



EIP Pillar III

Improving Investment Climate

TPSD Seminar 2020

Plan of the session

I. A reminder on the External Investment Plan

The three pillars and the integrated approach

Investment climate definition

II. The 3 building blocks of Pillar 3 and the role of EU Delegations

Country and value chain analysis

Structured public private dialogue

Actions to implement the EIP integrated approach

III. Support and Technical Assistance from Headquarters

- I. A reminder on the External Investment Plan**
- II. The 3 building blocks of Pillar 3**
- III. Support and Technical Assistance from HQ**

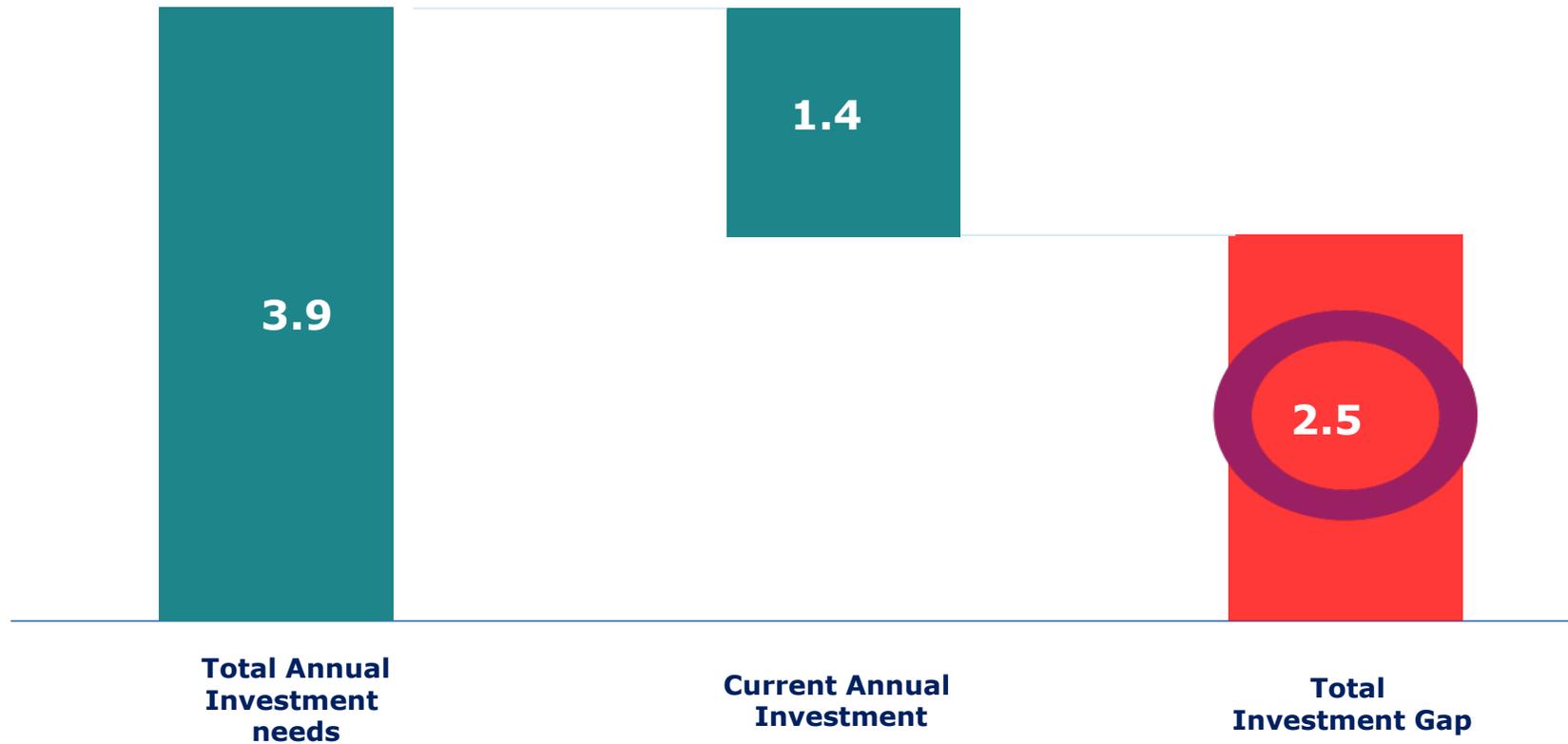
Why the EIP



On September 25th 2015, countries adopted a set of goals to **end poverty**, **protect the planet**, and **ensure prosperity for all** as part of a new sustainable development agenda. Each goal has specific targets to be achieved over the next 15 years.

Why the EIP

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



This cannot be covered by Official Development Aid (ODA) alone
– We need to partner with the private sector

The Integrated Approach



Financial risk-sharing is often not enough to attract investors: need also **Technical Assistance** and **investment climate reforms**

Dialogue is needed to identify gaps and actions

- Policy dialogue with governments on country strategies
- Public-private dialogue on business constraints and opportunities
- Dialogue with IFIs on project portfolios and possible needs

Important role for EU Delegations to ensure linkages between the three Pillars: country analysis; interlocutors with government; facilitator of PPD; broker with the IFIs; implementing agent of cooperation activities

EIP Goals



Contribute to Sustainable Development



Improve Investment climate



Encourage investment (especially private)



Tackle root causes of irregular migration

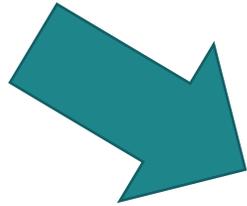


Focus on jobs and growth



Connecting the dots

Trade and investment agreements with EU



FDI from EU companies



**INVESTMENT
(PILLAR 1)**

TA Supports preparation of investment proposals

Investment opportunities materialised through blending & guarantees

EU TA helps identification of investment opportunities

Tangible results generates interests in potential new investors



Tangible results provides incentives to government to undertake reforms



**TECHNICAL
ASSISTANCE
(PILLAR 2)**

Perceived decrease of investment risk generates interest in potential new investments

EU technical assistance supports Government and private sector in addressing investment climate constraints



**INVESTMENT
CLIMATE
(PILLAR 3)**

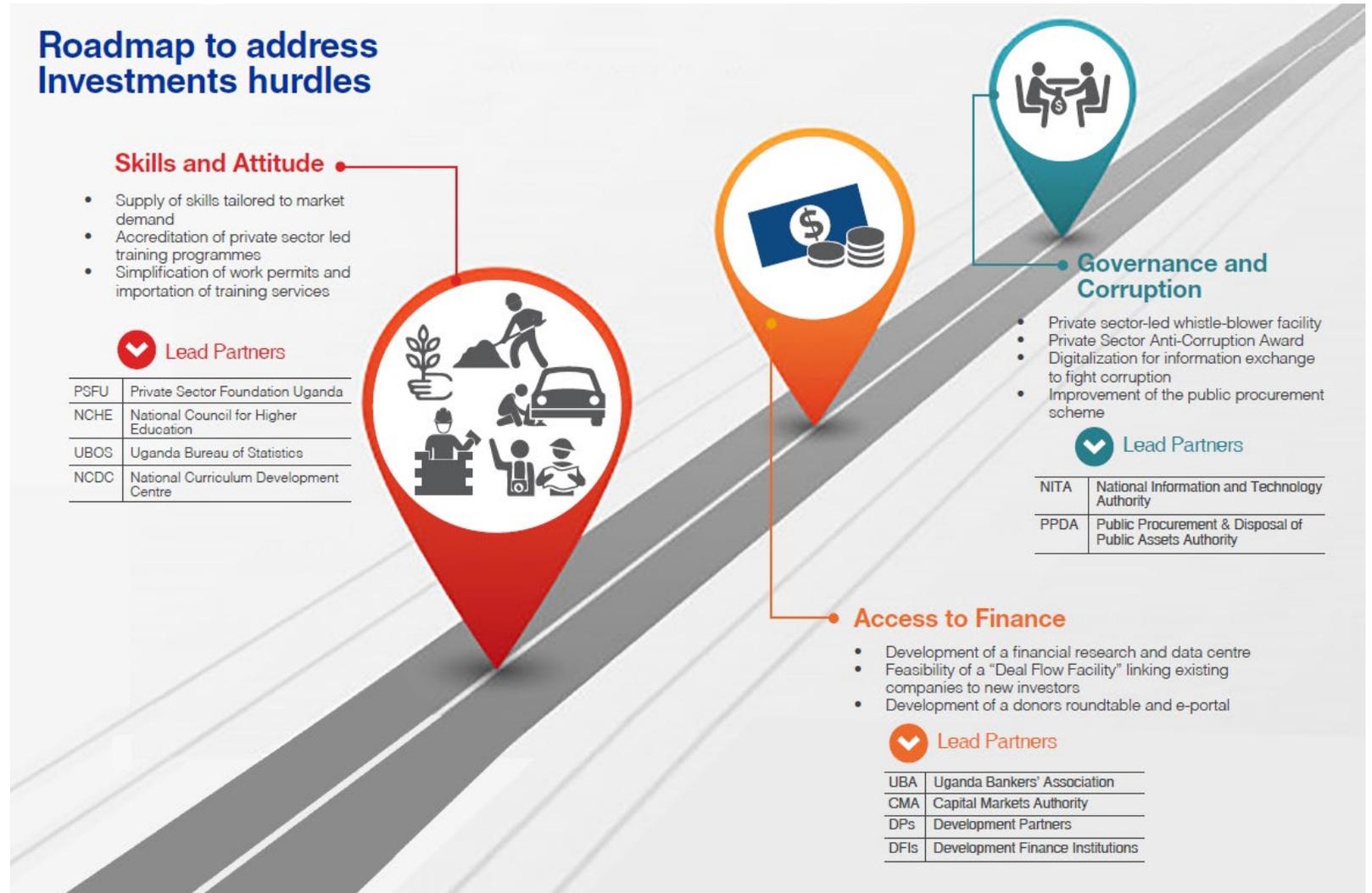
Structured dialogue with government and private sector identifies obstacles to investment

Connecting the dots – Uganda Investment & IC



**YIELD
UGANDA**
INVESTMENT FUND

**A €20 MILLION
IMPACT INVESTMENT FUND
FOR UGANDA, FOCUSED ON
THE AGRICULTURE SECTOR**

The role of Delegations

Blending:

- Identify project pipeline
- Coordinate with IFIs in development of proposals
- Contribute to assessment, approval
- Contracting and monitoring

