



The EU's External Investment Plan

The new generation instrument for sustainable development



Brussels, October 2018

Paulus Geraedts, Secretariat of the EIP, European Commission

What are the EIP goals?



THE GLOBAL GOALS
For Sustainable Development

Contribute to
Sustainable
Development



Encourage private
Investments



Focus on
jobs and
growth



Improve
Investment
climate



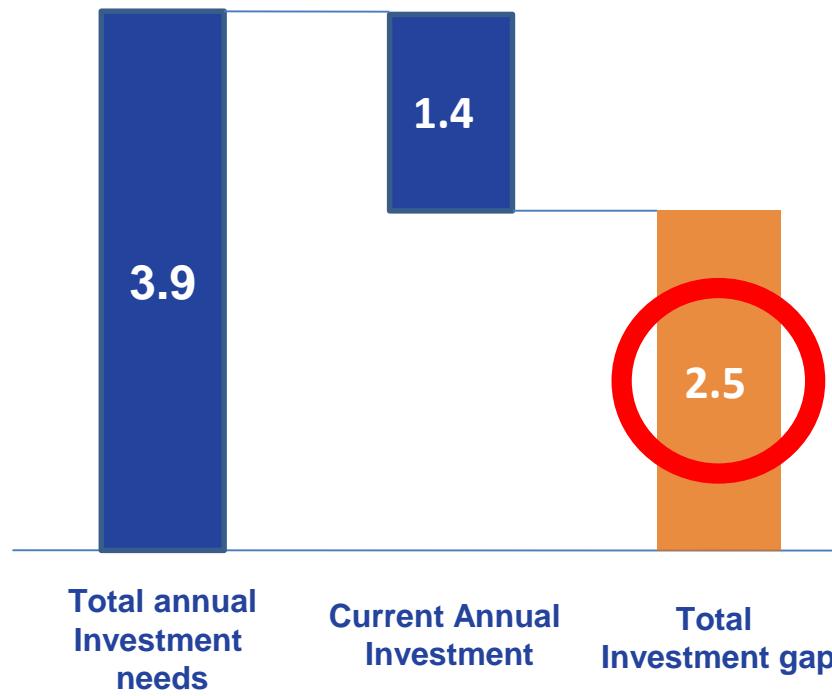
Tackle root
causes of
migration



Why do we act?

Estimated global investment gap in key SDG sectors, 2015-30

Trillions of USD, annual average



Source: World Economic Forum (2015)



Where do we act?



EIP and Climate Change

28%

EFSD Guarantee contributing to
climate action, renewable energy
and resource efficiency





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

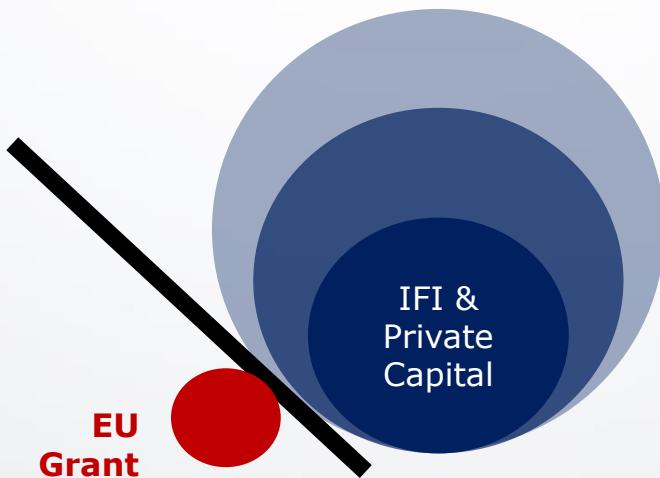
How much leverage? How much EU Funds relative to IFI and Private Capital?

Blending is the strategic use of a limited grants, equity investments or guarantee commitments to mobilize (i.e. to leverage) financing from Partner FIs and the private sector, so as to enhance the development impact of investment projects.

Effective leverage ...

.... or

... just a cherry on the cake? Crowding-in and
Additionality achieved?

