

# The EU's External Investment Plan

*The new generation instrument for sustainable development*



**Paulus Geraedts, Secretariat of the EIP, European Commission**  
**21 February, 2018, TRADECOM II, ACP House**  
**"P032 – Knowledge Sharing on Trade and Investment"**

#EIP

#InvestGlobal



European Commission

# Funding instruments external cooperation and external aid 2014/2020

## Thematic instruments

## Geographical instruments

European Instrument for Democracy and Human Rights EIDHR

€1332.75 million

Instrument for Nuclear Safety Cooperation INSC

€120.34 million

Instrument contributing to Stability and Peace IcSP

€ 2 338.719 million

Partnership Instrument PI

€ 954.7 million

Instrument for Development Cooperation DCI

Global Public Goods and Challenges GPGC

Civil society organisations and local authorities

€7 billion

European Development Fund EDF

ACP countries  
Overseas Countries and Territories of Member States

€ 30.5 billion

Instrument for Pre-accession Assistance II IPA

€ 11.7 billion

Instrument for Greenland IfG

€ 217.8 million

Instrument for Development Cooperation DCI

Latin America  
Asia  
Central Asia  
the Middle-East  
South Africa

€ 11.8 billion

Pan-African programme

€ 845 million

European Neighbourhood Instrument ENI

€ 15.4 billion

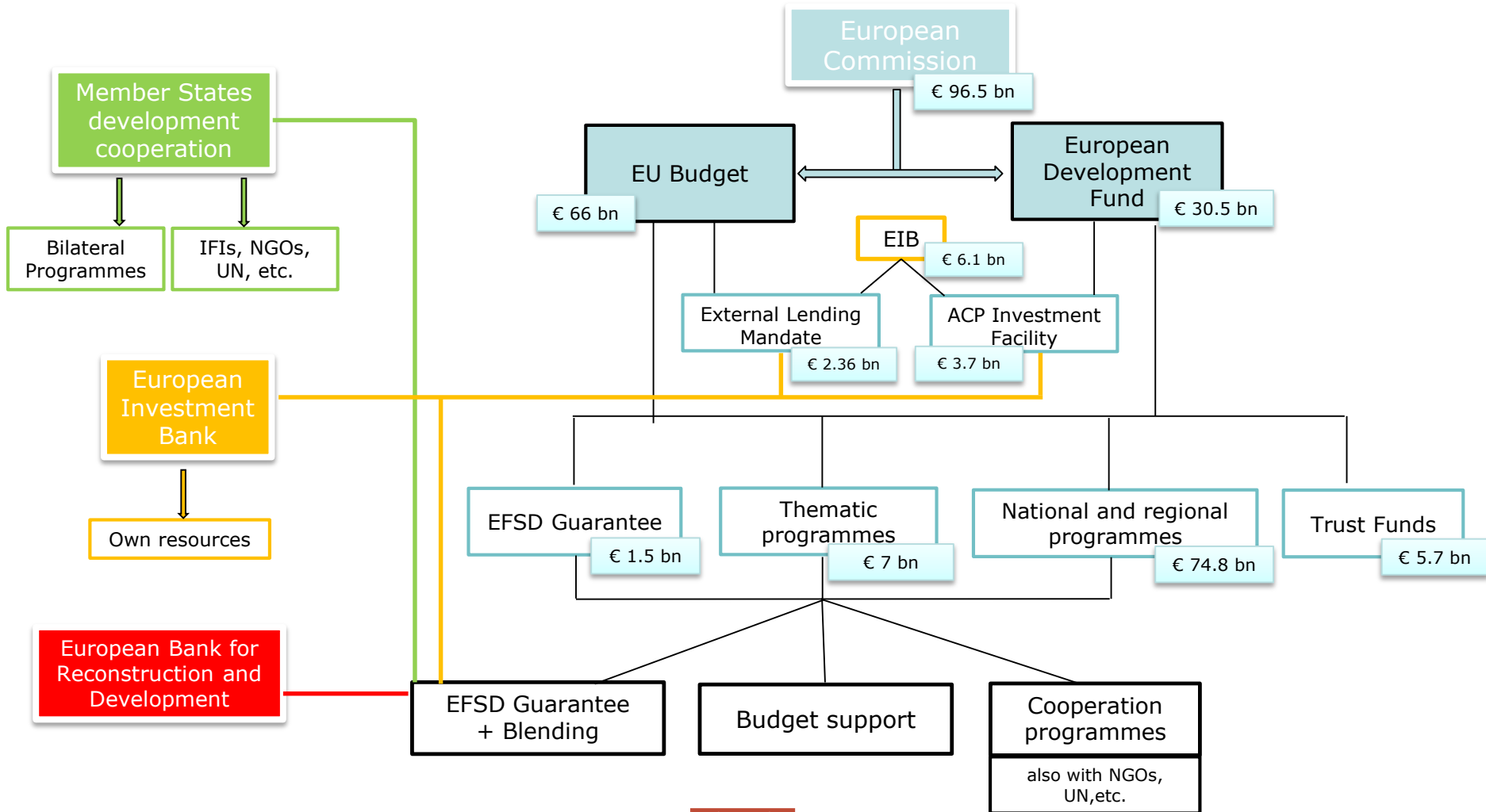
External Investment Plan EIP

€ 4.1 billion



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# EU external cooperation MFF 2014-2020





## Why do we act?

*"Less than 10 per cent of Foreign Direct Investment in Africa goes to fragile regions – those that need it the most. We want our External Investment Plan to become a powerful engine of more inclusive and sustainable growth."*



**Federica Mogherini**

High Representative of the Union for Foreign Affairs and Security Policy  
/ Vice-President of the Commission



*"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

## We continue implementing 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**"
- ✓ Revised joint priorities for cooperation under the **European Neighbourhood Policy**
- ✓ EU Communication "For a renewed impetus of the **Africa-EU Partnership**"





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# What are the EIP goals?



Contribute to  
Sustainable  
Development



Improve  
Investment  
climate



Encourage private  
Investments



Tackle root  
causes of  
migration



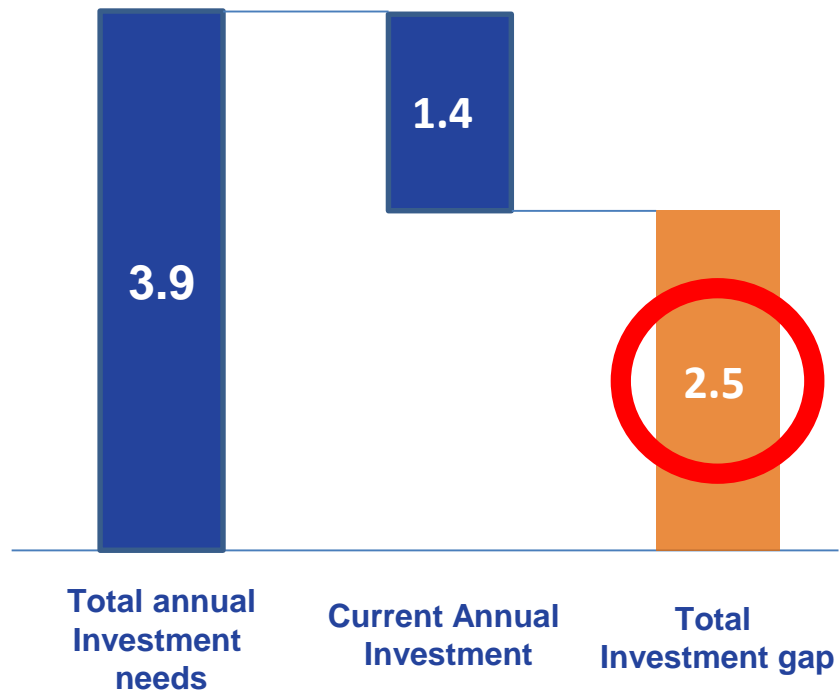
Focus on  
jobs and  
growth



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# Why do we act?

## Estimated global investment gap in key SDG sectors, 2015-30 Trillions of USD, annual average



Source: World Economic Forum (2015)

