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ANNEX

of the Commission Decision on the financing of the Annual Action Programme 2020 Part 1 in favour of West Africa

Action Document for West Africa contribution to EFSD guarantees' Technical Assistance

1. Title/basic act/ CRIS number	West Africa contribution to EFSD guarantees' Technical Assistance CRIS number : ROC/FED/042-085 financed under the 11th European Development Fund (EDF)	
2. Zone benefiting from the action/location	West Africa region - Member countries of the Economic Community of West African States (ECOWAS) and the Republic of Mauritania	
3. Programming document	Regional Indicative Programme (RIP) for West Africa (2014-2020)	
4. Sustainable Development Goals (SDGs)	SDG 1 No Poverty SDG 5 Gender Equality SDG 8 Decent Work and Economic Growth SDG 7 Affordable and Clean Energy SDG 9 Industry, Innovation and Infrastructure SDG 11Sustainable Cities and Communities SDG 12 Sustainable Consumption and Production SDG 16 Peace, Justice and Strong Institutions	
5. Sector of intervention/ thematic area	Priority Area 2: Regional Economic Integration	DEV. Aid: YES[1]
6. Amounts concerned	Total estimated cost: EUR 8 000 000 Total amount of EDF contribution EUR 8 000 000	
7. Aid modality and implementation modality	Project Modality **Indirect management** with a Member State organisation and/or international organisation	
8 a) DAC code(s)	240 Banking & Financial Services 250 Business & Other Services 321 Small and medium-sized enterprises (SME) development	
b) Main Delivery Channel	11000 Donor Government	

[1] Official Development Assistance is administered with the promotion of the economic development and welfare of developing countries as its main objective.

9. Markers (from CRIS 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	☒	☐	☐
	RIO Convention markers	**Not targeted**	**Significant objective**	**Principal objective**
	Biological diversity	☒	☐	☐
	Combat desertification	☒	☐	☐
	Climate change mitigation	☐	☒	☐
	Climate change adaptation	☐	☒	☐
10. Global Public Goods and Challenges (GPGC) thematic flagships	N.A.			

SUMMARY

In September 2017, the European External Investment Plan (EIP)[2] was launched to promote inclusive growth, job creation and sustainable development and, in this way, boost economic development and growth while tackling also some of the root causes of irregular migration. The main financial arm of the EIP is the new European Fund for Sustainable Development (EFSD), which comprises funding for blending operations and a new innovative financing instrument, the EFSD guarantee.

West Africa is already a top performing region in blending operations. Since 2017 under the African Investment Platform, the EU has approved 98 blending operations for almost EUR 2.2 billion, which have leveraged about EUR 19.6 billion in investments. West Africa has also been identified as a big potential beneficiary for EFSD guarantee that aims to target high risk perceived financial operations in more fragile and risky countries.

The Commission adopted two Decisions C(2018) 8804 and C(2019) 2780 confirming the implementing partners and required amounts for 28 Guarantee portfolios of maximum EUR 1 540 000 000 and Technical Assistance (TA) of maximum amount of EUR 142 600 000. The Decisions defined the type of activities that the eligible entities may finance and specified the regions and sectors targeted and the type of investment supported.

The main objective of this action is to foster sustainable economic growth and jobs creation through support of private sector development and improved (micro), small and medium enterprises ((M)SMEs) access to finance from capital markets. This objective will be reached by contributing to the Technical Assistance component of the individual EFSD Guarantee agreements.

[2] COM(2016) 581 final of 14.9.2016.

This contribution will allow West Africa region to benefit from TA support in the framework of the EFSD guarantees. The innovative character of the guarantees makes Technical Assistance necessary in order to develop a pipeline of transactions, as well as facilitate the roll-out of the financial products while ensuring the expected development impact. The TA accompanying the EFSD Guarantee projects will serve to support the end borrowers and financial intermediaries in the structuring of the financial operations that they will undertake under the EFSD Guarantee.

1. CONTEXT ANALYSIS

1.1 Context Description

West Africa is the second largest regional economy in Africa (behind North Africa), as it accounts for 24% of total gross domestic product (GDP). Despite the positive average growth trend (5% average growth from 2000-2014), the growth dynamics remain to be consolidated and stabilised. West Africa growth remains highly dependent and vulnerable to Nigeria's performance (that accounts for 77% of total GDP and 52% of the West African population). Its limited economic diversification results in a high reliance on commodity prices (notably of raw materials and extractive sector products). Access to finance, land property, lack of general infrastructure (transport and power mainly) and low capability of innovation and management skills are elements that hinder the region to translate growth into competitiveness and sustainable development. The improvement of the investment climate is a key element of the Africa – Europe Alliance for Sustainable Investment and Jobs.[3]

Western Africa's population will double by 2050 (809 million people). It will be representing 8.5% of the total world population and 31.7% of total African population. 44% of its current population is under the age of 15. This demographic trend is coupled with a fast urbanisation process: 47.3% of the population is today urban. By 2050, the urban population will be 63.1% of the total population. The demographic trend, sustained growth and rapid urbanisation in the region is accelerating the development of a growing middle-income class of consumers, but also determining the urgent need to boost employment and create decent and green job opportunities.

