



Sharing risk, maximizing impact

External Investment Plan – guarantees and infrastructure financing
EIC – 2 October 2020

Paulus Geraedts, European Commission



Target



- **50%** cuts in greenhouse gas emissions by **2030**

Target



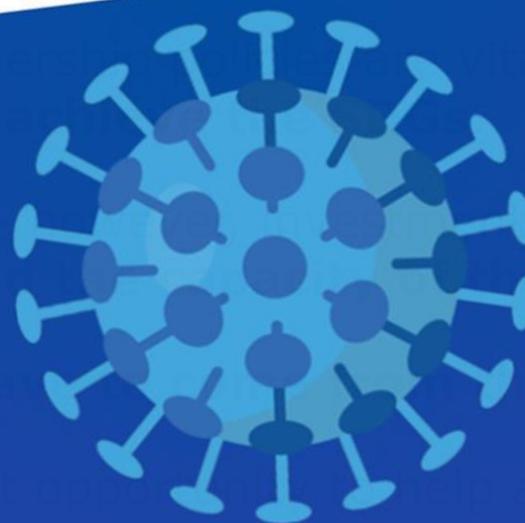
- **Climate-neutral** continent by **2050**



- The **EU's international**...

Coronavirus Response

Find out more >



...can an investor know? **EU Taxonomy!**

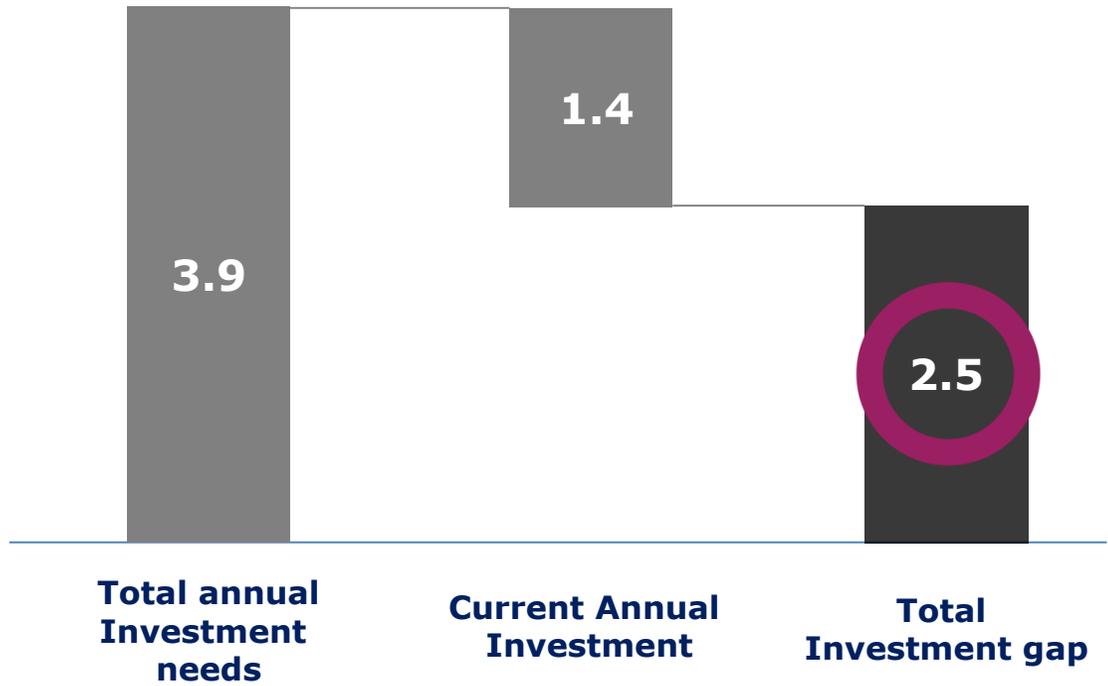
Why we act – The investment gap to reach the SDGs



Estimated global investment gap in key SDG sectors, 2015-30 Trillions of USD, annual average



On September 25th 2015, countries adopted a set of goals to end poverty, protect the planet, and ensure prosperity for all as part of a new sustainable development agenda. Each goal has specific targets to be achieved over the next 15 years.



Source: SDG Financing for Africa (2017)

Donors cannot fill this gap: partner with the private sector!

