EUROPEAN COMMISSION
Directorate-General for International Cooperation and Development
Directorate General for European Neighbourhood Policy and Enlargement Negotiations

Directors General

EUROPEAN EXTERNAL ACTION SERVICE

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4TH MEETING OF THE STRATEGIC BOARD OF THE EXTERNAL INVESTMENT PLAN – EUROPEAN FUND FOR SUSTAINABLE DEVELOPMENT

22 January 2020 - 14:30-18:30

MINUTES OF THE MEETING

Master of Ceremonies:

Mr. Norman Jardine, Principal Adviser, HR

Chair:

Mr. Koen Doens, Director-General, DEVCO

Mr. Christian Danielsson, Director-General, DEVCO

Mr. Marcus Cornaro, Principal Adviser, EEAS

Venue: Berlaymont, Meeting Room Schuman, Rue de la Loi 200, 1049 Brussels

Participants:

- Member States representatives
- International Financial Institutions
- European Commission and EEAS representatives
- European Parliament as observer

On 22 January 2020, the EFSD Strategic Board ('Board') met in Brussels. Its 4th meeting, hosted as stipulated by the Commission services (Directors-General DEVCO and NEAR) and EEAS (Principal Adviser), was preceded by a signing ceremony of four EFSD guarantee agreements (with AECID, EIB, KfW and EBRD). The Board discussed the current state of play of the External Investment Plan (EIP), lessons learned, investment climate initiatives, communication and outreach activities as well as additional contributions from Member States.

Below is an abbreviated recap of the proceedings of the meeting.

Introduction and opening remarks

In his welcome speech, on behalf of Commissioner for International Partnerships Jutta Urpilainen, DG Doens underlined the steady progress of the EIP, with the additional four guarantee agreements just signed. The successful conclusions confirm the value of the new instrument – the EFSD Guarantee, generating a total of EUR 17.5 billion in investment in Sub-Saharan Africa and the EU's Neighbourhood countries. Regarding the blending part under the EFSD, he informed that around EUR 3.1 billion has been approved, unlocking about EUR 29 billion of investment. This means that the EU will exceed by more than EUR 2 billion its initial target of leveraging at least EUR 44 billion of investment funding through the EIP.

Looking ahead, he recalled that more ambitious financing for development is foreseen under the EFSD+ in the next Multiannual Financing Framework so as to enable further action with a global reach. He expressed gratitude to the financial institutions and Member States, in particular to Czech Republic, Denmark, Estonia and Germany for their additional contributions.

DG Danielsson also thanked the Member States and financial institutions for the common endeavours in using the EIP as an essential tool to achieve policy objectives in the Neighbourhood region. He highlighted that the EIP not only mobilises resources, but also provides indispensable knowledge and support in terms of governance and business environment. He expressed his satisfaction with the guarantee agreements signed on the day of the meeting, which aim to boost investments in renewable energy in Ukraine and the Southern Neighbourhood, and to facilitate affordable funding to SMEs.

Signature of four guarantee agreements

After the welcome remarks, PA Jardine summarised the four guarantee agreements to be signed:

(i) **Resilient City Development** (RECIDE) with the Agencia Española de Cooperación Internacional para el Desarrollo (AECID),
(ii) **SME Access to Finance** with the European Investment Bank (EIB),
(iii) The **African Energy Guarantee Facility** (AEGF) with KfW, the German Development Bank,
(iv) The **Framework to Scale-up Renewable Energy Investments** with the European Bank for Reconstruction and Development (EBRD).

The signatories from the Financial Institutions were one by one invited to join DG Doens and DG Danielsson at the signing table, where the agreements were signed in the above order. After the signatures, PA Jardine invited the representatives of AECID, EIB, KfW and EBRD to deliver their remarks.

AECID's representative, Juan Pablo de Laiglesia y González de Peredo, highlighted Spain's long-standing commitment to the African continent. He expressed the importance of the RECIDE guarantee agreement, and underlined the need to promote public-private partnerships.

Lilyana Pavlova, representing EIB, stressed the value of the SME Access to Finance guarantee through addressing key obstacles for entrepreneurs to access financing in the South and East Neighbourhood. She informed that EIB is complementing the financial resources with advisory support, market studies, capacity building and additional funding when appropriate.

KfW's representative Helmut Gauges expressed his delight to sign the first guarantee for KfW under the EFSD's risk-sharing guarantee facility. He highlighted his confidence in the guarantee's contribution to EU development objectives as well as in terms of generating funds.