The region has remained traditionally gender-stratified whereby men, on average, have greater access than women to the resources and opportunities in society (land ownership, inheritance system, income, credits, health, education, decision-making etc.). Women continue to be also under-represented at the political and economic leadership levels of the region: women occupy only 14.5% of parliamentary seats in ECOWAS Member States (ranging from 7% in Nigeria's lower house to 42% in Senegal's upper house) compared to a global average of 18.4% and 18.2% in sub-Saharan Africa.

West Africa faces many security threats, which endanger security and stability in the region. The stabilisation of cross border regions - especially in the Sahel and Lake Chad - remains a key priority for the region and the EU. The reduced presence of State authorities, scarce provision of basic social services and lack of economic opportunities represent a breeding ground for radical groups to spread. Combining efforts to provide security and socio-development is crucial to sustain peace and stability in these areas.

West Africa will continue to be highly affected by climate change. Coastal countries, in the long run, will have to deal with an increase in the sea level and the number of cities will need

[3] COM(2018) 643 final of 12.9.2018.

to adjust to this new reality. In addition, the majority of the population continues to depend on agriculture for their living. This, combined with population increase, means the potential for exacerbated tensions around the use of natural resources is to be expected. Among the most pressing natural resources challenges common to all countries in West Africa are the integrated management of water (in the context of recurrent droughts in the Sahel); the need to safeguard forested areas, soil erosion and desertification, the loss of biodiversity, and to deal with urban sprawl (waste and wastewater management, and sustainable consumption and production).

All this, together with eventual internal shocks, as with the Ebola virus in 2014-2015, or political crises, has a determinant impact in the overall macroeconomic stability of the region, the development of private sector and on the region attractiveness to private investments. Indeed, most West African countries are at the bottom of the doing Business ranking[4]. Business climate in the region needs to be improved.

1.2 Policy Framework (Global, EU)

The 2017 New European Consensus on Development[5] recognises the importance of the private sector as an engine of economic growth, job creation and prosperity in developing countries. Creating decent job opportunities, particularly for women, youth, groups in vulnerable situations and those most at risk is essential for inclusive and sustainable growth. Its core strategy is to boost investments in the areas of technical assistance, the improvement of governance and the creation of a business-friendly environment, with a particular focus on the low-emission and circular and green economy. These priorities are particularly important when looking at the African continent, where the demographic trend and quick urbanisation, demands shift, large-scale response.

In line with this, the Africa – Europe Alliance for Sustainable Investment and Jobs, vested into the priorities of this action, is aiming to boost strategic investments, improving business environment, investing in people and the development of human capital skills and increasing continental and intraregional trade in Africa. To achieve this, an important focus is placed on the development of local and regional value chains, in order to boost sustainable growth and the creation of inclusive jobs, with a particular focus on facilitating access to the job market for women, young people and people living in vulnerable situations.

A key instrument to ensure its achievement and full implementation is the External Investment Plan (EIP) announced in 2016 and its new European Fund for Sustainable Development (EFSD) that was launched in Abidjan in 2017. The EFSD represents the 1st pillar of the EIP and aims to support investments in Africa through blending activities and financial guarantees. The EFSD is guided by the objectives of the Union's external action as set out in Article 21 of the Treaty on European Union (TEU) and of Union policy in the field of development cooperation as set out in Article 208 of the Treaty on the Functioning of the European Union (TFEU), as well as the EU commitment under the Addis Ababa Action Agenda on Financing for Development. The purpose of the EFSD is in line with the Union Global Strategy for Foreign and Security Policy, which embeds challenges such as migration and resilience in the overall foreign policy of the Union, ensuring that Union external policy is fully coherent with the objectives of development policy and ensuring synergies with the Union's development policy. Its purpose is also in line with the Charter of Fundamental Rights of the European Union and international human rights law, which ensures a human

[4] World Bank Doing Business Index 2018.
[5] OJ C 210 of 30.6.2017.

rights-based approach while addressing poverty, gender inequality, forced displacement and irregular migration in a non-discriminatory, transparent, accountable and participatory way.

The action contributes to the EU Gender Action Plan (GAP) II (2016-2020)[6] objective 15 ‘access by women to financial services, productive resources including land, trade and entrepreneurship’; and objective 14 ‘access to decent work for women of all ages’ under the thematic priority; ‘Promoting Economic and Social Rights and Empowerment of Girls and Women’.

All this is framed in a larger context, and is conceived as a means to contribute to the achievement of the Sustainable Development Goals of the United Nations (UN) 2030 Agenda for Sustainable Development (the ‘2030 Agenda’) and consequent fulfilment of economic and social rights. Investments supported by the EFSD should contribute towards addressing migratory pressures stemming from poverty, conflict, instability, underdevelopment, inequality, human rights violations, gender inequality, demographic growth, and the lack of employment and economic opportunities, as well as from climate change.

1.3 Public Policy Analysis of the region

The current West Africa context in relation to its vision of industrialisation, in line with the African Union Agenda 2063, is characterised, among other things, by: (i) the revision of ECOWAS industrialisation strategy - West Africa Common Industrial Policy (WACIP), with the firm objective to accelerate the industrialisation and private sector development of West Africa; and (ii) the various trade liberalisation initiatives including the ECOWAS Common External Tariff (CET), the World Trade Organisation (WTO) Trade Facilitation Agreement and the Economic Partnership Agreement (EPA).