# Estimates of Annual Incremental Investment Needs for Africa to Achieve the SDGs



**\$ 210 Billion  
per year**

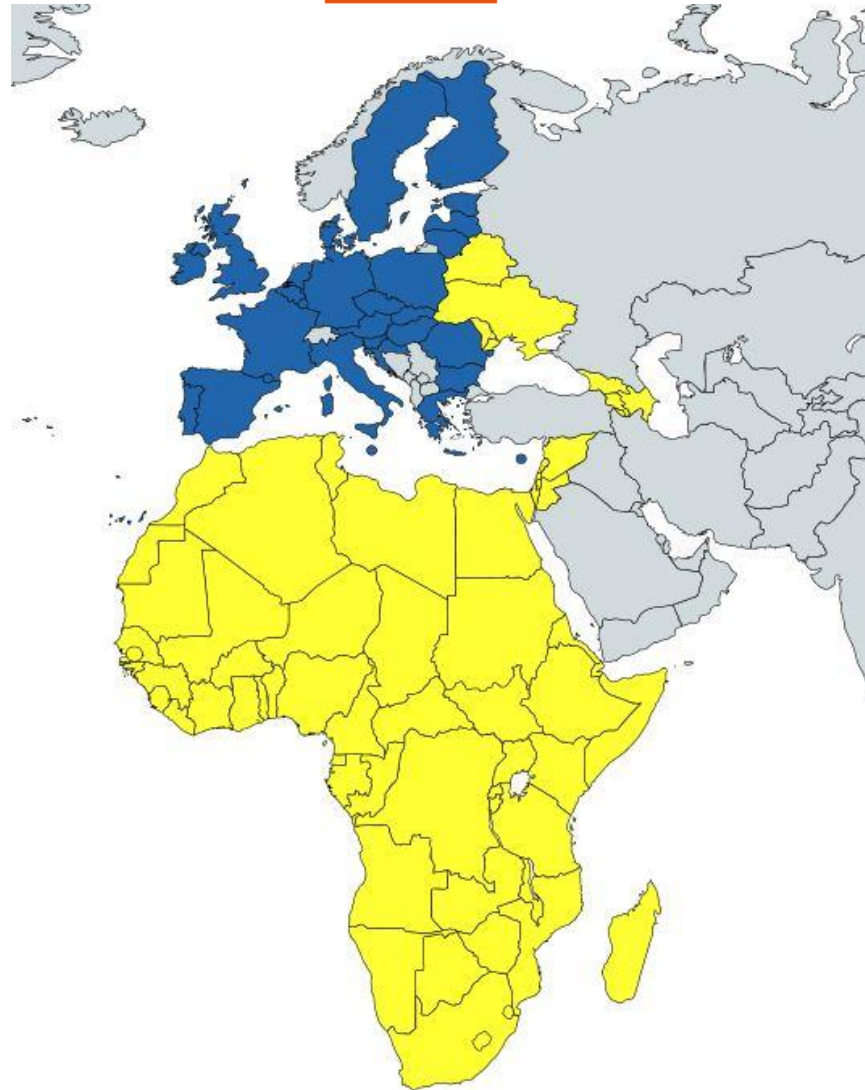
Source: UNCTAD (2014)





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# Where do we act?





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## How do we act? The Three-Pillar Approach



**European Fund for Sustainable Development (EFSD)**

- New guarantee to reduce risk
- Blending loans and grants
  - Africa Investment Platform
  - EU Neighbourhood Investment Platform



**Technical Assistance**

- Support local authorities and companies preparing bankable projects
- Improving the investment climate in close engagement with the Private Sector



**Investment Climate**

- Structured dialogue with business
- Market Intelligence & Analytics
- Policy and political dialogue
  - EU Cooperation

A one-stop-shop for public and private investors



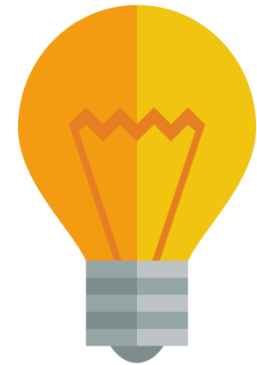
## What is new?



