity from renewable project developers on better terms. This will create an environment that can sustain competitive local renewable energy markets driven by local private actors.

The EIB estimates that with the EU guarantee, its SME Access to Finance Initiative will enable 10,000 businesses to receive long-term funding on improved terms and conditions. The benefiting companies are estimated to employ approximately 150,000 full time staff who will directly benefit from more sustainable operations. It will contribute to economic growth and employment, improved living standards and social inclusion, ensuring good social and environmental standards, and reducing incentives for people to emigrate.

The guarantee will also 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.

Finally, the EU guarantee will also enable the IFC 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.



Is my business eligible?

| | |
|---------------------------------------|--|
| What sectors are covered? | Micro-, small and medium-sized enterprise financing, including agribusiness |
| What region is covered? | Sub-Saharan Africa EU Neighbourhood |
| What types of instrument are offered? | Guarantees, loans, quasi-equity, lease |
| How do I access support? | Through lead Financial Institutions, co-investors and local lenders, microfinance institutions, leasing institutions |

NASIRA Risk-Sharing Facility

Financing for underserved and displaced entrepreneurs



Key info

| | |
|-----------------------------|---|
| Lead financial institution: | FMO (The Dutch Development Bank) |
| EFSD Guarantee: | Up to €75 m |
| Technical Assistance: | Up to €8 m |
| Total investment expected: | €500-1,000 m |
| Contact: | David Kuijper NASIRA@fmo.nl |



What will it do?

NASIRA will address the high risks, both perceived and real, involved in lending to under-served entrepreneurs in countries neighbouring the EU and in Sub-Saharan Africa, many of whom have been forced to flee their homes. It will give them access to investment loans by offering local financial institutions, such as banks and microfinance institutions, portfolio guarantees containing loans to entrepreneurs.

FMO will also provide technical assistance to financial intermediaries, such as local banks, and to those taking out loans ('end-borrowers').



Who'll benefit? How?

The guarantee will benefit a wide cross-section of society that currently has difficulty borrowing money at affordable rates. It will focus 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.

NASIRA aims to create or support up to 800,000 jobs in Africa and Neighbourhood.

Entrepreneurs will be able to set up a business more easily, or expand the small firms which they already run.



Is my business eligible?

| | |
|---------------------------------------|--|
| What sectors are covered? | All sectors |
| What region is covered? | Sub-Saharan Africa EU Neighbourhood |
| What types of instrument are offered? | Portfolio guarantees Debt |
| How do I access support? | Indirectly through local banks, microfinance institutions and other non-banking financial institutions, directly via FMO |

African Local Currency Bond Guarantee Programme (ALCBGP)

Developing local currency capital markets in Africa



Key info

| | |
|-----------------------------|--|
| Lead financial institution: | KfW Group |
| EFSD Guarantee: | Up to €100 m |
| Technical Assistance: | Up to €2 m |
| Total investment expected: | €1 bn |
| Contact: | Vitalis Ritter Vitalis.Ritter@kfw.de |



What will it do?

The ALCB Fund will use the EFSD Guarantee to make investments in local currency bonds issued in African countries primarily by local financial institutions, utility companies, or state-owned enterprises (SoEs). Local banks and other financial institutions, companies or “special purpose vehicles” set up to finance public-private partnerships will facilitate this. Issuing such bonds will in turn help to develop capital markets. Local currency financing is often costly or unavailable in developing countries. This forces entrepreneurs and governments to borrow in hard currency, such as euros or US dollars. The resulting foreign exchange risk can lead to high costs and even bankruptcies, resulting in economic crises and hardship for people.

The EFSD will help to:

- enable investors' lending to the ALCB Fund in local currency
- balance the ALCB Fund's exposure to a certain country (and/or currency)
- mitigate risk by offering local bond investors a first-loss credit enhancement, making credit analysis easier.

The ALCB Fund will also offer technical assistance to bond issuers, central banks, stock exchanges and other local financial authorities.



Who'll benefit? How?

The ALCB Fund will directly benefit people looking to set up or expand small businesses (MSMEs), and individuals and families on lower incomes who currently have little or no access to financial services like bank loans. Thanks to the contribution of the EFSD Guarantee, the Fund will enable bond issuers to provide financial services for, or direct investments in:

- renewable energy and energy efficiency
- agriculture
- waste management and other urban infrastructure
- healthcare and education
- low-income housing
- leasing.



Is my business eligible?

| | |
|---------------------------------------|--|
| What sectors are covered? | MSMEs active in the sectors listed above |
| What region is covered? | Sub-Saharan Africa EU Neighbourhood |
| What types of instrument are offered? | Debt |
| How do I access support? | Directly through the ALCB Fund and KfW |

InclusiFI

Financial inclusion driven by diasporas



Key info

| | |
|------------------------------|--|
| Lead financial institutions: | AECID COFIDES CDP |
| EFSD Guarantee: | Up to €20 m |
| Technical Assistance: | Up to €11 |
| Total investment expected: | At least €120 m |
| Contact: | Fernando Jiménez-Ontiveros (AECID) eip@aecid.es PianoJunckerEsterno@cdp.it (CDP) |



What will it do?

The guarantee aims to:

- 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
- foster partnerships between financial institutions, and financial technology and telecoms companies to offer financial technology (fintech) solutions
- encourage diaspora organizations in the EU to pool investment to foster innovation and entrepreneurship in their regions of origin
- encourage local financial institutions to offer more access to affordable financial services, including remittances reception and new credits linked to diaspora investments.



Who'll benefit? How?

InclusiFI will:

- create (directly and indirectly) over 26,000 sustained jobs in MSMEs
- enable people in African and EU Neighbourhood states with family and friends overseas (diaspora communities) to receive money from them more easily and affordably
- 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
- encourage investment in businesses set up by migrants' families and migrants who have recently returned to their country of origin (returnees)
- incentivise local finance institutions (mainly banks, guarantee funds, microfinance institutions) to offer specific and innovative products to micro and small businesses and entrepreneurs.

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.