Challenges to the full implementation of these policies include achieving an enabling business environment that allows private sector development and attracts private investment; the development of decent job opportunities; the full operationalisation of ECOWAS trade liberalisation scheme as an essential step towards the completion of a common market by 2020; the harmonisation of macroeconomic policies to achieve regional integration.

In close collaboration with the two Regional Economic Communities (RECs) in West Africa – ECOWAS and the West African Economic and Monetary Union l'Union (WAEMU)/Économique et Monétaire Ouest Africaine (UEMOA) – the different programmes under the RIP aim to support the challenges above, including the reduction of trade barriers, the implementation of regulatory and institutional reforms that reduce business cost, harmonise standards, reinforce quality infrastructure, improve private sector competitiveness (mainly in agriculture) and technical assistance to support different stakeholders. Special importance is given in this framework to two programmes under the 11th EDF RIP:

- West Africa Competitiveness programme that aims to strengthen the competitiveness of West African countries through the promotion of national and regional value chains development to foster growth and job creation.
- West African Trade Facilitation programme that aims to contribute to strengthening ECOWAS common market and the integration into the international economic and trading systems. Mainly through the improvement of trade facilitation measures and the increased efficiency of trade corridors between West African countries.

[6] Gender Equality and Women's Empowerment: Transforming the Lives of Girls and Women through EU External Relations 2016-2020, SWD(2015)182 final of 21.9.2015.

Following the EU-Africa Business Forum and the African Union-EU Summit in Abidjan, West Africa - EU common priorities on sustainable growth and decent job creation in West Africa were again highlighted during the High Level Conference - Jobs and growth in West Africa. On 8 July 2018 in Brussels the EU, together with ECOWAS and UEMOA, gathered more than 200 high-level policy makers, financial institutions (FIs) and private sector from West Africa and Europe to discuss around three thematic areas – Micro, Small and Medium enterprises (MSMEs), Agro-business and Digitalisation - on how to create more and decent jobs and boost inclusive growth in the region, stressing once again the political relevance off the topic.

Regarding gender policies in the region, women's rights have been recognised and guaranteed in all international human rights instruments, notably the Universal Declaration of Human Rights, the African Charter on Human and Peoples Rights and the Convention on the Elimination of all forms of Discrimination Against Women. The majority of the ECOWAS Member States have ratified those instruments.

The ECOWAS Vision 2020 and the Supplementary Act on Equality of Rights between Women and Men for Sustainable Development in the ECOWAS Region (adopted in 2015) emphasises gender equality, inclusive development and women's empowerment in the scheme of the regional integration process. The Supplementary Act commits all ECOWAS member states to the promotion of gender equality and equity in all sectors.

1.4 Stakeholder analysis

The rights-holders of this action will be the West Africa population, who will benefit from the creation of decent work opportunities through private sector development, enhanced investment and sustainable economic growth. Rights-holders will mainly include local financial intermediaries and the local private sector actors (particularly MSMEs and entrepreneurs).

Key stakeholders include: regional and national private sector associations, regional financial institutions, government institutions and agencies, regional organisations, international organisations, business and trade associations (including women's business associations when possible), chambers of commerce, banking sector institutions, existing local and regional funds structures, cooperatives, local and regional civil society organisations representing different groups of rights-holders, social partners, funding or implementing partners like EU Member States, international and in-country development partners.

1.5 Problem analysis/priority areas for support

Most West African countries are at the bottom of the doing Business ranking[7]; despite the significant progress of some of the economies, such as Togo that was rated as best performing country of the EOCWAS region in the Doing Business ranking 2020 where they placed 90th out of the 190th economies analysed. Access to financial resources has been identified as a common critical challenge and obstacle to companies in the region. According to the World Bank Enterprise Surveys, the majority of surveyed companies in West Africa ranked financing as their biggest or second biggest obstacle, out of a list of fifteen challenges ranging from transport to taxes[8]. Smaller enterprises, in particular, are more affected by the lack of external funding, while most of the enterprises are micro and small informal companies. Access to financial resources is strongly gender biased and women are overrepresented in the informal sector.

[7] World Bank Doing Business Index 2018.
[8] Banking in Africa: Delivering on Financial Inclusion, Supporting Financial Stability, EIB, October 2018.

Despite the fact that most banks recognise the importance of MSMEs in West African economies and understand that extending loans to MSMEs can help the banks diversify the risk of their portfolios, high-risk perception of the operations and the lack of mature bankable projects make it difficult, in practice, for West African banks to increase credit to MSMEs.

As a result, only 22% of enterprises in Western Africa have an outstanding bank loan and/or line of credit. Many companies, including larger firms that manage to access financial markets, are unable to cover all their needs. Generally, banks in West Africa provide lending primarily to cover shorter-term working capital expenditures rather than investments in fixed assets (25% vs 10%), with 75% of companies declaring they have to use internal resources to cover costs associated with the latter[9].