**Integrated  
3-pillar  
approach**



**EFSD  
Guarantee**



**One-stop-shop  
for public and  
private  
investors**



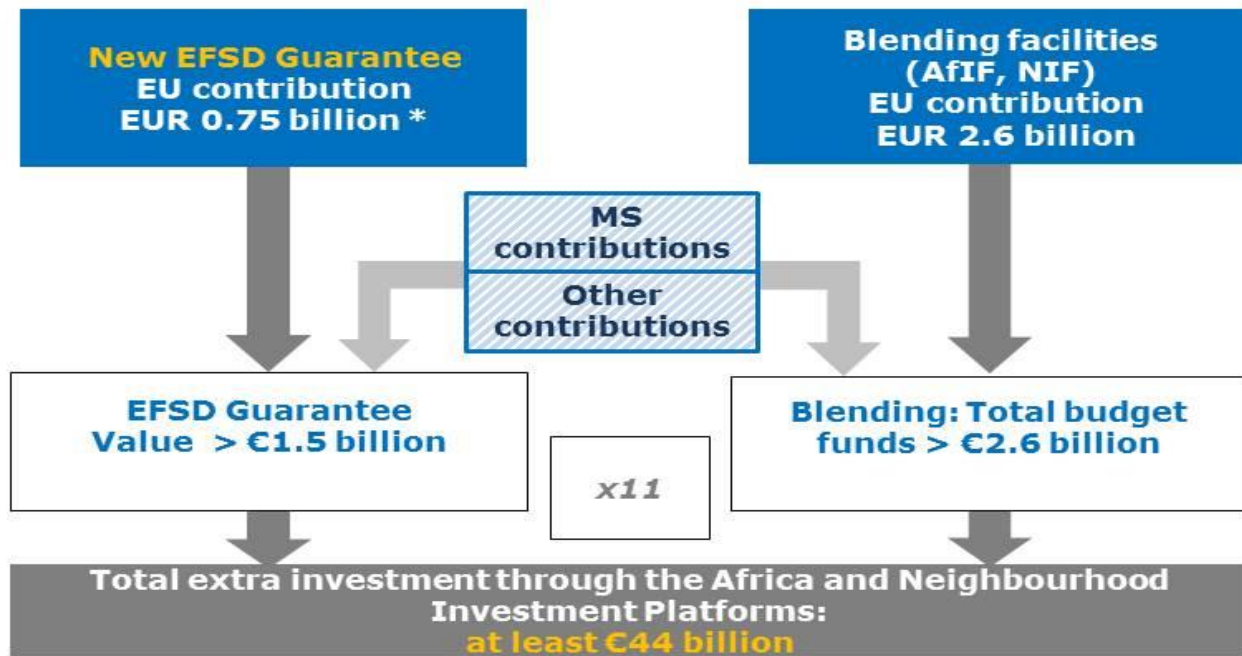


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## Pillar 1: EFSD resources

### NEW PARTNERSHIP FRAMEWORK – EXTERNAL INVESTMENT PLAN

#### European Fund for Sustainable Development (EFSD)



\* Plus a EUR 0.75 billion contingent liability.

## The EFSD Guarantee

### A risk mitigation mechanism

to stimulate investments in  
Africa and in the  
Neighbourhood



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

### 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)

## Pillar 1: EFSD Guarantee Eligibility criteria

### Article 9 of the EFSD Regulation

- additionality
- complementarity with other initiatives, clearly distinct, in particular from the external lending mandate operations managed by the EIB
- alignment of interest by providing adequate risk sharing
- economically and financially viable
- maximise, where possible, the mobilisation of private sector capital
- respect the principles of development effectiveness