Investment Climate:

- Market analysis
- Establish PPD mechanisms
- Obtain commitment for reforms
- Support reform with actions

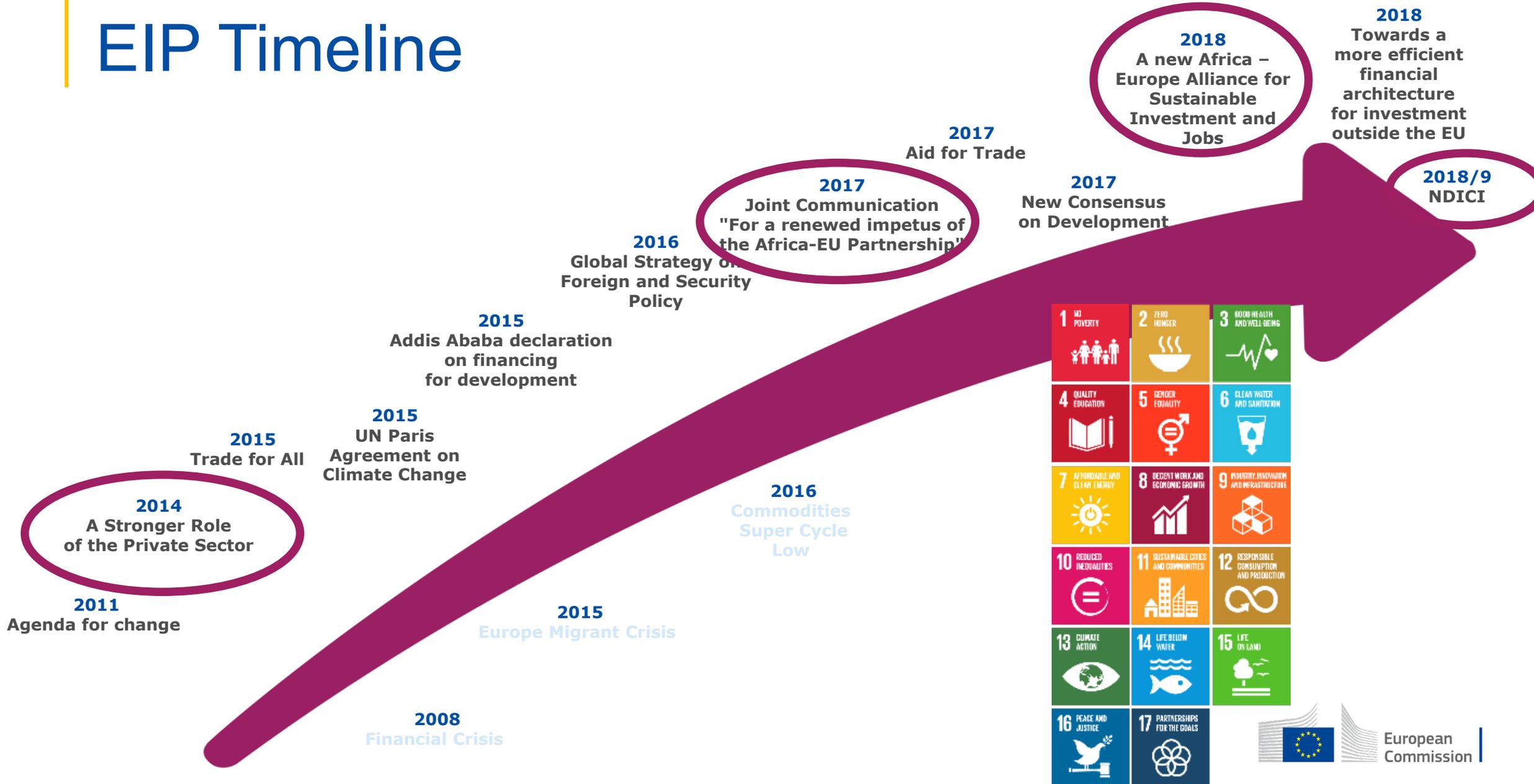
Guarantee:

- Identify relevant guarantees
- Consultation during roll-out
- Local market intelligence:
 - Opportunities
 - Watchdog of guarantee implementation
- In future: programming

Technical assistance:

- Link TA actions to investment climate reform
- Support Guarantees & blending operations with TA

EIP Timeline

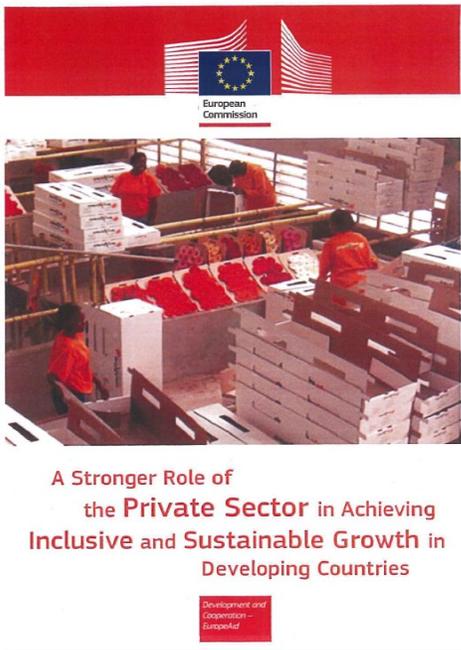
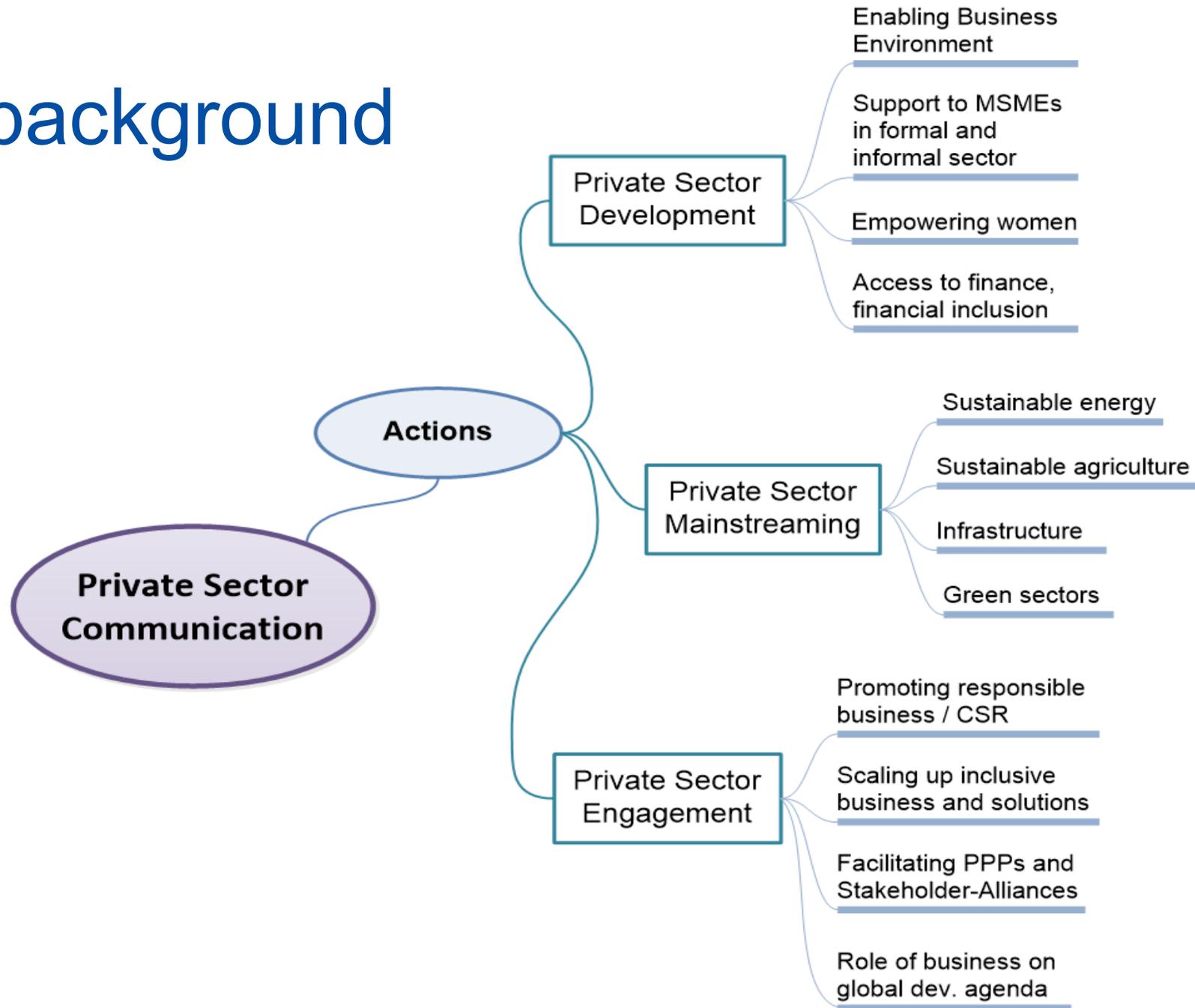


Policy background

EC communication **A Stronger Role of the Private Sector in Achieving Inclusive and Sustainable Growth in Developing Countries (2014)**:

*“EC will look for new ways of harnessing the potential of the **private sector as a financing partner, implementing agent, advisor or intermediary** to achieve more effective and efficient delivery of EU support, **not only in the field of local private sector development**, but also in other areas of EU development cooperation such as **sustainable energy, sustainable agriculture and agribusiness, digital and physical infrastructure, and the green and social sectors**”.*

Policy background



Policy background

Measurable development impact

Additionality

Neutrality

Shared interest and co-financing

Demonstration effect

Adherence to social, environm. and fiscal standards

Focus on job creation, inclusiveness and poverty reduction

A differentiated approach to the private sector

Create opportunities through market-based solutions

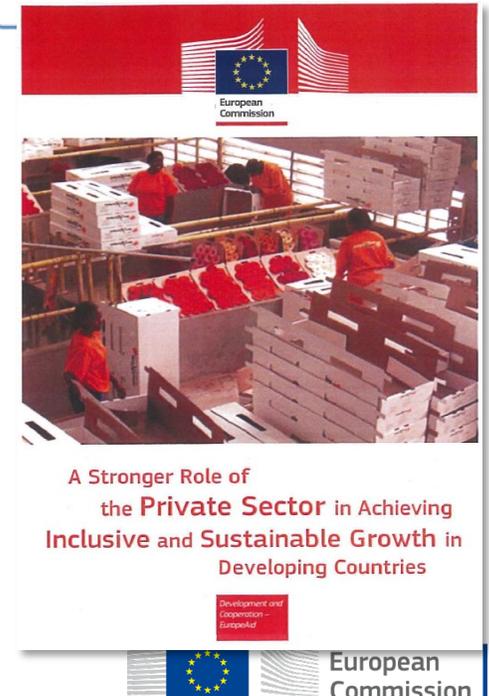
Follow clear criteria in provision of direct support to private sector

Account for different local contexts

Put strong emphasis on results

Observe policy coherence in areas affecting the private sector in partner countries

Principles



Policy background

Definition of Private Sector Engagement (PSE)

Activities of donors that enable and encourage private sector actors to directly contribute to development objectives.

