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ANNEX

OF THE COMMISSION FOR THE INDIVIDUAL MEASURE IN FAVOUR OF CONTRIBUTING TO THE GUARANTEE AGREEMENTS FOR CARRIED-OVER PROPOSED INVESTMENT PROGRAMMES

Action Document for Contributing to the guarantee agreements for carried-over Proposed Investment Programmes (PIPs)

INDIVIDUAL MEASURE
This measure does not constitute a financing decision in the meaning of Article 110 of Regulation (EU, Euratom) 2018/1046 but should be seen in complementarity with the relevant financing decisions and their successors.

1 SYNOPSIS

1.1 Action Summary Table

1. Title **CRIS/OPSYS business reference** **Basic Act**	Contributing to the guarantee agreements for carried-over Proposed Investment Programmes (PIPs). Financed under the Neighbourhood, Development and International Cooperation Instrument (NDICI-Global Europe)
2. Team Europe Initiative	No
3. Zone benefiting from the action	The action shall be carried out in Sub-Saharan Africa and EU Neighbourhood
4. Programming document	N/A
5. Link with relevant MIP(s) objectives / expected results	N/A
PRIORITY AREAS AND SECTOR INFORMATION	
6. Priority Area(s), sectors	- Small and medium-sized enterprises (SME) development – DAC Sector Code 32130 – 80% - Digital Transition – DAC Sector Code 22040 – 20%

7. Sustainable Development Goals (SDGs)	Main SDG : • SDG 1: No poverty Other significant SDGs: • SDG 8: Economic Growth and Decent Work • SDG 7: Affordable and Clean Energy • SDG 9: Industry, Innovation and Infrastructure • SDG 11: Sustainable Cities and Communities • SDG 12: Sustainable production and consumption • SDG 14: Life below water • SDG 15: Life on land			
8 a) DAC code(s)	Small and medium-sized enterprises (SME) development (80%) – 32130 Digital Transition (20%) – DAC Sector Code 22040			
8 b) Main Delivery Channel	Donor Government – 11000 Detailed channel: Other public entities in donor country - 11004			
9. Targets	☒ Migration ☒ Climate ☒ Social inclusion and Human Development ☒ Gender ☐ Biodiversity ☐ Education ☐ Human Rights, Democracy and Governance			
10. Markers **(from DAC form)**	**General policy objective**	**Not targeted**	**Significant objective**	**Principal objective**
	Participation development/good governance	☒	☐	☐
	Aid to environment	☐	☒	☐
	Gender equality and women's and girl's empowerment	☐	☒	☐
	Trade development	☐	☒	☐
	Reproductive, maternal, new-born and child health	☒	☐	☐
	Disaster Risk Reduction	☒	☐	☐
	Inclusion of persons with Disabilities	☒	☐	☐
	Nutrition	☒	☐	☐
	RIO Convention markers	**Not targeted**	**Significant objective**	**Principal objective**
	Biological diversity	☒	☐	☐
	Combat desertification	☒	☐	☐
	Climate change mitigation	☐	☒	☐
	Climate change adaptation	☐	☒	☐

11. Internal markers and Tags:	Policy objectives	Not targeted	Significant objective	Principal objective
	Digitalisation	☐	☐	☒
	Tags: digital connectivity		☐	☒
	digital governance		☐	☒
	digital entrepreneurship		☐	☐
	job creation		☒	☐
	digital skills/literacy		☐	☒
	digital services		☐	☐
	Connectivity	☐	☒	☐
	Tags: transport		☐	☐
	people2people		☐	☐
	energy		☐	☒
	digital connectivity		☐	☐
	Migration (methodology for tagging under development)	☐	☒	☐
	Reduction of Inequalities (methodology for marker and tagging under development)	☐	☒	☐
	Covid-19	☐	☒	☐
BUDGET INFORMATION				
12. Amounts concerned	The work programme covering these PIPs will amount to EUR 580 000 000 (maximum EU Guarantee amount for which an amount of EUR 290 000 000 will be provisioned)[1], which is expected to mobilise investments in the region of EUR 5 billion. This action is co-financed through joint co-financing by: - Agence Francaise de Developpment (AFD), - Kreditanstalt für Wiederaufbau (KfW), - European Development Financing Institutions (EDFI), - Casa di Depositi I Prestiti (CDP). - European Bank for Reconstruction and Development (EBRD) - European Investment Bank (EIB)			
MANAGEMENT AND IMPLEMENTATION				
13. Type of financing	Budgetary guarantees as set out in section 4.4.7			

[1] The related provisioning has been included in the relevant EFSD+ financing Decisions and their successors

