



## **EU Initiative for Financial Inclusion to provide access to finance in the Southern Mediterranean**

Access to finance for innovative start-ups, micro, small and medium-sized enterprises (mSMEs) is vital for competitiveness and the creation of much needed jobs. It is one of the key objectives of the EU **Neighbourhood Investment Facility** (NIF).

There are 6 million micro, small and medium-sized enterprises in the Neighbourhood South, which form the backbone of the local economy. They represent a vast and underused potential for economic growth and job creation for lack of access to additional funds under realistic conditions. Currently, access to finance is limited. For example the financing committed by local banks to SMEs in Egypt represents no more than 5% of total lending, in Palestine 6%, in Jordan 10%, in Tunisia 15%, in Lebanon 16% and 24% in Morocco.

The “**EU Initiative for Financial Inclusion**” has been prepared by the EU in 2015 in partnership with European Finance Institutions such as EIB, EBRD, KfW, AFD, to extend financing to micro, small and medium-sized enterprises including support to innovative start-ups. This initiative consists of five complementary regional facilities, with different lead financiers. They represent a comprehensive package, which addresses different aspects and tools for mSME finance. The package will be launched by the end of 2016.

The Initiative has the potential to **reach up to 200,000 micro and SMEs** in the region through:

- Microfinance through local financial institutions and capacity building (SANAD), led by KfW
- Risk capital/venture capital to support business startups and microfinance, led by EIB
- Advisory services to SMEs (SBS) through grants, led by EBRD
- SME Credit lines and capacity building to local financial institutions, led by EBRD
- Guarantee funds to incentivise local banks to lend new funds to SMEs, led by EIB

Financial Inclusion facilities with NIF support	Lead Financier	EU/NIF Grants € million	Financiers Funds € million	Local/Third party € million	Total financing € million
Fund in support to micro-finance institutions (SANAD)	KfW	30	140	60	230
Support to Risk Capital Operations (equity, venture capital, microfinance)	EIB	50	100	325	475
Small Business Advisory services (SBS)	EBRD	20	-	5	25
Support to MSME Financial Inclusion	EBRD	26	100	100	200
MENA SME Guarantee Fund	EIB	24	320	320	640
<b>Total (indicative)</b>		<b>150</b>	<b>660</b>	<b>810</b>	<b>1,560</b>

By pooling resources between the European Commission and European Finance Institutions, more than **€1.5 billion in new financing for micro and SMEs** is expected to be mobilised by the EU collectively during the period 2016-2020 to support:

- Investing and lending in microfinance and other financial institutions.
- Investing and lending in private equity and venture capital funds.
- Stimulating co-investing alongside Business Angels, funding Incubators and Accelerators and investing in technology transfer vehicles may also be considered.
- Providing technical assistance and advisory services to small businesses
- Providing loans and credit lines for SMEs
- Providing assistance to financial intermediaries to expand SME lending
- Coordination and common policy dialogue to remove constraints to SMEs access to finance.

A key feature of the "EU initiative for financial inclusion" is coordination and experience-sharing between financial institutions during its implementation as well as joint visibility.

For further information please consult the following links:

For the EU: [http://ec.europa.eu/enlargement/neighbourhood/neighbourhood-wide/neighbourhood-investment-facility/index\\_en.htm](http://ec.europa.eu/enlargement/neighbourhood/neighbourhood-wide/neighbourhood-investment-facility/index_en.htm)

For the EIB: [www.eib.org/projects/regions/med/](http://www.eib.org/projects/regions/med/)

For the EBRD: [www.ebrd.com/what-we-do/sectors-and-topics/ebrd-small-business-initiative.html](http://www.ebrd.com/what-we-do/sectors-and-topics/ebrd-small-business-initiative.html)

For KfW: [www.sanad.lu](http://www.sanad.lu)