

# INCLUSIVE BUSINESS

## KNOWLEDGE SHARING TEMPLATE

*The aim of this template is to collect experiences, projects, policies or initiatives at local, country and regional level related to the promotion of Inclusive Business.*

<b>1. General Information</b>
<b>1.1. G20 Country</b>
EU
<b>1.2. Project / Initiative / Policy name/title:</b>
MSME Investment Window of the European Fund for Sustainable Development (EFSD) of the European External Investment Plan (EIP)
<b>1.3. General objective</b>
Improving access to finance for MSMEs with particular emphasis on promoting financial inclusion, as a way to stimulate decent employment, inclusive and low-emissions climate-resilient growth and to address root causes of migration.
<b>1.4. Expected results</b> <i>(output-level: number of BoP engaged, jobs created, services delivered, etc.)</i>
See outcome level below
<b>1.5. Intended impact</b> <i>(outcome-level: income generated or increased, health/education/housing improved, etc.)</i>
<ul style="list-style-type: none"> <li>i) Increased mobilisation of private sector capital invested in MSMEs;</li> <li>ii) Increased availability of appropriate products and financial services for MSMEs;</li> <li>iii) Increased access and use of financial services for MSMEs including for remote regions and in particular for women and youth entrepreneurs (e.g. access to medium or long term credit for investments by MSMEs.; access to credit, savings, insurance and transfers by micro and small enterprises ; increase use of digital payments);</li> <li>iv) Increased use of resource efficient and climate-smart technologies and processes limiting the effects of climate change and increasing resilience (e.g. reduce health and environmental impacts);</li> <li>v) Innovative and more inclusive business models are scaled up (including social enterprises and cooperatives);</li> <li>vi) Women and youth entrepreneurship is increased;</li> <li>vii) MSMEs are more integrated into global and regional value chains. A results framework will be developed to monitor the impacts achieved.</li> </ul>

## 2. Legal framework

2.1. Does the Project / Initiative / Policy have an associated regulatory or legal framework?

The legal framework is under the European Fund for Sustainable Development (EFSD) under the European External Investment Plan (EIP)

## 3. Implementation

3.1. Implementation level

- Domestic  
 Support of developing and low-income countries (international cooperation)

3.2. Implementing agency (including link)

The MSME Investment Window is implemented by DG DEVCO of the European Commission

3.3. Direct target group (MNCs, medium or large international or domestic company, SMEs, women, youth, rural/urban communities etc.)

In Sub-Saharan Africa, the MSME investment window will target two main types of beneficiaries that have differentiated needs: on the one hand, micro enterprises (to a large extent household and micro enterprises in the informal sector) and secondly, formal SMEs which have none or very limited access to finance at reasonable terms and conditions. The financing gap is larger for women owned MSMEs and young entrepreneurs, and hence special attention should be given to financial institutions/proposals targeting this sector with appropriate financial products.

Specific financial vehicles for the Neighbourhood (and for Africa, where applicable) shall address investments to tap financial gaps in the different unserved sub-sectors, including targeted finance in the field of innovation, start-ups as well as MSMEs working in sustainable agriculture and agri-business, circular economy, resource efficient and low-carbon climate-resilient technologies, social and digital entrepreneurs. Impact investments<sup>1</sup> shall also represent an interesting model to look at for both regions, to complement existing instruments, possibly addressing investment sizes which are smaller than what is usually covered by partner IFIs.