Is my business eligible?

| | |
|---------------------------------------|--|
| What sectors are covered? | Micro-, small and medium-sized enterprises financing |
| What region is covered? | Sub-Saharan Africa, EU Neighbourhood |
| What types of instrument are offered? | Debt, guarantee, equity, technical assistance |
| How do I access support? | Indirectly through banks in partner countries or lead FIs, directly via the lead FIs |

MSME Investment Platform (MIP)

Investing in start-ups and venture capital, and developing sustainable innovative ecosystems



Key info

| | |
|-----------------------------|---|
| Lead financial institution: | European Investment Bank (EIB) |
| EFSD Guarantee: | Up to €25 m |
| Total investment expected: | At least €80 m |
| Contact: | Astrid Hoffmann Iliya Mihov a.hoffmann@eib.org i.mihov@eib.org |



What will it do?

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 EU.

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.

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.

The guarantee will also:

- address bottlenecks to private investments by providing appropriate financial instruments
- contribute to the expansion of the financial intermediaries' funding base and the availability of capital in the early investment stages.



Who'll benefit? How?

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.

The guarantee will particularly benefit innovative, fast-growing and tech-oriented companies in countries neighbouring the EU.



Is my business eligible?

| | |
|---------------------------------------|--|
| What sectors are covered? | Micro-, small and medium-sized enterprises financing |
| What region is covered? | EU Neighbourhood East and South |
| What types of instrument are offered? | Equity |
| How do I access support? | Interested regional fund managers can approach EIB directly. |

FISEA+ SMEs and Agribusiness Investment Guarantee

Catalysing investment and support for small and medium-sized businesses in riskier environments



Key info

| | |
|-----------------------------|--|
| Lead financial institution: | Agence Française du Développement (AFD) |
| EFSD Guarantee: | Up to €35 m |
| Technical Assistance: | Up to €5 m |
| Total investment expected: | Up to €260 m |
| | Nahed Saab saabn@afd.fr |



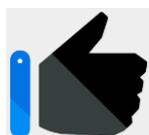
What will it do?

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.

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.

Besides investing in traditional SMEs, the guarantee will unlock private investment in very high-impact segments such as:

- SMEs located in conflict or post-conflict countries
- digital companies and start-ups
- entrepreneurs addressing social needs using sound business principles
- agribusinesses



Who'll benefit? How?

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 – and indirectly support a further 430,000. This will reduce poverty and widen access to education, healthcare and other essential services.

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.



Is my business eligible?

| | |
|---------------------------------------|---|
| What sectors are covered? | Small and medium-sized enterprise financing, including agribusiness |
| What region is covered? | Sub-Saharan Africa and the Neighbourhood countries |
| What types of instrument are offered? | Loans, equity, mezzanine, guarantees |
| How do I access support? | Through AFD, FISEA funds |

Archipelagos - One Platform for Africa (ONE4A)

Supporting African SMEs throughout their lifecycle and developing capital markets



Key info

| | |
|------------------------------|---|
| Lead financial institutions: | CDP African Development Bank (AfDB) |
| EFSD Guarantee: | Up to €30 m |
| Technical Assistance: | Up to €5 m |
| Total investment expected: | €150 m |
| Contact: | PianoJunckerEsterno@cdp.it (CDP) Emmanuel Diarra E.DIARRA@AFDB.ORG Akane Zoukpo Sanankoua A.ZOUKPO-SANANKOUA@AFDB.ORG |



What will it do?

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.

This will allow 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 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.

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 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.



Who'll benefit? How?

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.

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.