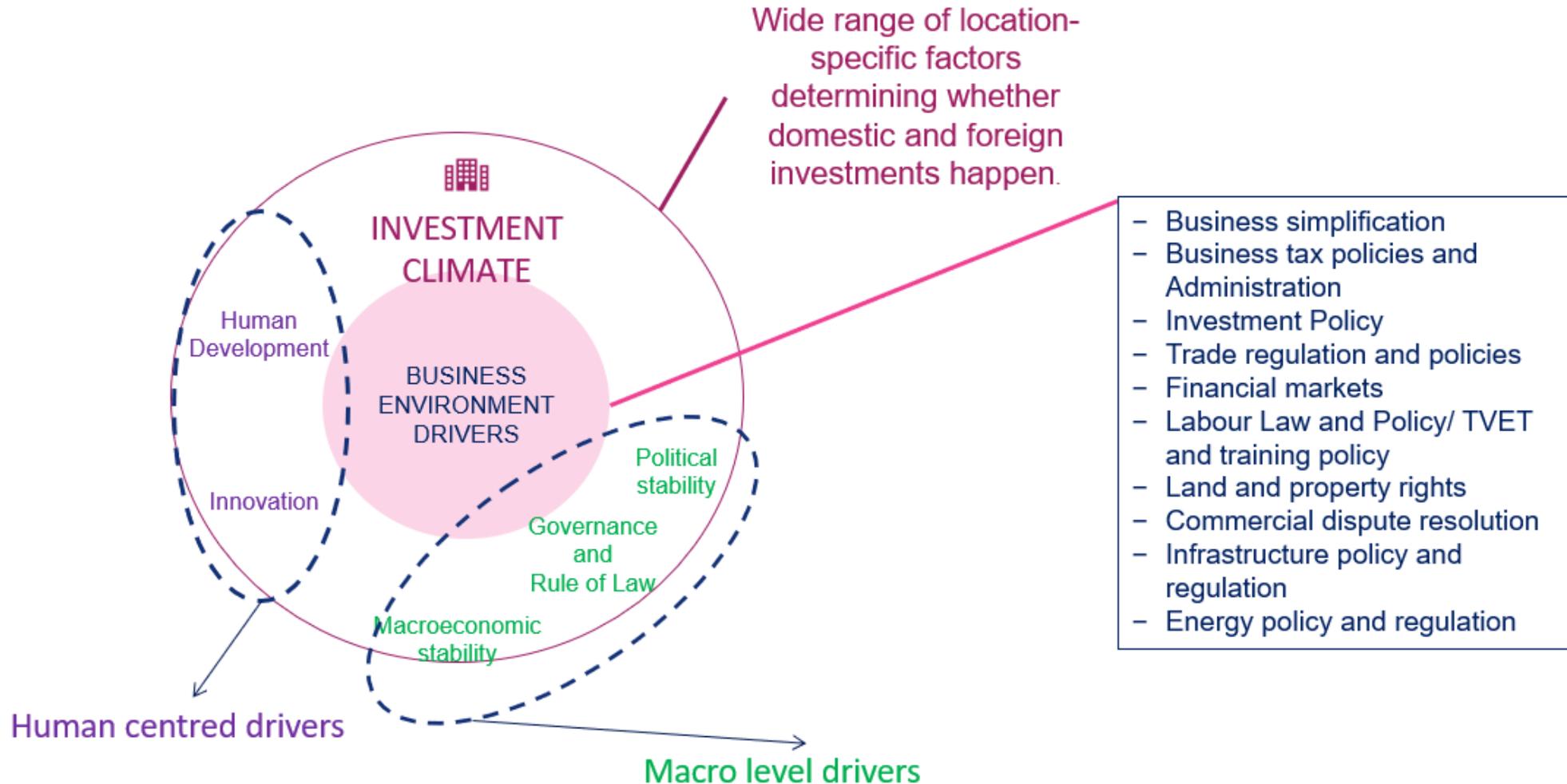
*Private sector engagement aims to **engage the private sector for development results**, which involve the **active participation of the private sector**. Private sector engagement can be achieved through informal collaborations but also more formalized partnerships and can occur in any sector or area, e.g. health, education, private sector development, renewable energy, governance, etc (DCED, *Private Sector Engagement for Sustainable Development*)*

The Handbook on improving IC



- Overview of Pillar 3
- Present the key drivers of investment climate
- How can the EU contribute further?

Investment Climate definition



Business environment drivers



Business Simplification



Business Tax Policy and Administration



Investment Policy



Trade regulation and policies



Financial Markets



Labour Law and Policy/ TVET and Training Policy



Land and Property Rights



Commercial Dispute Resolution



Infrastructure Policy and Regulation



Energy Policy and Regulation

Investment Climate

World Bank "Doing Business" Indicators



Source: Doing Business database.

Note: Labor market regulation is not included in the ease of doing business ranking.

Easy framework

Drives narrow reforms

Comparability

Formal sector only

Data collection

Western best practices

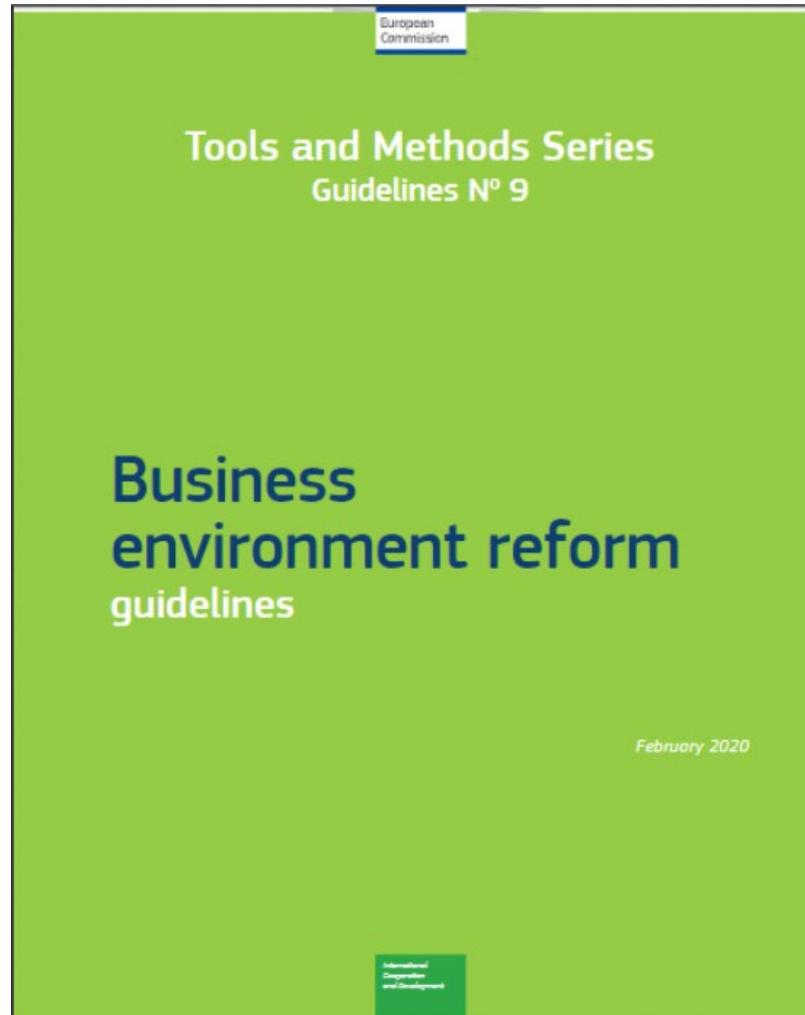
Reform entry points

Common Law biased



Business Environment Reform guidelines

<https://europa.eu/capacity4dev/t-and-m-series/documents/guidelines-ndeg9-business-environment-reform>



IC related projects

Strengthening Access to Land and Property Rights for all Citizens of Bangladesh (2012–On going)

The EU have supported a programme to strengthen access to land and property rights in Bangladesh, especially for the poorest part of the community, to assist the Ministry of Land to modernise the land records management system in Bangladesh. Improved access to land and a greater security of tenure will lead to improved land use and agricultural practises as landowners will be likely to invest more in their land to increase their income.

The project developed a National Land Policy and sub-policies covering, among others, land use planning and zoning; management of Khas (public land), Char and Government lands; and establish an authoritative record of ownership of land, where the project worked at the policy, legislative and institutional level to provide for a land ownership registration system, capable of producing a Certificate of Land Ownership (CLO) and secondly, at the Upazilla (country) level, to build an authoritative land record (ALR).

Pilot projects were conducted in urban, rural and coastal regions of Bangladesh, focusing on outlining a new policy of creating a one-stop-shop for land management, including land records management; land development tax; mutation (buying, selling or transferring land); Khas management (in general, the government manages Khas land records and leases out for private use); vested property and abandoned property (people who went to India between partition in 1947 and 1967 left their property behind in what is termed vested property, hence the term abandoned property); rent certificate function which covers people who have not paid their land development tax on time and action in the courts by the Lands Office.

