



# The EU's External Investment Plan

*The new generation instrument for sustainable development*

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**Filiberto Ceriani Sebregondi, Head of Division, European External Action Service**

**Francesca Raimondi, EIP Secretariat, European Commission**

**Giancarlo Azzolin, SNE, DEVCO C3**

**#EIP**

**#InvestGlobal**



## Why 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**"



# What are the EIP goals?



Contribute to  
Sustainable  
Development



Improve  
Investment  
climate



Encourage private  
Investments



Tackle root  
causes of  
migration

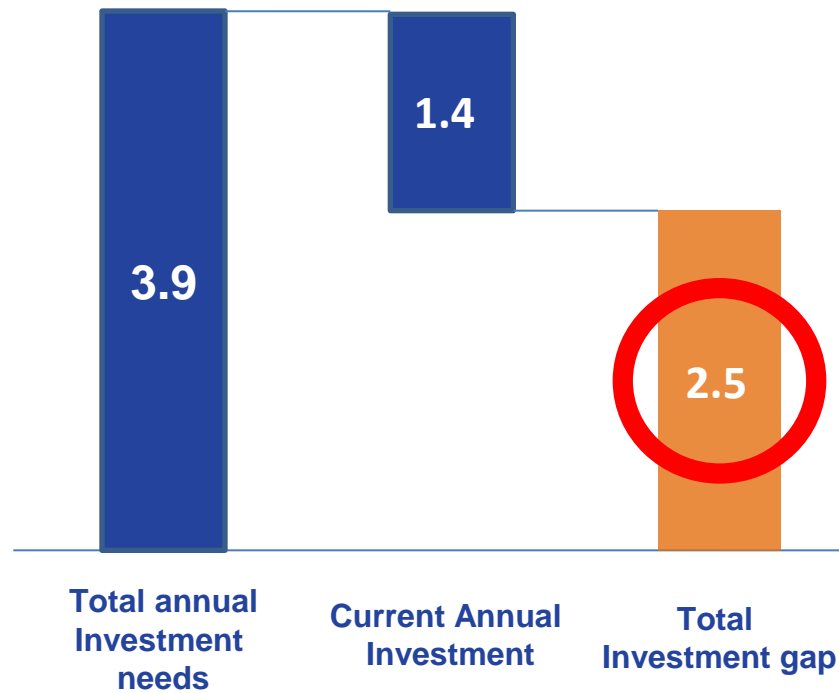


Focus on  
jobs and  
growth



## Why 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

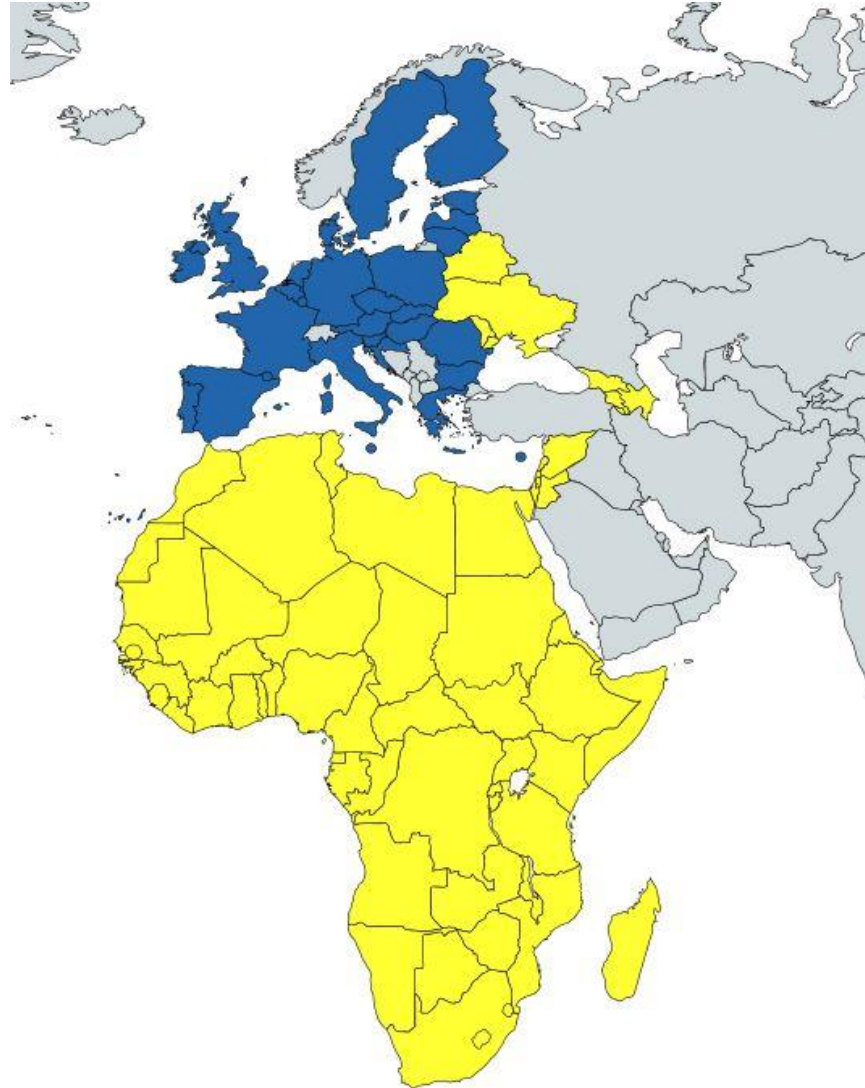


**\$ 210 Billion  
per year**

Source: UNCTAD (2014)



# Where we act?



## How 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



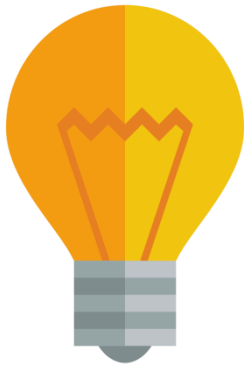
### Investment Climate

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

A one-stop-shop for public and private investors



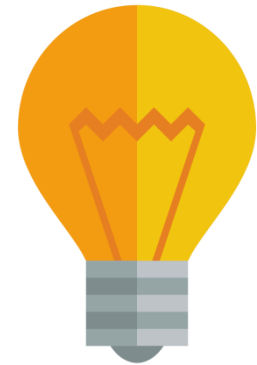
## What is new?