On behalf of EBRD, Pierre Heilbronn stressed EFSD's revolutionary role in the field of development finance, demonstrating that joint efforts can make a difference in the world. He underlined the principle of policy first and that financing loans needs to be complemented with additional efforts.

Following the remarks by the representatives from the Financial Institutions, PA Jardine closed the signing ceremony.

State of play of the EFSD and the EFSD guarantee

DG Doens outlined the core issues for discussions of the Strategic Board. Adding to his opening remarks, he illustrated the very good achievements of the EIP with the latest figures. At end-2019, financing leveraged through EFSD was expected to mobilise more than EUR 47 billion over the period of the implementation. Thus, the EU will exceed its initial target of unlocking through the EIP at least EUR 44 billion of project funding. In addition to the strides made towards the conclusion of the 28 guarantee agreements – which are supposed to catalyse EUR 17.5 billion of investment funds on an EU input of EUR 1.54 billion – substantial funds were raised through blending of financial resources under EFSD. By end-2019, the Commission approved around EUR 3.1 billion for 154 blending operations which unlocked close to EUR 30 billion of investment.

The blending projects in Sub-Saharan Africa target a variety of sectors, the main ones being transport, energy, private sector development and agriculture. 76% of EU blending support in Sub-Saharan Africa targets lower income countries. More than 50% of projects are tagged with Rio Markers 1 and 2. DG Doens also highlighted the importance of visibility and communication of the EU's contributions to development, which make it the biggest donor in the world. He stressed the need to demonstrate what is done on the ground, and pointed out that further work remains in this respect.

NEAR's Deputy DG Mathernová emphasised the role of policy leverage and alignment, and recalled that the EIP constitutes the first effort towards having a joined-up investment plan under the EU external action. With regard to the EFSD blending, she updated the Board on the regional distribution under the Neighbourhood Investment Platform, with 56% of the projects carried out in Neighbourhood South, and 44% in the East. Going forward, she underlined EFSD+ as an external dimension to the EU Green Deal, which is a focus area in which contributions are expected to span several sectors.

EEAS's Principal Adviser Cornaro recalled the milestones and successes achieved so far under the EIP. He recognised that it was time to discuss how to turn the objectives into reality: private investment to make a difference by creating sustainable and decent jobs for young people and women, including in the poorer and more risk-prone countries, in order to support the SDGs and also address the root causes of migration. He stressed the need to ensure to keep focusing on key new priorities, such as the EU Green Deal. PA Cornaro encouraged the partner Financial Institutions to advance swiftly to develop pipelines by coordinating on the ground with EU Delegation, MS Embassies and FI's offices in third countries. In fact, the EFSD is a development tool that also projects the economic and political role of the EU in the world and therefore contributes to the implementation of the EU Economic Diplomacy.

Deputy DG Jager noted that the most challenging part for concluding the guarantee agreements has been not the commercial but the horizontal policy provisions enforced by the Commission, such as reporting, access rights for the EU Antifraud Office (OLAF), anti-money laundering, tax evasion and tax avoidance, EU restrictive measures (i.e. sanctions). She informed that negotiations on the remaining PIPs (Proposed Investment Programmes) will be launched by 28 February.

Feedback and first lessons learned

The Commission invited Financial Institutions and Member States for exchange of views on how the EFSD is being implemented.

KfW stressed the necessity of linking guarantee agreements with policy objectives. KfW expressed support for the proposed NDICI Regulation and underlined especially the importance of ensuring a level-playing field for risk sharing and risk management.

EIB was impressed by the steps the Commission had taken to make use of limited resources to raise substantial additional investment funds by way of budgetary guarantees, these being very innovative and still challenging instruments in the development cooperation field. In that respect, the EIB welcomed the creation of the G-TAG platform, which proved a successful arrangement for ensuring quality of investment proposals and adopting best practises. EIB further called for transparency and clarity in terms of where flexibility can be applied, asked for clarification on the EFSD evaluation and implementation of Pillar 2 and 3 of the EIP as well as encouraged to develop solutions for blending operations involving local currency.

EBRD stressed the importance of an open architecture for policy alignment, coordinating and partnering among the implementing partners, to promote innovation and knowledge-sharing. EBRD also made note of the monitoring and reporting requirements as an ongoing challenge for delivery on the ground.

