Questions and Answers – EU External Investment Plan

It aims to promote inclusive growth, job creation and sustainable development and in this way tackle some of the root causes of irregular migration.

What is the state of play on the External Investment Plan?

Less than a year after the EIP's official launch, the EU is on the right track towards achieving its commitment to leverage €44 billion of public and private investments in sustainable development, with an input of €4.1 billion from the EU for blending operations (mixing public grants and loans) as well as guarantee operations.

On 10 July, the EU took a milestone decision to mobilise €800 million in guarantee operations, which is expected to trigger investments of €8-9 billion.

This adds to the €1.6 billion that were mobilised for blending operations (i.e. the mixing of public grants and loans), which will mobilise up to €14.6 billion.

Overall, this will therefore translate into over €22 billion public and private investments. This will support much needed investment in sustainable development and decent job creation particularly in Africa.

Each of the Investment Programmes presented on 10 July is accompanied by substantial technical assistance to support partners in developing good projects. Policy dialogue with partner countries at all levels is ongoing.

What is the target of the EIP and how much has already been achieved?

The Plan's financial arm, the €4.1 billion European Fund for Sustainable Development (EFSD), comprises two parts:

- **Guarantee Fund** (for a total of **€1.5 billion** by 2020): The decision of 10 July 2018 allocated **€800 million** from the Guarantee of the European Fund for Sustainable Development. This is expected to **leverage €8-9 billion** of public and private investments.
- **Blending Facilities** (for a total of **€2.6 billion** by 2020): Since 2017, the EU has made available a total of **€1.6 billion** for interventions mixing EU grants with loans (so-called blending). This will help to **leverage up to €14.6 billion in potential investments**.

Overall, this will translate into over **€22 billion** public and private investments. This will support much needed investment in sustainable development and decent job creation particularly in Africa.

What was decided on 10 July concerning the European External Investment Plan?

On 10 July, the Strategic Board of the European Fund for Sustainable Development (i.e. the financial fund underpinning the EU's External Investment Plan) gave its green light for twelve EU guarantees worth around €800 million. The Board comprises representatives of: EU Member States, the European Parliament (as observer), the European Commission (who chairs the meeting), the European External Action Service and the European Investment Bank. Partner countries and regional stakeholders can also join as observers.

The guarantees lower the risk of investing in projects in countries neighbouring the EU and in Africa. The guarantees will cover operations in several areas: financing for small businesses, including ones involved in agriculture; sustainable cities; sustainable energy and connectivity; and access to the internet and digital services.

The guarantees will help bring in private sector investment because they can:

- attract financing for some of the initial capital ('equity' or 'risk capital') which projects need to get off the ground. This could be for example solar parks or other projects related to sustainable development
- serve as a pledge (guarantee) to pay back parts of a loan if a borrower incurs losses and defaults on it.

What are the next steps?

The agreement on 10 July on first guarantee programmes paves the way for signing the first contracts for guarantee agreements already in the second half of 2018. The European Commission is expected sign the first EIP guarantee agreements with eligible partner financial institutions later this year. These institutions will then use EU guarantees to finance new development projects and attract additional private investments.

Financial institutions should then start to roll out projects in early 2019.

What sectors are covered by these guarantees?

The EU had in September 2017 identified five areas of intervention, in which the External Investment Plan can have the highest impact for sustainable development. The first four are covered by the guarantee programmes approved on 10 July:

- financing for small businesses, including ones involved in agriculture
- sustainable cities
- sustainable energy and connectivity and
- access to the internet and digital services.

Furthermore, the Commission will review proposals in the field of agri-business in autumn 2018.

Can you give some examples of the new guarantee programmes:

- **NASIRA Risk-Sharing Facility:** With €75 million EU input and managed by Dutch development bank, this new risk-sharing facility is expected to generate a total investment of €750 million to €1 billion. It will benefit people who currently have difficulty borrowing money at affordable rates, such as:

oPeople who have been forced to flee other parts of their countries (internally displaced people) or to leave their country all together (refugees)

oThose who had fled but have recently returned to rebuild their lives (returnees)