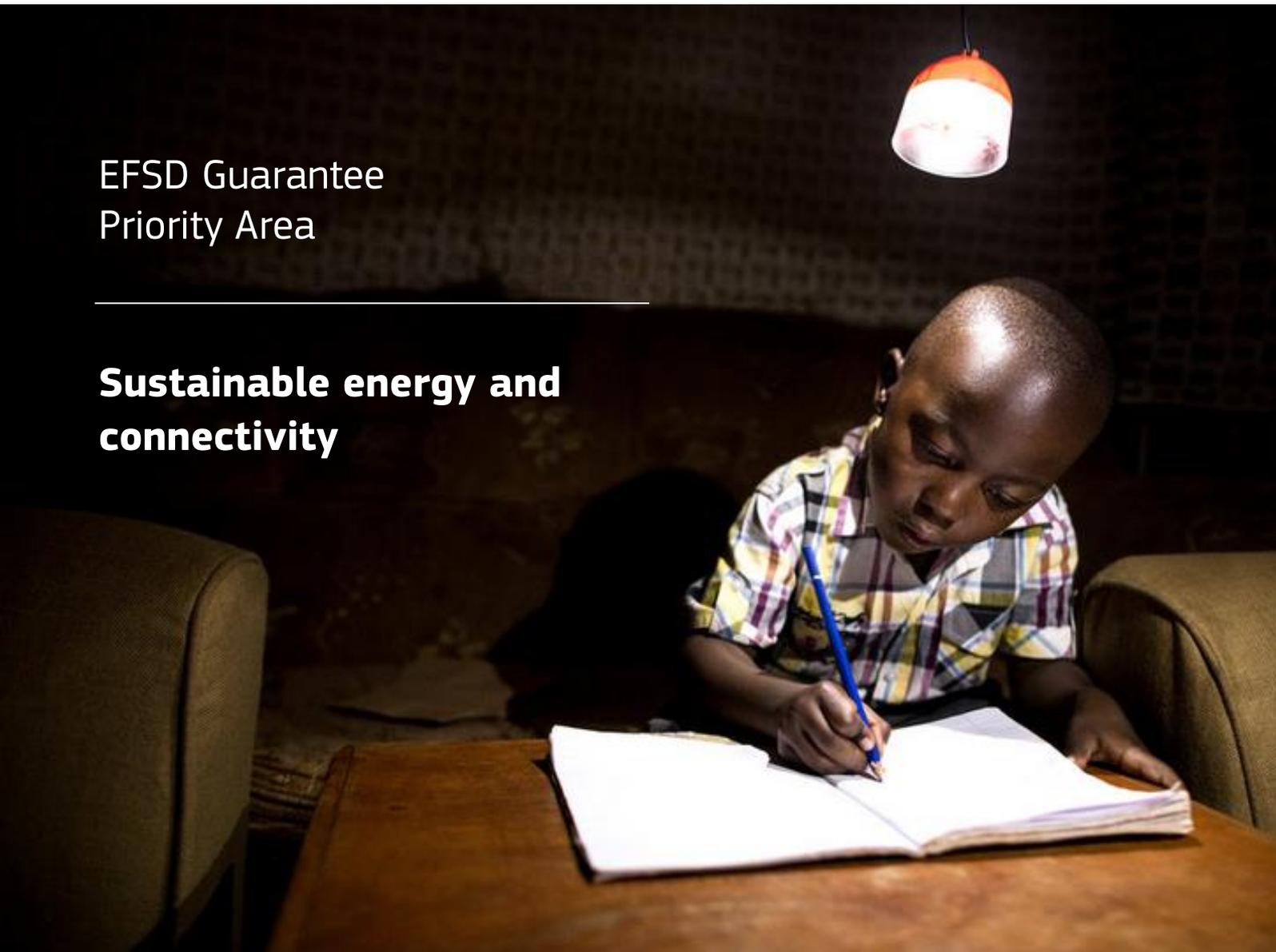


Is my business eligible?

| | |
|---------------------------------------|---|
| What sectors are covered? | Small and medium-sized enterprise financing |
| What region is covered? | Africa |
| What types of instrument are offered? | Guarantee and on-lending schemes |
| How do I access support? | Through CDP and AfDB |

EFSD Guarantee
Priority Area

**Sustainable energy and
connectivity**



European Guarantee for Renewable Energy

Supporting investment in sustainable energy in Sub-Saharan Africa



Key info

| | |
|------------------------------|---|
| Lead financial institutions: | Agence Française du Développement (AFD) CDP European Investment Bank (EIB) KfW Group |
| EFSD Guarantee: | Up to €168.5 m |
| Technical Assistance: | Up to €24 m |
| Total investment expected: | Up to €3.4 bn |
| Contact: | infodesk@eib.org (EIB) info@kfw-entwicklungsbank.de (KfW) PianoJunckerEsterno@cdp.it (CDP) auberta@afd.fr (AfDB) |



What will it do?

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.

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.

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.

In addition, the renewable energy sector in partner countries will receive a comprehensive package of technical assistance to:

- support the implementation of guarantees and the tendering process
- enable power utilities to become commercially viable
- support an enabling environment that facilitates private investment in renewable energy
- improve the regulatory framework, energy sector and policy dialogue.



Who'll benefit? How?

This guarantee will directly benefit wide sections of the population, especially those from poorer backgrounds. It will:

- help start new and expand ongoing sustainable, renewable energy projects
- create decent jobs and develop skills and entrepreneurship
- promote local industry and commerce
- improve industrial and labour productivity
- diversify economic activities
- contribute to climate action and environmental protection and management
- provide more reliable, available and affordable energy services
- make air cleaner and lower the risk of fires.



Is my business eligible?

| | |
|---------------------------------------|--|
| What sectors are covered? | Sustainable energy – renewables, energy efficiency |
| What region is covered? | Sub-Saharan Africa |
| What types of instrument are offered? | Co-guarantees |
| How do I access support? | Directly through lead FIs |

Africa GreenCo

Boosting green electricity generation and financing



Key info

| | |
|-----------------------------|--|
| Lead financial institution: | Agence Française du Développement (AFD) |
| EFSD Guarantee: | Up to €28 m |
| Technical Assistance: | Up to €0.9 m |
| Total investment expected: | Over €450 m |
| Contact: | Benjamin Denis, denisb@afd.fr |



What will it do?

AFD supports its local private- and public-sector partners to set up GreenCo, an independently managed power intermediary. GreenCo will buy electricity from renewable electricity generation companies, and sell such electricity to both state-owned and private sector companies that buy electricity ('offtakers') mitigating the risk of payment defaults.

The AFD and EFSD guarantees would be called if the national power utility failed to make payments when due and GreenCo's liquidity instruments were exhausted. This will enable GreenCo to provide capital protection to commercial lenders to renewable electricity generation companies. The innovative risk mitigation mechanism is expected to attract more investment in renewable energy projects.

GreenCo's initial target project size is 5-50MW, in Southern African countries (Zambia, Zimbabwe, Botswana, Namibia and other SAPP connected countries). EU delegations, AFD and GreenCo representatives have maintained a close policy dialogue with government representatives on energy related policy matters and intend to deepen this dialogue as part of the implementation of the programme.



Who'll benefit? How?

Local communities will enjoy better access to more reliable and cleaner electricity. This will mean they will benefit from better provision of basic services such as healthcare and education that depend on electricity. Increased electricity access will also help create jobs and raise incomes.

Smaller businesses in particular will benefit from improved access to electricity. They will save money, with lower energy bills as they will no longer have to rely on expensive diesel-powered generators.



Is my business eligible?

| | |
|---------------------------------------|--|
| What sectors are covered? | Renewable energy generation |
| What region is covered? | Southern African Development Community |
| What types of instrument are offered? | Guarantee |
| How do I access support? | Via GreenCo and AFD |

Room2Run

Helping to raise up to €2 bn in fresh investment for new sustainable energy projects



Key info

| | |
|-----------------------------|---|
| Lead financial institution: | African Development Bank (AfDB) |
| EFSD Guarantee: | Up to €87 m |
| Total investment expected: | Up to €2 bn |
| Contact: | Olivier Eweck, o.eweck@afdb.org |



What will it do?

Room2Run will allow the AfDB to finance more sustainable renewable energy projects in Sub-Saharan Africa. This will result in €1-2 billion of new investment in such projects. The EFSD Guarantee supports a securitisation structure that enables private investors to invest in AfDB projects by taking credit risk on a defined tranche of the private sector portfolio. This will free up AfDB capital and thus enable the bank to finance new renewable energy projects.