This key problem of access to finance in Africa has a complex background and context that justifies the existing challenges and limitations. The scope of the problem is very wide and diverse and differs in each sector, and in each country and region, it is therefore essential that each financial product and specific initiative is accompanied by a detailed context analysis and problem diagnosis adapted to the tool.

However, there are already some common challenges that are observed and can be highlighted more generally. For example, the lack of adapted financial products for MSMEs among traditional banks and financial institutions, their limited knowledge on the specificities of the MSMEs, the strict requirements imposed by banks in terms of safeguards and guarantees (particular challenge among women), the lack of bankable projects that reply to banks requirements, the limited capacities of the intermediaries to adapt their offer to the market requests, etc.

The EFSD, as part of the Union's External Investment Plan (EIP), supports investors and private companies, in particular micro, small and medium-sized enterprises, to contribute more effectively to sustainable development in partner countries in line with the Union's development policy. The EFSD maximises additionality, addresses market failures and sub-optimal investment situations, delivers innovative products and crowds in private sector funds, with the overall objective of increasing financing for development. Increased public and private investment in the region is a key factor in sustaining the region's strong sustainable growth.

The EFSD focuses on addressing some of the root causes of migration. Africa faces many challenges in that regard, mainly related to the lack of crowding-in of private financing. The EFSD Guarantee aims to constitute guarantee capacity for credit enhancement that will ultimately benefit the final investments and allow risk sharing with other investors, notably private actors, ensuring the appropriate level of concessionality, depending on the investment needs. It will leverage additional financing, in particular from the private sector, by addressing the key factors that enable crowding-in private investment. The EFSD guarantees will focus on de-risking operations and allowing underserved private sector to have access to financial resources to develop and boost their economies, and to perform the necessary investments in best management practices and green and resource-efficient technology, (including good and climate smart agricultural practices), while ensuring social standards and development impact.

On the other hand, West African countries need to build and develop a strong competitive advantage and prepare the region and key private sector stakeholders to absorb the potential support that will be provided through the EFSD guarantee. It is essential to enable the possibility to build and strengthen capacities of local financial institutions, and final

[9] Opus cit.

beneficiaries in the private sector, to increase financial inclusion. To achieve this, TA support will be essential.

2. RISKS AND ASSUMPTIONS

Risks	**Risk level (H/M/L)**	**Mitigating measures**
Reduced appetite from financial institutions to target risky portfolios, in particular in fragile states.	M	Technical assistance will be provided to financial institutions to encourage them to target these elements. In addition, the guarantees pricing system will encourage FIs to opt for fragile context and more risky portfolios.
The lack of favourable policies in the target countries in the sectors concerned will limit the impact of the actions.	M	Policy dialogue in the framework of the EIP 3rd Pillar is focusing on accountability and the shaping of a business friendly transparent environment. In West Africa, Budget Support operations should also be used. The Sustainable Business for Africa (SB4A) initiative has been launched in all WA countries supporting the public-private dialogue.
Human rights violations committed by the private sector.	M	Private sector will abide by the UN Guiding Principles on Business and Human Rights. Biannual pipeline revisions will allow pointing out and better identifying conflicting enterprises.
Private sector supported does not comply with green and environmental friendly practices.	M	The policy dialogue under pillar 3 and negotiations with FIs should also focus on enabling an environment for green investments. Complementary mechanisms could be explored under other programmes e.g. through tax incentives for SMEs investing in efficient technology.
Rights-holders targeted by the guarantee are not fully aware of the possibilities offered by the Guarantee.	H	Targeted visibility and communication actions are to be provided by the lead FI. This is to be done in cooperation with the European Commission and particularly EU Delegations on the ground. Focus will be paid on transparent and inclusive information sharing to reach all population groups leaving no one behind.
The pipeline of transactions provided is not corresponding to the objectives set by the Guarantee agreement.	M	Bi-annual pipeline revisions will ensure the alignment to the key objectives and address any mismatches. Involvement of the EU Delegations at this stage is key.

Assumptions
A stable political and financial climate on the regional level, in general, and on the country level, in particular, is needed. The level of economic governance shall be conducive to investments. Appropriate pipelines of transactions are identified and developed by finance institutions in close cooperation with the EU Delegations, taking into account the reality and challenges of each country/region and the priorities defined with the regional organisations.

3. LESSONS LEARNT AND COMPLEMENTARITY

3.1 Lessons learnt

All West African EU Delegations have developed the Jobs and Growth Compacts. These documents have an in-depth analysis of the overall macroeconomic framework in the countries. They also include a mapping of the key stakeholders, identify main business environment challenges and opportunities and, most importantly, these documents identify the priority value chains with the highest job creation potential. The Jobs and Growth Compacts will be a very useful tool backing up and supporting the discussions and implementation at country level where the guarantees will be rolled out.

As underlined by the Africa - Europe Alliance, private sector development is an essential condition for unlocking the potential of sustainable growth. A structured public-private dialogue should include a diversity of actors that involve representation at the micro, meso and macro level. In this regard, EIP pillar 3 with the Sustainable Business for Africa initiative will be of crucial importance. Analysis on the EIP pillar 3 assessment contains important details to build on.