1.2 Summary of the Action

As part of response to COVID-19, the Commission carried out several top ups of signed guarantee agreements to address the immediate needs caused by the COVID-19 pandemic to ensure equitable access of our partner countries to vaccines through the COVAX Facility. Consequently, certain important Proposed Investment Programmes (PIPs) to be originally signed in 2020 under the European Fund or Sustainable Development (EFSD) were, in accordance with the opinion of the EFSD Operational Board, carried over to EFSD+. The objectives of this contribution are in line with NDICI and have already been endorsed by the governance in place under EFSD; therefore the specific PIPs comply with the eligibility criteria set out under Article 35.2 of NDICI Global Europe Regulation. In addition, as agreed between the Commission and the Member States represented at the Strategic Board of the EFSD of 18th January 2020, the proposed investment programmes were to be concluded with the relevant Financial Institutions as quickly as possible in the course of 2021 in order not to disrupt their planned deployment schedules aimed at reaching the partner countries in Sub Saharan Africa and Neighborhood.
The financing and investment operations included in the carry over PIPs are compliant with the programming priorities identified in the relevant programming documents.
Specifically, the following PIPs have been approved by EFSD Governance to be carried over to EFSD+: - European Guarantee to increase Local Governments access to finance (Cityriz), AFD; - European Guarantee for Renewable Energy, KfW, AFD and CDP; - Africa Local Currency Bonds, KfW; - Invest and support for Businesses in Africa- Fisea+, AFD; - MSME Platform, EDFI; - Financial Inclusion, EBRD; - MSME Investment Platform, EIB; - Digital Platform, EIB and EBRD; - Municipal, Infrastructure and Industrial Resilience Programme, EBRD

2 RATIONALE

2.1 Context

In order to respond to the COVID-19 crisis and address the socioeconomic consequences of the pandemic it was considered necessary to redirect EUR 400 million to the COVAX Facility as these funds contributed towards an urgent need in the circumstances where no one is safe until everyone is safe. The entire amount of 400 million from the EFSD guarantee benefitted Africa and the Neighbourhood.
Consequently, certain important Proposed Investment Programmes (PIPs) to be originally signed in 2020 under the European Fund or Sustainable Development (EFSD) were, in accordance with the opinion of the EFSD Operational Board, carried over to EFSD+. The carried over PIPs were proposed as part of the External Investment Plan (EIP), an EU initiative launched in 2017.
The Commission set up an External Investment Plan (EIP)[2] as a response to the invitation of the European Council of 28 June 2016[3], to support investments primarily in Africa and the Union's Neighbourhood. It

[2] COM(2016) 581 of 14.9.2016
[3] EUCO 26/16, point 4

was a means to contribute to the achievements of the United Nations 2030 Agenda for Sustainable Development and its Sustainable Development Goals (SDGs), in particular poverty eradication, thus addressing socio-economic root causes of migration, including irregular migration, and to contribute to the sustainable reintegration of migrants returning to their countries of origin, and to the strengthening of transit and host communities.

In the framework of the External Investment Plan, Regulation (EU) 2017/1601 of the European Parliament and of the Council of 26 September 2017 established the European Fund for Sustainable Development (EFSD), the EFSD Guarantee and the EFSD Guarantee Fund. The EFSD Guarantee supports financing and investment operations in partner countries in Africa and the European Neighbourhood.

Under the new MFF, the new EIP will become more ambitious with the proposed establishment of a new investment platform with a worldwide coverage, the European Fund for Sustainable Development Plus (EFSD+), supported by an External Action Guarantee (EAG), which will also include support to sovereign lending operations. It will be supported via the Neighbourhood, Development and International Cooperation Instrument - Global Europe (NDICI) adopted on 9 June 2021. The use of this new comprehensive tool will be programmed to ensure consistency with the EU development policy ("policy first") and coherence with other implementing modalities. With the creation of the EFSD+ and the EAG, the NDICI is a tool for a new global, comprehensive and unified approach towards investments: The EFSD+ is a worldwide "integrated financial package" which makes use of blending operations (investment grants, technical assistance), financial instruments and budgetary guarantees supporting private-sector, sovereign and sub-sovereign operations. The External Action Guarantee, including Budgetary guarantees, MFA and Euratom loans replaces the existing external action guarantees e.g. EFSD Guarantee supporting private-sector lending and the EIB´s External Lending Mandate.

The objectives of this contribution are in line with NDICI and have already been endorsed by the governance in place under EFSD; therefore the specific PIPs comply with the eligibility criteria set out under article 35.2 of NDICI Global Europe Regulation.

2.2 Problem Analysis

The relevant areas for support were described and analysed in section 2 of Annex I to COM Decision (2017) 7899.[4]

These priorities are also matching the ones included in Annex II of the NDICI Regulation: the promotion of sustainable cities, the support for the use of affordable and clean energy, support to MSME's, boosting and supporting sustainable agriculture, investment in digital connections.

The Action overall, aims to contribute to the reduction of socio-economic inequalities, sustainable and inclusive growth, climate change adaptation and mitigation, biodiversity loss and ecosystem degradation, environmental protection and management, the creation of decent jobs as well as empowerment of women and young people, in accordance with the relevant indicative programming documents.

[4] Commission Decision of 23 November 2017 on the establishment of investment windows of the European Fund for Sustainable Development

3 DESCRIPTION OF THE ACTION

3.1 Objectives and Expected Outputs

The **overall objectives** of this action is to contribute to the poverty eradication through the support to a group of Proposed Investment Programmes that were carried over from EFSD to EFSD+ due to the coverage of emergency COVAX support.