Some of these projects will be located in fragile states, where the AfDB's strategy focuses on funding:

- large-scale, renewables-based solar power producers, which provide electricity to the national grid
- distributed renewables-based programmes, which are not connected to the national grid but supply particular communities or areas.

After careful analysis, several pension funds have concluded that the risks of African private sector investments are lower than is commonly assumed. Through the EFSD-enabled transaction, they will for the first time invest in the highest-risk components of African private sector loans. So the transaction will have an important demonstration effect, as well as bringing in more investment in renewable energy projects. AfDB worked closely with Standard & Poor's, the rating agency, in the preparation of this project.



Who'll benefit? How?

The AfDB estimates that the sustainable energy projects it is tracking over the medium-term will provide electricity for over a million households by creating over 1 GW of generation capacity, and create 15,000 jobs.

Industries, businesses and local communities will enjoy better access to more affordable, more reliable and cleaner electricity. Thus, the guarantee will help increase production and commercial activity, create jobs, improve the provision of healthcare and education, facilitate training, and raise incomes.



Is my business eligible?

| | |
|---------------------------------------|--|
| What sectors are covered? | Sustainable energy – renewables, energy efficiency and clean cooking |
| What region is covered? | Sub-Saharan Africa EU Neighbourhood |
| What types of instrument are offered? | Debt (loans), equity, guarantees |
| How do I access support? | Directly through the AfDB |

DESCO Financing Programme

Bringing 'rent-to-own' solar power kits to thousands of homes



Key info

| | |
|-----------------------------|--|
| Lead financial institution: | African Development Bank (AfDB) |
| EFSO Guarantee: | Up to €50 m |
| Technical Assistance: | Up to €6 m |
| Total investment expected: | Up to €275 m |
| Contact: | Astrid Manroth, a.manroth@afdb.org |



What will it do?

This guarantee will help to bring electricity to some of the many areas in Sub-Saharan Africa (in particular Sahel) that lack access to the power grid. It will build on a new business model of pay-as-you-go (PayGo) solar power systems for use at home that has recently emerged in East Africa. The programme will help offset some of the risks that both local banks and international investors perceive in financing in the sector. These include lack of familiarity with the technology, currency risk, and limited information about consumers' credit history.

DESCO will guarantee so called 'rent-to-own' agreements via a receivable financial model. Customers will buy a solar power system through monthly fixed payments over a period of 24-36 months. Monthly payments will be as low as US\$5 per month. Partnerships with telecoms firms will allow suppliers to debit payments directly from clients' monthly phone bills.



Who'll benefit? How?

The guarantee will extend access to clean electricity to an estimated 3.5 million people. Poorer people in rural communities will benefit in particular. No longer would they need to use low-quality kerosene lamps which are harmful to their health. Instead they'd be able to afford cleaner, more reliable electricity more easily and run appliances ranging from TVs and refrigerators, to fans, lamps and grain mills. And of course they could recharge their mobile phones.

Having electric lighting will mean children can study for longer, and entrepreneurs could keep their small businesses and shops open for longer. The guarantee will also allow more people in rural areas to access financial services such as mobile payments.



Is my business eligible?

| | |
|---------------------------------------|--|
| What sectors are covered? | Solar energy |
| What region is covered? | Sub-Saharan Africa |
| What types of instrument are offered? | Debt (receivable financing) |
| How do I access support? | Indirectly through local banks and directly via the AfDB |

Renewable Energy Support Programme for Mainly Rural Areas in Sub-Saharan Africa

Enhancing private investment in sustainable energy



Key info

| | |
|------------------------------|---|
| Lead financial institutions: | AECID COFIDES |
| EFSD Guarantee Contribution: | Up to €20 m |
| Technical Assistance: | Up to €2 m |
| Total investment expected: | Up to €160 m |
| Contact : | María Vidales eip_energy@cofides.es Fernando Jiménez-Ontiveros eip@aacid.es |



What will it do?

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.

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.

Enabled by the EU guarantee, investors will:

- add 120 MW in generation capacity from renewable energy sources
- improve living standards
- help provide reliable, clean energy to rural, remote and underserved regions
- cut the generation of energy which produces greenhouse gases.



Who'll benefit? How?

This guarantee will improve living conditions. It will contribute to the provision of reliable and clean energy, including in rural, remote and underserved areas. It will also:

- support job creation and address the root causes of migration
- stimulate local business development
- contribute to making economies more competitive and sustainable
- improve public and private infrastructure.

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.



Is my business eligible?

| | |
|---------------------------------------|---|
| What sectors are covered? | Sustainable energy – renewables, energy efficiency |
| What region is covered? | Sub-Saharan Africa |
| What types of instrument are offered? | Debt cover (on grid) Debt and equity cover (mini/off grid) |
| How do I access support? | Directly through lead FIs |

Sustainable Logistics and Interconnectivity Guarantee (SLIG)

Encouraging investment to make the transport industry greener and more sustainable



Key info

| | |
|-----------------------------|---|
| Lead financial institution: | European Bank for Reconstruction and Development (EBRD) |
| EFSD Guarantee: | Up to €50 m |
| Technical Assistance: | Up to €5 m |
| Total investment expected: | Up to €250 m |
| Contact: | Renato Giacon, GiaconR@ebrd.com |



What will it do?

SLIG focuses on logistics: the process of planning, managing, and carrying out the movement of goods (freight). Transport makes up a big part of these activities. This guarantee will provide commercial financing and investments from the EBRD and other co-financiers. The guarantee will encourage companies and investors to invest more in the industry in partner countries than they have to date. It will do so by offering better access to, and more affordable, debt financing, rather than having to rely solely on equity (capital), which can curtail expansion.

Areas of investment will include among others:

- modernising fleets of trucks and maintaining roads
- making ports, ships and warehouses more energy efficient
- upgrading rail networks and trains
- introducing advanced systems for tracking shipments
- making airports greener.