**Integrated  
3-pillar  
approach**



**EFSD  
Guarantee**

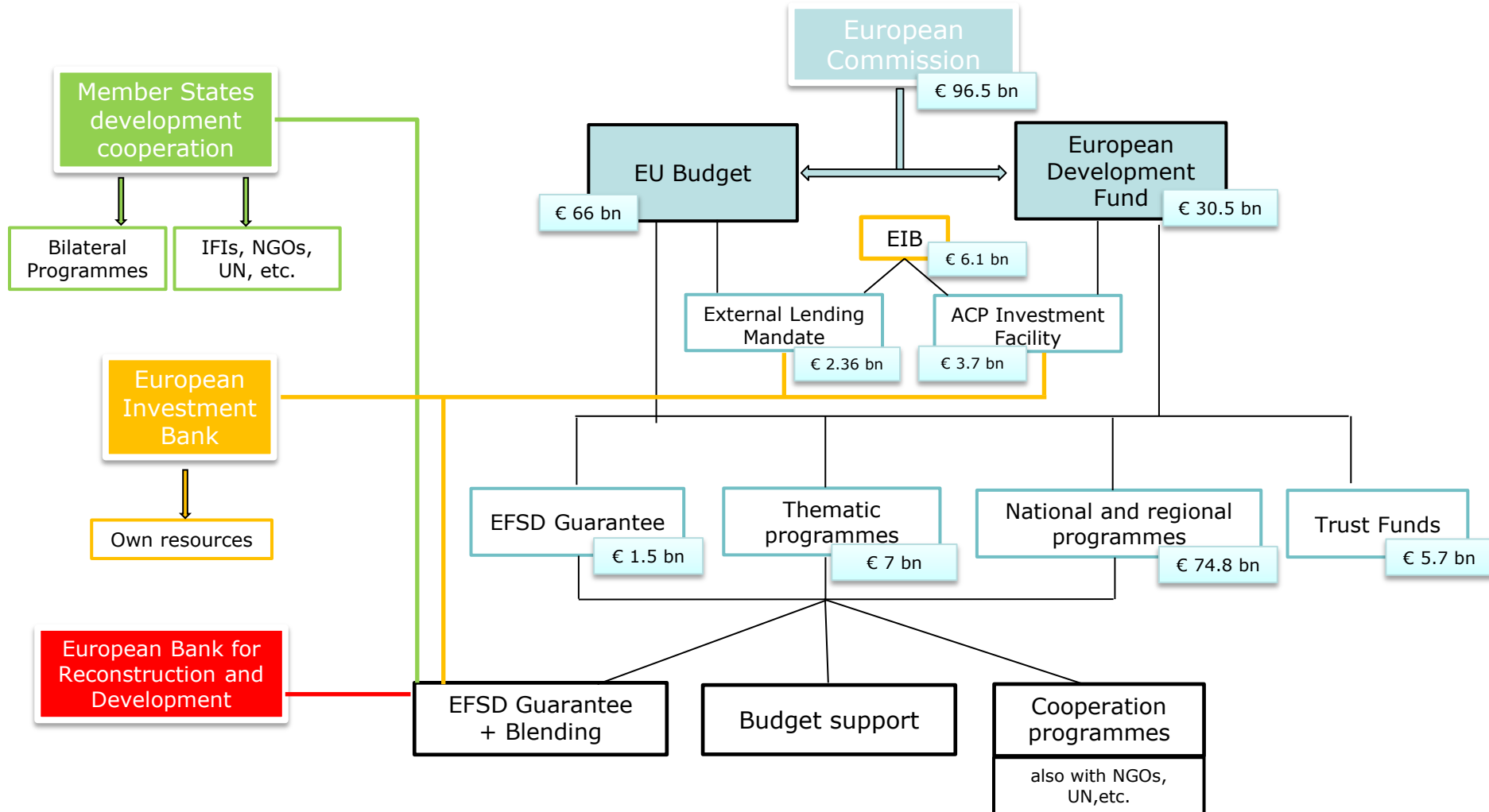


**One-stop-shop  
for public and  
private  
investors**

# Moving beyond classical development assistance



## EU external cooperation MFF 2014-2020



# 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

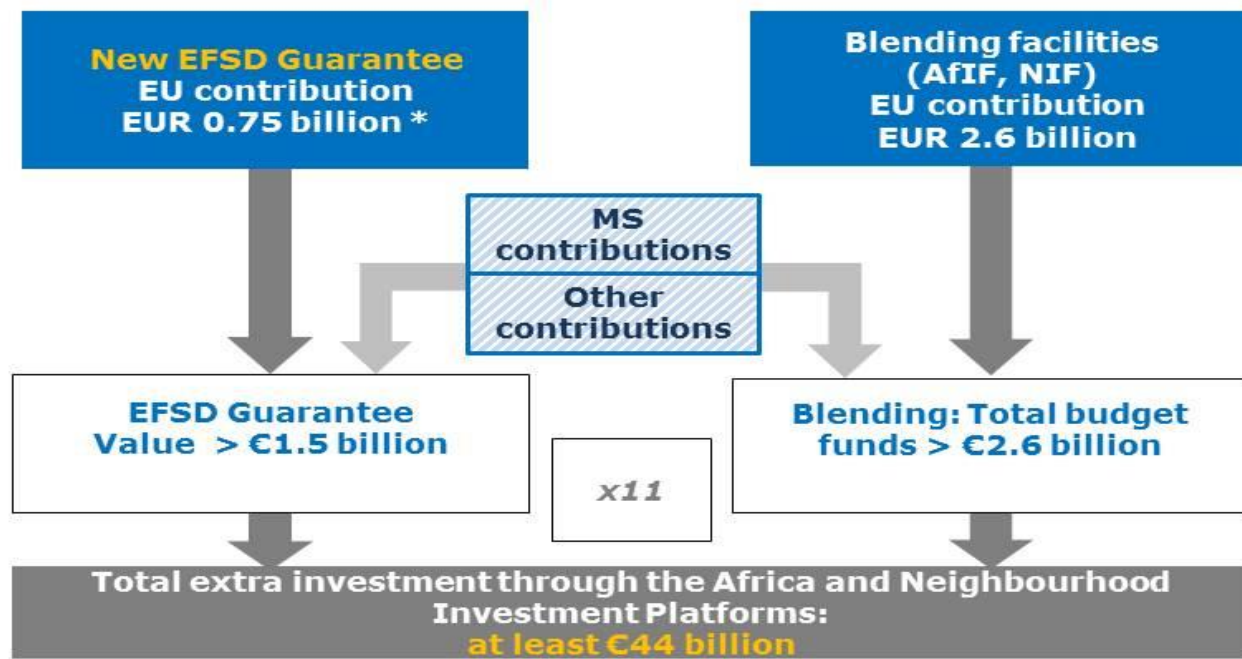
External Investment Plan -  
EIP

€ 4.1 billion

## 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 9.2 of the EFSD Regulation (i.a.)

- 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

## Pillar 1: EFSD Guarantee eligible instruments

### Article 10.1 of the EFSD Regulation (i.a.)

- Loan, including local currency loans
- Guarantees
- Counter-guarantees
- Capital market instruments
- Any other form of funding or credit enhancement, insurance and equity or quasi-equity participations