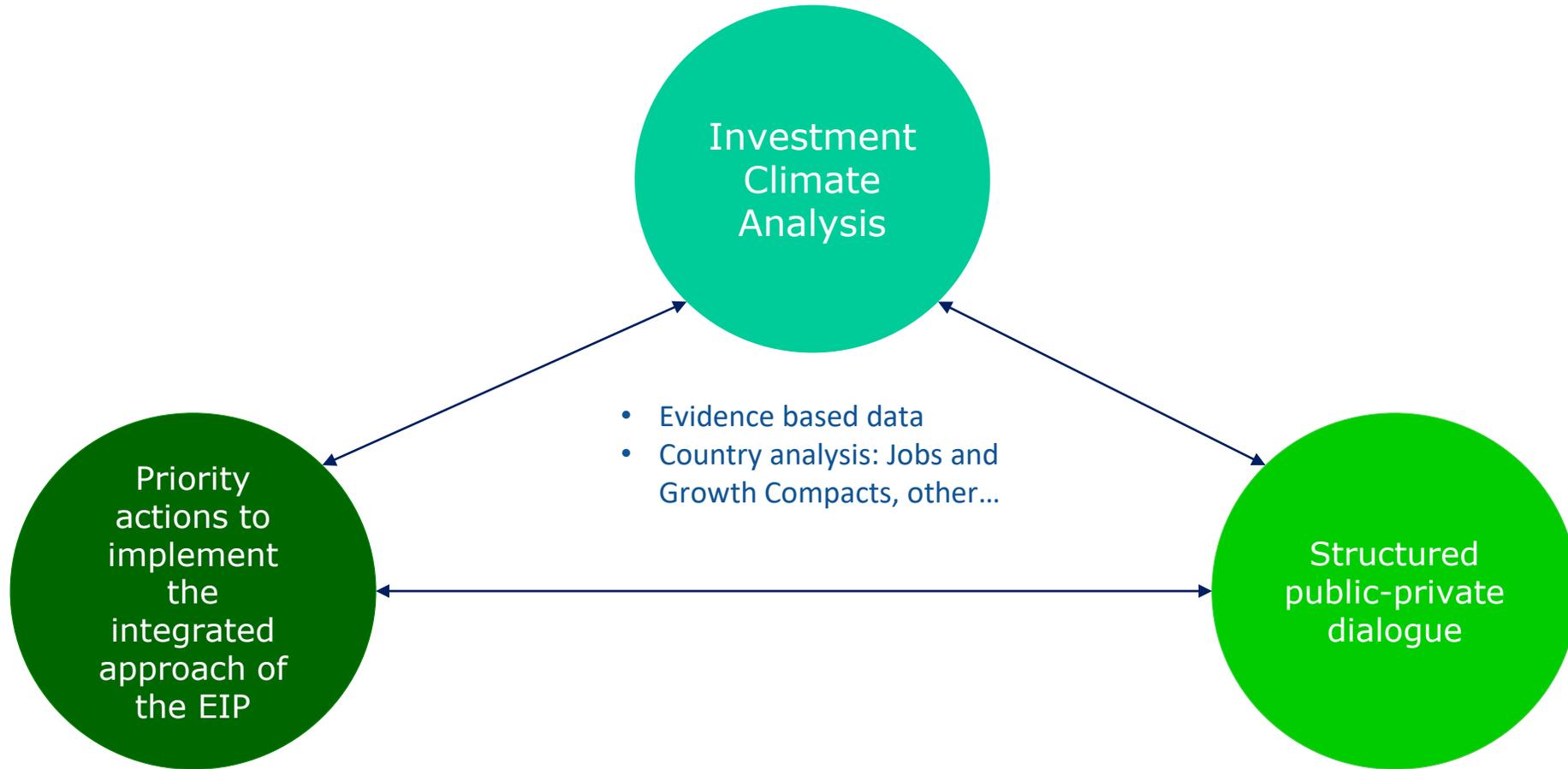
EU-Nepal Trade and Investment Programme (TIP)

The objective of the action is to contribute to Nepal's sustainable and inclusive economic growth and poverty reduction through:

1. Increased trade and participation in regional and global value-chains;
2. Improved investment climate for attracting Foreign Direct Investment;
3. Improved trade and investment coordination strategy elaborated and agreed between country partners and development partners.

- I. **A reminder on the External Investment Plan**
- II. **The 3 building blocks of Pillar 3**
- III. **Support and Technical Assistance from HQ**

Building blocks of Pillar III



- Evidence based data
- Country analysis: Jobs and Growth Compacts, other...

- Support countries' reforms and optimise policy mix
- Policy dialogue, budget support and TA
- Capacity building to public and private actors

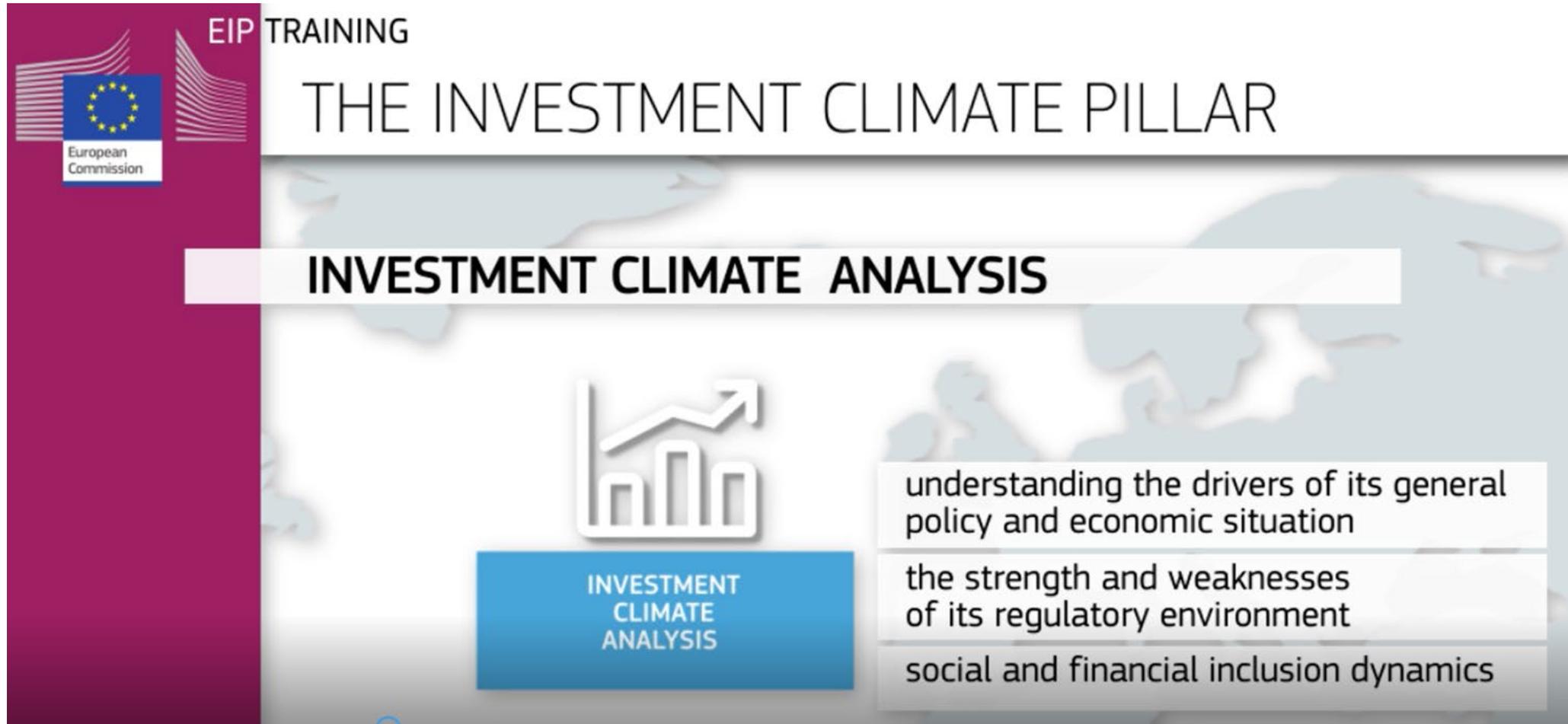
- Private Sector Engagement
- Sustainable Business for Africa (SB4A, other PPDs)

I. Investment Climate Analysis

II. Structured Public Private Dialogue

III. Priority Actions to Implement the Integrated Approach

Investment Climate Analysis



The slide features a dark red vertical bar on the left containing the European Commission logo and the text 'EIP TRAINING'. The main title 'THE INVESTMENT CLIMATE PILLAR' is centered at the top. Below it, a white horizontal bar highlights 'INVESTMENT CLIMATE ANALYSIS'. A central graphic shows a bar chart with an upward-pointing arrow, with a blue box below it labeled 'INVESTMENT CLIMATE ANALYSIS'. To the right, three stacked white boxes list key aspects of the analysis: understanding policy and economic drivers, assessing regulatory strengths and weaknesses, and examining social and financial inclusion dynamics. The background is a light blue world map.

EIP TRAINING

THE INVESTMENT CLIMATE PILLAR

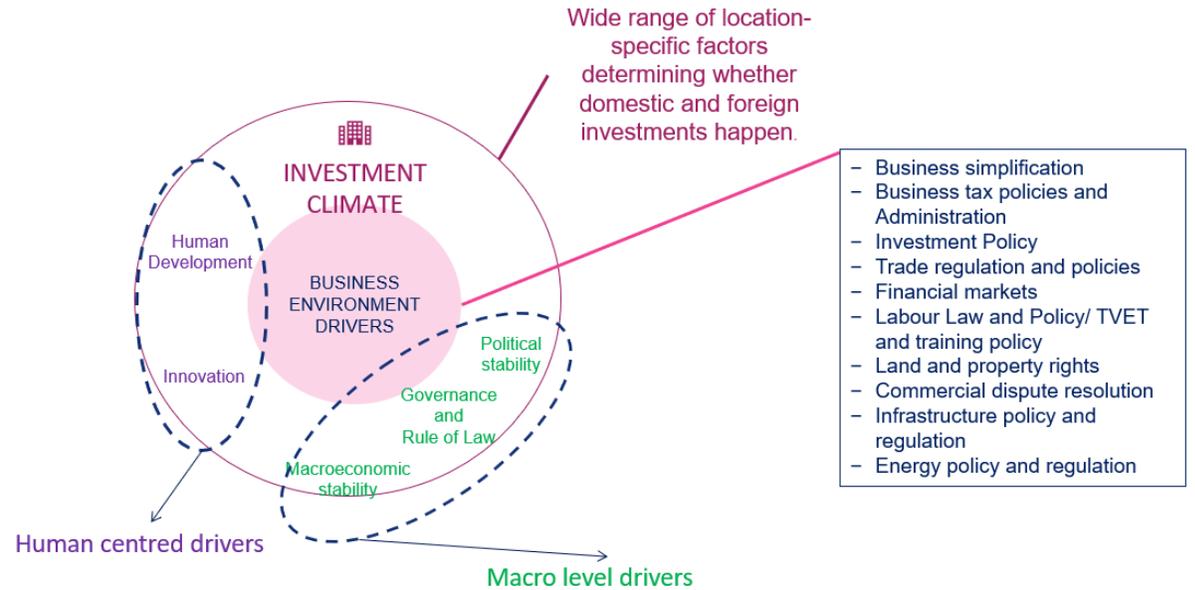
INVESTMENT CLIMATE ANALYSIS

INVESTMENT CLIMATE ANALYSIS

- understanding the drivers of its general policy and economic situation
- the strength and weaknesses of its regulatory environment
- social and financial inclusion dynamics

Diagnostic sources

In your groups, discuss the different diagnostic sources you use to capture and analyse the investment climate



1. Quote the main sources you use, and at what time you use them (project formulation, trade reports...)
2. Do the sources provide you with the right perspective to estimate the investment needs and sources and investment climate challenges?
3. If not, what would you need to be able to do so (alternative sources of information, adequate frameworks...)