Who'll benefit? How?

UN figures suggest transport accounts for 25% of all energy-related greenhouse gas emissions. So this guarantee will help make freight transport greener – enabling companies to use energy more efficiently, emit less greenhouse gas, cut air pollution, make less noise and reduce the number of accidents in the industry.

It will also:

- improve transport links (connectivity) within and between countries
- thereby help regions to integrate and boost trade
- lower transport costs for small businesses, and open up more markets to them
- improve road safety.



Is my business eligible?

| | |
|---------------------------------------|--|
| What sectors are covered? | Transport and logistics sector |
| What region is covered? | EU Neighbourhood |
| What types of instrument are offered? | Debt |
| How do I access support? | Indirectly through local banks or directly via the EBRD for project financing structures |

Boosting investment in renewable energy

More clean power generation thanks to more certainty for investors



Key info

| | |
|------------------------------|---|
| Lead financial institutions: | European Bank for Reconstruction and Development (EBRD) Association of European Development Finance Institutions (EDFI) |
| EFSD Guarantee: | Up to €100 m |
| Technical Assistance: | Up to €4 m |
| Total investment expected: | €2 bn |
| Contact: | Renato Giacon Yves Ehlert GiaconR@ebrd.com yves.ehlert@edfi.eu |



What will it do?

This guarantee will enable renewable energy investments by addressing barriers to finance of otherwise viable projects and to crowd-in the private sector. As a result, it will unlock the countries' substantial renewable energy potential, promote wider renewable energy development and demonstrate 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.

The guarantee will help address the perceived high risk of private sector power projects, thus crowding in local banks and private co-financiers with EBRD and the EDFI. It will contribute to climate action and environmental protection and management, thus producing climate co-benefits. 100% of the financing will be allocated to renewable energy investments.

It will catalyse the development of multiple private, renewable energy projects, resulting in significant CO2 emission reductions, and introduce a number of new private investors to the sector and country, supporting its transition to a low carbon economy.



Who'll benefit? How?

Individuals, communities and businesses will benefit from cleaner, cheaper, more reliable energy and experience fewer power cuts. The guarantee will also:

- create jobs and raise people's incomes;
- improve people's health since they'd no longer have to burn biomass to cook;
- help businesses operate more efficiently;
- make it easier to deliver healthcare and education services that rely on electricity;
- cut carbon emissions by an estimated 2-3 million tonnes per year;
- create additional capacity from renewable energy sources between 1.5-2 GW;
- Increase power production from renewable energy sources to 4,500-6,000 GWh/year.



Is my business eligible?

| | |
|---------------------------------------|--|
| What sectors are covered? | Renewable energy |
| What region is covered? | Sub-Saharan Africa EU Neighbourhood South and East |
| What types of instrument are offered? | Guarantee cover to private investors co-financing (debt or sub-debt) alongside EBRD/EDFI |
| How do I access support? | Via EBRD and EDFI |

Energy Efficiency and Sustainable Cities in EU Neighbourhood

For low-carbon industries, green buildings and sustainable urban development



Key info

| | |
|------------------------------|---|
| Lead financial institution: | European Bank for Reconstruction and Development (EBRD) |
| EFSD Guarantee Contribution: | Up to €100 m |
| Technical Assistance: | Up to €7 m |
| Total investment expected: | €750 m |
| Contact: | Renato Giacon, GiaconR@ebrd.com |



What will it do?

This guarantee pursues two goals in the EU Neighbourhood:

- supporting companies in the manufacturing, services and buildings sectors to use less energy and natural resources by investing in efficiency technologies
- helping town and city authorities to provide better and more sustainable urban services and infrastructure, with green measures integrated.

The EFSD Guarantee will provide partial guarantees for loans to green projects lowering real risks, and the risks and barriers perceived by financiers, e.g.:

- perceived risks of implementing technologies not widely used
- lack of local suppliers, installers, skilled maintenance workers for such technologies and measures
- low capacity of municipalities and lack of awareness of companies about energy efficiency or opportunities, that can be addressed via dedicated technical assistance (TA).

The Guarantee and TA will mobilise more financing for a wide variety of projects:

- green technology adoption by industrial companies, e.g. helping them to recover and use waste heat in their operations, use waste materials as fuel to replace fossil fuels, produce goods in ways that use less raw materials, etc.
- energy efficiency measures in buildings, such as via better insulation or integrated renewable energy technologies such as solar or heat pumps
- sustainable city investments, e.g. in water supply network rehabilitation, more sustainable solid waste management or better wastewater treatment.



Who'll benefit? How?