AECID agreed with the comment made by EIB on transparency regarding flexibility and enquired about the EFSD evaluation and updated figures on investment effect. AECID also stressed the value of the third pillar of the EIP and called for further coordination between the Financial Institutions.

FMO reiterated the previous remarks made on maintaining a level-playing field, and stressed the need for flexibility considering the difference on the ground, where some markets pose more challenges than others.

ADF stressed the necessity of making sure that the EU citizens’ tax money is used in an efficient way and called for further investment in the public sector.

CDP expressed appreciation for the Commission’s outreach programme, and agreed with previous comments on endorsing an open architecture and a level-playing field.

Italy congratulated the Commission on the progress so far under the EIP and stressed the importance of a level-playing field and applying equal conditions to all Financial Institutions.

Belgium enquired about compliance of the contract procedure with Article 155 of the Financial Regulation and about the status of the EFSD evaluation. Furthermore, Belgium asked for: clarification of the factors that have resulted in contracting difficulties, how projects are looked upon in the portfolios, the added value of guarantees and subsidies, how to ensure that European rules are applied and how the guarantees affect secondary financial markets. With regard to blending, Belgium called upon using the EUBEC platform for providing technical expertise and knowledge.

Spain was pleased with the four newly concluded guarantee agreements and highlighted the need to carry out assessment on capacity as well as assess if objectives have been successfully met. Spain also stressed the necessity of linking more closely the projects to the second and the third pillar of the EIP, and underscored the need to invest in environment and climate change.

EDFI congratulated the Commission on the progress made so far and echoed previous interventions on the importance of risk sharing and to focus on policy frameworks. In relation to the proposed NDICI Regulation, EDFI pointed out that cooperative models might be insufficient and emphasised the need for strong banking functions behind the implementation of the guarantees. Furthermore, EDFI made note of the complexity of the EFSD instrument, hence the need to be as transparent as possible.

The World Bank reiterated the remarks on the need to keep an open architecture and ensuring a level-playing field, and stressed that lessons learned must be taken into account when structuring future investment.

Germany underlined the need to look in detail at the advantages and disadvantages in the context of the first EFSD evaluation – to be made available as soon as possible, and called for more documents being shared ahead of future Strategic Boards in order to prepare feedback beforehand.

In their responses, the Commission representatives ensured that maintaining a level-playing field and transparency are crucial and had been taken into account in the contracting process. The Commission had been working closely with the legal services to ascertain that EU rules (as Art. 155) and principles were adequately reflected. With horizontal issues being the main cause of longer-than-expected negotiation of the 28 guarantee agreements, the solutions found can be readily used for the remaining contracts to be signed in 2020. With regard to the first evaluation of the EFSD, the Commission ensured that obligations set out under the EFSD Regulation would be met and clarified that the independent external evaluation study had been finalised and would be shared by way of a Commission implementation report.

On the issue of future risk assessment, the Commission indicated that it would use collaborative platforms, such as the EIB-hosted Global Emerging Markets Risk Database (GEMs.) Furthermore, the Commission was fully in line with regard to the importance of an integrated approach and establishing linkages between the three pillars of the EIP.

Investment Climate: update and way forward

The Commission presented the state of play on Pillar 3 of the EIP, emphasising the importance of establishing linkages between investment mobilisation through the EFSD guarantees, technical assistance and investment climate improvements.

An overview of the three building blocks of Pillar 3 was presented (1/ investment climate analysis, 2/ structured public-private dialogue at country and sector level, and 3/ prioritised actions for investment climate improvements) as well as the different investment climate drivers and the funding measured per driver. The Commission also informed about the enhanced thematic support and various facilities promoting Pillar 3 implementation, including new facilities set up to enable a more flexible and demand-driven technical assistance in Sub-Saharan Africa.

An update on the joined-up approach with EU Member States on Pillar 3, which was launched during the previous EFSD Strategic Board in January 2019, was also presented, including activities undertaken in 2019, such as trainings and working sessions with MS during EIP outreach events. To further operationalise this joined-up approach, the objective is to have closer coordination and enhance synergies on investment climate activities – building on existing local donor coordination mechanisms at country level and Member States' specific areas of expertise and networks. Concrete activities ahead include: Member States' Experts Group meeting on 4 March 2020, sessions with Member States during outreach missions/events, training offer on demand as well as several High-Level Business Fora at country level, including EU-Africa Business Forum in the margins of the EU-Africa summit in October 2020.