The action's **specific objective** is the generation of the inclusive and sustainable economic growth and creation of sustainable jobs.

Expected outputs:

- Sustainable jobs created ;
- Entrepreneurs supported and economies enabled to grow;
- Increased and improved access to affordable, reliable, sustainable and modern energy and improving quality of life;
- Increased renewable energy generation capacity installed;
- High quality and reliable digital services provided;
- Mitigated some of the causes of migration;
- The implementation of the Paris Agreement on Climate Change supported;
- COVID 19 affected economies and entities supported;

3.2 Indicative Activities

This Action will support the development of the following Proposed Investment Programmes:

- Invest and support for Businesses in Africa- Fisea +, AFD;
- Africa Local Currency Bonds, KfW;
- European Guarantee for Renewable Energy, KFW, AFD and CDP;
- European Guarantee to increase Local Governments access to finance (Cityriz), AFD;
- MSME Platform, EDFI;
- Financial Inclusion, EBRD;
- MSME Investment Platform, EIB;
- Digital Platform, EIB and EBRD;
- Municipal, Infrastructure and Industrial Resilience Programme, EBRD.

Invest and support for Businesses in Africa - Fisea Plus – AFD (EUR 35 million EU guarantee)

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

Africa Local Currency Bonds (ALCB) – KFW (EUR 100 million EU guarantee)

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.

European Guarantee for Renewable Energy - KFW, AFD and CDP (EUR 60 million EU guarantee)

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.

European Guarantee to increase Local Governments access to finance (Cityriz) – AFD - (EUR 30 million EU guarantee)

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.

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.

MSME Platform – EDFI - (EUR 80 million EU guarantee)

The guarantee will provide affordable funding to small businesses, some of which are engaged in agriculture.

By focusing on mid-size financial institutions that are close to SME clients, the guarantee will provide medium and long duration, competitively-priced financing that supports the capital needs of small and medium-sized businesses for sustainable growth.

EDFIs estimate that the guarantee will enable to create 81,500 new jobs directly and 244,500 job opportunities indirectly in Africa, with a special focus on youth and women. Nearly 40,000 micro-, small- and medium- enterprises are expected to receive funding assistance, and almost 2,000 to strengthen their financial literacy. Over a dozen local financial institutions will be able to improve their lending capacity. Local MSMEs will become more resilient and many potential growth candidates will be able to start upscaling business.

The guarantee will target in particular businesses owned by women and young people. It is expected to 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.

Financial Inclusion– EBRD (EUR 115 million EU guarantee)

This initiative provides a suite of dedicated products for MSMEs (including targeted segments for which access to finance challenges are even greater), which is adapted to the local market circumstances and the specific needs of the financial intermediaries (‘Participating Financial Institutions’, ‘Financial Intermediaries’, ‘Borrowers’ or ‘PFI’).

The PIP’s purpose is to engage with PFIs to foster financial inclusion of MSMEs. The Programme’s objective is to reconcile demand and supply of MSMEs financing by reducing the risk associated with such financing, and encourage financial intermediaries to direct new lending towards those businesses who need it the most, particularly SMEs in the Covid-19 crisis response period and underserved or unserved target groups that have been identified as particularly excluded in the two Neighbourhood regions.

MSMEs have been severely hit by the health and economic crisis brought on by the COVID-19 pandemic and containment measures: they are affected disproportionately, given their lower resilience due to their size and higher vulnerability to supply and demand shocks (in particular with regard to their liquidity), with a serious risk that over 50% of SMEs will not survive the next few months, according to an OECD worldwide survey.[5] MSMEs in the two Neighbourhood regions, which were already financially constrained prior to the pandemic and therefore limited in their growth, employment creation and capacity to innovate, are also severely hit by the current climate.

In this context, the Programme will develop a portfolio of Covered Transactions targeting 1) MSMEs at large in the first instance during the crisis response period to support them in the current crisis which they experience, and 2) once the crisis response period ends and the regions shows signs of economic recovery, up to three of the following underserved MSME segments, consistent with the EFSD's MSME Investment Window:

- Women-led MSMEs, in order to address the gender access to finance gaps;
- Youth-led MSMEs, a particularly underserved segment due to shorter track-records of experience, credit histories and unproven business models; and
- MSMEs operating outside the main urban centres (in particular the capital and main cities), and therefore more remote regions, which are typically underserved by financial institutions.

In terms of leverage of the EU Guarantee– for every euro invested by the EU, the Programme is expected to mobilise up to 8 euros from the EBRD and the private sector. It is estimated that during the lifetime of the Programme, a total portfolio of up to EUR 1,000,000,000 could be developed and up to 10,000 MSMEs could benefit from the Programme, sustaining up to 500,000 jobs.