Well-designed policy and regulatory reforms, as well as fiscal reforms, represent an essential condition for domestic revenue mobilisation, which facilitates the creation of a framework that is conducive to economic prosperity and the creation of inclusive jobs. Best practice on national policy dialogues and negotiations should be taken from the different national budget support activities.

In the partnership with other International Financial Institutions (IFIs), significant experience can be kept from our blending activities in the region. Ensuring good communication channels between IFIs and the European Commission has been proven key to the success of the project. Close monitoring of activities at country level needs to be in place. Focal points from IFIs at country level must engage with local EU Delegations.

Country level ownership is key to the successful implementation of regional/global activities. Regional initiatives require more effort in ensuring the engagement of local beneficiaries (including government, private sector and other local stakeholders). In order to do so, dialogue should be reinforced at country level and communication actions stepped up with appropriate adapted local channels and messages that reach the final beneficiaries in each of the countries.

3.2 Complementarity, synergy and donor coordination

This action is critical to complement the efforts already deployed under the EIP, namely the EFSD guarantees and blending projects in the region. Guiding principles of the EIP are: (i) the EU, Member States, third countries, public financial institutions and the private sector, should all contribute, (ii) complementarity and co-operation with the work of the public Financial Institutions and contributors in the target region will be a key element of this overall framework in order to ensure maximised results and impact, (iii) improve effectiveness and impact, maximise synergies, and attract private and institutional investors. This action, as a contributing element to EIP, will also adhere to these principles, where applicable. The Technical Assistance will be implemented in close coordination with multilateral and national European Financial Institutions as well as non-European Financial Institutions. By enabling joint operations, the projects financed will generate greater coherence and better coordination between donors, in line with the Paris Declaration principles and in compliance with the EU Financial Regulation. Member States' resources will reinforce the EU's effort. Co-financing with non-EU financial institutions will further improve donor coordination and harmonisation.

Special attention will be given to ensure complementarity with other similar experiences and existing initiatives in West African countries that are closely linked to financial access and guarantee funds (for example FAGACE, the African Guarantee Fund West Africa, etc). Complementarity will also be ensured with existing EU instruments for the region, including the Africa Investment Facility (ACP-IF), the African Investment Platform (AIP) and the EU Emergency Trust Fund (for Africa) (EUTF[10]). This will be ensured through close consultation and cooperation with the EIB and other financial institutions in the context of its blending operations. The Commission is being consulted systematically on the different projects to be financed and multi-donor coordination is ensured through the Technical Assessment Meeting (TAM) and BOARD committees.

Also, with the operations financed under the Energy for All initiative and the different approaches implementing the Commission Communication on Private Sector, complementarity will be achieved by providing an opportunity to support a larger variety of sectors through the investment windows and teaming up with a large group of stakeholders and with the help of a diversified toolbox in terms of support modalities.

Overall coordination aimed at achieving complementarity between the different aid modalities and tools (budget support actions, projects and programmes implemented under central management, Africa, Caribbean and Pacific (ACP) Investment Facility, EU-Africa Infrastructure Trust Fund, Energy for All initiative, Global Energy Efficiency and Renewable Energy Fund (GEEREF), 'ElectriFI', 'AgriFI', etc.) shall be ensured through regular internal consultation processes and exchanges between the different Commission services. Most importantly, regional initiatives under the West African RIP will also be observed in detail to find synergies and build on the significant developments and achievements that have been accomplished, together with the support of regional organisations, notably in the economic integration, and trade and private sector development (West Africa Competitiveness Programme, Trade Facilitation Programme, blending projects, etc.).

4. DESCRIPTION OF THE ACTION

4.1 Overall objective, specific objective(s), expected outputs and indicative activities

Overall objective

The overall objective of the action is to foster sustainable economic growth and job creation through support of private sector development and improved (M)SME access to finance from capital markets.

[10] Commission Decision C(2015) 7293 final of 20 October 2015.

Specific objectives

1. To strengthen the capacities of financial institutions and financial intermediaries and increase availability of appropriate products and financial services for the private sector, especially MSMEs (and in particular women and young people);
2. To strengthen capacities of the investee companies and improve the MSMEs ecosystem;
3. To allow the West Africa region to leverage the impact of the EFSD guarantee.

Expected outputs

1.1 Local and regional financial institutions/intermediaries are supported to innovate the way they service the target groups, design of products and outreach methodologies for specific targets groups traditionally considered as high risk or with less opportunities to participate;

1.2 Local and regional financial institutions/intermediaries are supported to implement improvements in their risk management processes and comply with the increasing standards of monitoring and reporting;

2.1 Local MSMEs are supported through mentoring or handholding approach and dynamic businesses have become replicable with a specific focus on female entrepreneurship and businesses;

2.2 Concrete investments in MSMEs/projects materialise; opportunities for concrete investments in MSMEs are created/promoted;

3.1 West African countries benefit from the Technical Assistance component that accompanies the EFSD guarantees;

3.2 Countries perceived as more risky to private sector investment and Least Developed Countries are able to strengthen their stakeholders' capacities and bring competitive advantage to the implementation of the EFSD guarantees.