Mobilise investment - Addis FFD 2015

“From billions to trillions”

- *the challenge is to direct a larger share to developing countries:*
- *replicate and scale-up EFSD guarantees under EFSD+*

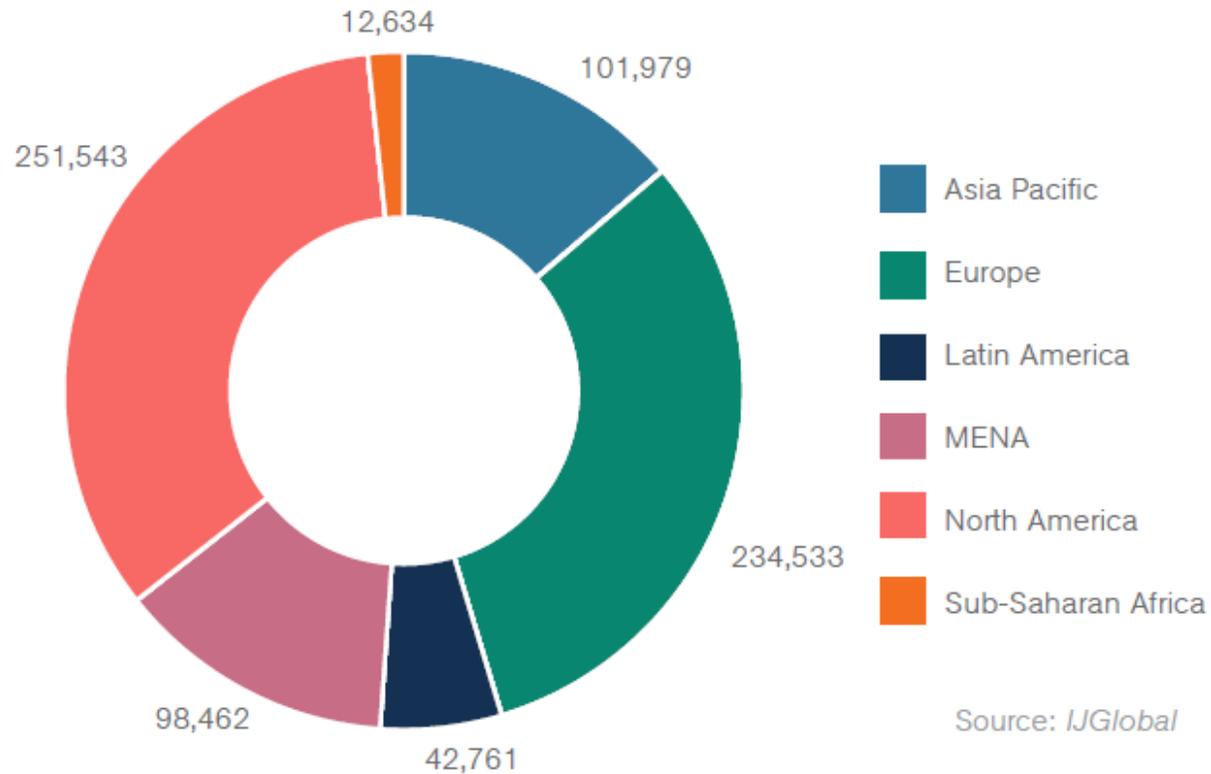


Infrastructure financing



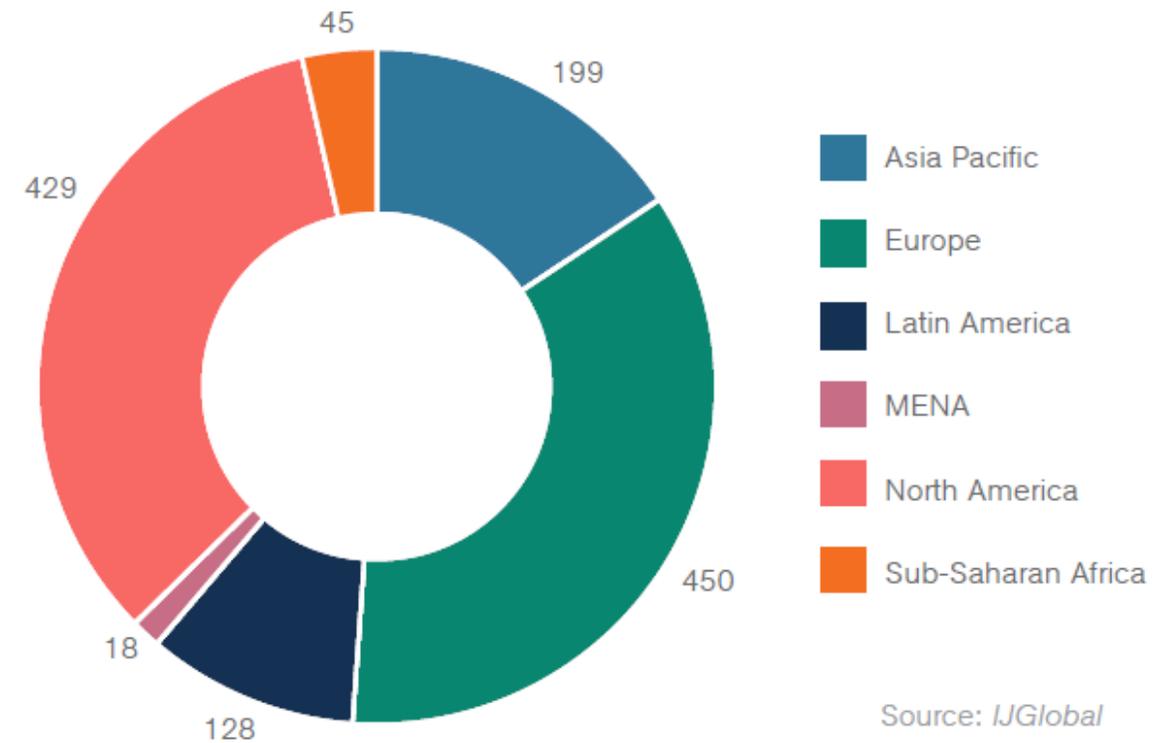
Source: IJ Global
Infrastructure Finance league
table report H1 2020

