



Private sector development in EU external action programmes

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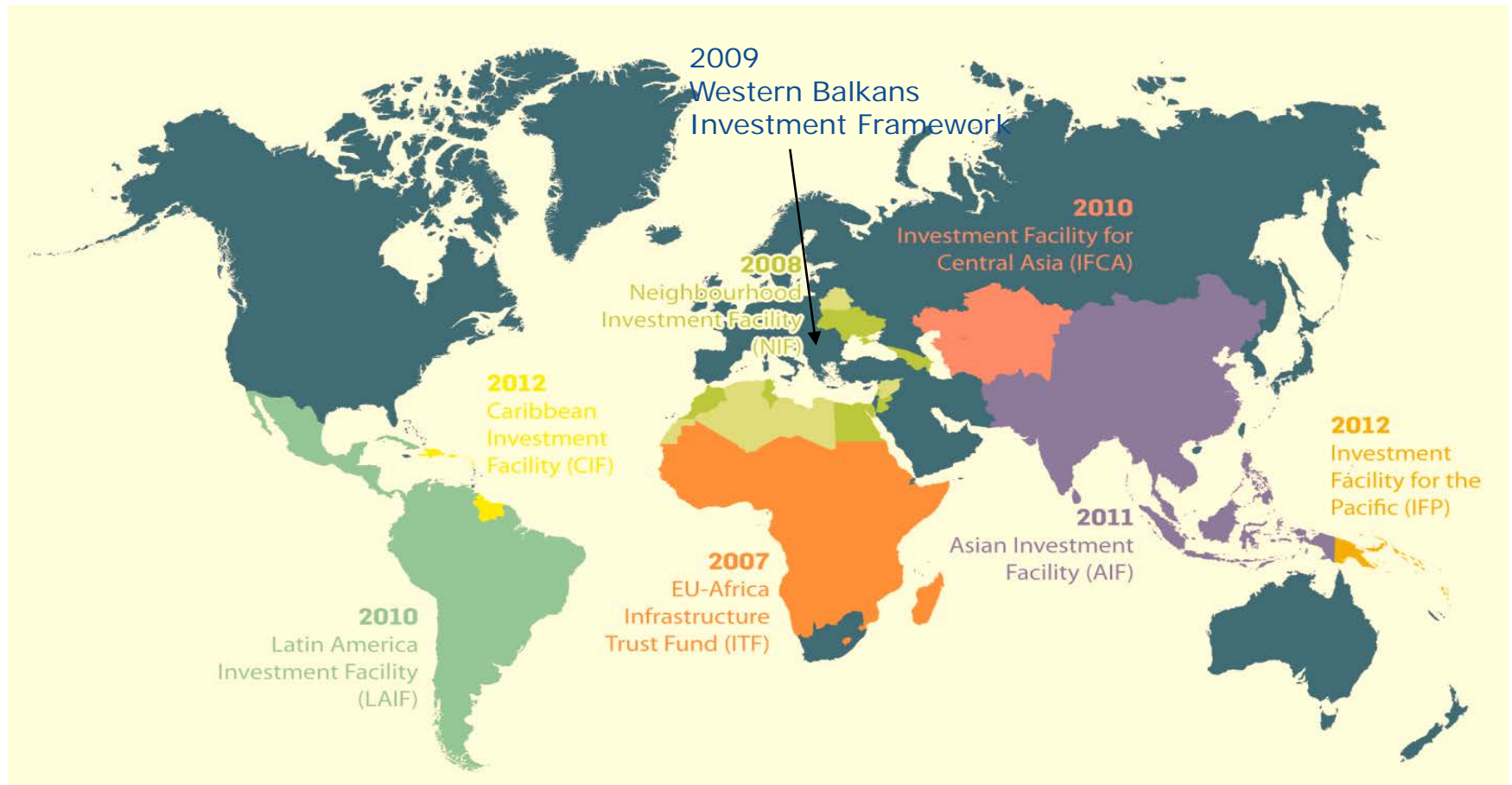
DG for Neighbourhood and Enlargement Negotiations



Private sector development through SME facilities

- The EU has a strong track record of providing **funding for the SME sector through its various blending facilities.**
- This is mainly through innovative **SME risk sharing mechanisms**, where the EU works alongside international financial institutions (IFIs) to reduce the risk profile of investments and catalyse the flow of private sector capital.
- Finance is channelled to the SMEs by the IFIs through local **partner financial intermediaries (PFIs)** .

EU blending framework: 8 facilities



Blending facilities- funding envelopes

Indicative 2014-2020 allocations

	LAIF	AIF	IFCA	NIF
Indicative 2014-2020 allocation	€ 320 million	€ 320 million	€ 140 million	€ 2.1 billion (incl. NIP)

	AfIF	CIF	IFP
Indicative (RIP) 2014-2020 allocation	c. € 1 billion	€ 135 million	€ 20 million



Financing SMEs through the NIF

- SME development is a key **strategic priority** for the NIF.
- Up to December 2015, the NIF has approved **€1.4billion** in finance for 112 projects, mobilising investments of over **€29 billion**.
- In 2015, SME finance represented **51% of NIF funding**, compared to an historical average between 2008-2014 of **12%**.