Technical Assistance can be provided at all levels of the project cycle, from project identification (e.g. (pre)feasibility studies, gender equality and human rights impact assessment), through planning and preparation (bankable projects) to implementation (accompany the financial institutions – capacity development of local intermediaries and help improve the financial literacy of end-borrowers/final beneficiaries), as well as monitoring and evaluation.

Indicative activities:

- advisory services to MSMEs; trainings, including thematic and financial literacy workshops, entrepreneurship skill trainings; studies & strategic audits; peer to peer/exchanges (with special attention on access for women, youth and people living in vulnerable situations/most at risk groups);
- support to the launch or scale-up of MSMEs support programmes, reducing MSMEs related risks and support in preparing them for institutional investors, private equity investors and capital markets access;
- assessment of the ability of the local financial institutions to serve the target group (including social and economic impact of financial products in the target group, and assessment of inclusion of women, youth, people living in vulnerable situations and in rural areas); establishment of the business case; product development; business models, including underwriting methodologies and delivery channels; capacity building staff (senior management, loan officers, credit staff, etc.);

- improving the data quality of the portfolio; improving the collection and recovery processes; interventions under the risk management process, such as improvements in the more inclusive credit scoring model or ancillary products; improving the reporting capabilities and dissemination to stakeholders;
- support in the drafting of markets and prices analysis, including client segmentation; strategy and investment plan formulation; and project's business plan design;
- facilitate concrete investments in investment-ready 'champion' MSMEs, as well as spill-overs for job creation and value chains' development with a particular preference for green and social investments;
- capitalise on good practices in terms of access to MSME financing and guarantees in each country and at regional level;
- strengthen existing national and regional guarantee funds.

4.2 Intervention Logic

The innovative character of the EFSD Guarantees makes Technical Assistance (TA) necessary in order to develop a pipeline of transactions, which would fit a variety of instruments proposed under the EFSD. The projects under the EFSD Guarantee are intended for investments in countries where private investors are reluctant to engage due to security and/or economic reasons. This approach brings additionality and helps partner countries achieve the SDGs, as also set out in the EFSD Regulation. However, this is very challenging to partner financial institutions (and their financial intermediaries). Therefore if TA is not provided it would make it impossible for the partner financial institutions to implement the investment part of the instrument i.e. the guarantee itself. TA is essential to prepare an appropriate pipeline and deploy the instruments on the ground. The EFSD Guarantee aims to constitute guarantee capacity for credit enhancement that will ultimately benefit the final investments and allow risk sharing with other investors, notably private actors, ensuring the appropriate level of concessionality, depending on the investment needs. It will leverage additional financing, in particular from the private sector, by addressing the key factors that enable crowding-in private investment.

Technical Assistance accompanying the EFSD Guarantees will serve mainly to support the targeted end beneficiaries and financial intermediaries in the structuring of the financial operations that they will undertake under the EFSD Guarantee.

4.3 Mainstreaming

Partner countries and eligible financial institutions will ensure that all projects financed with EU resources respect EU principles in terms of environmental and social impact (e.g. gender issues, indigenous people rights, etc.), public procurement, state aid, equal opportunities and will also respect the principles of sound financial management with effective and proportionate anti-fraud measures as well as gender equality, good governance and human rights.

Projects benefiting from the EU financing will be examined for their impact on fundamental rights. Within the framework of the principles and objectives of the Union's external action, of the European Consensus on Development and of the Agenda for Change[11] and subsequent modifications and additions thereto: (a) the primary objective of cooperation shall be the reduction and, in the long term, the eradication of poverty, addressing some of the root causes

[11] COM(2011)637 final of 13.10.2011

of migration, including irregular migration and forced displacement; (b) cooperation will also contribute to: (i) fostering sustainable and inclusive economic, social and environmental development, (ii) consolidating and supporting democracy, the rule of law, good governance, human rights, gender equality and the relevant principles of international law, (iii) implementing a rights-based approach (RBA) encompassing all human rights in line with its guiding principles (transparency, participation, non-discrimination, accountability), iv) implementing the Gender Action Plan. The achievement of these objectives shall be measured using relevant indicators, including human development indicators, in particular Sustainable Development Goals (SDGs) and other indicators agreed at international level by the Union and its Member States (e.g. 'UN Guiding Principles on Business and Human Rights').

4. 4 Contribution to Sustainable Development Goals (SDGs)

This intervention is relevant for the United Nations 2030 Agenda for Sustainable Development. It contributes primarily to the progressive achievement of SDG 5 - Gender Equality, SDG 8 - Decent Work and Economic Growth, SDG 16 Peace, Justice and Strong Institutions and SDG 1 - End poverty in all its forms everywhere. Contribution to other specific SDGs will be clearly reflected at the level of individual agreement linked to particular Investment Window (sustainable energy and connectivity; sustainable agriculture and rural development; sustainable cities); and, in particular, in the definition of objectives, results, activities and/or indicators of the individual agreement.

Therefore, the action will also contribute to SDG 7 Affordable and Clean Energy, SDG 9 Industry, Innovation and Infrastructure, SDG 11 Sustainable Cities and Communities, and SDG 12 Ensure sustainable consumption and production patterns.