3.4. Indirect target group (SMEs, women, youth, rural/urban communities, etc.)

3.5. Nº of countries involved (if project is Regional/Global)

Sub-Saharan Africa and EU Neighbourhood countries

3.6. Project status

3.7. Duration (mm/yyyy – mm/yyyy)

<sup>1</sup> Impact Investments are defined as investments made into companies, organisations and funds with the intention to generate measurable social and environmental impact alongside financial return - **Global Impact Investing Network (GIIN)**, *Impact Investing Trends*, December 2016

<input type="checkbox"/> Under design <input checked="" type="checkbox"/> In progress <input type="checkbox"/> Completed	2018-2024
<b>3.8. Brief description of the link with the BoP</b> <i>How does the project / initiative / policy include the BoP? How does it benefit the BoP? How does it define the BoP and its role?</i>	<b>3.9. Role of the BoP</b>
The project does not explicitly refer to the BOP but also targets BOP agents. Special attention is given to underserved market segments, such as women owned business and young entrepreneurs, as well as innovation, early stage support, climate-smart activities and start-ups targeting the BOP.	<input checked="" type="checkbox"/> BoP as customer <input checked="" type="checkbox"/> BoP as distributor <input checked="" type="checkbox"/> BoP as retailer <input checked="" type="checkbox"/> BoP as supplier
<b>3.10. Sector</b> <i>(more than one answer possible)</i>	
<input type="checkbox"/> Agriculture or Food <input type="checkbox"/> Energy <input type="checkbox"/> Health <input type="checkbox"/> Education <input type="checkbox"/> Water, Sanitation <input type="checkbox"/> Waste Management <input type="checkbox"/> Housing or Construction	<input type="checkbox"/> Retail, Manufacturing or Consumer Goods <input type="checkbox"/> Information Communications Technology (ICT) <input type="checkbox"/> Financial Services <input type="checkbox"/> Tourism <input checked="" type="checkbox"/> Cross-sectoral <input type="checkbox"/> Other: _____
<b>3.11. Topic</b> <i>(more than one answer possible)</i> (*) See Annex for definitions	
<input checked="" type="checkbox"/> Inclusive business models and strategy <input checked="" type="checkbox"/> Scale <input type="checkbox"/> Policy and government <input checked="" type="checkbox"/> Finance for inclusive business <input checked="" type="checkbox"/> Corporates in inclusive business <input type="checkbox"/> Partnerships <input type="checkbox"/> Environmental impact <input checked="" type="checkbox"/> Gender	<input type="checkbox"/> Results measurement and impact <input type="checkbox"/> "What is IB?" <input checked="" type="checkbox"/> Innovation <input type="checkbox"/> Digitalization <input type="checkbox"/> Capacity building <input type="checkbox"/> Data <input checked="" type="checkbox"/> Impact investing <input type="checkbox"/> Other: _____
<b>3.12. Main area of intervention / Type of support provided</b> <i>(What is the project's/initiative's/policy's focus regarding the main challenges faced by inclusive businesses -more than one answer is possible-)</i>	
<input checked="" type="checkbox"/> Financial resources <input type="checkbox"/> Rules and regulations <input type="checkbox"/> Information <input checked="" type="checkbox"/> Capacity	

## 4. Funding

### 4.1. Origin *(more than one answer possible)*

- Government / State-owned enterprise
- Multilateral Development Banks (MDBs) or Development Financial Institutions (DFI)
- International Organisations (IOs)
- NGO / Foundation
- Private sector *(impact investment fund, private equity fund, venture capital fund, commercial bank, corporation, etc.)*
- Other: DG DEVCO EUROPEAN COMMISSION: The EU guarantee catalyses co-investment from MDBs, DFIs and private investors

### 4.2. Brief description of funding / contributions *(e.g. name of funding institution, type of financing instrument, etc.)*

Guarantees targeted to commercial banks and non-banking financial institutions for medium-long term lending towards MSMEs primarily for capital expenditure.

Guarantees covering part of the portfolio risk of an investor or group of investors promoting comprehensive national and regional MSMEs schemes.

Guarantees to Seed Capital, Venture Capital, Impact Investment Funds and Innovative SME Equity Funds in the areas of Innovation and/or Social Business, and to promote start-ups, in order to catalyse value-additive equity financing to innovative enterprises and small entrepreneurs and ensure a smooth transition to the commercial credit market.

Counter-guarantees to regional and national guarantee schemes supporting MSME development.

