



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 more than € 240 billion of investment.

The External Investment Plan will focus on a number of priority investment areas, such as : sustainable energy and sustainable connectivity; micro, small and medium enterprises financing; sustainable agriculture, rural entrepreneurs and agroindustry; sustainable cities and digitalisation for sustainable development.

## 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.

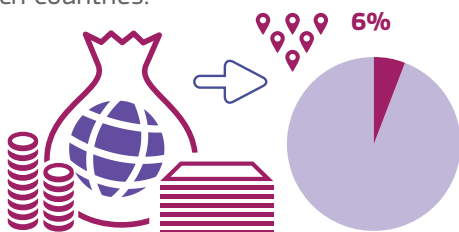
The European Union and its Member States are collectively the world's biggest providers of development assistance, providing €75.5 billion in 2016, or almost 60% of global assistance. But

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 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.

## CONTACT

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## HOW DOES THE EXTERNAL INVESTMENT PLAN WORK?



### EUROPEAN FUND FOR SUSTAINABLE DEVELOPMENT (EFSD)

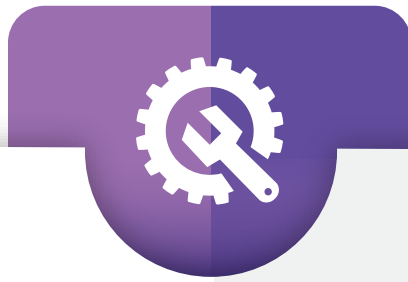
- The EFSD will be composed of two Regional Investment Platforms (Africa and the Neighbourhood). They will combine:

**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.



### TECHNICAL ASSISTANCE

- 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.



### INVESTMENT CLIMATE

- 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 OPERATIONS

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
Lead financial institution:	EBRD
Region:	Eastern Neighbourhood



### BOOST AFRICA

Boost Africa is a partnership programme between the Africa Development Bank and the European Investment Bank to promote entrepreneurship and innovation across Africa. The initiative focuses on fostering start-ups and Small and Medium Enterprises (SMEs) by supporting the commercial apparatus that engages with these companies: including venture capital funds, angel funds and collaborating with accelerators. Africa will leverage its resource, catalyse technical knowhow and create an enabling environment for start-ups and SMEs, crucial enterprises for job creation.

EU contribution:	EUR 60 million
Total investment amount:	Approximately EUR 180 million
Lead financial institution:	AfDB and EIB
Region:	Africa



### CLIMATE INVESTOR ONE

Climate Investor One (CIO) is an investment fund managed by FMO and mandated with delivering sustainable energy at affordable prices in emerging markets. It provides support to energy projects from beginning to end, attempting to address current market failures and inefficiencies at every step of the project. By improving the quality of projects, CIO aims to entice private investors and attract financing for low and lower-middle income countries, especially in Africa.

EU contribution:	EUR 30 million
Total investment amount:	Approximately EUR 900 million
Lead financial institution:	FMO
Country:	Multi-regional



### SANAD FUND

The SANAD Fund provides debt and equity finance to partner financial institutions (FIs) in the Middle East and North Africa, to support growth and employment creation in the MSME sector. MSMEs account for 60% of GDP and 70% of employment in the region and they are crucial to a vibrant economy. Yet surveys show that only 20% of them have access to financing. To support FIs in reaching out to MSMEs, SANAD makes funding and technical assistance available to accompany MSMEs on their path to sustained growth.

EU contribution:	EUR 28 million
Total investment amount:	Approximately EUR 240 million
Lead financial institution:	KfW
Country:	Southern Neighbourhood

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).