### Market failures or sub-optimal investment situations

### Focus on youth and women empowerment





## First investment windows

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

**Cross-cutting objective:** local currency financing, focus on fragile states, not-distorting market competition



## Pillar 2: Technical Assistance in support of Pillars 1 and 3

### Support Pillar 3

Market intelligence, Investment  
Climate Analysis, Dialogue

Government Reforms

Capacity building and value chains  
upgrading

### Pillar 2

Investment pre-identification phase

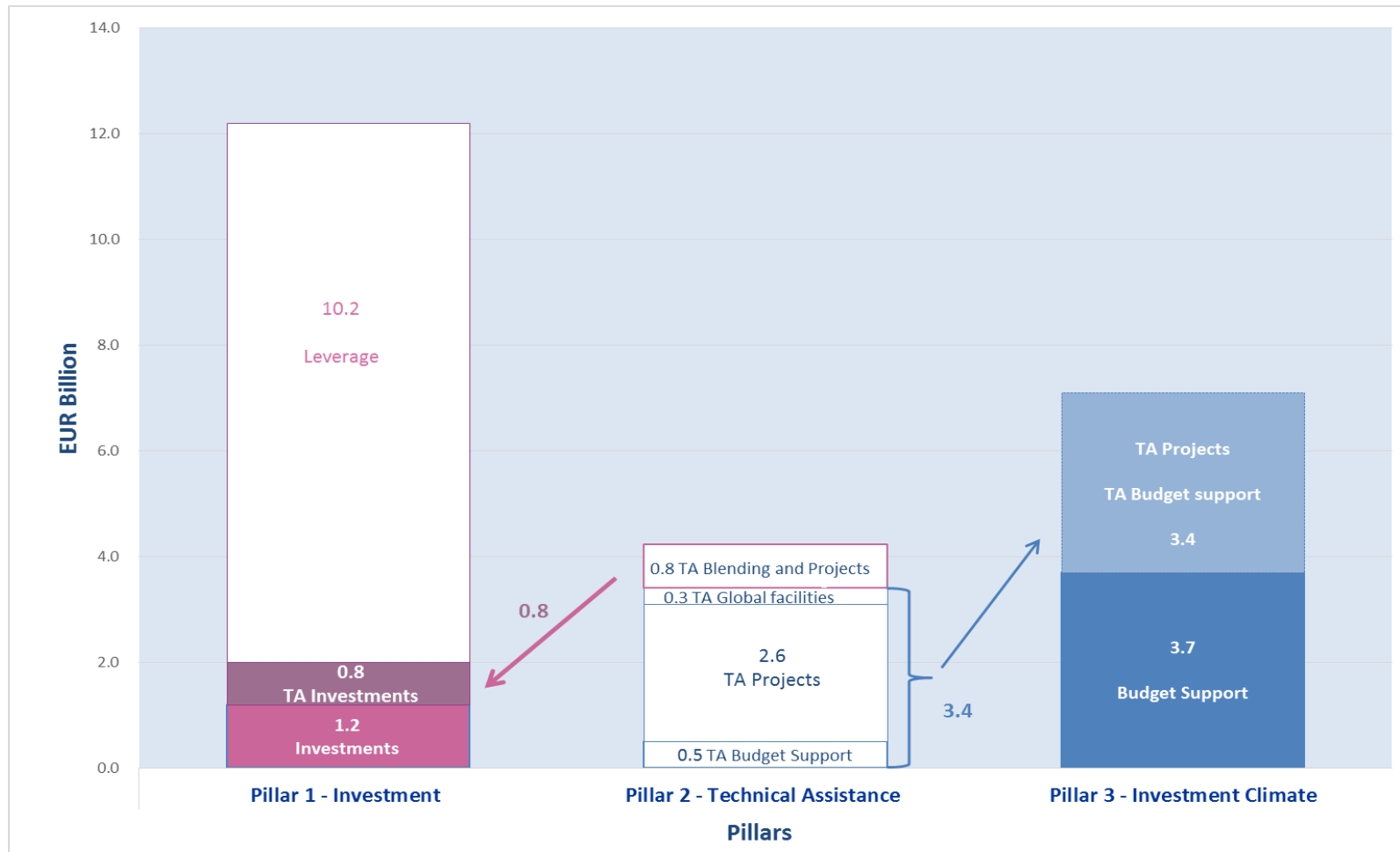
