European External Investment Plan

An overview
The European Commission:

- calls for a **long term strategy** by which the EU will promote the **sustainable development goals** and thus continue to **address root causes of migration** and...

- proposes a full range of **innovative financing mechanisms** that will be able to:
  - Leverage loan and grant financing
  - Encourage public-private partnerships and
  - Crowd-in private investment.
The External Investment Plan (EIP)  
Chronological Data

- **28 June 2016**: The EU Council invited the Commission to present a proposal for an EIP
- **14 September 2016**: Commission Proposal on the EIP and legislative proposal on the European Fund for Sustainable Development (plus revision of the ELM plus EFSI 2.0)
- **15 December 2016**: EU Council informal position achieved
- **February – April 2017**: Parliamentary scrutiny, announcement of EP position in plenary planned for 25 April
- **May-June 2017**: Trilogues (EP-Council-Commission)
- **Final Adoption (Summer?)**
The European External Investment Plan (EIP) Policy Context

- Investments required to achieve the Sustainable Development Goals range from US$ 1.6 to 2.8 trillion annually (UN calculation)

- Private sector investments key for sustainable development and job creation, thus tackling root causes of migration.

* Addis Ababa Action Agenda / European Neighbourhood Policy
Mobilise investments for economic development, through:

**Pillar 1**
- Development Finance
  - Regional Investment Platforms (EU Neighbourhood and Africa)
  - NEW EU guarantee

**Pillar 2**
- Enhanced technical Assistance
  - (1) To help developing bankable projects which could be financed under pillar 1
  - (2) To support activities aimed at enhancing business climate under pillar 3

**Pillar 3**
- More dynamic business environment
  - Political and policy dialogue for economic reforms
  - Support legal, institutional and regulatory frameworks
  - Engaging with the private sector

One-Stop-Shop/Web Portal
EIP Integrated approach

• Leveraging private investments by combining financial assistance with the improvement of business environment

• Design of financial assistance benefitting from country-level analysis

• Boosting investments in partner countries, ensuring coherence and synergies with:
  – EU thematic, regional and country-level development cooperation
  – Free Trade Agreements (DCFTAs)
  – EU economic diplomacy
  – Partnership Agreements / Dialogues on migration
Pillar 1: The European Fund for Sustainable Development (EFSD)

- **Blending Platforms** (Neighbourhood Investment Platform and Africa Investment Platform)

- **EFSD Guarantee**
EFSD Governance

**Strategic board**

Members: Commission, EEAS, EU Member States, EIB
Observers: IFIs, partner countries, European Parliament

**Operational boards**

Commission, EEAS & EU Member States

- Africa
- Neighbourhood

**Secretariat**

Commission Services
G-TAG
Sources of financing (Pillar I)

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:**
- at least €44 billion

* Plus a EUR 0.75 billion contingent liability.
The next NIP strategic orientations meeting will be held in 2017 to further refine strategic priorities and outlook.

The NIP's strategic orientations are expected to focus on:

- Sustainable and inclusive growth
- Job creation (better and more jobs)
- Climate change and environment
- In line with objectives of Revised Neighbourhood Policy
Blending Platforms (2): From AfIF to AIP

• **Main objective:**
  – Sustainable and inclusive growth through job creation (better and more jobs)
  – Investments with impact on socio-economic development in Africa
  – In line with the 2030 Agenda on Sustainable Development Goals and the Addis Agenda

• **Different sources of potential financing:**
  – EDF regional indicative programmes, intra-ACP indicative programme (for actions in Africa) and relevant national indicative programmes
  – Pan-African indicative programme
  – other relevant thematic programmes
The EFSD Guarantee

• **A risk mitigation mechanism** to stimulate investments in Africa and 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*)
Flow Chart 1 – Setting-up an Investment Window

Possible inputs by:
- Partner Countries
- IFIs and EDFIs
- Private sector
- Civil Society Int. Org.

Political guidance

Strategic Board of the EFSD
Strategic Guidelines

EFSD Secretariat
Proposal

Operational Board of the RIP
Adoption of Investment Window guidelines

Investment Window established
Investment Window guidelines published
Flow Chart 2 – Application process and evaluation

1. Drafting Proposed Investments Programs
2. Submission of proposals
3. Assessment
4. Signature of Guarantee Agreements
Pillar 2: Technical Assistance

Main elements
Technical assistance in support of Pillar 1

• TA will still be provided in the context of the investment platforms under pillar 1, for preparation and implementation of bankable projects

• Following the same procedures as for the existing blending facilities, under which more than 500 million EUR have been made available to finance similar activities over the past years.
Technical assistance in support of Pillar 3

• Support to developing effective institutions and legal frameworks, with the objective of improving the investment climate

• Support to public-private dialogue, involving business fora, investment/export promotion agencies

• Promoting access to finance, skills, business development services, market information, infrastructure for SMEs
Pillar 3: Policy dialogue to improve economic policies, the investment climate and engagement with the private sector

Main elements
Promoting a conducive investment climate
Policy and political dialogue with partner countries
- Enable business to operate formally, increase the level of investment and innovation, encourage the creation of jobs
- Reducing business costs
- Reducing risks and uncertainty
- Addressing anti-competitive behaviour and opening up markets

Structured dialogue with business
- United voice for the European and local private sector – advocacy, networking and exchange of information
- Informed policy dialogue on the business environment
- European Business fora - important partners in supporting partner country development and the internationalisation of European businesses

Country level, sector, value chains analysis
- Intelligence: regulatory environment, judicial security, contract enforcement, investment protection, skills, market intelligence, land tenure, access to finance, etc
- Broader investment climate (financial markets, rule of law, political stability, logistics, infrastructure, etc)
- Value Chain specific constraints

Coordination and coherence
- Different Aid modalities (project, budget support, sector approaches)
- Policy coherence for development
- Key role for EU Delegations, MS, partner countries
- Private sector