COMPARISON OF ALL REGIONS BY VALUE
(\$m) H1 2020



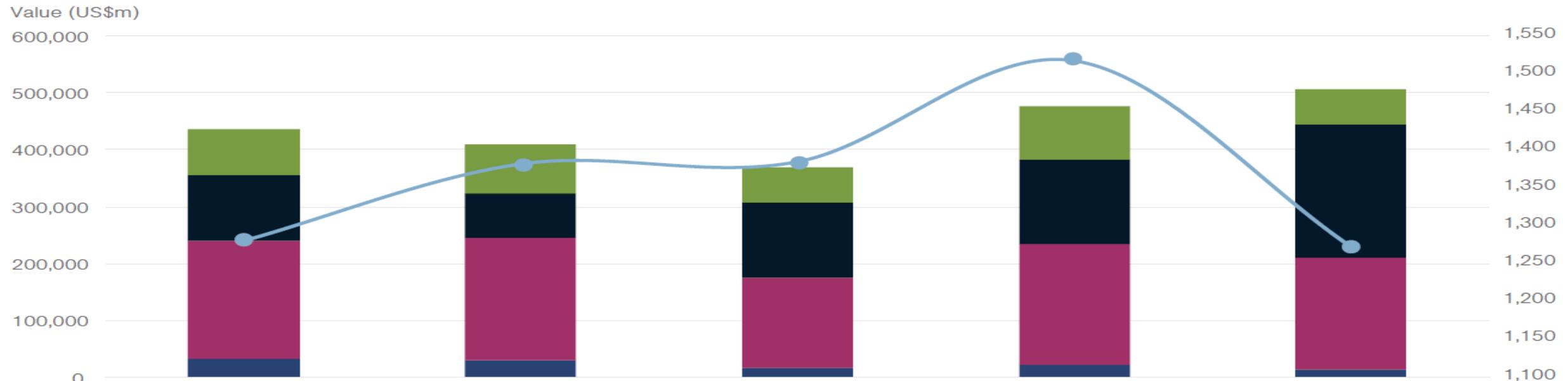
Source: IJGlobal

COMPARISON OF ALL REGIONS BY NUMBER OF TRANSACTIONS H1 2020

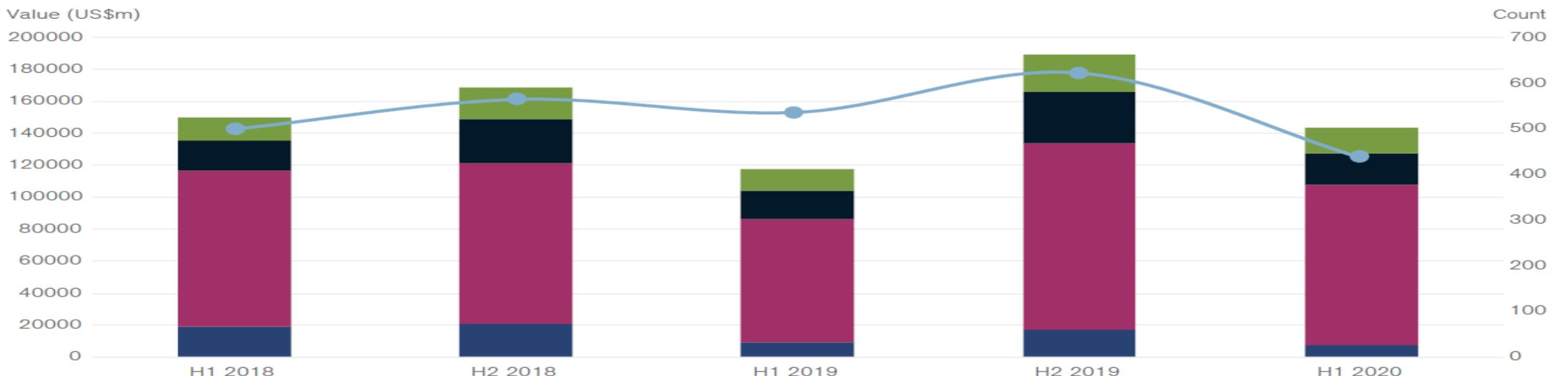