Diagnostic sources

Internal:

- Project formulation and implementation
- Budget support programmes
- Actions in support of focal sectors
- Political and trade reports

External

- World Economic Forum – Global Competitiveness report <https://www.weforum.org/reports/the-global-competitiveness-report-2018>
- WB Doing Business <http://www.doingbusiness.org/>
- WEF Country reports World Economic Forum – Global Competitiveness report <https://www.weforum.org/reports/the-global-competitiveness-report-2018>
- WB Enterprise survey <https://www.enterprisesurveys.org/>
- Economist Intelligence Unit – Country risk profiles <http://country.eiu.com/Afghanistan>
- IMF Article IV Mission reports - <https://www.imf.org/en/News/Articles/2019/06/04/pr19200-namibia-imf-staff-completes-2019-article-iv-mission-to-namibia>
- WB Worldwide governance indicators <https://info.worldbank.org/governance/wgi/#home>
- Transparency International Corruption Perception Index <https://www.transparency.org/cpi2018>
- Open Budget Initiative <https://www.internationalbudget.org/open-budget-survey/>
- Ibrahim Index of African Governance <http://iiag.online/>
- PEFA <https://www.pefa.org/>
- PIMA IMF <https://www.imf.org/external/np/fad/publicinvestment/#3>
- WB Logistics Performance Index <https://lpi.worldbank.org/>
- Making Finance Work for Africa <https://www.mfw4a.org/>

The Jobs & Growth compact

Policy and regulatory framework for PSD and Investment

Value chains and job creating sectors

Dialogue with member states, EU business and local PS

EU on-going support to PS and possible future EU response

> An analytical tool ensuring coherence and allowing to maximise the impact of our actions

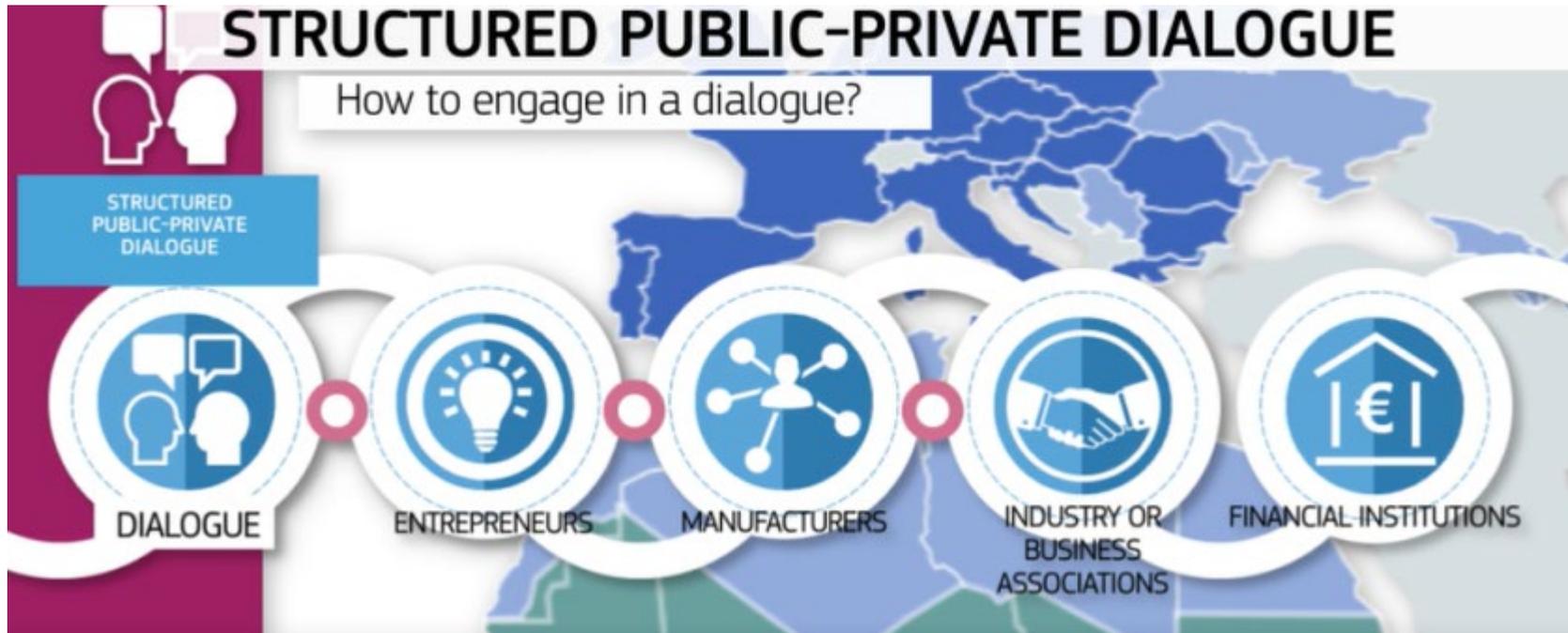
> A living document that will evolve over time.

I. Investment Climate Analysis

II. Structured Public Private Dialogue

III. Priority Actions to Implement the Integrated Approach

Structured Public Private Dialogue



- Discuss political and regulatory constraints
- Discuss on-going or future programmes
- Promote and broker wider investment partnerships
- Investigate potential investment

- Dialogue can start informally and then graduate to a formal setup
- It needs to be consistent and systematic
- It is framed by a well-defined policy, sector or value chain context

PPD: definition

- Public-private dialogue (PPD) is a **structured, participatory, and inclusive approach to policymaking.**
- Aimed at **reforming governance and the business climate**, especially where policy institutions are underperforming.
- **Dialogue improves the flow of information relating to economic policy and builds legitimacy into the policy process.**
- PPD also seeks to overcome impediments to transparency and accommodate greater **inclusion of stakeholders in decision-making.**

SB4A



Sustainable Business for Africa (SB4A) Platform

Launched in November 2017, to facilitate and boost structured public-private dialogue in Africa

Objectives

- bring in the local, international and European private sector in the country
- understand and identify the barriers to investment faced by businesses, and the reforms needs=> improve policy/political dialogue, design better EU cooperation
- sustained and long term process, should be adapted to local context and institutional arrangements
- facilitating role of EU Delegations
- *Technical assistance (TA) at country level to support public-private dialogue on investment climate challenges*
- *Support to Delegations (SB4A network) to mainstream and design the SB4A approach*

Involvement of EU MS in PPD is key (and other actors such as IFIs, civil society) :

- To work in a complementary manner (joined up approach) including towards joint programming
- To ensure involvement of EU companies in the partner countries

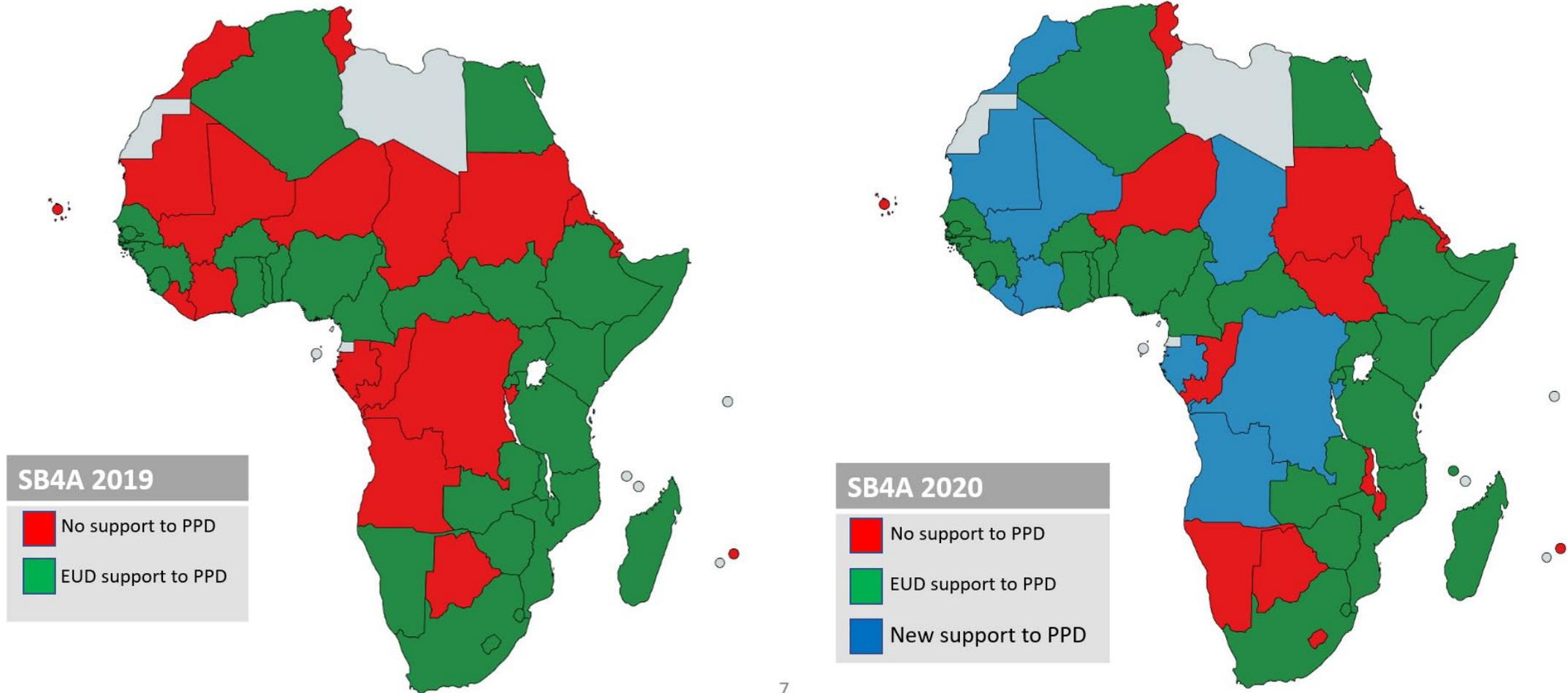
Launch of the SB4A network (Oct 2019)