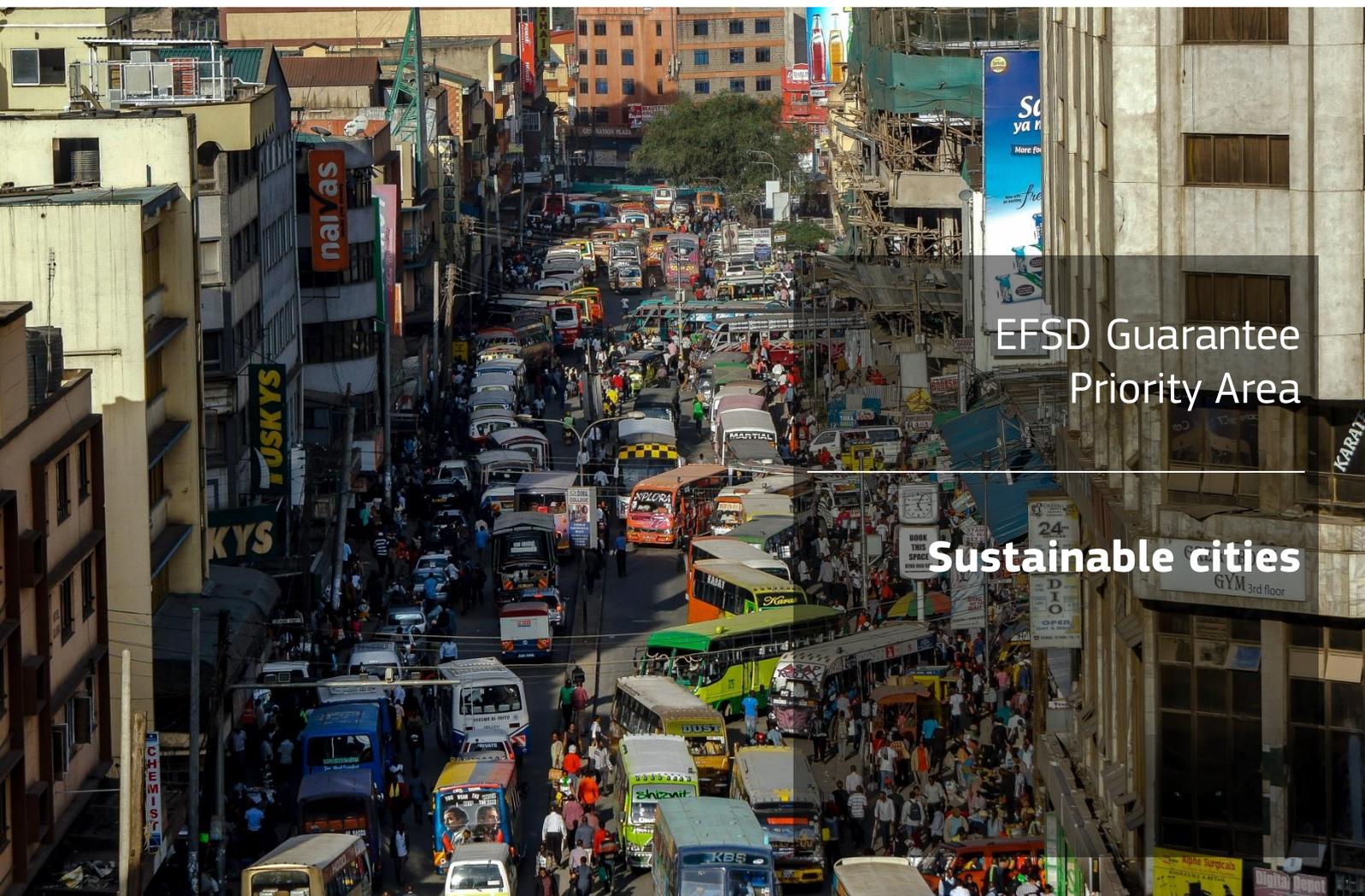
People, communities and municipalities will benefit from lower energy bills, better quality and extent of green urban services, cleaner air, better preparedness for flooding or water shortages, better water and wastewater services, etc. Companies in the industrial, services and building sectors will benefit from investing in high performing technologies to lower operational costs related to energy or other materials, more comfortable buildings, enhanced long-term competitiveness, and a greener company image.

All the supported projects will increase opportunities for sustainable economic growth and job creation. They will also lower greenhouse gas emissions.



Is my business eligible?

| | |
|---------------------------------------|---------------------------------------|
| What sectors are covered? | Industry, buildings, municipal sector |
| What region is covered? | EU Neighbourhood |
| What types of instrument are offered? | Debt |
| How do I access support? | Via the EBRD as lead implementing FI |



EFSD Guarantee
Priority Area

Sustainable cities

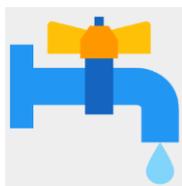
Resilient City Development (RECIDE)

Making investment in urban infrastructure more compelling



Key info

| | |
|-----------------------------|--|
| Lead financial institution: | AECID |
| EFSD Guarantee: | Up to €100 m |
| Technical Assistance: | Up to €20 m |
| Total investment expected: | Over €450 m |
| Contact: | Fernando Jiménez-Ontiveros eip@aecid.es |



What will it do?

This guarantee will help cities develop public-private partnerships and lower the risks for private investors involved in financing urban infrastructure in Africa and the EU's Southern Neighbourhood. It will focus on:

- energy efficiency
- environment – particularly improved flood protection and sewerage
- public transport
- water supply and sanitation and the management of solid waste.

The EFSD Guarantee will reassure:

- lenders that they'll recover at least some of their investment in case of losses
- borrowers for whom the guarantees may lower the required interest rates
- public-private partnership concessionaires will be paid as promised by government authorities.

This will make urban infrastructure projects in African cities more 'bankable', i.e. better able to attract private finance.



Who'll benefit? How?

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

They'll 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.



Is my business eligible?

| | |
|---------------------------------------|---|
| What sectors are covered? | Urban infrastructure |
| What region is covered? | Sub-Saharan Africa, EU Neighbourhood |
| What types of instrument are offered? | Debt, Public Private Partnerships and Land Value Capture transactions |
| How do I access support? | Directly through RECIDE, AECID and The World Bank Group |

Sustainable Cities Investment Fund Platform

Creating resilient and climate-friendly urban infrastructure



Key info

| | | |
|-----------------------------|---|---|
| Lead financial institution: | European Investment Bank (EIB) | |
| EFSD Guarantee: | Up to €37 m | |
| Technical Assistance: | Up to €8 m | |
| Total investment expected: | Up to €370 m | |
| Contact: | Astrid Hoffmann a.hoffmann@eib.org | Quirin Sluijs q.sluijs@eib.org |



What will it do?

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.

The EU guarantee will:

- enable investment in water and sanitation infrastructure, as well as affordable and clean energy
- create jobs and develop better living conditions in cities
- improve the quality of local governance
- address bottlenecks to private investment in infrastructure projects
- contribute to climate action and environmental protection and management.

Indirectly it will also:

- boost emerging examples of fiscal decentralisation (shifting some responsibilities for expenditures and/or revenues to lower levels of government)
- help create a new asset class for investors
- encourage local private banks to become more engaged in co-financing suitably prepared, quality projects at the municipal level.

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-makers.



Who'll benefit? How?