The session continued with the Commission's presentation of regional investment projects for the Southern Neighbourhood, as well as the Structural Reform Facility (SRF), a dedicated facility in the Eastern Neighbourhood.

DDG Mathernová welcomed Camilla Otto, representative from EBRD, to present the country-specific investment climate reviews and action plans (ICAPs) for Eastern Partnership countries. Through three phases, the project aims to help improve the business environment and investment climate by: i) developing investment climate action plans; ii) facilitating joint EU-EBRD stakeholder consultation workshops to validate ICAPs and prioritise proposed TC interventions; and iii) implementation of TC interventions.

Upon Commission's invitation, Matija Laco then presented the World Bank's approach to strengthening and diversifying the financial sector in the EU Eastern Partnership countries through the Structural Reform Facility. This is done through stock-taking diagnostic, leading to the implementation of selected reforms.

Italy expressed appreciation for the efforts taken to usher in investment climate improvements, and was pleased with the role given to the Delegations on the matter. Italy also proposed inviting representatives from partner countries to meetings, and encouraged an increased focus on external communication.

Belgium enquired about regular updates and sharing of information on studies linked to reforms under Pillar 3. With regard to structural reforms, Belgium called for further focus on prevention and crisis management, and underlined the importance to associate partner countries regarding discussions on reforms. Furthermore, Belgium suggested to include the financial dimension to the next Expert Group meeting in March, in particular regarding the linkages between blending and investment climate.

France stressed the importance of Pillar 3 and was pleased with the information provided by the new Handbook on Improving the Investment Climate through EU action. France also welcomed further trainings on the topic, and underlined the need of a robust regulatory framework in order to facilitate investment climate improvements.

Germany underlined the linkage between the three pillars of the EIP and reiterated the need to consider the lessons learned of the EIP in the run-up to EFSD+.

The Netherlands underlined that investment climate was the most important pillar of the EIP, as the enabling factor for successful investment, agreed with the comments raised by Germany and Belgium, and stressed the need for a joined-up approach and the importance to create a strategies to interact between the EU and MS at country level.

AECID highlighted their role of as chair of the Practitioners' Network, and underlined the importance of studies and policy dialogue. In terms of pillar integration, AECID pointed out that it is a learning-by-doing process where the establishment of dialogue channels between private investors, the EU and its MS and Financial Institutions is fundamental to help identify and unlock bottlenecks.

The Commission appreciated support in building a joined-up approach. The Expert Group meeting in March 2020 is meant as an opportunity to materialise this approach, so the Commission encouraged the Member States to share their programmes ahead of the meeting as well as inform the Commission if they were interested in future EIP trainings. This Expert Group meeting would be an opportunity to look at country specific approaches including regarding linkages between the EIP pillars.

Communication and outreach activities

DDG Jager presented an overview of the Commission's outreach activities, with 9 EIP missions organised to partner countries in Sub-Saharan Africa and EU's Neighbourhood during 2019 (Cameroon, Angola, Tunisia, Zambia, Kenya, Armenia, Ethiopia, Somalia (in Ethiopia), Senegal, Sierra Leone). Representatives of between 2 and 9 of our partner Financial Institutions have taken part in each mission. Through these we reached around 1,200 business representatives in the business events we've organised as part of the missions.

In addition, she informed that the Plan had been promoted at third-party events targeting the private sector, such as the Africa Investment Forum in Johannesburg last November, where two guarantee agreements (with CDP and FMO) were signed.

In 2020, outreach activities will continue (tentative destinations identified: Uganda, Rwanda/Burundi, Burkina Faso, Malawi, DRC/Congo Brazzaville, Guinea Bissau, Mozambique/Madagascar). She encouraged the partner Financial Institutions and Member States to consistently take part in the Commission's missions to amplify our reach, build a common narrative, and so support the EU as a brand.

Furthermore, she informed about the revamped web page, with an exhaustive set of documents and information on the EIP.

Contribution of Member States

DDG Jager informed that the Danish government had contributed to the EIP EUR 10 million (DKK 75 million), after Germany, the Czech Republic and Estonia thus becoming the forth EU Member State to have contributed additional resources.

Denmark highlighted support for the EIP as an essential instrument in promoting sustainable growth and development in Africa. Denmark pointed out that EFSD and the EIP address root causes of migration and climate change, as well as the challenge of bridging the SDG financing gap.

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The Commission thanked the meeting participants and announced that the next Strategic Board would take stock of progress mid-2020. The meeting closed at 18:40.