Investment preparation

Investment phase

### Support Pillar 1

## Pillar 2: Where are we today?

### EU's Existing TA in Sub-Saharan Africa (estimated 2012-2017)



## Pillar 3: Promoting a conducive investment climate "3-step bottom-up approach"

### Structured dialogue with business

Bring in private sector  
perspective on business  
constraints  
(SB4A)

### Country analysis: sector and value chains

Market intelligence,  
investment opportunities, in  
key sectors and value  
chains

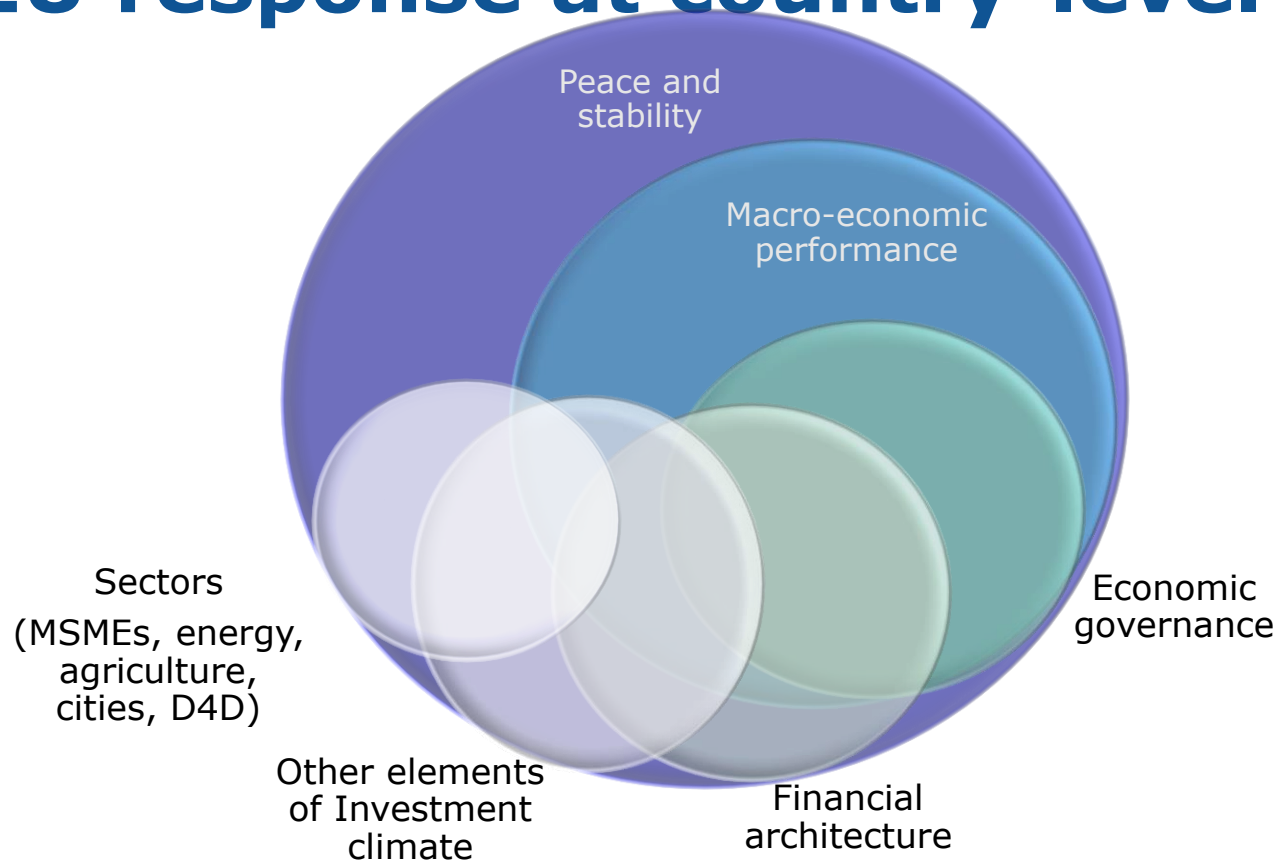
### Policy and political dialogue with partner countries; EU Cooperation