## First investment windows adopted

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

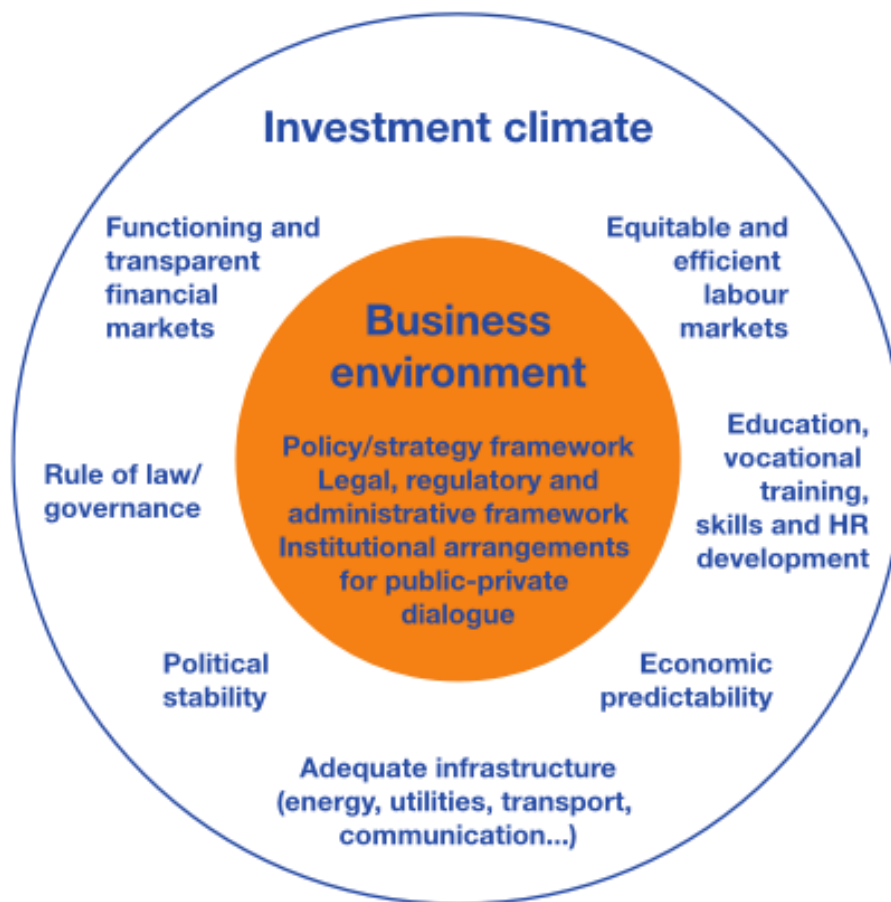
Investment pre-identification phase

Investment preparation

Investment phase

### Support Pillar 1

## Pillar 3: Promoting a conducive investment climate



## Pillar 3: Promoting a conducive investment climate

### 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**



## Pillar 3: Sustainable Business for Africa Platform (SB4A) Structured Dialogue for Private and Public Sector



5<sup>th</sup> EU-NIGERIA BUSINESS FORUM  
*Harnessing Nigeria's Potential for Economic Growth*  
Eko Hotel, Lagos. 10th-11th November 2016



**Building on existing work...**

**Bring in African and EU Business perspective on constraints and ideas for better investment climate**



**SAVE THE DATE**   |     
**6<sup>th</sup> EU-Africa Business Forum**

27 November 2017 – Abidjan, Palais de la Culture

Call for expression of interest on  
[www.euafrica-businessforum.com](http://www.euafrica-businessforum.com)  
Follow the debate  #EABF2017

**Launch at EU-Africa Business Forum,  
Abidjan 27/11/2017**



# Focus on the investment windows


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

## 1. Sustainable Energy and Connectivity

-  Production and access to renewable and sustainable energy, as well as good transport links, are fundamental in reducing poverty and developing sustainable inclusive economies
-  The lack of creditworthy off-takers is one of the key factors deterring investment in the energy sector
-  The weak balance sheets and poor payment track records of many national utilities is one of the reasons why many commercial banks have been unwilling to fund energy projects
-  Policy and regulatory barriers, market barriers, macro-economic conditions, poor governance, grid/infrastructure constraints and other investment risks are also obstructing access to finance
-  **The EFSD guarantees shall be structured in such a way as to lower actual and perceived risks, to create conditions for mobilising private funding, including institutional investors and crowdfunding platforms, as well as developing the local capital market**