MSME Platform – EIB (EUR 40 million EU guarantee)

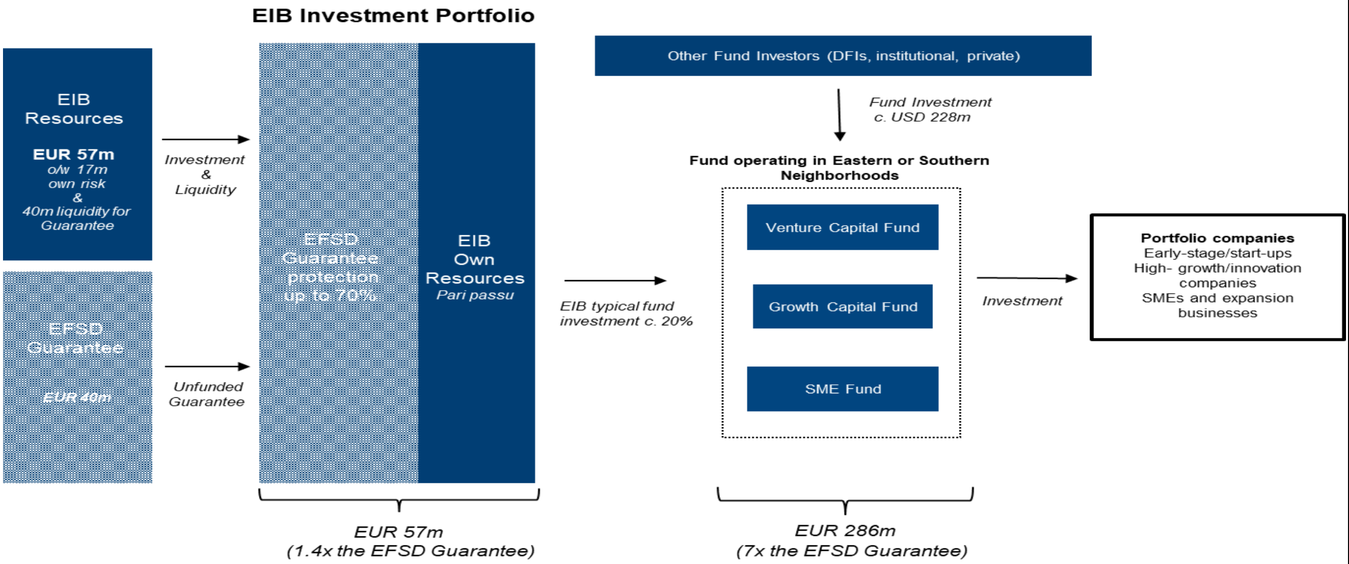
The Private Equity/Venture Capital (PE/VC) industry in the Southern and Eastern Neighbourhood is still quite underdeveloped. PE/VC activity in the local economies is multiple times smaller than the PE/VC activity in the Western developed markets. Significant factor to this limited activity is the limited availability of institutional capital and the persistent challenging fundraising environment across the Target Region. The availability of capital has become an even more acute problem as a result of the crisis caused by the Covid-19 pandemic. International institutional investors have further reduced – and in many cases stopped completely – their capital allocations to the Southern and Eastern Neighbourhood.
The EIB has been investing in risk capital operations in the Southern Neighbourhood since the 1990s through successive risk capital mandates. In recent years, since 2017, EIB has played a key role in the Southern Neighbourhood supporting PE/VC fund investments in diversified sectors and stages of company development. The expanding funding gap in the Eastern and Southern Neighbourhood presents a good opportunity to support new investment funds in reaching their closing size and executing their strategies, should the EIB investments be substantially increased by the offer of increased firepower supported by EU guarantee protection and fronted under EIB own resources.

The initiative will target a wide range of SMEs in the EU Neighbourhood countries and will support them by providing early-stage, growth equity and quasi-equity financing to foster their innovation and expansion opportunities. This helps address the increasing demand for PE/VC capital and develop the

[5] OECD, SME Policy Responses, 20 April 2020, accessible here.

nascent investment ecosystem in the region, when EIB has only limited resources to cover such demand.
A proposed guarantee of EUR 40 million will enable up to EUR 57 million of investment operations in Venture Capital and Private Equity ("PE/VC") funds in the Eastern or Southern Neighbourhood. This investment is expected to contribute to SME equity financing for a total amount of EUR 286 million (chart below).

The EIB will implement the EFSD+ Guarantee in new fund projects, i.e. not having already achieved final close at the time of signing the guarantee agreement with the Commission.



Digital Platform – EIB and EBRD (EUR 70 million EU guarantee)

The Digital Transformation Platform has been designed as an integrated approach with a view to:
- Achieving access to the digital economy for the broader population through, for example, the implementation of national digital plans:
  - develop intervention strategy for areas where commercial operators will not deliver high speed broadband;
  - provide high quality and reliable broadband services;
  - support the emergence of high economic development potential wireless networks; and
  - underpin Government policy on economic growth and jobs.
- Enabling the transition to digital economies:
  - Extending the benefits of digital solutions to the wider populations;
  - Driving productivity efficiency in the public and corporate sector; and,
  - Support the transition to a digital society.

This Programme is targeting the EU neighbouring countries that have officially committed to accelerate investments in this field. Under the Platform, EBRD and EIB will deploy new products and reach new client groups in order to leverage investment from both the private and public sectors.