Cities will benefit from new infrastructure, including:

- reliable and clean electricity supplies
- better and safer water supply and sewerage services
- improved access to public transport
- higher air quality, and
- less polluting and better functioning solid waste services.

Such investments will also improve cities' competitiveness and attractiveness to businesses and investors. And the EIB estimates that they will create:

- up to 350,000 jobs during the construction of the infrastructure being financed
- up to 15,000 permanent jobs linked to its operation and maintenance.



Is my business eligible?

| | |
|---------------------------------------|---|
| What sectors are covered? | Urban infrastructure |
| What region is covered? | Sub-Saharan Africa, EU Neighbourhood |
| What types of instrument are offered? | Investment guarantees into regional investment funds providing loans, equity, mezzanine, guarantees |
| How do I access support? | Interested regional fund managers can approach EIB directly |

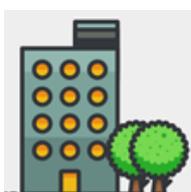
European Guarantee to Increase Local Governments' Access to Financing

Developing urban infrastructure and services in African cities



Key info

| | | |
|-----------------------------|--|---|
| Lead financial institution: | Agence Française du Développement (AFD) | |
| EFSD Guarantee: | Up to €30 m | |
| Technical Assistance: | €2 m | |
| Total investment expected: | €150 m | |
| Contact: | Louis-Antoine Souchet souchetla@afd.fr Glenn André andreg@afd.fr | Julie Fallourd fallourdj@afd.fr Amélie Aubert auberta@afd.fr |



What will it do?

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.

The diversified funding sources will help many more local governments to catch up in developing much needed:

- solid waste management
- water and sanitation
- transport
- public services.

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.



Who'll benefit? How?

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.



Is my business eligible?

| | |
|---------------------------------------|--|
| What sectors are covered? | Urban infrastructure |
| What region is covered? | Africa |
| What types of instrument are offered? | Guarantee, loans |
| How do I access support? | Through AFD and indirectly through local banks |

EFSD Guarantee
Priority Area

Digitalisation



Digital Transformation Platform and Broadband Investment Programme

Increasing the use of digital technologies, and widening rural access to broadband



Key info

| | |
|------------------------------|---|
| Lead financial institutions: | European Investment Bank (EIB), European Bank for Reconstruction and Development (EBRD) |
| EFSD Guarantee: | Up to €70 m |
| Technical Assistance: | Up to €4 m |
| Total investment expected: | €350 m |
| Contact: | Nathalie Climence Renato Giacon n.climence@eib.org GiaconR@ebrd.com |



What will it do?

This guarantee is being developed to invest in the infrastructure needed to provide affordable high-speed broadband in EU Neighbourhood – especially outside the main urban centres and in rural, remote and unserved areas. It targets to offer a guarantee that will lower risks for potential private investors and so make projects more attractive ('bankable') to them.

The EIB and the EBRD and private co-investors are currently considering how to lend directly to companies, public entities, city and regional authorities, and publicly-owned telecommunications companies.

They are also exploring how to enable corporates, public administration and the general public to:

- Make more use of software and other digital services in the way they operate, so they become more efficient and competitive
- Access more information and services online in an efficient manner – from booking a doctor's appointment to registering a new business or paying taxes. The adoption of digital services will be encouraged both by supporting the supply and demand sides



Who'll benefit? How?

When rolled-out successfully, the programme has the potential to:

- bring fast broadband to between 300,000 and 600,000 homes in rural areas
- enable new small companies outside the main urban centres and in rural areas to take off and employ local people
- allow people and businesses to take part more fully in the digital economy – for example, by selling goods and services or banking online
- make it easier to use basic government services, and improve transparency.



Is my business eligible?

| | |
|---------------------------------------|--|
| What sectors are covered? | Telecom infrastructure and digital services |
| What region is covered? | EU Neighbourhood South and East |
| What types of instrument are offered? | Debt |
| How do I access support? | Directly via the EIB and the EBRD according to specific project financing structures |

FMO Ventures Programme

Empowering entrepreneurs for sustainable development



Key info

| | |
|-----------------------------|--|
| Lead financial institution: | FMO (Dutch Development Bank) |
| EFSD Guarantee: | Up to €45 m |
| Technical Assistance: | Up to €6.5 m |
| Total investment expected: | Expected to catalyse around €1 bn |
| Contact: | Elsbeth Bloemert Marieke Roestenberg e.bloemert@fmo.nl m.roestenberg@fmo.nl |



What will it do?

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.

It will enable FMO to pursue early stage direct and indirect investment in:

- Fintech - financial services to improve financial inclusion
- Off grid energy - distributed renewable energy to improve access to energy
- Agritech – agribusiness, to improve access to inputs, farming techniques and markets
- 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.

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



Who'll benefit? How?

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.

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.



Is my business eligible?

| | |
|---------------------------------------|---|
| What sectors are covered? | Start-ups, scale-ups offering tech-enabled solutions in: <ul style="list-style-type: none"> • financial services • renewable energy • agribusiness • education, healthcare • mobility and transport • digital and business infrastructure • e-commerce |
| What region is covered? | Sub-Saharan Africa, EU Neighbourhood |
| What types of instrument are offered? | Direct and indirect investment (convertibles, (preferred) equity) |
| How do I access support? | Directly through FMO |

European Health Guarantee Platform for Africa

Improving healthcare with high-quality health screening labs



Key info

| | |
|------------------------------|---|
| Lead financial institution: | European Investment Bank (EIB) |
| EFSD Guarantee Contribution: | Up to €80 m |
| Technical Assistance: | Up to €12.5 m |
| Total investment expected: | Over €240 m |
| Contact: | Christian Elias infodesk@eib.org |



What will it do?

This guarantee is being developed in close cooperation with the Bill & Melinda Gates Foundation (B&MGF) to strengthen diagnostic services for low-income populations in Sub-Saharan Africa. It will do so by mobilising investment from private providers in international-standard laboratory facilities that will provide timely, cost-effective and accurate diagnostic services for diseases such as tuberculosis, HIV, and malaria.