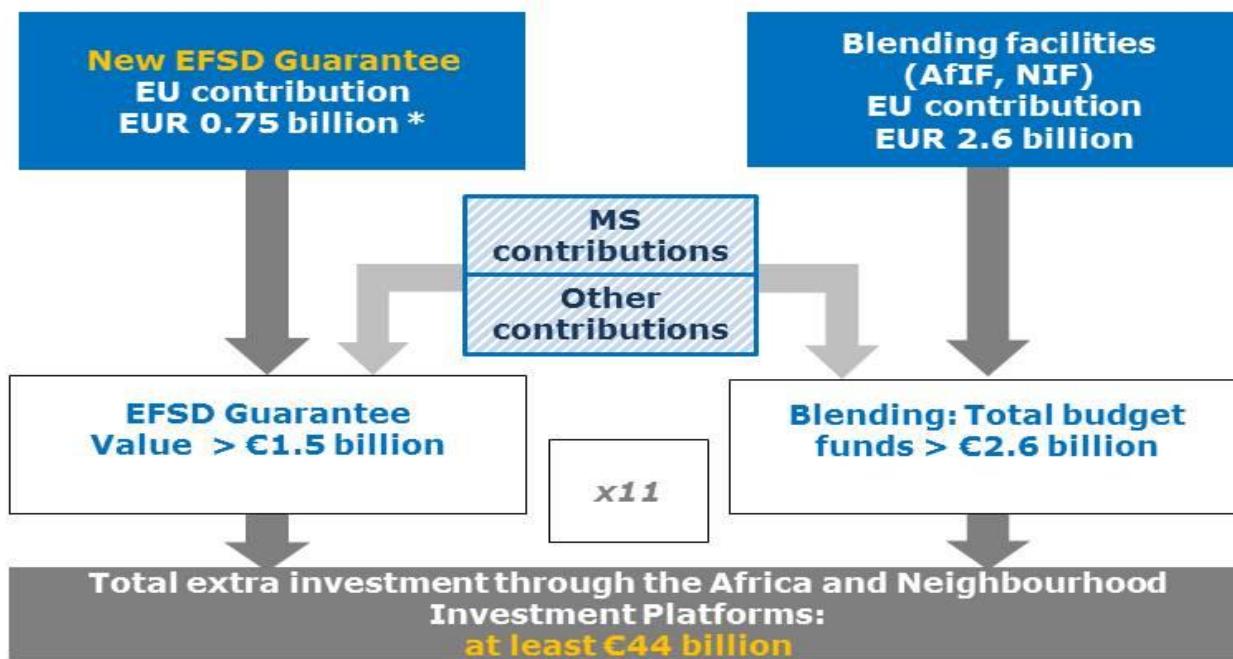


- **How much leverage is possible, how much EU investment is needed for a particular project can only be determined by way of a thorough risk analysis!**

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

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



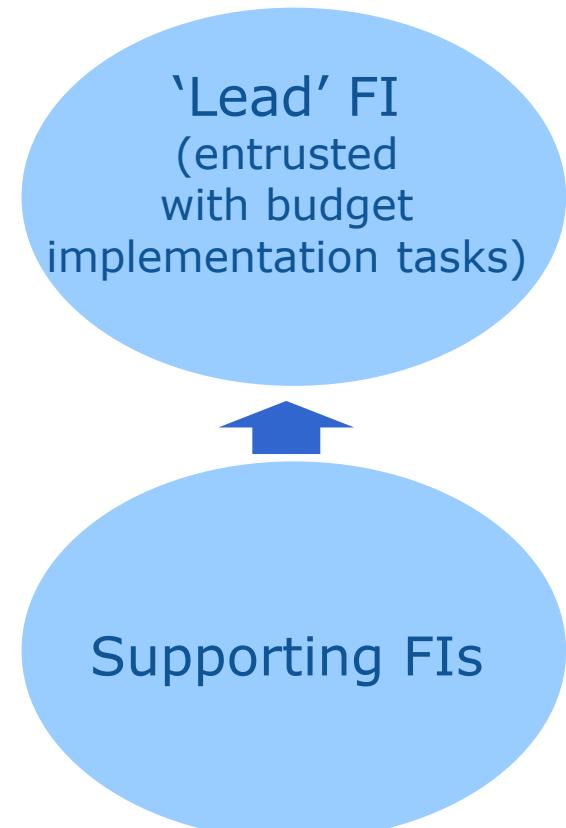
Will leverage additional financing, in particular from the **private sector** (crowding in), by reducing the risk associated with specific operations



Will **provide liquidity** from its guarantee fund (liquidity cushion)

3 'types' of partners, always a **LEAD FI**

- a) **Multilateral** European Finance Institutions (e.g. EIB, EBRD...).
- b) European **National** development finance institutions from Member States (e.g. AFD, KfW, AECID, CDP, FMO...)
- c) **Regional** and other multilateral banks: can act as lead (e.g. AfDB in AIP; IaDB, CDB in CIF), as co-financiers in others.