SB4Uganda



SB4A Platform: SB4A Survey

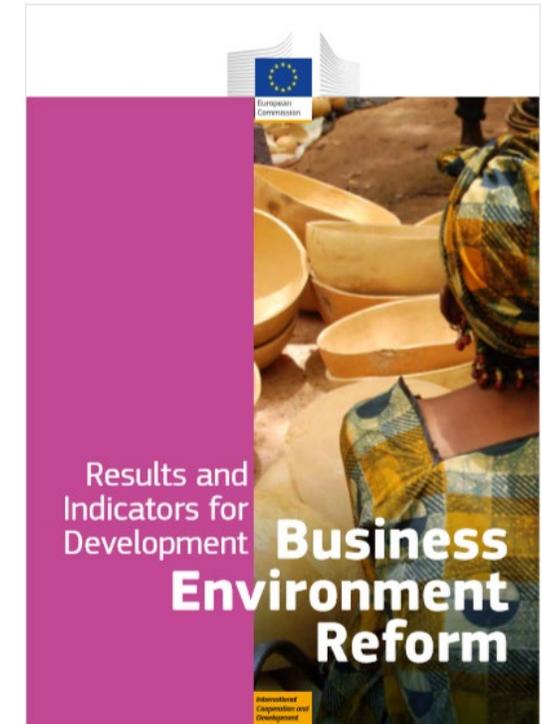
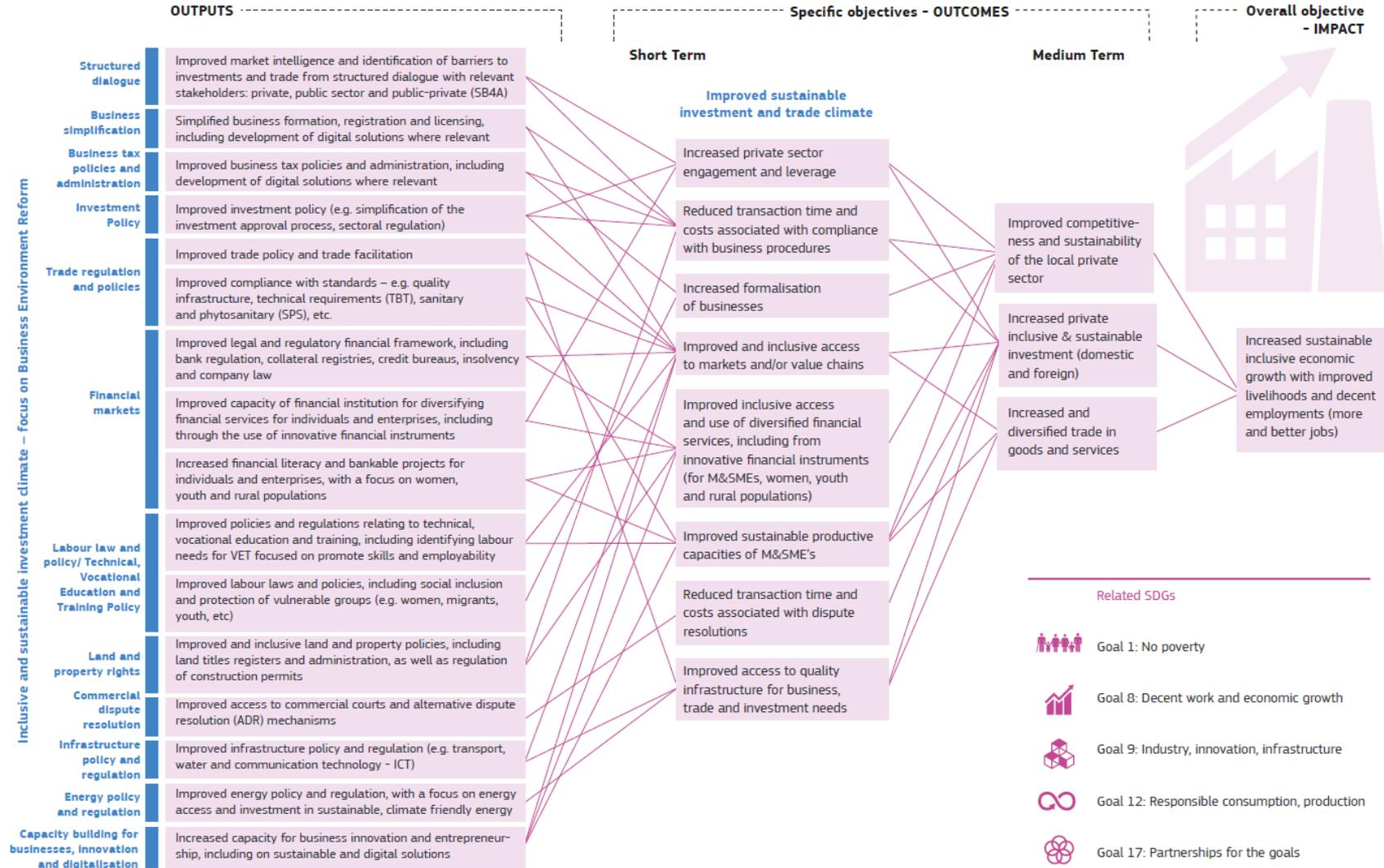


I. Investment Climate Analysis

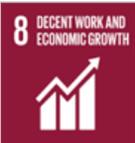
II. Structured Public Private Dialogue

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BER Indicators



Budget support for business environment



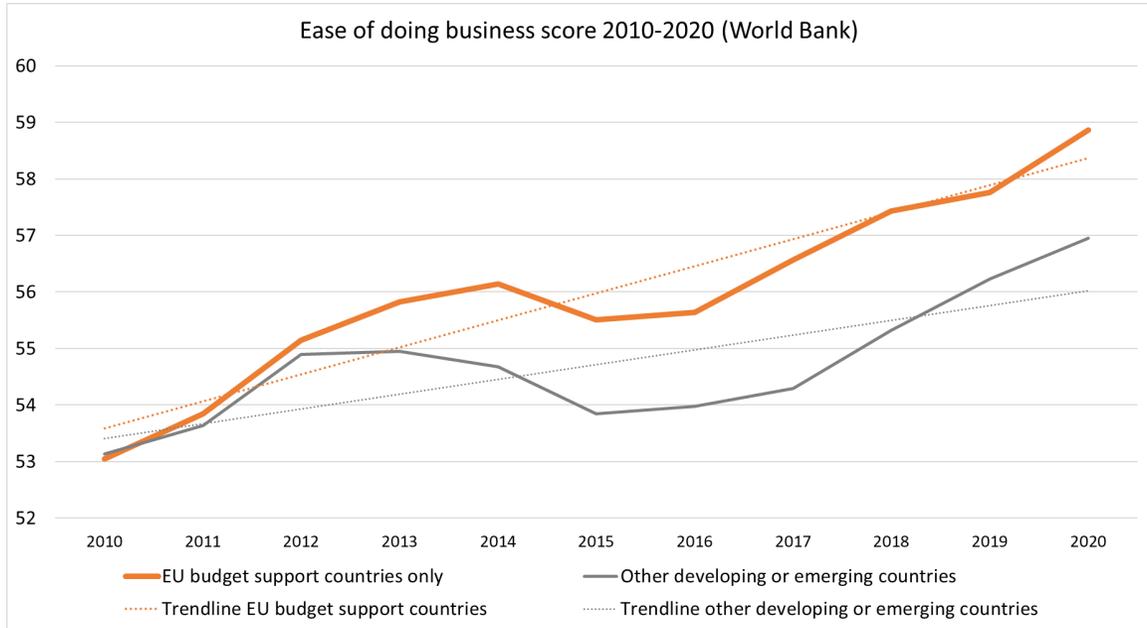
SDG 8 – All countries – Upgrading business environments

The ease of doing business score improved by **6 points** in budget support countries between 2010 and 2020



