The EU's External Investment Plan

A game changer to mobilise the private sector for development cooperation.

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Why we act: What are the EIP goals?

- Contribute to Sustainable Development
- Encourage private Investments
- Focus on jobs and growth
- Improve Investment climate
- Tackle root causes of migration
Where we act

EU NEIGHBOURS SOUTH

EU NEIGHBOURS EAST

EUROPEAN NEIGHBOURHOOD POLICY PARTNERS

* This designation shall not be construed as recognition of a State of Palestine and is without prejudice to the individual positions of the Member States on this issue.

** EU cooperation with Syria is currently suspended due to the political situation; however, since in principle Syria is eligible for cooperation under the ENP, activities may be taken up again once the situation improves.
What is new?

- Integrated 3-pillar approach
- EFSD Guarantee
- One-stop-shop for public and private investors
How we act

Pillar 1

European Fund for Sustainable Development (EFSD)

Funding investments:

- Blending - Eur 2.6B
- New EFSD Guarantee – Eur 1.5B

Pillar 2

Technical Assistance

Develop sustainable and bankable projects

Assist regulation and policy making

Pillar 3

Policy Dialogue / Reforms

Improve investment climate and business environment

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Pillar 1: EU Blending Experience

**Blending** = using EU cash grants to leverage finance from public and private financiers

Through regional blending facilities e.g. **Neighbourhood Investment Platform (NIP)**

NIP has mobilized **€26 billion** overall with EU providing core funding of **€2 billion** (2008-2017)
Pillar 1: NIF Blending Data

by Type of Support 2008-2016

- Investment Grants: 836.9% (52%)
- Guaranteed: 240.8% (15%)
- Equity: 59.0% (4%)
- Fees: 39.5% (2%)
- Techn Assist: 424.7% (27%)

by Sector 2008-2016

- Energy: 526.5% (33%)
- Social: 82.1% (5%)
- Environment: 45.8% (3%)
- Agriculture/Private Sector: 10.4% (1%)
- Multisector: 27.9% (2%)
- Transport: 228.4% (14%)
- Water/Sanitation: 237.0% (15%)

Pillar 1: EFSD Guarantee Features

Key Features
• Unconditional, irrevocable guarantee on first demand.
• Provided through Eligible Counterparty Financial Institutions.
• Portfolio approach within sector-based "Investment Windows".

Details
• Overall limit set at EUR 1.5 billion with liquidity cushion of 50% of the total EFSD Guarantee obligations.
• Scales up capital mobilisation for innovative/risky operations.
• Reinforced focus by EU on the leveraging of private capital.
EFSD Guarantee: Initial Investment Windows

- Sustainable Energy and Connectivity
- Micro, Small and Medium Enterprise (MSME) Financing
- Digital for Development
- Sustainable Agriculture, Rural Entrepreneurs and Agro-business
- Sustainable Cities
Window: Sustainable Energy and Sustainable Connectivity

Limiting temperature rise to 2°C requires $3.5 trillion in investments p.a. until 2050.

Guarantees to address and mitigate key risks that currently deter private sector participation.

Guarantees to promote new financing tools such as energy performance contracting for energy efficiency.

Foster capital market development (e.g. green bonds).
Window: Sustainable Energy and Sustainable Connectivity

- Number of PIPs: 15
- Number of IFIs: 10
- Amount requested for this IW: EUR 1.26bn
- DG NEAR content: EUR 483m

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Potential Guarantee Uses

Technology risk
Guarantee supporting the property and construction markets to move towards mainstreaming energy efficiency technologies, measures and practices in new buildings and building retrofits.

Off-Take & Performance Risks
Support off-taker commitments in large RE projects with first loss/pari-passu guarantee. Guarantees are tailor made to address the specific transaction risk perceived by private sector investor.

Country Risk / Political Risk Guarantees
Complement project risk coverage where national ECAs or MIGA may not be applicable, insufficient for program risks or too expensive.

Market risks
Guarantee to support new contractual mechanisms to promote distributed energy generation in markets where these new mechanisms are untested.
EIP – Indicative Timeline

- **31st Jan 2018**: PIPS received for 1st 2 IWs
- **April 2018**: TAM to review 1st proposals under 1st two IWs
- **June 2018**: Board for all PIPS under all 5 IWs
- **May 2018**: TAM to review proposals under last 3 IWs
- **31st March 2018**: PIPS received for last 3 IWs
- **2H 2018**: 1st Guarantee agreements signed
Pillar 2: Technical Assistance in support of Pillar 1 (EFSD)

TA for preparation and implementation of bankable projects.

Same procedures as for the existing blending facilities (NIP: € 425 million of technical assistance grants 2008-2016).
Pillar 3: Promoting a conducive investment climate

- Policy and political dialogue with partner countries
- Structured dialogue with business
- Country level, sector, value chains analysis
- Coordination and coherence

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EU External Investment Plan

Investing together in creating jobs and development

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What is the External Investment Plan

Mobilising finance

Stepping up technical support

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How you can engage

https://ec.europa.eu/commission/external-investment-plan_en
Thank you!