Access to finance remains a genuine challenge to micro and small and medium-sized enterprises across the ACP regions, but local private enterprise development is a major driver of economic growth, revenue generation and international competitiveness. The EIB has made developing the private and financial sectors a priority across all non-EU mandates. The ACPs are no exception, and our investments yield results.

The EIB has over 50 years’ experience supporting EU development policies in Africa, and in that time has invested over EUR 18bn in more than 1,300 projects. The Bank is the world’s largest multilateral borrower and lender, and is committed to the central axes of ACP-EU cooperation, notably development of the private and financial sectors in countries and territories outside the European Union.

As the only multilateral financing institution present in both Europe and the ACP countries, the EIB provides finance and expertise through dedicated technical experts and sector specialists. Best practices and lessons learnt from one region can be applied to another, and this improves our operations, not least when it comes to support for SMEs around the world.

**Committed to the private sector**

The ACP Investment Facility (IF), a revolving fund dedicated to private sector development in the regions, represents the Bank’s method of supporting private sector development. Since it was launched in 2003, up to the end of 2014, we have channelled almost EUR 4.5bn through the IF, to over 200 projects. 90% of these have been in the private sector, stimulating entrepreneurship by increasing access to finance for SMEs in the ACPs.

We have stepped up our support for small businesses in the regions thanks to the creation of the Impact Financing Envelope (IFE), a EUR 500m separate window of the IF. This is designed to provide finance for operations with a higher risk, but also a higher developmental impact. In 2014, we signed our first deal under the IFE, and further signatures and approvals have followed.

Microfinance too is a powerful tool for expanding access to finance, and is especially useful in ACP countries in terms of impact, as it targets economically vulnerable groups, individuals and very small enterprises, creating local jobs and addressing local needs and gaps in the supply of financial services.
Support for small businesses across borders

The EIB has agreed to provide EUR 80m for a EUR 160m initiative with PTA Bank, our largest single private sector operation ever signed in Sub-Saharan Africa. Under the terms of this financial initiative, SMEs and also midcaps (companies with 250-3000 employees), will be able to avail themselves of credit in local currency, but also USD and EUR, across several countries in southern and eastern Africa.

This is the first EIB intermediated loan to specifically address the needs of African midcaps as well as SMEs. This in itself is timely. Although some of the target countries are at a more evolved stage in their private sector development than others, funding gaps for smaller companies remain an obstacle to the creation of sustainable growth and jobs and the fight against poverty. Some of the projects earmarked for funding from this credit line, meanwhile, are beyond the traditional scope of what constitutes an SME in Sub-Saharan Africa, hence the availability of finance for midcaps.

Agribusiness, energy, manufacturing and service sector companies in Kenya, Uganda, Tanzania, Rwanda, Burundi, Ethiopia, Eritrea, Djibouti, the Democratic Republic of Congo, Zambia, the Seychelles, Malawi, Mozambique and Mauritius will be able to benefit from this line of credit, as well as others in Egypt.

Bigger financial risks, bigger human rewards

Novastar Ventures East Africa Fund is the EIB’s first operation under the Impact Financing Envelope. Our investment of EUR 8m is going towards a total fund of around EUR 60m which will be dedicated to local entrepreneurs involved in early stage private sector MSMEs, for whom attaining credit is a challenge, not least because they are new.

In terms of impact, the fund aims to reach at least two million individuals from low income households, who will benefit either directly or indirectly from the activities of the target investee companies. It also aims to create around 40 000 new jobs, of which 25 000 will go to those low income households or individuals, while at least half of those directly created jobs will go to women.

The fund will provide equity or quasi-equity funding to around 20 such small businesses in education, healthcare, basic financial services, agribusiness, and access to food and water. By providing these businesses with the funding to get up and running, the fund will contribute to job creation, poverty alleviation and socio-economic stability in the target regions. Individuals will benefit from improved incomes, education and health services, better housing and access to energy and information.

Credit lines worth EUR 332m for SMEs and midcaps are expected to result in 760 loans, with an average size of EUR 454 000 and a tenor of 6.3 years. These are expected to sustain 34 133 jobs in final beneficiary companies.

Microfinance credit lines should provide 10 794 loans to final beneficiaries, of which 55% will go to women. The average loan size will be EUR 10 800 in this field, with 34 658 jobs sustained.

Private equity operations worth EUR 47m will have a leverage impact of EUR 7.2 in further investment for each EUR 1 input. This should create 42 000 jobs in final beneficiary companies.