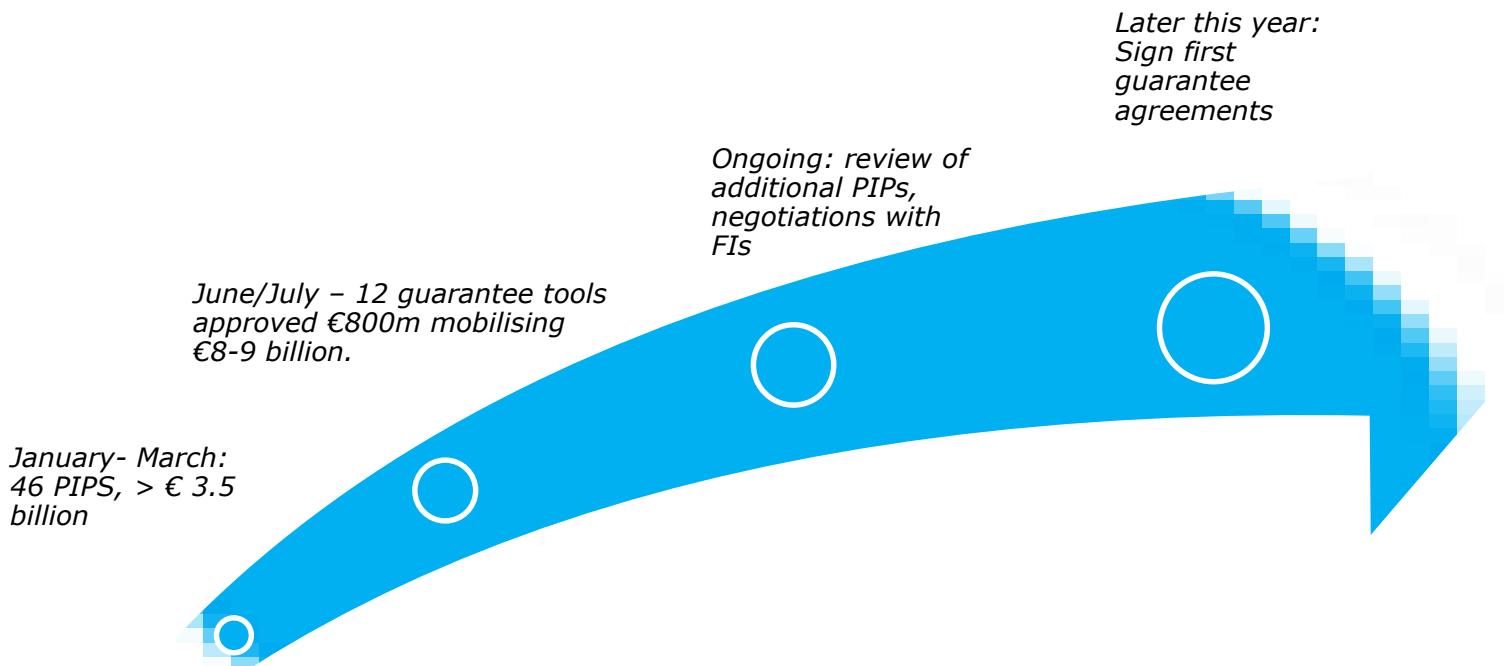


Priority Areas for investment

- 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

EFSD Guarantee: state-of-play and next steps



2017 EFSD Progress

EFSD target region	Sub-Saharan Africa	EU Neighbourhood
EU contribution	€900 million	€400 million
Investment leveraged	€5.6 billion	€5 billion
Projects	30 projects	22 projects