5. IMPLEMENTATION

5.1 Financing agreement

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

5.2 Indicative implementation period

The indicative operational implementation period of this action, during which the activities described in section 4 will be carried out and the corresponding contracts and agreements implemented, is 96 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 Decision and the relevant contracts and agreements.

5.3 Implementation of the budget support component

N/A.

5.4 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[12].

5.4.1 Indirect management with a Member State Organisation and/or international organisation

This action may be implemented in indirect management with entities which will be selected by the Commission's services using the criteria established in Article 11 of Regulation (EU) 2017/1601, establishing the European Fund for Sustainable Development (EFSD), the EFSD Guarantee and the EFSD Guarantee Fund, and in particular, among others, with the Nederlandse Financierings-Maatschappij voor Ontwikkelingslanden (FMO), the Kreditanstalt für Wiederaufbau (KfW), the Agence française de Développement (AfD), the Agencia Española de Cooperación Internacional para el Desarrollo (AECID), the Compañía Española de Financiación del Desarrollo (COFIDES), the Cassa Depositi e Prestiti (CDP), African Development Bank (AfDB).

This implementation entails the implementation of specific objectives 1, 2 and 3, providing Technical Assistance accompanying the approved EFSD Guarantees.

In case one or more of the envisaged entities would need to be replaced, the Commission's services may select a replacement entity using the same criteria established in Article 11 of Regulation (EU) 2017/1601 establishing the European Fund for Sustainable Development (EFSD), the EFSD Guarantee and the EFSD Guarantee Fund.

5.5 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 in accordance with Article 22(1)(b) of Annex IV to the ACP-EU Partnership Agreement on the basis of urgency or of unavailability of products and services in the markets of the countries concerned, or in other duly substantiated cases where the eligibility rules would make the realisation of this action impossible or exceedingly difficult.

5.6 Indicative budget

	EU contribution (in EUR)
5.4.1 Indirect management with a Member State organisation and/or international organisation (including Communication and Visibility)	8 000 000
5.9 Evaluation, 5.10 Audit	will be covered by another decision
Total	**8 000 000**

[12] www.sanctionsmap.eu Please note that the sanctions map is an IT tool for identifying the sanctions regimes. The source of the sanctions stems from legal acts published in the Official Journal (OJ). In case of discrepancy between the published legal acts and the updates on the website it is the OJ version that prevails.

5.7 Organisational set-up and responsibilities

Based on the overall policy and strategic framework, eligible entities presented to the EFSD Governance Boards projects related to Technical Assistance, which will accompany EFSD Guarantee portfolios. These defined the type of activities that the eligible entities propose to finance, notably by specifying the regions and sectors targeted and the type of investment supported. Following this technical screening by the Commission, the proposals were discussed with all eligible counterparts during the EFSD Technical Assessment Meetings (TAMs) and were given a positive opinion by the consecutive EFSD Operational Boards. Following the positive opinion of the Operational Boards, the Commission adopted two Decisions C(2018) 8804 and C(2019) 2780 confirming the implementing partners and required amounts for 28 Guarantee portfolios of maximum EUR 1 540 000 000 and Technical Assistance of maximum amount of EUR 142 600 000. The Decisions defined the type of activities that the eligible entities may finance and specified the regions and sectors targeted and the type of investment supported.

Individual projects will be identified by Financial Institutions with the support of, where relevant, EU Delegations in the context of their project identification/business development activities and based on their interactions with stakeholders. The contribution of EU Delegations to the project identification process will depend on their capacity to engage in policy dialogue and identification activities in the relevant sectors and varies according to the region. The EU Delegations' role is key with respect to the coherence of the projects with EU policy objectives, overall policy and strategic framework.

In the context of the EFSD Guarantee Agreements whose Technical Assistance benefits from the funding of this action, the Financial Institution implementing the Guarantee will organise biannual portfolio and pipeline review meetings where they will present achieved results of the Programme's TA component. The RAOs representatives will be invited to attend these meetings.

5.8 Performance and Results 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. Monitoring and evaluation should be based on indicators that are disaggregated by a minimum sex and age, and even further when appropriate (disability, ethnicity, migratory status, location urban/rural etc.) The impact of the Technical Assistance activities on beneficiaries' social and economic situation (social and economic impact) should also be part of the monitoring report. Application of gender equality, human rights and RBA expertise shall be monitored during the implementation of the action.

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.

The Commission will share with the Regional Authorising Officers (RAOs) the reports, as well as all relevant documents on the Technical Assistance financed by this action received by the Financial Institution. These reports shall be laid out in such a way as to allow monitoring of the means envisaged and employed and of the budget details for the action. The final report, narrative and financial, will cover the entire period of the action implementation.

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).

5.9 Evaluation

Having regard to the nature of the action, a mid-term evaluation will be carried out for this action or its components via independent consultants contracted by the Commission.

It will be carried out for problem solving, in particular with respect to the intention to refine the funded projects and optimise their impacts.

The Commission shall inform the implementing partner at least one month in advance of the dates foreseen for the evaluation missions. The implementing partner shall collaborate efficiently and effectively with the evaluation experts and inter alia provide them with all necessary information and documentation, as well as access to the project premises and activities.