The main objectives of the programme are to:
- Address bottlenecks to private investments by providing financial instruments and support to private and co-operative sector development.
- Support investment into high -speed broadband networks to un- and under- served regions (the "Broadband Access Infrastructure Purpose");

- Help foster sustainable and inclusive economic development through the creation of decent job opportunities during implementation and after completion of the projects,

The Digital Transformation Platform initiative ensures the EFSD Guarantee additionality by supporting operations which:

- allow for the first time support to investments in digital infrastructure and services in new underserved geographic areas, e.g. semi-urban and rural areas;
- maximise the mobilisation (crowding-in) of private sector capital e.g. by providing tailor made financing. EBRD and EIB (through the EFSD Guarantee) will play an important catalytic role to attract further investments and ensure alignment of interests by providing adequate risk sharing.

Municipal, Infrastructure and Industrial Resilience Programme (EBRD – top up EUR 50 million)

In 2020 the EU and EBRD signed a Guarantee Agreement under EFSD as part of the "*EU municipal, infrastructure and industrial resilience programme*" (the "**Programme**") aimed to:

a. support industrial, building, municipal and sustainable infrastructure investment operations where, in each case as a result of the COVID-19 pandemic, there are short-term liquidity needs affecting businesses, assets and employment, or in order to increase economic activity ("**Component 1**"); and

b. contribute to transitioning economies in the European Neighbourhood South and European Neighbourhood East to green, low-carbon, climate-resilient economies by supporting sustainable investments in green city infrastructure, greening logistics chains, energy efficiency and green technology transfers in industrial processes, commercial operations and buildings ("**Component 2**").

Despite the initial EFSD Board approval of a EUR 150 million guarantee for this programme, the successive decision to shift resources to support the COVAX initiative implied an initial reduction of the EBRD programme to EUR 100 million.
When approving the allocation for carry forward proposals from EFSD to EFSD+ in December 2020, the EFSD Strategic Board agreed for a EUR 50 million top up to EBRD initiative, so to reinstate the initially approved guarantee amount.

3.3 Mainstreaming

Gender
The action will address gender considerations as recommended by the Annex II of NDICI Regulation. The implementation of gender considerations will be monitored via the use of appropriate indicators, most of them being sex disaggregated.
Environment
The action will have positive impact on the environment. Programmes and actions under those instruments shall mainstream the fight against climate change and environmental protection.
Especially the guarantees targeting renewable energy sector will result in actual decrease in emission of greenhouse gases. The action should also comply with the ‘do no significant harm’ (DNSH) principle and promote activities to address the triple planetary crisis (climate change, biodiversity loss and pollution).
Investments will be expected to contribute to the targets as established by the NDICI regulation and to the related political commitments, notably in relations to EU’s ambitions on climate and biodiversity.
Human Rights

As per the NDICI, a rights-based approach should be applied, shall be guided by the principles of 'leaving no one behind, equality and non-discrimination on any grounds, notably in relations to EU's ambitions on climate and biodiversity

3.4 Risks and Lessons Learnt

Category	**Risks**	**Likelihood (High/ Medium/ Low)**	**Impact (High/ Medium/ Low)**	**Mitigating measures**
The partner FI does not sign underlying agreements on time	Risk 1	**Medium**	**Medium**	A deadline will be set up in the guarantee agreements to limit the time for signature of the underlying agreements
FI is not able to apply the pass down obligations imposed by the guarantee agreement	Risk 3	**Low**	**High**	Support from COM services to discuss ad clarify the requirements included in the GA
FI not able to implement the guarantee because of social or political unrest in the partner countries	Risk 4	**Low**	**Medium**	Consultations on potential amendments/ possible re-adjustments of the programmes

Lessons Learnt:

The External Investment Plan (EIP) has since its establishment in 2017 proven a major tool for supporting sustainable development in our partner countries in Africa and the EU Neighbourhood through its three pillars.

By December 2020, COM had allocated the entire EUR 1.549 billion EFSD Guarantee capacity through the signature of the EFSD Guarantee Agreements. The entire EFSD is expected to deliver well above the EUR 44 billion initial target of leveraged funding for strategic sustainable investments in partner countries.

The EU, acting with MS and financial institutions in a "Team Europe" approach, took immediate action to help our partners withstand the COVID-19 crisis. Reoriented guarantees address the most urgent needs that will help small businesses stay afloat in the face of the pandemic. A EUR 400 million guarantee – on top of a EUR 100 million EU grant – will support the COVAX Facility, aimed at investing in and procuring COVID-19 vaccines as well as to ensure fair access as soon as they are available.

EFSD has also been successful in the Neighbourhood region. Good performance not only refers to the amounts – with more than EUR 500 million contracted – but also to the extended partnerships – going beyond traditional IFI partners (EIB, EBRD, AFD, KfW) to include new development finance institutions in this region like CDP, FMO, AECID, IFC.

