



2. EU External Investment Plan - Opportunities for Africa and the EU Neighbourhood region

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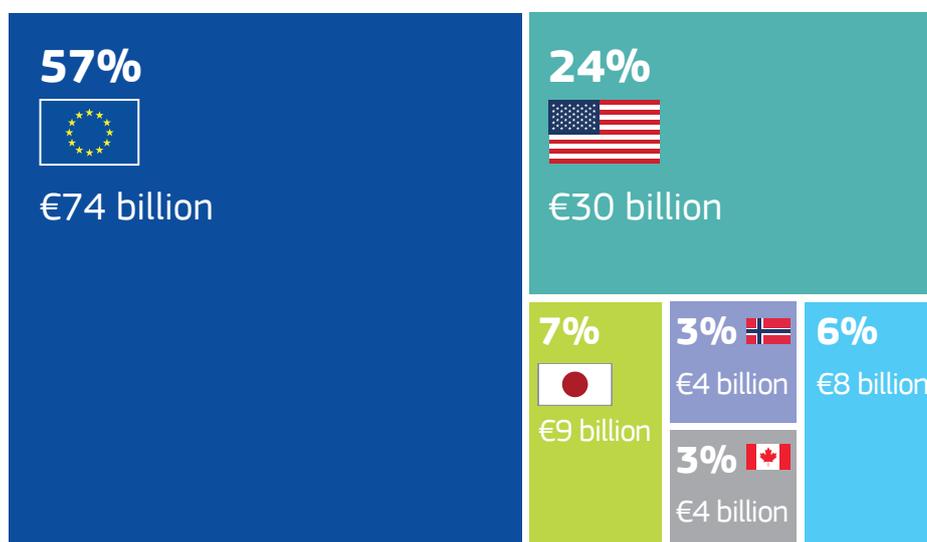
The Paris Agreement aims to address loss and damage associated with adverse effects of climate change and provides an ambitious solidarity package with provisions on finance for climate adaptation. **The EU and its Member States are already the world's biggest contributors of climate finance to developing countries**, providing over €20 billion in 2016. Climate finance from the EU budget will more than double between 2014 and 2020.

The EU's new **External Investment Plan will play an important role in promoting inclusive growth and job creation** in Africa and the EU Neighbourhood countries. Sustainable economic development and resilience in Africa and the EU neighbourhood are also factors in **tackling the root causes of migration**.

The **newly created European Fund for Sustainable Development**, the core of the External Investment Plan will leverage public investment to trigger more private capital flows to sustainable projects. This new external instrument, adapted to the specific needs of partner countries and the challenges of developing economies, builds on the success of the European 'Juncker Plan' model which has already triggered over €315 billion of investment within the EU. Like the Juncker Plan, it will also create opportunities for European industrial and technological leadership.

Another example of support for climate action in the neighbourhood is the **Energy Efficiency Fund for Ukraine**. Very low energy performance of buildings is one of the main reasons for Ukraine's dependence on imports of natural gas, and high costs mean that almost half of the population benefit from government support in paying their energy bills. Improving energy efficiency will make a major contribution to tackling this problem. The **EU will provide €100 million to the Fund**, after Ukraine met a number of conditions required to improve their energy legislation. With other contributions, the total fund will reach a volume of €600 million by 2023. In addition to funding, the EU will support an extensive awareness-raising campaign and provide **technical assistance** to help home-owners associations prepare better investment projects.

The EU is the biggest donor of development and humanitarian aid



Source: OECD, 2017, EU and its Member States

What will the European Commission do next?

With an initial contribution from the EU budget of €4.1 billion, the EU External Investment Plan is designed to trigger up to €44 billion of additional investments. Three of the five investment windows under the new Fund will directly target climate action.

The EU external Investment plan implementation is on track and advancing quickly. The Plan includes a European Fund for Sustainable Development (EFSD), worth €1.5 bn.

On 20 June 2018 the EIP's Operational Board approved 15 guarantee tools which this Fund will finance, comprising:

- ▶ 12 Proposed Investment Programmes
- ▶ Three instruments for SME financing, renewable energy and investment funds.

These guarantee tools include several highly innovative approaches to attracting private investors to challenging markets in Sub-Saharan Africa and the EU Neighbourhood. This was made possible by the EFSD's ability to draw on the combined resources of a range of development finance partners.

Since 2017, the EU has made available €1.6 billion for programmes that mix EU grants with loans (so-called "blending"). This will help to leverage up to €14.6 billion in public and private investment.

The 12 PIPs amount to approximately EUR 800 million. The remaining EUR 700 million reserved for the Core Guarantee Instruments is set to be approved shortly.

We thus expect the entire EUR 1.5 billion guarantee capacity to be allocated already very soon, well before the timeline set by the EFSD Regulation.

The Commission will now negotiate agreements for the guarantees with its different partners, with signatures expected by the end of 2018 or beginning of 2019.