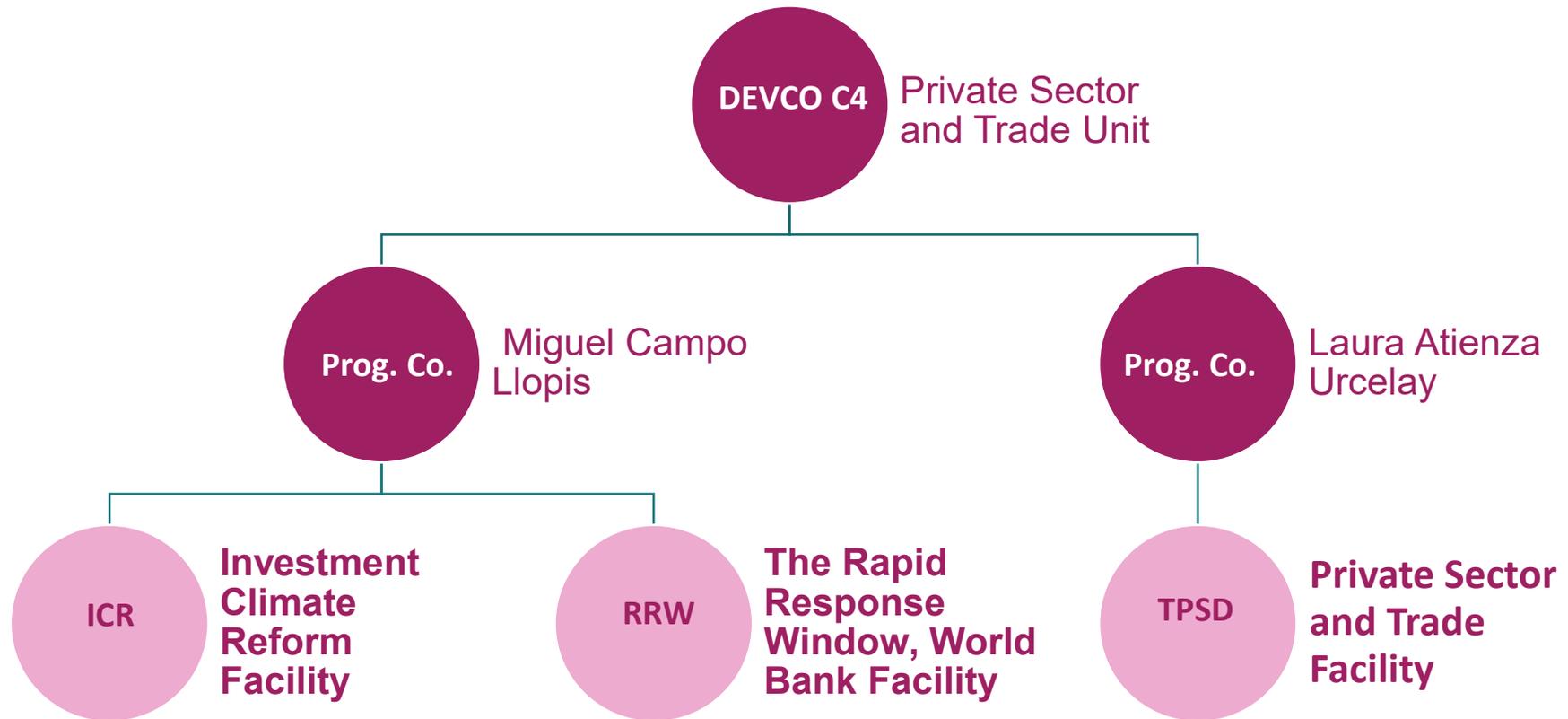
Improvements in countries' business environments are usually monitored through the World Bank's *Doing Business* reports. Progress since 2010 has been faster in EU budget support countries than in other developing or emerging countries. Their average ease of doing business score increased from 53 to 59 out of 100 between 2010 and 2020.

The pace of change remains too modest however and further reforms are expected from partner countries in order to support local entrepreneurs and attract foreign investors. The EU supports these efforts through the external investment plan in order to stimulate investment in partner countries, raise additional funds to finance their development agendas and allow them to meet the SDGs. The COVID-19 crisis makes this agenda even more important, given the need to accelerate the economic recovery.



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Pillar III: Investment Climate – TA Facilities



THE TRADE AND PRIVATE SECTOR DEVELOPMENT/ENGAGEMENT FACILITY

TPSD FACILITY

Mission

The Trade and Private Sector Development/Engagement (TPSD) Facility was launched in 2017 to increase the capacity of partner countries and European Union (EU) staff in Delegations and Headquarters to understand and implement private sector and trade policy orientations and further improve the quality of DEVCO interventions.

Scope of work

The team of experts provides technical assistance, knowledge management and communication support to EU staff.

TPSD Facility missions last up to 30 days. They are designed as scoping missions for investment climate or business environment reform initiative, or to support the Sustainable Business for Africa (SB4A) initiative for increased public-private dialogue.

Examples of assignments

Over the past 3 years, the TPSD Facility conducted 38 missions in 29 countries around the world, including:

- Private sector mappings,
- Analyses of value chain and their development constraints,
- Feasibility studies for the implementation of EU Chambers of commerce,
- Strategies to support business incubators,
- Recommendations to support the implementation of Economic Partnership Agreements,
- Business Environment reform Guidelines,
- Sustainable Business for Africa (SB4A) state of play,
- Revision of sectoral guidelines.

The TPSD Facility is implemented by [DAI](#).

Contact: Laura.Atienza@ec.europa.eu



Technical assistance
Knowledge management
Communications



Private Sector Development
Private Sector Engagement
Trade



Global



30 days



EU Delegations
Headquarter



Terms of reference

THE INVESTMENT CLIMATE REFORM FACILITY

ICR FACILITY



Technical assistance



Business Environment
Investment climate initiatives



ACP countries



90 days



EU Delegations
Government agencies
Regional organisations
Business associations
Local DFIs
Trade unions



Request form

Mission

The Investment Climate Reform (ICR) Facility supports the members of the Organisation of African, Caribbean and Pacific States (OACPS) to improve their investment climate and business environment. It is co-funded by the EU, under the 11th EDF under the ACP-EU Partnership Agreement, together with BMZ and BC.

Scope of work

The ICR Facility offers specific and targeted technical assistance of up to 90 days for business environment and investment climate improvement initiatives. Technical assistance is provided on the economy-wide, sectorial and value chain level based on requests from EU Delegations, private sector organisations and government agencies. Besides this request-based technical assistance, the ICR Facility supports national or sub-regional development finance institutions with capacity building. Furthermore, it compiles and shares knowledge and lessons learned.

Examples of assignments

- Support of business environment reforms in areas such as business registration, investment policy, tax administration, among others ,
- Promotion of sustainability in the business environment through innovative approaches, e.g. social entrepreneurship, climate-smart investment, inclusive businesses or gender-specific reforms,
- Strengthening the Public-Private Dialogue processes and its key stakeholders.

The ICR Facility is implemented by a consortium made up of [GiZ](#), [Expertise France](#), [British Council](#), [SNV](#).

Contact: Miguel.Campo-Llopis@ec.europa.eu

RR IBE

THE RAPID RESPONSE FACILITY FOR INVESTMENT AND BUSINESS ENVIRONMENT

RR IBE FACILITY

Mission

The Rapid Response Facility for Investment and Business Environment (RR IBE) was launched in November 2019 to provide just-in-time policy advice and technical assistance in response to specific requests from EU Delegations based in Sub-Saharan African countries.

The Facility was set-up in the framework of the External Investment Plan, to improve the business and investment climate in Sub-Saharan Africa and to unlock private investments with a specific focus on job creation for youth and women. New methodologies and approaches which can be replicated in to other countries will be prioritized.

Scope of work

Assignments covered by the RR IBE Facility can be scoped across the following areas of intervention:

- Local Financial Markets in Depth Diagnosis,
- Securing inward investment,
- Implementing G20 Compact with Africa,
- Business registration, regulation, and licensing,
- Efficiency of supplier markets,
- Enabling better access to finance,
- Industry competitiveness and innovation,
- Trade and investment policy analysis,
- Monitoring and impact assessment,
- Crosscutting (i.e. women economic empowerment),
- Promoting green investments and circular economy.

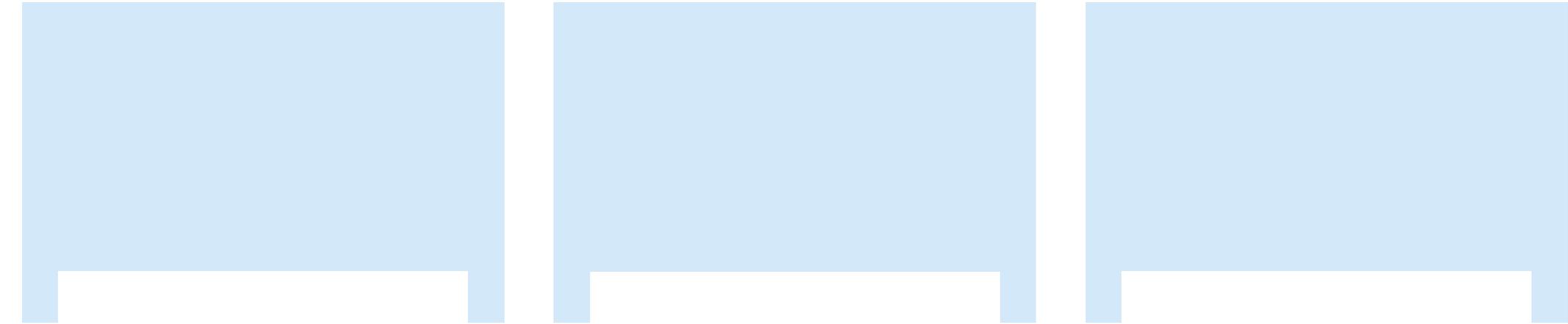
The RR IBE Facility is implemented by [the World Bank](#).