The implementation of the majority of the initiatives supported with the EFSD guarantee has just started. The Commission will continue to closely engage with the partner financial institutions (FIs) to ensure that the ambitious objectives set in the Guarantee Agreements are achieved. These partnerships were instrumental for demonstrating flexibility and capacity to adapt to unprecedented changing conditions.

In the conclusions of the 2020 Implementation report, the EFSD was recognised as one of the leading examples of the new SDG-led global development finance model and strongly relevant to the investment needs of the two regions and COM priority countries. Overall, a part from its swift implementation, it has a clear governance structure, strong policy focus, covers a range of sectors and will produce clear results in partner countries. As the Court of Auditors has recognised, we need more time to draw conclusions about the results of the EFSD, as still in an early stage of the guarantee programs.

3.5 The Intervention Logic

The Action shall primarily respond to additionality criteria, allow the delivery of innovative financial products and leverage additional resources particularly by mobilising private sector investors. In particular, it will also contribute to the main priorities of the EU in terms of climate, biodiversity and prosperity objectives.

Micro, Small and Medium Enterprises (MSMEs) are the main providers of employment across developing and transition countries, contributing to 66% of the job market[6]. MSMEs are an essential component of local ecosystems in developing countries and they often represent the vast majority of businesses operating in African and in the EU Neighbourhood countries; nevertheless their growth is constrained by limited possibilities of accessing affordable sources of financing, the lack of adequate technical, professional, financial and managerial skills as well as non-conducive legal and regulatory framework and good governance.

On the financial services supply side, the financial institutions in African and the EU Neighbourhood countries are relatively scarce and concentrated in urban areas. They often face challenges regarding asymmetry of information and lack of valid collaterals. Credit bureaus are rare, property or land registration is uneven and the legal system is not strong enough to support claims in due time. Financial institutions tend to focus on larger clients trying to reduce their transaction costs and seeking for rather extensive collateral. The supply of financial services is thus scattered and limited excluding longer term lending and leasing solutions. Interest rates are high. On the demand side, MSMEs in African and in the EU Neighbourhood countries face similar challenges. Their access to finance is limited by the size of their balance sheet, with little or no collateral available. They often lack human and technical skills which increase the risk and limit even more their growth. Finally they are highly vulnerable to market swings or to large-firm competition. In Sub-Saharan Africa, the private sector is often characterised by small firms, mostly operated in the informal sector and ran by women. The gap also disproportionately affects fragile states. This sector is also highly vulnerable to the impacts of climate change.

This Action shall mainly address the main constraints hampering MSMEs development in Sub-Saharan Africa as well as in the EU Neighbourhood, by adopting a differentiated approach. This will result in increased jobs opportunities, especially in countries affected by conditions of fragility, whilst promoting the progressive graduation of businesses from the informal economy.

[6] Financial Inclusion in Africa, AfDB, 2013

3.6 Logical Framework Matrix

Results	Results chain: Main expected results (maximum 10)	Indicators: (at least one indicator per expected result)	Baselines (values and years)	Targets (values and years)	Sources of data	Assumptions
Impact	- To contribute to the poverty eradication through the support to a group of Proposed Investment Programmes that were carried over from EFSD to EFSD+ due to the coverage of emergency COVAX support -Increase in the proportion of population that has access to basic services	1 Proportion of population below the international poverty line, by sex, age, employment status and geographical location (urban/rural) 2 Growth rates of household expenditure or income per capita among the bottom 40 per cent of the population and the total population 3 Estimated number of people with improved access to services. 4 Number of beneficiaries living below the poverty line	Depends on the actual country in which the guarantee is deployed	Depends on the actual country in which the guarantee is deployed	1 Country statistics 2 Country statistics	*Not applicable*
Outcome 1	1 The generation of the inclusive and sustainable economic growth supported and sustainable jobs created	1.1 Annual growth rate of real GDP per capita 1.2 Proportion of employed people below the international poverty line 1.3 Unemployment rate, by sex, age and persons with disabilities	Depends on the actual country in which the guarantee is deployed	Depends on the actual country in which the guarantee is deployed	1.1 Country statistics 1.2 Country statistics 1.3 Country statistics	
Output 1 **related to Outcome 1**	1.1 Sustainable jobs created	1.1.1 Number of full-time workers employed 1.1.2 Number of indirect jobs supported	Depends on the actual country in which the guarantee is deployed	Depends on the actual country in which the guarantee is deployed	1.1.1 Reports from FIs 1.1.2 Reports from FIs	
Output 2 **related to Outcome 1**	1.2 Enterpreneurs supported and economies enabled to grow	1.2.1 Total number of beneficiaries 1.2.2 Number of full-time jobs created	Depends on the actual country in which the guarantee is deployed	Depends on the actual country in which the guarantee is deployed	1.2.1 Reports from FIs 1.2.2 Reports from FIs	
Output 3 **related to Outcome 1**	1.3 Increased and improved access to affordable, reliable, sustainable and modern energy and improving	1.3.1 Length of transmission lines constructed or upgraded with EU support	Depends on the actual country in which the	Depends on the actual country in which the	1.3.1 Reports from FIs	