NIF eligible countries

- **East Neighbourhood:** Armenia, Azerbaijan, Georgia, Moldova and Ukraine
- **South Neighbourhood:** Egypt, Jordan, Lebanon, Morocco, Palestine and Tunisia
- Other ENP countries (Algeria, Belarus, Libya, Syria) on a case-by-case basis and only by unanimous decision

Eligible Finance Institutions

- ➔ **Multilateral** European Finance Institutions
- ➔ European **bilateral** development finance institutions from Member States
- ➔ **Other** Finance Institutions with majority capital from MS, after unanimous decision



SME Facilities in the South

SME facilities, NIF South	NIF (EUR m)	% of total	IFI funds (EUR m)	% of total	Total financing (EU m) (*)
Support to Risk Capital Operations (EIB)	50	11	100	21	475
SME MENA Guarantee Fund (EIB-AFD-IFC)	24	4	320	50	640
MSME Financial Inclusion (EBRD)	52	14	150	42	350
SANAD micro-financing and micro-enterprises fund (KfW)	30	12	146	56	260
Total	156	9%	716	42%	1,725

➤ Note(*): Total financing includes private sector and/or local banks counterpart financing.

SME Facilities in the East

SME facilities, NIF East	NIF Grants (EUR m)	% of total	EFI funds (EUR m)	% of total	Total financing (EU m) (*)
SME Finance Facility (EIB, EBRD, KfW)	15	9	270	68	400
Green for Growth Fund (EIB)	13	4	122	34	359
NIF East window of the European Fund for South East Europe (EFSE) (KfW)	5	1	56	6	900
DCFTA Facility for SMEs (EBRD)	19	5	380	89	423
DCFTA Facility for SMEs (EIB)	62	15	227	53	429
Total	114	5%	1055	42%	2,511

➤ Note(*): Total financing includes private sector and/or local banks counterpart financing.



Adopting a holistic approach

- **The SME Flagship** was launched in 2009 within the framework of the Eastern Partnership (EaP).
- The aim of this initiative is to provide support for SME development by **improving the business climate, providing advisory services, improving access to finance and enhancing the capacity of business support organisations.**
- There are 13 on-going EU financed programmes with 6 more in the pipeline.

Eastern Partnership SME Flagship

Structure of intervention

Policy

- Create an enabling business environment

Intermediaries (BSOs, local banks, etc.)

- Responding to the needs of the SME Sector

SMEs

- Access to finance
- Access to market

Inclusive development issues

- Green economy
- Women entrepreneurship
- Youth employment
- Rural development

The Secretariat of the SME Flagship



- Coordination of projects
- Coherence of activities
- Analysis of economic trends
- Impact and results of the projects
- Communication
 - SME Panel
 - DCFTA



Alignment with policy objectives

- Several of the new SME finance facilities underpin core EU policy objectives such as the newly established **Deep and Comprehensive Free Trade Agreement (DFCTA) Facility in the Neighbourhood East Region**.
- The **set of financing instruments** designed under these facilities underpins the objectives of the DFCTAs by creating the necessary conditions for full alignment of SMEs activities to EU standards.



DCFTA Facility for SMEs

PROGRAMMES COVERING THE 3 COUNTRIES

DCFTA Direct Finance EBRD
Total amount: €69M, including EU grant: €10M

- Technical assistance to SMEs
- EU grant to guarantee EBRD direct lending

EIB DCFTA Facilitation Programme
Total amount: €180M, including EU grant: €22M

- Microfinance
- Market Access
- Guarantee Facility

Phase I

Small Business Support EBRD
Total amount: €6M, including EU grant: €4M

Business advice on export and new standards compliance

SMEs Finance Facility
EBRD, EIB, KfW
Total amount: €90M, including EU grant: €15M

Currency Hedging

Phase II

EBRD DCFTA Facilitation Programme
Total amount: €422M, including EU grant: €19M

- Access to finance
- Trade finance
- Advice for SMEs
- Policy dialogue

Phase I

EIB and EBRD DCFTA Facilitation Programme
Total amount: circa €700M (EBRD + EIB), including EU grant: €38M (EBRD) + €34M (EIB)

Phase II and III

PROGRAMMES COVERING 1 COUNTRY ONLY

UKRAINE

Guarantee Facility Additional contribution
Total amount: €330M, including EU grant: €40M

GEORGIA

Small Business Support EBRD
Total amount: €8M, including EU grant: €6M

MOLDOVA

Fruit Garden of Moldova EIB
Total amount: €300M, including EU grant: €8M

- Support to upgrade facilities and access to EU market
- Risk sharing

Ongoing

Starting in 2015

To come



Thank you for your attention!
Merci de votre attention!