## 2. Micro Small Medium Enterprises (MSMEs) Financing

 Micro, Small and Medium Enterprises (MSMEs) are the main providers of employment, contributing to 66% of the job market

 Their growth is constrained by limited possibilities of accessing affordable sources of financing

 The EFSD Guarantee will be structured in such a way to mitigate the risks associated to investments, improve MSMEs financing and bring in the private sector with its skills and funds





### 3. Sustainable Agriculture, Rural Entrepreneurs and Agribusiness



Given the high risk profile of agriculture and agribusiness environment guarantees could be used to cover equity contributions or debt



Enhancing long-term financing for commercial and non-banking financial institutions



Structured funds for agribusiness finance could benefit from first loss guarantees to bring the risk profile to investment grade for private sector investors.



## 4. Sustainable Cities



Guarantees to local service providers, to grant further access to private finance



Credit enhancement for private actors investing in municipal infrastructure and services



Guarantees to private sector operators to roll out climate-smart technologies



## 5. Digital for Development



**Facilitating private sector investment in connecting African citizens, businesses and public institutions**



**Guarantees for digital service projects (i.e. e-Government services)**



**Improving access to finance for African start-ups and African-EU start up partnerships**

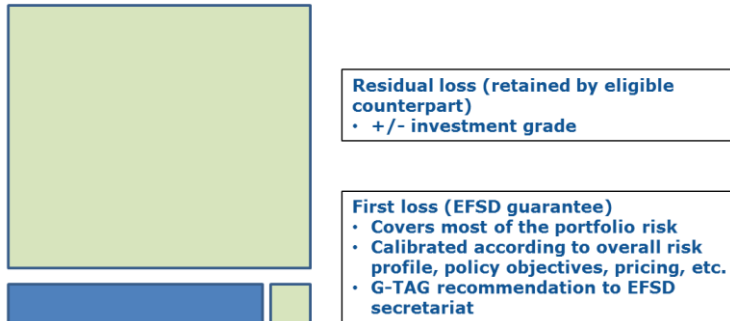


# Basic guarantee structures

## Portfolio first-loss guarantee

Possible applications (examples):

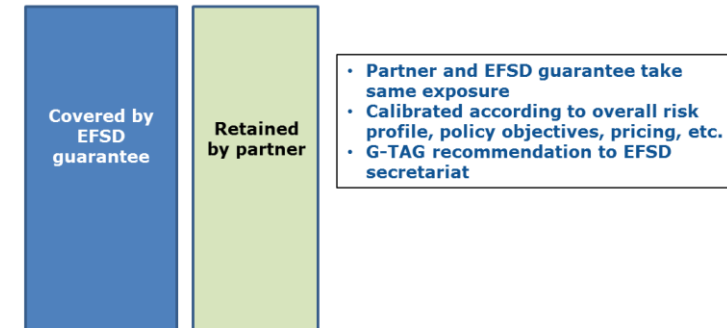
- credit enhance partner FI's exposure to innovative guarantee products addressing bottlenecks to private investment
- backstop loan guarantees granted to local partner banks
- or similar



## Pari-passu guarantee

Possible applications (examples):

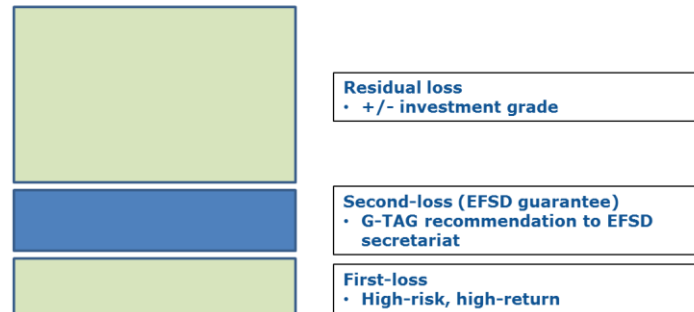
- (partially) guaranteeing loan portfolios
- providing capital relief
- other



## Second-loss guarantee

Possible applications (examples):