oWomen and young people aged 18-30

- **InclusiFI** will enable over **25,000 small businesses** to access mobile accounts and long-term credit. The objective is to support financial inclusion driven by diasporas, migrants' families and migrants who have recently returned to their country of origin, in Sub-Saharan Africa and EU Neighbourhood. The lead financial institutions are AECID (Spain), COFIDES (Spain) and CDP (Italy).
- **DESCO financing programme**: This initiative will help bringing solar power kits to thousands of homes in Sub-Saharan Africa. With an input of €50 million from the EU and led by the African Development Bank, the guarantee tool will support access to clean electricity to an estimated **3.5 million people** in Sub-Saharan Africa (in particular in the Sahel region). The programme will help offset some of the risks that local banks perceive in financing solar power.
- **A digital transformation platform** and a **broadband investment programme** will support rural access to broadband in the EU's southern and eastern neighbouring countries, with an EU input of €70 million and managed by the European Investment Bank (EIB) and the European Bank for Reconstruction and Development (EBRD). This programme is expected to bring **fast broadband to 300 000 to 600 000 homes** in rural areas which will allow people and businesses to take part more fully in the digital economy.
- The initiative **Boosting investment in renewable energy**, receives an EU input €100 million, and will be managed by the Association of European Development Finance Institutions (EDFI) and the European Bank for Reconstruction and Development (EBRD). By supporting investments in renewable energy in Sub-Saharan Africa and EU neighbouring countries, this programme is expected to:

o Cut carbon emissions by an estimated 2-3 million tonnes per year

o Create an additional 1.5 – 2 Gigawatts of renewable energy

o Increase power production from renewable energy sources to 4,500-6000 GWh/year.

Can you give some examples of blending operations?

The EU has been supporting development and growth in partner countries through blending operations (mixing public grants and loans), for example:

- **The Electrification Financing Initiative or ElectriFI** helps to support investments in reliable, affordable and sustainable electricity and energy services that serve populations in rural areas in many partner countries. It does so by easing access to seed capital, as well as mid- and long-term capital. Funded by the European Commission, this initiative is managed by the Association of European Development Finance Institutions (EDFI).

- **The SANAD Fund** supports businesses, growth and job creation in in the Middle East and North Africa. It provides debt and equity finance to partner financial institutions, who then in turn support micro-, small and medium-sized enterprises. Such small companies account for 60 % of GDP and 70 % of employment in the region and are therefore crucial to a vibrant economy. However, surveys show that only 20 % of them have access to financing. Co-financed by the EU with €28 million and implemented by the development bank Kreditanstalt für Wiederaufbau (KfW), this initiative offers not only access to finance, but also support technical assistance.
- **The Boost Africa initiative** is a joint initiative between the African Development Bank (AfDB) and the European Investment Bank (EIB). It uses a combination of investment tools, technical assistance and entrepreneur training to attract investors and support to micro-, small and medium-sized enterprises at the earliest and riskiest stages of their development. A particular emphasis is put supporting young people and women. The focus is on sectors where innovations can improve quality of people’s lives, in particular that of poorer households, providing access to affordable products and services. These sectors include, but are not limited to: ICT, agribusiness, financial services and financial inclusion, health, education, and renewable energy.
- **Women in Business programme**: Female entrepreneurship plays a key role in creating jobs and driving economic growth. However, female-run small and medium-sized enterprises often face reluctance from banks to lend to them as they are perceived as higher-risk customers. EU support through this programme provides partial risk cover to local banks to encourage the development of specific products that target eligible women-led companies as well as advisory services, training and support for women entrepreneurs and their businesses. The EU contribution to this project led by the European Bank for Reconstruction and Development (EBRD) is €4.8 million.

How did you estimate the EIP leverage?

In the EIP context, leveraging is the use of EU grants and guarantees to enable and increase the overall size of investment. Leverage allows going to scale and delivering enhanced development impact.

Based on experience with EU-supported financial instruments since 2007, the EFSD guarantee and blending (i.e. mixing of public grants and loans) are expected to reach an average leverage of around x11. The total EU contribution of €4.1 billion is therefore expected to result in a total investment of €44 billion.

How can we monitor the progress of the EIP’s implementation?

The European Commission will closely monitor the progress of the EIP. It will report annually to the European Parliament and the Council on the EIP financing and investment operations. The Commission will communicate the progress to citizens and stakeholders through its website and dedicated EIP web portal.

Reports will also be presented to the public and all relevant stakeholders, including civil society.

What are the conditions to qualify for support under the EIP?

Projects must have a clear sustainable development objective for Africa or the European Neighbourhood. They should contribute to economic and social development, with a focus on sustainability and job creation, particularly for youth and women.

Investment proposals have to provide adequate risk sharing, be economically and financially viable, socially and environmentally sustainable. They must not distort market competition or crowd out commercial funding and they should address market failures or sub-optimal investment situations. Operations should be additional – i.e. in areas where financing would otherwise not be available, due to high or perceived high risks.

If I want to take part and submit a project proposal or invest through a guarantee tool, how can I find out more?

Businesses that want to benefit from the EIP are encouraged to:

- contact one of the financing institutions managing the investment windows to obtain further information (see a list of all guarantee programmes and the respective lead financial institutions here)
- submit investment proposals through the EIP online web portal that functions as a one-stop-shop. The EIP Secretariat will then check them and forward them to the relevant financing institutions.

For more information

Press release – The EU's External Investment Plan: a strong step forward