**Supporting policy actions: links to pillars 2 and 3 of the EIP:** For a systematic change in the financial market that will lead to improved access to finance for MSMEs, the full range of the EIP Pillars is pursued. Links are being established to adequately coordinate between the investment pillar (pillar 1 European Fund for Sustainable Development guarantee) and enabling policies (pillar 3) to foster a conducive business environment and investment climate as well as technical assistance (pillar 2).

### 4.3. Available funds *(optional)*

1.5 billion euro for the EFSD guarantee, which includes five Investment Windows, one of which is the MSME Investment Window.

### 4.4. Value of project

### 4.5. Description of financing/procurement process

The financial instrument is a guarantee of 1.5 billion euro, which includes five Investment Windows, one of which is the MSME Investment Window.

5. Monitoring and Evaluation	
<b>5.1.1. Does the project / initiative / policy involve a monitoring process?</b>	<b>5.2.1. Does the project / initiative / policy involve an evaluation process?</b>
<input checked="" type="checkbox"/> Yes <input type="checkbox"/> No	<input checked="" type="checkbox"/> Yes <input type="checkbox"/> No
<b>5.1.2. Brief description</b>	<b>5.2.2. Brief description</b> <i>(specify type of evaluation - process, outcome, impact – and methodology)</i>
Under development	Under development
<b>5.1.3. Lessons learned and results</b> <i>(if applicable)</i>	<b>5.2.3. Lessons learned and results</b> <i>(if applicable)</i>
2018 is the first year of the EFSD guarantee, in which proposals are being selected and contracted.	
6. Contact Information	
<b>6.1. Contact Information</b> <i>(if there is a website of the project/policy/initiative, please include it)</i>	
<a href="https://ec.europa.eu/europeaid/eu-external-investment-plan-factsheet_en">https://ec.europa.eu/europeaid/eu-external-investment-plan-factsheet_en</a>	
7. Supporting material	
<i>Please provide links to or upload any further supporting materials, including: newspaper articles, case studies, toolkits, photographs, and any other relevant materials to help illustrate the project</i>	
Please refer to above website	

## ANNEX

**BoP as customer:** business models that reach low-income consumers (products, services that target low-income consumers).

**BoP as distributor:** business models that reach low-income distributors (distribution, awareness, market building).

**BoP as supplier:** business models that engage source products from low-income workers and suppliers

**BoP as retailer:** business models that sell goods to the consumer, e.g. at the BoP

**Capacity building:** Lessons learned from capacity building programmes.

**Corporates in inclusive business:** corporate business models that engage the BoP.

**Digitalisation:** impact of digitalisation on business and society.

**Data:** Data and inclusive business. Data and the BoP.

**Environmental impact:** inclusive business models that mitigate or adapt to climate change.

**Finance for inclusive business:** finance for inclusive business, e.g. impact investing, accessing funding.

**Gender:** economic empowerment of women, gender issues.

**Impact investing:** publications from impact investors and about impact investing in general.

**Inclusive business:** Inclusive businesses provide goods, services, and livelihoods on a commercially viable basis, either at scale or scalable, to people living at the base of the economic pyramid (BOP) making them part of the value chain of companies' core business as suppliers, distributors, retailers, or customers. In addition to these commercially inclusive activities, businesses may also pursue broader socially inclusive goals. Inclusive business should promote sustainable development in all its dimensions – economic, social and environmental.

**Inclusive business models and strategy:** business-planning tools, assessment of models.

**Innovation:** Innovative business models, importance of innovation and how to be innovative.

**Partnerships:** business-to-business, business to government, or business to NGO partnerships within inclusive business models.

**Policy and government:** policy issues and ecosystem for IB; resources from or for donors and policymakers; policy recommendations.

**Results measurement and impact:** approaches to measurement of results, findings on results of inclusive businesses.

**Scale:** strategies for scale.

**“What is IB?”** : introductory literature on IB, discourse papers that define IB.