News flash
1 Sep 2018

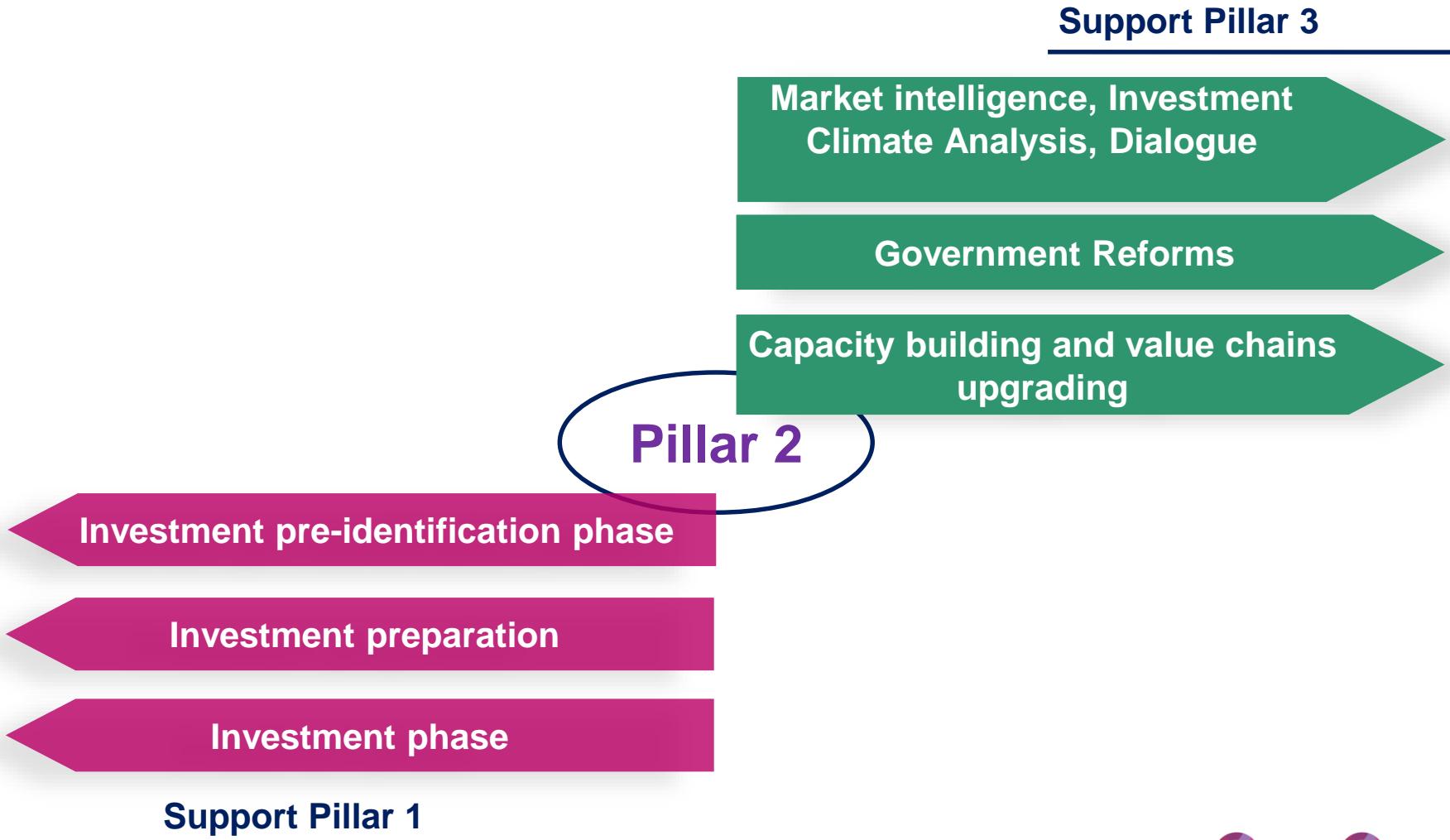
Progress is now
up to € 24 billion
or 54.5%