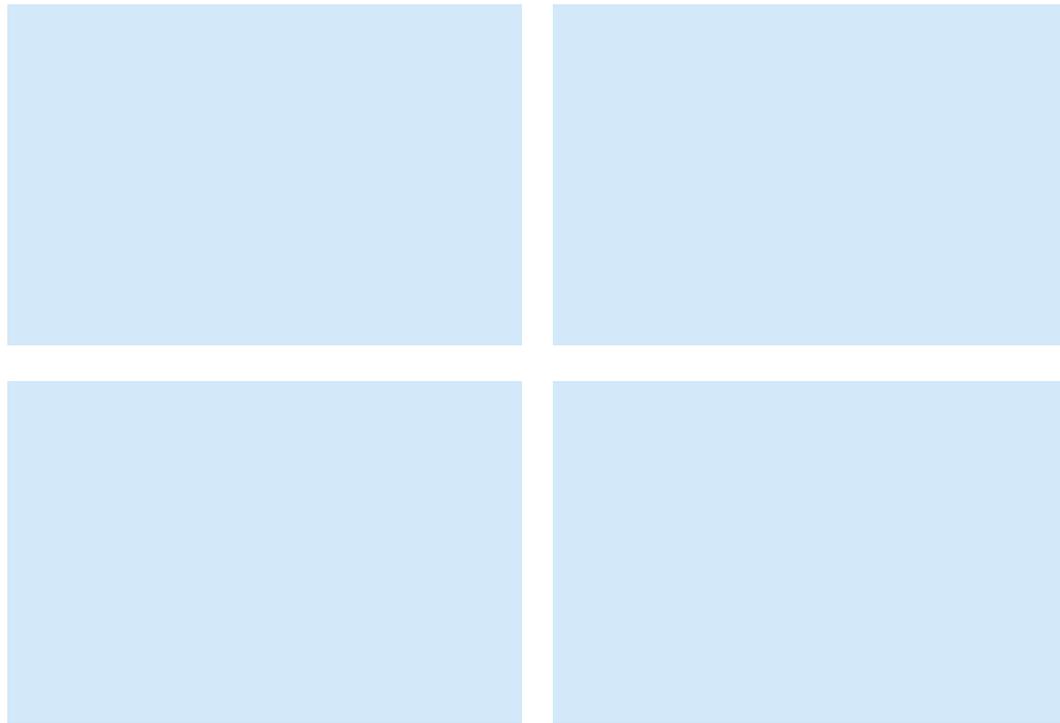
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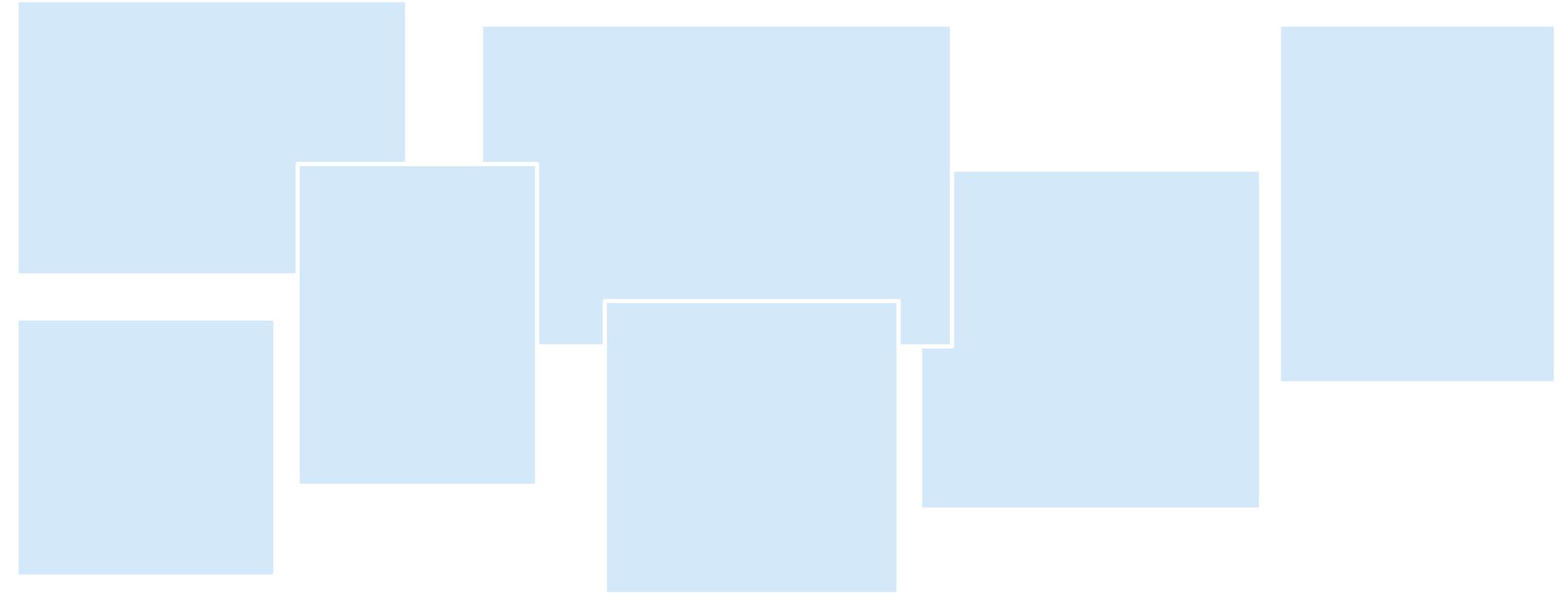


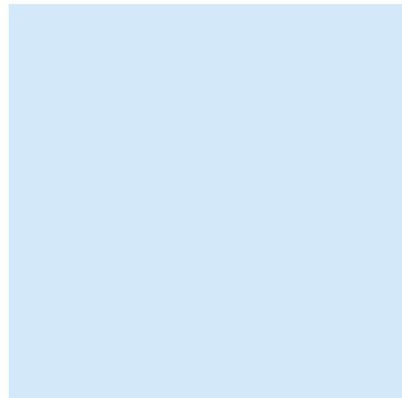
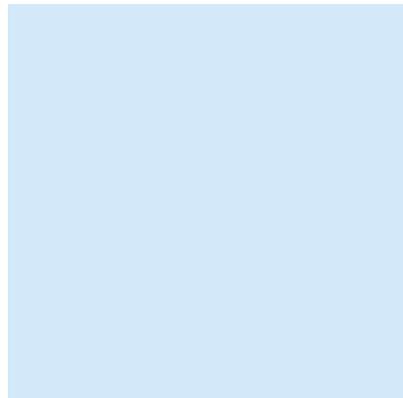
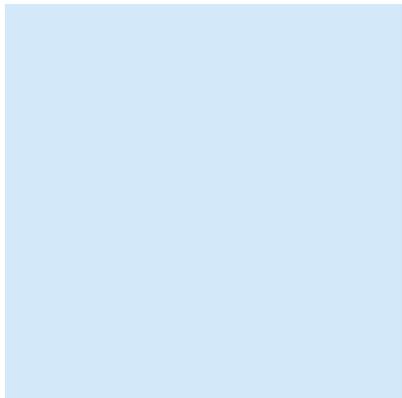
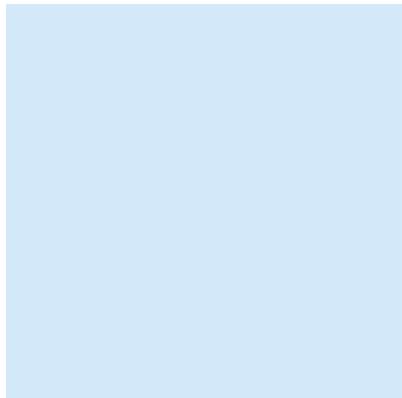
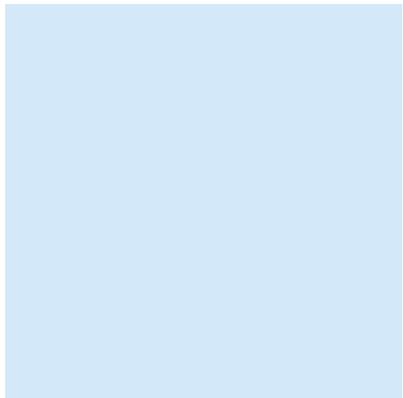
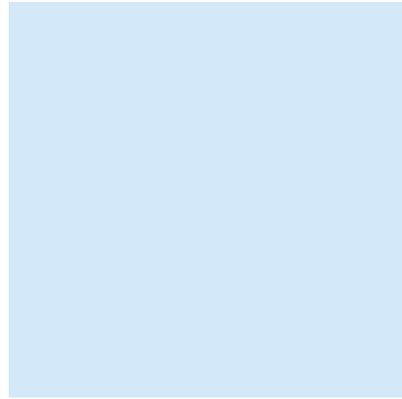
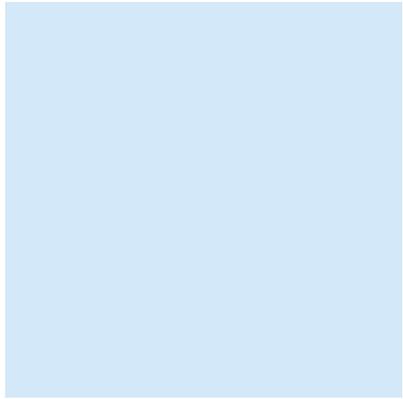


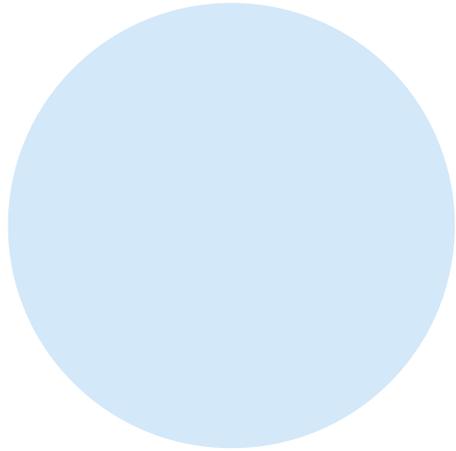
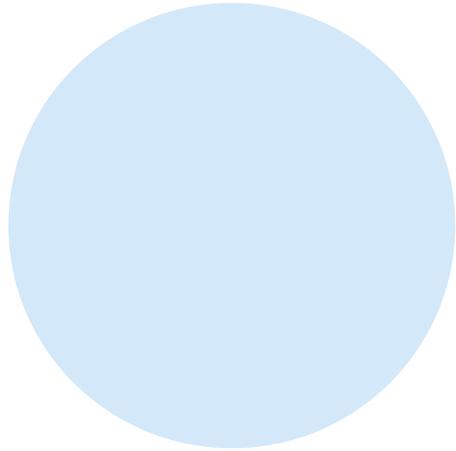
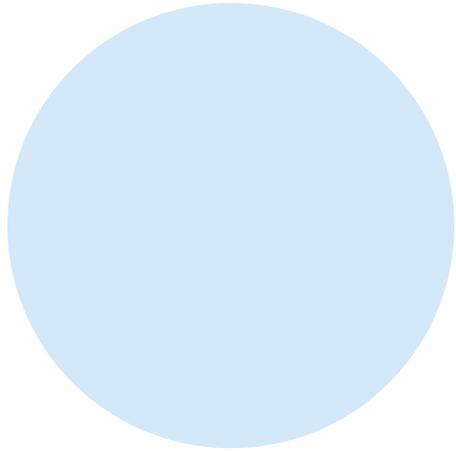
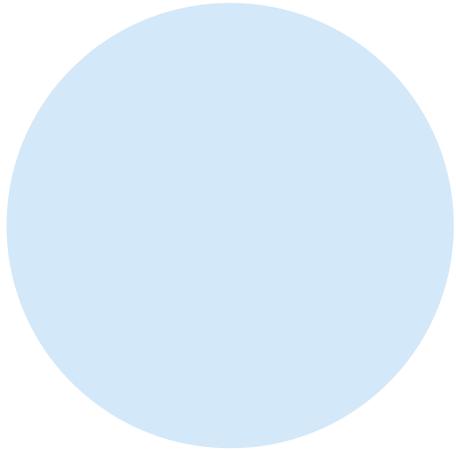












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Thank you



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