- Enhance risk-return profiles of first-loss and senior portfolio tranches (and thus attractiveness to investors)
- Enhance risk profile of an insurance portfolio (and thus affordability of premiums/ availability of insurance cover)
- other



## The EIP – Find your way and influence!

### ✓ One-stop-shop

- Single entry point for investors and partn
- Enhancing accessibility via webpage

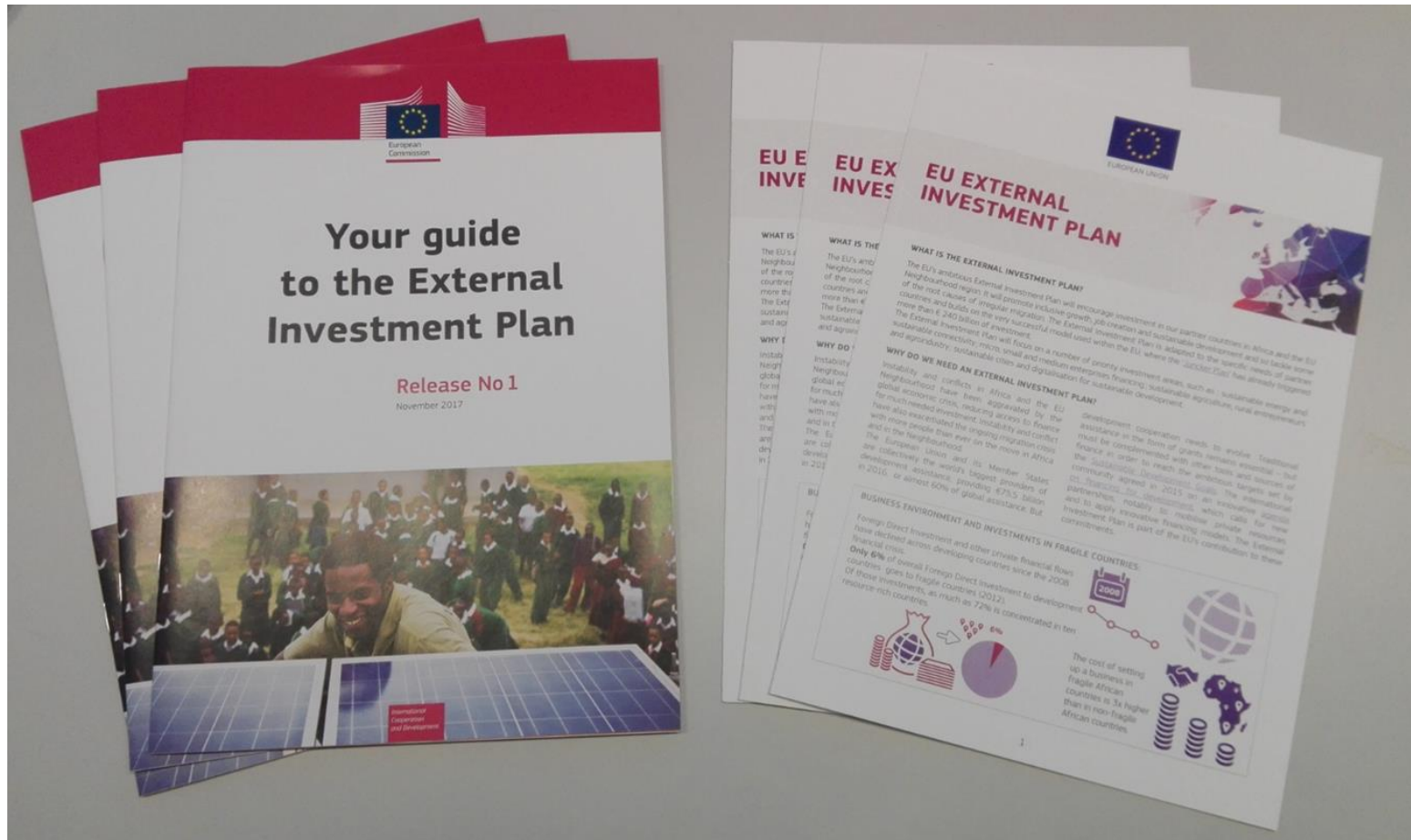
<https://ec.europa.eu/commission/external-investment-plan>

### ✓ Structured Dialogue

- Identifying key constraints to investment
- Country, sector and strategic level - EU Delegations



# EC-EIP-EFSD-SECRETARIAT@EC.EUROPA.EU



## Summary

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