Governance, reforms,  
value chain upgrading, TA,  
budget support

**Coherence and complementarity**

**Key role of EU Delegations**

# Considering the investor: EU response at country-level



# EU response at country-level

Diplomacy, political dialogue, state-building, etc.

budget support/MFA, macro-economic policy dialogue (in coordination with IMF).

NIP priorities – SBS, sector dialogue, investment grants, TA, blending, etc.  
Jobs&Growth Compacts to identify pillar 3 and value-chain priorities

NIP Trade and private sector (where applicable)

- HQ global facilities (INTRA ACP, thematic: SE4All, ElectriFI, AgriFI, TSDPE, NAMA, Cities and climate, B4Life, etc.)
- RIPs: programs, projects, blending

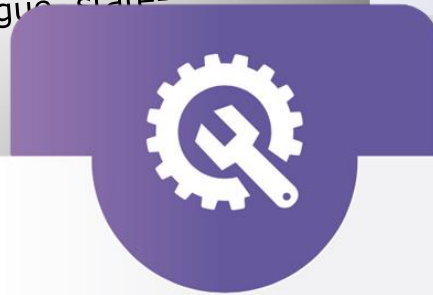


# Role of EU Delegations: one EIP narrative, connecting the dots, building on what exists, creating synergies!



## European Fund for Sustainable Development (EFSD)

- New guarantee to reduce risk
- Blending loans and grants
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- EU Neighbourhood Investment Platform



## Technical Assistance

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## Investment Climate

- Structured dialogue with business
- Market Intelligence & Analytics
- Policy and political dialogue
- EU Cooperation

• RIPs: programs, projects, blending

A one-stop-shop for public and private investors



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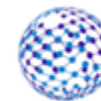


- > Africa50
- > African Development Fund - PPF
- > African Water F
- > Climate Resilient (CRIDF)
- > Development Bar
- > ECOWAS Project
- > eleQtra
- > EU-Africa Infrastructure Trust Fund
- > Fund for African Private Sector Assistance (FAPA)
- > NEPAD Infrastructure Project Preparation Facility

### Project Preparation Facilities Network (PPFN)



- > Private Infrastructure Development Group (PIDG)
- > Public-Private Infrastructure Advisory Facility (PPIAF)
- > Sustainable Energy Fund for Africa (SEFA)
- > SADC Project Preparation and Development Facility



Practitioners' Network for European Development Cooperation



## EFSD/blending

Neighbourhood Investment Facility



European Union Africa Infrastructure Trust Fund

## Africa Investment Facility

- HQ (INTRA ACP, GPGC)**
- TPSD/E-Facility: Trade Private Sector Development and Engagement
  - TAF SE4All
  - Other...

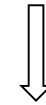
- EU Delegation (NIP/RIP):**
- Technical Cooperation Facility
  - Targeted TA programs – pillar 1 or 3
  - Other...

