



EUROPEAN UNION

# 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 so 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 '[Juncker Plan](#)' has already triggered €209 billion of investment.

## 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 Neighbourhood.

The European Union and its Member States are collectively the world's biggest providers of development assistance, providing €75.5 billion in 2016, or almost 60% of global assistance. But

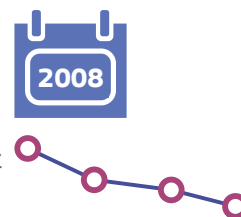
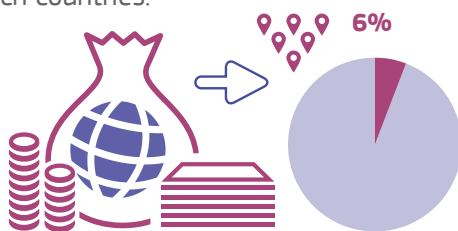
development cooperation needs to evolve. Traditional assistance in the form of grants remains essential – but must be complemented with other tools and sources of finance in order to reach the ambitious targets set by the [Sustainable Development Goals](#). The international community agreed in 2015 on an innovative [agenda on financing for development](#), which calls for new 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 development countries goes to fragile countries (2012).

Of those 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.



## HOW WILL IT WORK?

The External Investment Plan will crowd in private investors, where viable business proposals meet social needs, and where limited public funds can attract private money. Take the example of female entrepreneurs: banks are often reluctant to lend to them, even if their ideas and business plans are solid. We can help them to start and grow their businesses by providing a guarantee to banks to lend to these entrepreneurs, as well as through technical assistance to the women entrepreneurs, such as advice and mentoring.

The Plan will encourage private investors to contribute to sustainable development in countries outside of Europe. The newly created European Fund for Sustainable Development (EFSD) will be the financing mechanism used to support investments by public financial institutions and the private sector.

With a contribution of €4.1 billion from the European Commission, the External Investment Plan is expected to leverage more than €44 billion of investments by 2020. To enhance the firepower and the efficiency of the new Fund, the Commission wants EU Member States and other partners to contribute.

The EU approach is in perfect harmony with the [G20-Africa Partnership](#) launched by the German Presidency of G20. It will strengthen sustainable private sector involvement, investments in infrastructure and renewable energies, and support sustainable economic development for growth.

## THE EXTERNAL INVESTMENT PLAN WILL...



Contribute to achieving sustainable development in our partner countries in a **coherent and consistent manner**.



Mobilise investment and leverage funds, to reach countries where investments are currently difficult, and facilitate investments by private actors **that would otherwise invest less or not at all**.



Target socio-economic sectors, in particular sustainable infrastructure (including energy, water, transport, information and communications technology, environment, social infrastructure, human capital), and provide finance for micro-, small- and medium-sized enterprises **with a particular focus on on decent job creation**.



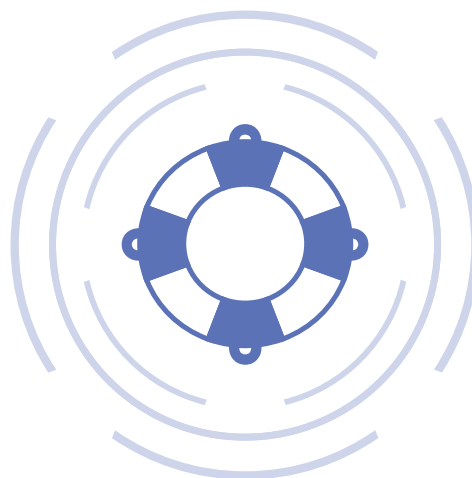
Assist in developing economically and financially viable projects to attract investment.



Help to improve the business environment in partner countries by supporting reforms and economic governance.



Contribute to address the root causes of irregular migration and strengthen our partnerships in Africa and the EU's Neighbourhood countries.



## HOW DOES THE EXTERNAL INVESTMENT PLAN WORK?



### EUROPEAN FUND FOR SUSTAINABLE DEVELOPMENT (EFSD)



### TECHNICAL ASSISTANCE



### PROMOTING A CONDUCTIVE INVESTMENT CLIMATE

- The EFSD will be composed of two Regional Investment Platforms (Africa and the Neighbourhood). They will combine:

#### EXISTING INVESTMENT FACILITIES



€2.6 billion  
indicative  
budget

#### EFSD GUARANTEE INSTRUMENT



€1.5 billion

The goal under this first Pillar of the External Investment Plan will be to provide a one-stop-shop for proposals from public development finance institutions and other interested public and private investors.