	quality of life/ access to sustainable urban infrastructure	1.3.2 Length of distribution lines constructed or upgraded with EU support 1.3.3 Number of people benefitting from electricity production	guarantee is deployed	guarantee is deployed	1.3.2 Reports from FIs 1.3.1 Reports from FIs	
Output 4 **related to Outcome 1**	1.4 Increased renewable energy generation capacity installed	1.4.1 Additional renewable generation capacity installed by urban and rural 1.4.2 Additional electricity production from renewable sources in GWh/year by urban and rural	Depends on the actual country in which the guarantee is deployed	Depends on the actual country in which the guarantee is deployed	1.4.1 Reports from FIs 1.4.2 Reports from FIs	
Output 5 **related to Outcome 1**	1.5 Mitigated some of the causes of migration	1.5.1 Number of beneficiaries living below the poverty line 1.5.2 Narrative of the links between above objectives and efforts to address root causes of irregular migration.	Depends on the actual country in which the guarantee is deployed	Depends on the actual country in which the guarantee is deployed	1.5.1 Reports from FIs 1.5.2 Reports from FIs	
Output 6 **related to Outcome 1**	1.6 Positive impact on climate change - the implementation of the Paris Agreement on Climate Change supported	1.6.1 Renewable energy share in the total final energy consumption 1.6.2 CO2 emission per unit of value added	Depends on the actual country in which the guarantee is deployed	Depends on the actual country in which the guarantee is deployed	1.6.1 Reports from FIs 1.6.2 Reports from FIs	
Output 7 **related to Outcome 1**	1.7 COVID 19 affected economies and entities supported	1.7.1 Narrative of the links between above objectives and efforts to mitigate the adverse effects of COVID-19 pandemics.	Depends on the actual country in which the guarantee is deployed	Depends on the actual country in which the guarantee is deployed	1.5.1 Reports from FIs 1.5.2 Reports from FIs	
Output 8 **related to Outcome 1**	1.8 Number of people benefitting from safe drinking water in urban area, disaggregated by sex and age where relevant	1.8.1 Urban population using a safe drinking water supply, as defined by international standards.	Depends on the actual country in which the guarantee is deployed	Depends on the actual country in which the guarantee is deployed	1.6.1 Reports from FIs 1.6.2 Reports from FIs	
Output 9 **related to Outcome 1**	1.9 Number of additional urban transport users per year, disaggregated by sex and age where relevant	1.9.1 Number of additional urban transport users, calculated as the difference between the number before and after the project.	Depends on the actual country in which the	Depends on the actual country in which the	1.6.1 Reports from FIs	

			guarantee is deployed	guarantee is deployed	1.6.2 Reports from FIs	
Output 10 **related to Outcome 1**	1.10 Amount of solid waste collected and disposed	1.10.1 Solid waste collected, treated and disposed supported by the investment.	Depends on the actual country in which the guarantee is deployed	Depends on the actual country in which the guarantee is deployed	1.6.1 Reports from FIs 1.6.2 Reports from FIs	
Output 11 **related to Outcome 1**	1.11 Number of people benefitting from improved housing conditions in urban areas, disaggregated by sex where relevant	1.11.1 Number of people benefitting from improved housing conditions in urban areas.	Depends on the actual country in which the guarantee is deployed	Depends on the actual country in which the guarantee is deployed	1.6.1 Reports from FIs 1.6.2 Reports from FIs	

4 IMPLEMENTATION ARRANGEMENTS

4.1 Financing Agreement

In order to implement this action, it is not envisaged to conclude a financing agreement with the partner country.

4.2 Indicative Implementation Period

The indicative operational implementation period of this action, during which the activities described in section 3 will be carried out and the corresponding contracts and agreements implemented, is 180 months from the date of the adoption by the Commission of this Financing Decision.

Extensions of the implementation period may be agreed by the Commission's responsible authorising officer by amending this Financing Decision and the relevant contracts and agreements.

4.3 Implementation Modalities

The Commission will ensure that the EU appropriate rules and procedures for providing financing to third parties are respected, including review procedures, where appropriate, and compliance of the action with EU restrictive measures.[7]

4.3.1 EFSD+ operations covered by budgetary guarantees

This action will be implemented through budgetary guarantees under indirect management.

This section 4.3.1 is included for information purposes only. Comprehensive work programmes for the commitments under the EFSD+ budget lines for the Neighbourhood, Sub-Saharan Africa, Asia and the Pacific, the Americas and the Caribbean are adopted separately.

4.4 Scope of geographical eligibility for procurement and grants

The geographical eligibility in terms of place of establishment for participating in procurement and grant award procedures and in terms of origin of supplies purchased as established in the basic act and set out in the relevant contractual documents shall apply, subject to the following provisions:

The Commission's authorising officer responsible may extend the geographical eligibility on the basis of urgency or of unavailability of services in the markets of the countries or territories concerned, or in other duly substantiated cases where application of the eligibility rules would make the realisation of this action impossible or exceedingly difficult (Article 28(10) NDICI-Global Europe Regulation).

4.5 Indicative Budget

The work programme covers the following PIPs for the maximum EU budgetary guarantee amounting to EUR 580 000 000.