# ElectriFI

# AgriFI

# How to access?

Requests / Action Descriptions



A one-stop-shop for public and private investors



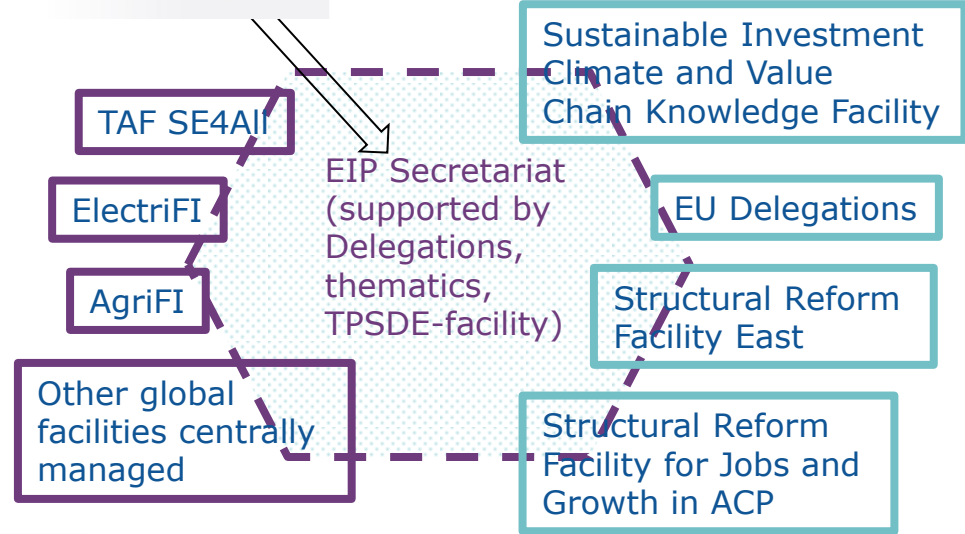
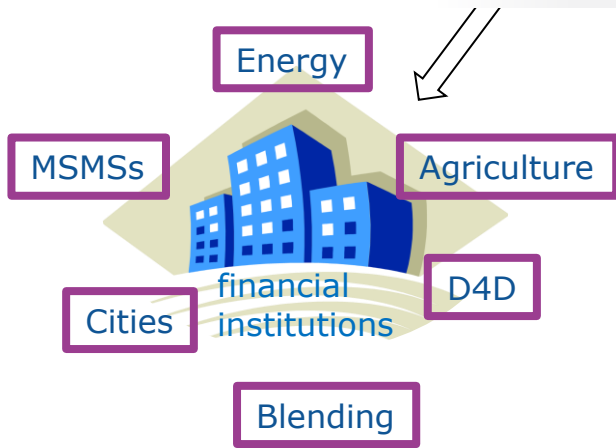
European Fund for Sustainable Development (EFSD)



Technical Assistance



Investment Climate







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## Summary

- ✓ Integrated three-pillar approach  
– Seizing Synergies
- ✓ Enhancing Transparency  
Accessibility and Efficiency
- ✓ EFSD Guarantee – innovative  
instrument, providing more funds  
and more flexibility



# EU External Investment Plan

Investing together in creating jobs and development

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Related events

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**What is the External Investment Plan**