In low-income countries, governments sign contracts to pay private providers for diagnostic services offered to their citizens. Backed by the EFSD Guarantee, the European Health Guarantee Platform covers the risk that the government might not pay.



Who'll benefit? How?

This guarantee will lead to better, cheaper healthcare services for people on low incomes - and could even save lives.

Where testing (diagnostics) laboratories exist in Africa, they often provide only a limited range services of variable quality. With this guarantee, poorer people in these regions will have better access to higher quality testing. And more and better testing means better chances of proper treatment.

Reliable testing for diseases such as tuberculosis, HIV, and malaria, and for maternal and child healthcare, allows doctors to detect diseases or other issues early, respond faster, and save patients and governments' money by better targeting treatments. Having laboratory capacity available locally also helps countries respond better to disease outbreaks when they occur.



Is my business eligible?

| | |
|---------------------------------------|--|
| What sectors are covered? | Health diagnostic services |
| What region is covered? | Africa |
| What types of instrument are offered? | Guarantees for payment of services (off-take guarantees) |
| How do I access support? | Directly through the platform, the EIB and the Bill & Melinda Gates Foundation |

Social Impact Fund for Africa (SIFA)

Investing in digital innovation projects with a high social impact



Key info

| | |
|------------------------------|--|
| Lead financial institution: | African Development Bank (AfDB) |
| EFSD Guarantee Contribution: | Up to €25 m |
| Technical Assistance: | Up to €2 m |
| Total investment expected: | €350 m |
| Contact: | Robert Zegers M'Para Coulibaly r.zegers@afdb.org i.coulibaly@afdb.org Chatar Souad s.chatar@afdb.org |



What will it do?

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 - online can change this.

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 investors to share the risks involved, and/or by lowering such risks considerably.

It will focus on social impact investing to deliver services through information technology platforms and applications, for example:

- off-grid solar panel systems based on mobile technology (e.g. pay-as-you-go)
- accredited primary and secondary education to local communities
- value chains between rural agricultural producers and urban markets
- workload planning of doctors or nurses in rural communities
- local and rural health insurance allowing for fairer access to health services.



Who'll benefit? How?

The AfDB estimates that SIFA will create directly some 55,000 jobs and indirectly some 165,000 more. It will focus on projects that:

- in particular involve women and young people on low incomes
- are in rural areas in least developed, fragile, or landlocked countries

The Bank also estimates that the guarantee will:

- improve access to education through digital technology for 1.5 million people
- bring renewable energy supplies to up to 400,000 people.



Is my business eligible?

| | |
|---------------------------------------|--|
| What sectors are covered? | MSMEs engaged in digital innovation applied to healthcare, education, agriculture, energy, water and financial inclusion |
| What region is covered? | Sub-Saharan Africa EU Neighbourhood South |
| What types of instrument are offered? | Equity, quasi equity |
| How do I access support? | Directly: through social impact funds Indirectly: through AfDB |

EFSD Guarantee
Priority Area

**Local currency
financing**



Local Currency Lending in Sub-Saharan Africa

Unlocking investment for local banks, small businesses, and sustainable energy, and developing capital markets



Key info

| | |
|--|--|
| Lead financial institution / EFSD Guarantee: | KfW Group / Up to €15 m African Development Bank (AfDB) / Up to €12.5 m |
| Total EFSD Guarantee: | Up to €27.5 (KfW Group and AfDB) |
| Technical Assistance: | Up to €2 m |
| Total investment expected: | Up to €300 m |
| Contact: | Thomas Heinig thomas.heinig@kfw.de Max Ndiaye m.m.Ndiaye@afdb.org Mbaye Gueye m.b.Gueye@afdb.org Derivatives: info@tcxfund.com |



What will it do?

Demand for local currency financing in many parts of Sub-Saharan Africa is far greater than supply. Loans are often denominated in hard currency. But 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.

These two guarantees will address risks associated with currency depreciation, and boost lending in local currency for projects. They 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.

They will give businesses and governments more protection from exchange rate changes, which will in turn:

- create jobs and promote entrepreneurship
- foster green economic growth that benefits all sections of society
- help develop sustainable capital markets - crucial for economic growth.

The first guarantee led by the KfW Group 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 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, FX swap, FX forward) for utility companies currently excluded from any foreign exchange risk protection.

For the AfDB, 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 capital markets and unlocking local currency investment in Africa
- serve as an example for investors and other potential corporate bond issuers.

EU technical assistance will:

- cover select local currency transaction costs, such as rating, legal, tax, and accounting
- prepare risk management training/capacity building workshops on local currency bonds
- provide primary and secondary market development support for selected countries in Sub-Saharan Africa.



Who'll benefit? How?

The KfW Group estimates that communities and businesses will benefit from 600 MW of additional power generation capacity from renewable sources, helping to meet growing energy needs and securing more affordable and stable energy prices. Access to reliable and environmentally friendly energy will provide a foundation for growth, sustainable development and the alleviation of poverty in Sub-Saharan Africa. It will also help to build resilience in the face of climate change.

The AfDB estimates that the guarantee for which it is the lead financial institution will create up to 5,000 jobs. In Zambia for example, it will help attract financial resources to the housing sector, resulting in almost 700 new mortgage and construction loans to new homeowners, enabling over 3,000 people to gain access to decent shelters.

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.



Is my business eligible?

| | |
|---------------------------------------|--|
| What sectors are covered? | Sustainable energy and connectivity Micro-, small and medium-sized enterprise financing |
| What region is covered? | Sub-Saharan Africa |
| What types of instrument are offered? | Loans, bonds; derivatives (cross currency swaps etc.); guarantees |
| How do I access support? | Loans, bonds: Through lead FIs, local lenders Derivatives: TCX N.V. (Amsterdam). Eligible businesses: <ul style="list-style-type: none"> - the company has an open FX position and treasury department and is active in the SE4All sector; - the financial institution has an open FX position or provides interbank loans to another financial institution which has a SME clients/SE4All portfolio. |



FOR MORE INFORMATION

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