The EU's External Investment Plan

A game changer to mobilise the private sector for development cooperation.

EUROMED Invest Conference
Brussels December 14th, 2017
Why we act... The EU's rapid response to global challenges

What has changed since 2005 and why do we need a new European development policy?

Global Challenges
- Poverty and inequalities
- Increasing instability & crises
- More diversified developing countries
- Global public goods under stress

A new EU and international framework
- Lisbon Treaty 2009
- Addis Ababa Action Agenda Jul 2015
- Paris Climate Agreement Dec 2015
- Global Strategy June 2016

This is why we need a new vision shared among EU institutions and Member States

#EUDevConsensus
We implement policies

- **Addis Ababa Action Agenda** on Financing for Development
- The 2017 **European Consensus on Development**
- **Global Strategy** for the EU Foreign and Security Policy
- EU Communication "The **Stronger Role of the Private Sector in Achieving Inclusive and Sustainable Growth in Developing Countries**"
- EU Communication "**For a renewed impetus of the Africa-EU Partnership**"
Why we act?

"Our External Investment Plan marks a new approach for eradicating poverty and achieving inclusive sustainable development. By leveraging in particular private finance, our contribution of €4.1 billion will leverage up to €44 billion of investments which otherwise would not happen."

Neven Mimica
Commissioner for International Cooperation and Development

"It is in Europe's own interest that we all work to ensure sustainable and balanced economic growth in our partner countries. Involving the private sector and securing the most conducive environment for it to thrive will support these efforts."

Johannes Hahn
Commissioner for European Neighbourhood Policy and Enlargement Negotiations
What are the EIP goals?

- Contribute to Sustainable Development
- Encourage private Investments
- Focus on jobs and growth
- Improve Investment climate
- Tackle root causes of migration
What is new?

- Integrated 3-pillar approach
- EFSD Guarantee
- One-stop-shop for public and private investors
How we act

**Pillar 1**
- European Fund for Sustainable Development (EFSD)

**Funding investments:**
- Blending - Eur 2.6B
- New EFSD Guarantee – Eur 1.5B

**Pillar 2**
- Technical Assistance

**Pillar 3**
- Policy Dialogue / Reforms

- Develop sustainable and bankable projects
- Assist regulation and policy making
- Improve investment climate and business environment

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Pillar 1: EFSD resources

NEW PARTNERSHIP FRAMEWORK – EXTERNAL INVESTMENT PLAN

European Fund for Sustainable Development (EFSD)

**New EFSD Guarantee**
EU contribution
EUR 0.75 billion *

**Blending facilities (AfIF, NIF)**
EU contribution
EUR 2.6 billion

**MS contributions**

**Other contributions**

**EFSD Guarantee**
Value > €1.5 billion

**Blending:** Total budget funds > €2.6 billion

Total extra investment through the Africa and Neighbourhood Investment Platforms:

* Plus a EUR 0.75 billion contingent liability.
The EFSD Guarantee

A risk mitigation mechanism to stimulate investments in Africa and in the Neighbourhood

A guarantee capacity for credit enhancement will ultimately benefit the final investments and allow risk sharing with other investors, notably private actors

Will provide liquidity from its guarantee fund (liquidity cushion)

Will leverage additional financing, in particular from the private sector (crowding in), by reducing the risk associated with specific operations
First proposed investment windows

1. Sustainable Energy and Connectivity
2. Micro, Small and Medium Enterprises (MSMEs) Financing
3. Sustainable Agriculture, Rural Entrepreneurs and Agroindustry
4. Sustainable Cities
5. Digital for Development

Cross-cutting objective: local currency financing, focus on fragile states, not-distorting market competition
Window: Sustainable Energy and Sustainable Connectivity

Limiting temperature rise to 2°C requires $3.5 trillion in investments p.a. until 2050.

Guarantees to address and mitigate key risks that currently deter private sector participation.

Guarantees to promote new financing tools such as energy performance contracting for energy efficiency.

Foster capital market development (e.g. green bonds).
Window: Micro, Small, Medium Enterprise (MSME) Financing

- Targeting under-served sub-sectors, in particular in the field of innovation.
- Guarantees covering a wide range of risks including commercial, political and currency risks.
- Catalysing bank lending and equity investments for new and innovative MSMEs.
- Working through (local) financial partners (e.g. Banks, Microfinance institutions, Venture capital firms etc.)
Window: Sustainable Cities

- Support the market for long-term municipal borrowing and promote private sector investments at municipal level.

- Interventions to increase access to private sector finance for cities, such as credit enhancement for local bonds.

- Guarantees could also be provided to support public-private partnership schemes (PPPs)
Window: Digital for Development

- Promoting innovative digital technologies as enablers of sustainable development.
- Technologies enabling trade, education, health, governance, financial inclusion and job growth.
- Mobilising investment for early stage technologies / early stage digital businesses.
- Improving inclusiveness of more mature technologies.
Innovative financing mechanisms adapted to smallholders, cooperatives and agricultural MSMEs.

Mechanisms to increase the availability and affordability of insurance solutions.

Guarantees can be structured to address inherent high risk in particularly small scale agricultural production.
Pillar 2: Technical Assistance in support of Pillars 1 and 3

Support Pillar 1

- Investment pre-identification phase
- Investment preparation
- Investment phase

Support Pillar 3

- Market intelligence, Investment Climate Analysis, Dialogue
- Government Reforms
- Capacity building and value chains upgrading

Pillar 2
Pillar 3: Promoting a conducive investment climate

Investment climate

Business environment

- Functioning and transparent financial markets
- Rule of law/governance
- Adequate infrastructure (energy, utilities, transport, communication...)
- Political stability
- Policy/strategy framework
  - Legal, regulatory and administrative framework
  - Institutional arrangements for public-private dialogue
- Equitable and efficient labour markets
- Economic predictability
- Education, vocational training, skills and HR development

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Pillar 3: Promoting a conducive investment climate

- Policy and political dialogue with partner countries
- Structured dialogue with business
- Country level, sector, value chains analysis
- Coordination and coherence
You in the EIP – Channels to engage?

✓ Via One-stop-shop (upcoming)
- Single online entry point for businesses, investors and partners
- Objective: Accessibility, transparency and efficiency

✓ Through Eligible Counterparts
- Eligible IFIs: AFD, EBRD, EDFIs, EIB, KfW, World Bank …

✓ Structured dialogue
- Events and regular discussions to identify constraints for investment
- Country, sector and strategic level – facilitated by the EU and its Delegations

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You in the EIP – Approach for Private Sector Companies

✅ **Start-ups and MSMEs**
- Contribute to structured dialogue e.g. on constraints to innovation and growth
- Approach local financial institutions (banks, funds) benefiting from EIP

✅ **Promoters of large-scale projects**
- Contribute to structured dialogue about constraints to obtaining finance
- Propose specific projects to Eligible Counterparts (e.g. under Guarantee)

✅ **Financial Institutions**
- Contribute to structured dialogue about key constraints to investment
- Approach One-Stop-Shop / Eligible Counterparts to suggest specific approaches, in particular for EFSD Guarantee usage via the financial sector
Thank you!