- The new EFSD guarantee will have a number of thematic or geographic investment windows, under which partial guarantees to investment portfolios will be provided.
- The objective is to leverage additional financing, in particular from the private sector, as the EFSD guarantee will reduce the risk for private investment and absorb potential losses incurred by financiers and investors.

- The second Pillar will be to step up technical assistance and help beneficiaries to develop financially attractive and mature projects – thus helping to mobilise more investments.
- The Commission has made available significant resources for technical assistance to help partner countries develop a higher number of attractive projects and make them known to the international investor community.
- Technical assistance will also be available to improve the regulatory and policy environment and enhance the capacities of private sector representatives, including chambers of commerce and social partners, complementing the structured dialogue under the third Pillar.

- The third Pillar will be about improving the investment climate and business environment in our partner countries, with EU Delegations playing a key role, notably through:
  - ▶ Structured dialogues with businesses at country, sector and strategic levels, including through the promotion of European and local business fora;
  - ▶ Policy and political dialogues with partner governments to address key constraints to investment and promote good governance;
  - ▶ Support to regulatory, policy and governance reforms building upon market, sector and value-chain intelligence at country level;
  - ▶ Ensuring coherence with other EU policies and Member States' initiatives.

## EXAMPLES OF ELIGIBLE PROJECTS

The External Investment Plan builds on the [European Commission's previous experience](#) in implementing eight regional investment facilities outside the EU. Since the creation of the first EU blending facilities in 2007, €3.4 billion of EU grants have leveraged €26 billion of loans with a total investment volume in partner countries of around €57 billion.

These are examples of projects already supported by the EU, which will be stepped up with the help of the External Investment Plan:



### **WOMEN IN BUSINESS PROGRAMME**

Female entrepreneurship plays a key role in creating jobs and driving economic growth in the Eastern Neighbourhood region. Female-run small and medium-sized enterprises (SMEs) often face reluctance from banks to lend to them as they are perceived as higher-risk customers. EU support provides partial risk cover to local banks to encourage the development of specific products that target eligible women-led SMEs as well as advisory services, training and support for women entrepreneurs and their businesses. Such actions will be expanded through the External Investment Plan.

EU contribution:	EUR 4.8 million
Total investment amount:	EUR 54.3 million
Planned duration:	2015-2023
Lead financial institution:	EBRD
Region:	Eastern Neighbourhood



### **200 MW WIND FARM PROJECT GULF OF SUEZ**

The 200 MW Wind Farm in the Gulf of Suez will use wind power to secure energy supplies by producing economically viable and environmentally sustainable electricity. The project will cover the electricity needs of about 370,000 consumers and support the Egyptian energy sector, where renewables currently account for only 1% of total capacity. The EU grant contributes to bringing generation costs down and preparing the sector for replication and private investment.

EU contribution:	EUR 30 million
Total investment amount:	EUR 344 million
Planned duration:	2015-2021
Lead financial institution:	KfW, with EIB and AFD
Country:	Egypt



### **SUSTAINABLE USE OF NATURAL RESOURCES AND ENERGY FINANCE (SUNREF)**

This initiative supports local capacities to appraise and finance energy efficiency and renewable energy projects offering credit lines to the private sector through the partner country's local banking system, financing a large number of projects in East and West Africa. EU support is composed of technical assistance programmes to project developers, local service providers and the local partner bank and a performance-based investment grant scheme, to provide additional incentives to green investments.

EU contribution:	EUR 26.2 million
Total investment amount:	EUR 431 million
Planned duration:	2010-2023
Lead financial institution:	AFD
Region:	East and West Africa



### **LAKE VICTORIA WATER AND SANITATION INITIATIVE (WATSAN)**

WATSAN is a regional initiative aimed at reversing the environmental deterioration of Lake Victoria and improving the living conditions in its basin. The initiative addresses the three countries sharing the lake coastline - Uganda, Kenya and Tanzania - and aims to provide access to safe drinking water and sanitation for about 3 million people. EU support includes technical assistance and grant support reducing the financial cost to the governments backing the project.

EU contribution:	EUR 45 million
Total investment amount:	EUR 404 million
Planned duration:	2010-2022
Lead financial institution:	KfW, EIB and AFD
Countries:	Uganda, Kenya, Tanzania

More details on the results obtained by each regional investment facility can be retrieved on:

[http://ec.europa.eu/europeaid/policies/innovative-financial-instruments-blending\\_en](http://ec.europa.eu/europeaid/policies/innovative-financial-instruments-blending_en).