Investments progress

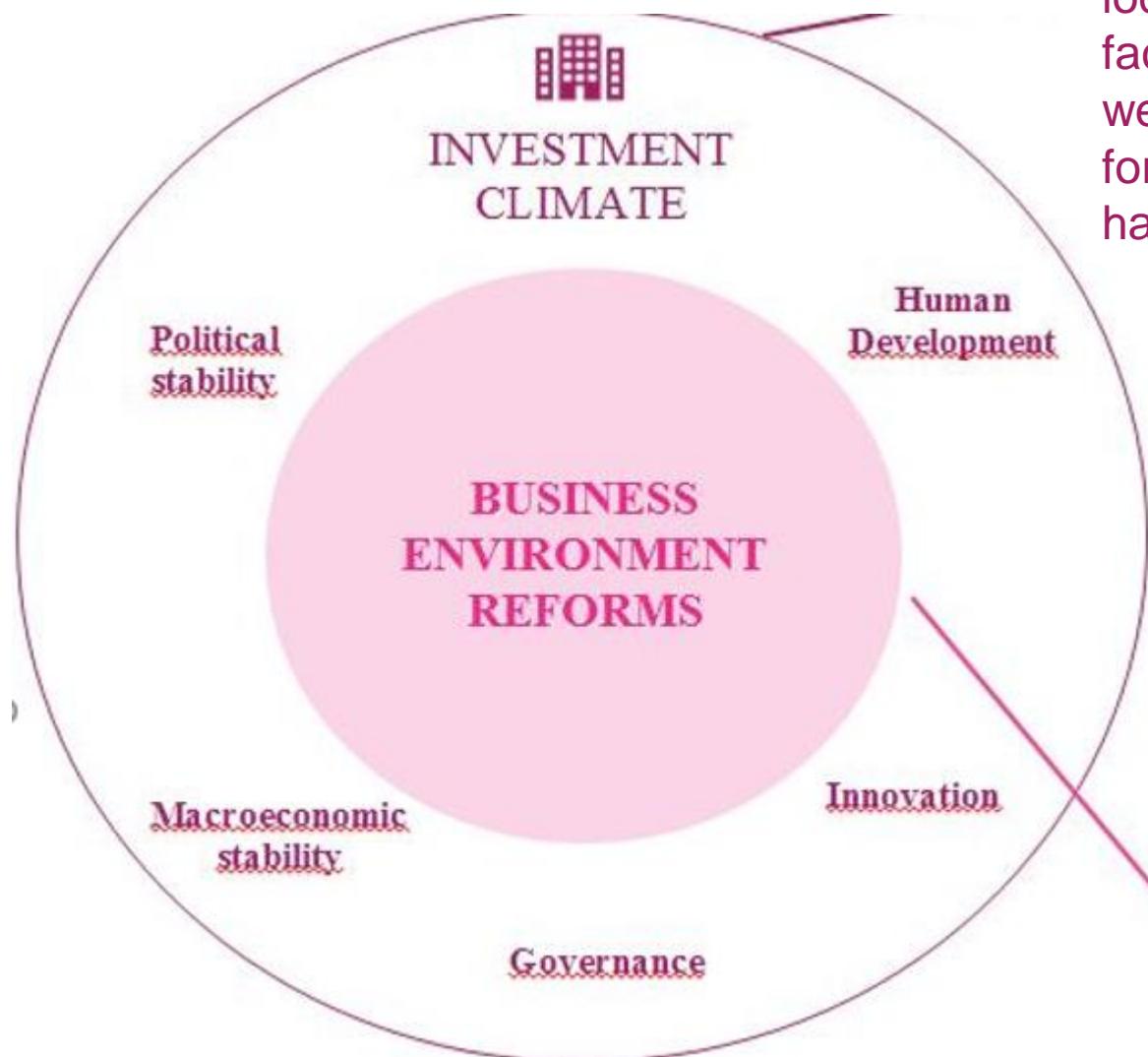




Pillar 2: Technical Assistance in support of Pillars 1 and 3



EIP 3rd Pillar: Promoting a conducive Investment Climate and Business Environment



Wide range of location-specific factors determining whether domestic and foreign investments happens .

Factors that determine how a company functions



European Commission



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



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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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 most serious issues of migration. The External Investment Plan is adapted to the specific needs of partner countries and to build on the very successful model used within the EU where the [Sustainable Development Goals](#) have already integrated more than € 240 billion of investment.

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WHY DO WE NEED AN EXTERNAL INVESTMENT PLAN?

Instability, conflict and instability in Africa and the EU Neighbourhood have been aggravated by the global economic crisis, reducing access to finance. This has also exacerbated the ongoing migration crisis and to the Neighbourhood.

The European Union and its Member States are collectively the world's biggest providers of development assistance, providing €74.5 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 global partnership, known as [InvestGlobal](#), which calls for new investment 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 these investments, as much as 72% is concentrated in ten resource-rich countries.

The cost of setting up a business in fragile African countries is 3x higher than in non-fragile African countries.

#EIP #InvestGlobal