**Mobilising finance**



**Stepping up technical support**



**Improving the investment climate**



**Projects financed so far**



**How you can engage**

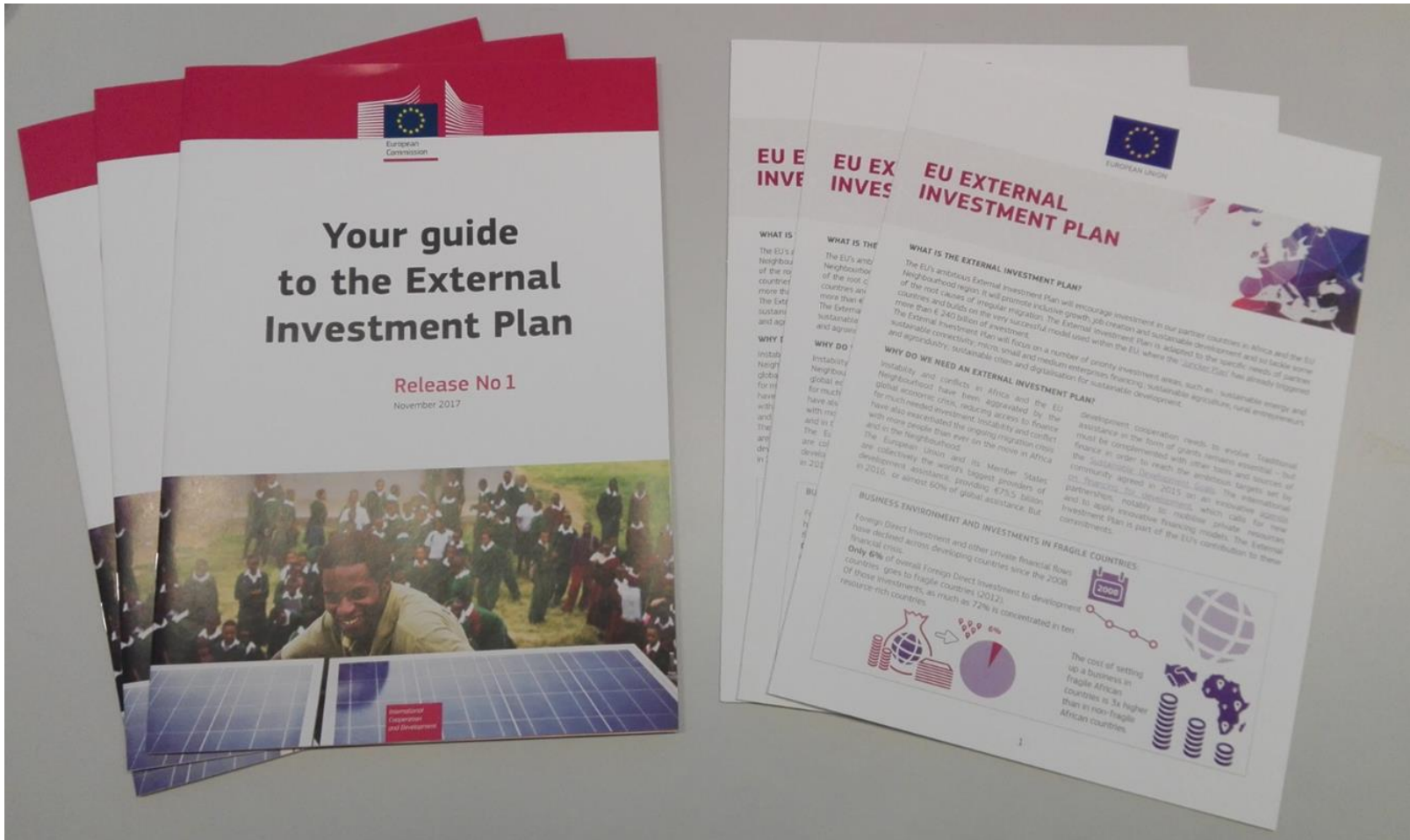
[https://ec.europa.eu/commission/external-investment-plan\\_en](https://ec.europa.eu/commission/external-investment-plan_en)





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# Your guide to the External Investment Plan

Release No 1  
November 2017



## EU EXTERNAL INVESTMENT PLAN

**WHAT IS THE EXTERNAL INVESTMENT PLAN?**  
The EU's ambitious External Investment Plan will encourage investment in our partner countries in Africa and the EU neighbourhood region. It will promote inclusive growth, job creation and sustainable development and to tackle some of the root causes of irregular migration. The External Investment Plan is adapted to the specific needs of partner countries and builds on the very successful model used within the EU, where the 'SUCCESS' EIP has already triggered more than € 240 billion of investment.

**WHAT IS THE EXTERNAL INVESTMENT PLAN?**  
The External Investment Plan will focus on a number of priority investment areas, such as: sustainable energy and sustainable connectivity, micro, small and medium enterprises financing, sustainable agriculture, rural entrepreneurs and agri-food, sustainable cities and digitalisation for sustainable development.

**WHY DO WE NEED AN EXTERNAL INVESTMENT PLAN?**  
Instability and conflicts in Africa and the EU neighbourhood have been aggravated by the global economic crisis, reducing access to finance for much needed investment. Instability and conflict have also exacerbated the ongoing migration crisis with more people than ever on the move in Africa and in the EU neighbourhood.

**WHY DO WE NEED AN EXTERNAL INVESTMENT PLAN?**  
The European Union and its Member States are collectively the world's largest providers of development assistance, providing €275.5 billion in 2016, or almost 60% of global assistance. But development cooperation needs to evolve. Traditional assistance in the form of grants remains essential – but must be complemented with other tools and sources of finance in order to reach the ambitious targets set by the Sustainable Development Goals. The international community agreed in 2015 on an innovative approach: public-private partnerships, notably to mobilise private resources and to apply innovative financing models. The External Investment Plan is part of the EU's contribution to these commitments.

### BUSINESS ENVIRONMENT AND INVESTMENTS IN FRAGILE COUNTRIES

Foreign Direct Investment and other private financial flows have declined across developing countries since the 2008 financial crisis.

Only 6% of overall Foreign Direct Investment to developing countries goes to fragile countries (2012). Of those investments, as much as 72% is concentrated in ten resource-rich countries.