Title of the project	**Selected Entrusted Entity**	**Maximum EU Guarantee amount**

[7] FSF (europa.eu)

European Guarantee to increase Local Governments access to finance (Cityriz)	AFD	EUR 30 million
European Guarantee for Renewable Energy	KFW, AFD, CDP;	EUR 60 million
Africa Local Currency Bonds	KFW	EUR 100 million
Invest and support for Businesses in Africa (Fisea+)	AFD	EUR 35 million
MSME Platform	EDFI	EUR 80 million
Financial Inclusion	EBRD	EUR 115 million
MSME Investment Platform	EIB	EUR 40 million
Digital Platform	EIB, EBRD	EUR 70 million
Municipal, Infrastructure and Industrial Resilience Programme	EBRD	EUR 50 million
TOTAL		EUR 580 million

4.6 Organisational Set-up and Responsibilities

As part of its prerogative of budget implementation and to safeguard the financial interests of the Union, the Commission may participate in the above governance structures set up for governing the implementation of the action.

In accordance with Article 33 of the NDICI regulation, a Strategic Board will guide the progress of the EFSD+. It comprises representatives of the governments of EU countries, the European Commission, the EU High Representative and the European Investment Bank.

In accordance with Article 34 of the NDICI Regulation an EFSD+ Operational Board will comprise representatives of EU Member States. The Board provides opinions, which is a basis for the Commission to negotiate and sign guarantee agreements with FIs.

5 PERFORMANCE MEASUREMENT

5.1 Monitoring and Reporting

The day-to-day technical and financial monitoring of the implementation of this action will be a continuous process, and part of the implementing partner's responsibilities. To this aim, the implementing partner shall establish a permanent internal, technical and financial monitoring system for the action and elaborate regular progress reports (not less than annual) and final reports. Every report shall provide an accurate account of implementation of the action, difficulties encountered, changes introduced, as well as the degree of achievement of its results (Outputs and direct Outcomes) as measured by corresponding indicators, using as reference the logframe matrix (for project modality).

The Commission may undertake additional project monitoring visits both through its own staff and through independent consultants recruited directly by the Commission for independent monitoring reviews (or recruited by the responsible agent contracted by the Commission for implementing such reviews).

Roles and responsibilities for data collection, analysis and monitoring lays with the partner institutions which will submit regularly reports with the relevant information on the implementation of the Action to the Commission.

5.2 Evaluation

Having regard to the nature of the action, a final evaluation will not be carried out for this action or its components.

The Commission may, during implementation, decide to undertake such an evaluation for duly justified reasons either on its own decision or on the initiative of the partner[8].

The evaluation reports shall be shared with the partner country and other key stakeholders. The implementing partner and the Commission shall analyse the conclusions and recommendations of the evaluations and, where appropriate, in agreement with the partner country, jointly decide on the follow-up actions to be taken and any adjustments necessary, including, if indicated, the reorientation of the project.

Without prejudice to the obligations applicable to contracts concluded for the implementation of this action, the Commission may, on the basis of a risk assessment, contract independent audits or expenditure verification assignments for one or several contracts or agreements.

The financing of the evaluation shall be covered by another measure constituting a financing decision.

5.3 Audit and Verifications

Without prejudice to the obligations applicable to contracts concluded for the implementation of this action, the Commission may, on the basis of a risk assessment, contract independent audit or verification assignments for one or several contracts or agreements.

6 STRATEGIC COMMUNICATION AND PUBLIC DIPLOMACY

The 2021-2027 programming cycle will adopt a new approach to pooling, programming and deploying strategic communication and public diplomacy resources.

It will remain a contractual obligation for all entities implementing EU-funded external actions to inform the relevant audiences of the Union’s support for their work by displaying the EU emblem and a short funding statement as appropriate on all communication materials related to the actions concerned. This obligation will continue to apply equally, regardless of whether the actions concerned are implemented by the Commission, partner countries, service providers, grant beneficiaries or entrusted or delegated entities such as UN agencies, international financial institutions and agencies of EU member states.

[8] Evaluation carried out in the context of this action need to comply with the requirements set by Art 42 of NDICI Regulation 2021/947

Appendix 1 REPORTING IN OPSYS

An Intervention (also generally called project/programme) is the operational entity associated to a coherent set of activities and results structured in a logical framework aiming at delivering development change or progress. Interventions are the most effective (hence optimal) entities for the operational follow-up by the Commission of its external development operations. As such, Interventions constitute the base unit for managing operational implementations, assessing performance, monitoring, evaluation, internal and external communication, reporting and aggregation.

Primary Interventions are those contracts or groups of contracts bearing reportable results and respecting the following business rule: 'a given contract can only contribute to one primary intervention and not more than one'. An individual contract that does not produce direct reportable results and cannot be logically grouped with other result reportable contracts is considered a 'support entity'. The addition of all primary interventions and support entities is equivalent to the full development portfolio of the Institution.

The present Action identifies as

Action level		
☒	Single action	Present action: all contracts in the present action