The evaluation reports shall be shared with the partner countries 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.

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

5.10 Audit

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 audit shall be covered by another measure constituting a financing decision.

5.11 Communication and visibility

Communication and visibility of the EU is a legal obligation for all external actions funded by the EU.

This action shall contain communication and visibility measures which shall be based on a specific Communication and Visibility Plan of the Action, to be elaborated at the start of implementation.

The allocation for Communication and Visibility activities is included in the amount to overall amount of the action that will be implemented by indirect management.

For the purpose of enhancing the visibility of the EU and its contribution to this action, the Commission may sign or enter into joint declarations or statements, as part of its prerogative of budget implementation and to safeguard the financial interests of the Union.

In terms of legal obligations on communication and visibility, the measures shall be implemented by the Commission, the partner countries, contractors, grant beneficiaries and/or entrusted entities. Appropriate contractual obligations shall be included in, respectively, the financing agreement, procurement and grant contracts, and delegation agreements.

The Communication and Visibility Requirements for European Union External Action (or any succeeding document) shall be used to establish the Communication and Visibility Plan of the Action and the appropriate contractual obligations.

APPENDIX - INDICATIVE LOGFRAME MATRIX (FOR PROJECT MODALITY)

	Results chain: Main expected results (maximum 10)	Indicators (at least one indicator per expected result)	Sources of data	Assumptions
Impact (Overall Objective)	OO. Decent jobs created and sustainable economic growth supported through private sector development and improved MSME access to finance from capital markets.	1. N° of people Employed in supported businesses, sectors and value chains (disaggregated by sex, by region whenever possible); 2. Proportion of people hired when living below the international poverty line; (disaggregated by sex, relevant groups, region whenever possible) 3.Unemployment rate (by sex and age, whenever possible) by region whenever possible; 4. Investment rate in the region and targeted businesses, sectors, value chains; 5. Annual growth rate of real GDP per capita	Central statistical agencies	Not applicable
Outcomes (Specific Objectives)	SO1. The capacities of financial institutions and financial intermediaries are strengthened and availability of appropriate products and financial services for MSMEs is increased.	1.1 Volume of new loans, credit lines, capital investment made available by financial intermediaries (e.g. banks, microfinance institutions, funds) to SMSs (disaggregated by sex, age, region); 1.2 Number of units served among relevant target group. 1.3 Amount of outstanding loans and other sources of financing to relevant target groups	Progress reports provided by Financial Institutions. Frequency – at least annually	Economic, political and climatic stability. The level of economic governance shall be conducive to investments. Commitment of the government, development partners and private sector to invest.

	SO2. Capacity of the investee companies are strengthened and the MSMEs ecosystem stimulated.	2.1 Number of MSMEs reporting increased turnover (as a result of direct support received from the FIs). 2.2 Leverage ratios as measured by: a) investment leverage ratio b) total eligible FI financing leverage ratio c) Private financing leverage ratio;	Progress reports provided by Financial Institutions. Frequency – at least annually	Economic, political and climatic stability of the country. The level of economic governance shall be conducive to investments. Commitment of the government, development partners and private sector to invest.
	SO3. West Africa region leverages the impact of EFSD guarantees	3.1 Number of EFSD guarantees implemented in West African countries; 3.2 Number of West Africa MSMEs benefiting from a EFSD guarantee;	Progress reports provided by Financial Institutions. Frequency – at least annually	Economic, political and climatic stability of the country. The level of economic governance shall be conducive to investments. Commitment of the government, development partners and private sector to invest.

Outputs	O1.1 Local and regional financial institutions/intermediaries are supported to innovate the way they service the target groups, design of products and outreach methodologies for specific targets groups traditionally considered as high risk; O1.2 Local and regional financial institutions/intermediaries are supported to implement improvements in their risk management processes and comply with the increasing standards of monitoring and reporting; O2.1 Local MSMEs are supported through mentoring or handholding approach, and dynamic businesses have become replicable with a specific focus on female entrepreneurship and businesses; O2.2 Concrete investments in MSMEs/projects materialise; opportunities for concrete investments in MSMEs are created/promoted ; O3.1 West African countries benefit from the Technical Assistance component that accompanies the EFSD guarantees.	1.1.1 N° (or %) of new financing made available to FIs (banks, microfinance institutions, funds) 1.2.1 Status of compliance of the FIs with standards of monitoring and reporting (*or:* N° of firms supported that meet monitoring and reporting standards requirements (disaggregated by sex, age, firm size) 2.1.1 Number of mentoring partnerships established and replicated (disaggregated by sex and age of entrepreneur, and type of business whenever possible) 2.2.1 Number of firms or individuals that utilise business development services, disaggregated by type of service, type of entity, firm size and sex, whenever possible; 3.1.1 Number of West African units benefiting from TA support;	Progress reports provided by Financial Institutions. Frequency – at least annually	Economic, political and climatic stability. Commitment of the government, development partners and private sector to invest.

	O3.2 Countries perceived as more risky to private sector investment and Least Developed countries are able to strengthen their stakeholders' capacities and bring competitive advantage to the implementation of the EFSD guarantees.	3.2.1 Number of least developed countries benefitting from TA support under the guarantee scheme		