Source: IJGlobal

GLOBAL INFRASTRUCTURE FINANCE VALUE BY SOURCE OF FUNDING H1 2018 - H1 2020



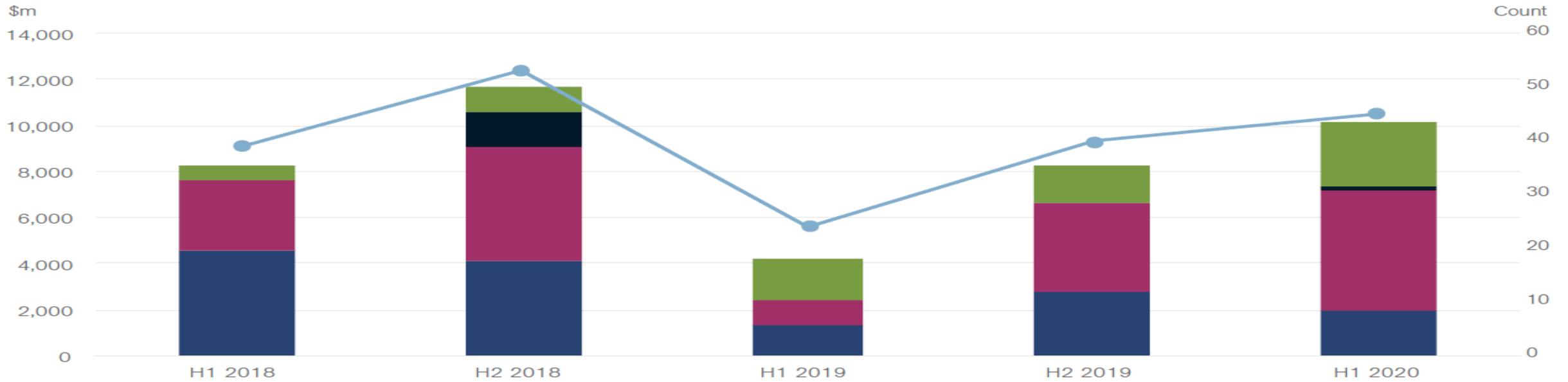
GLOBAL PROJECT FINANCE VALUE BY SOURCE OF FUNDING H1 2018 - H1 2020



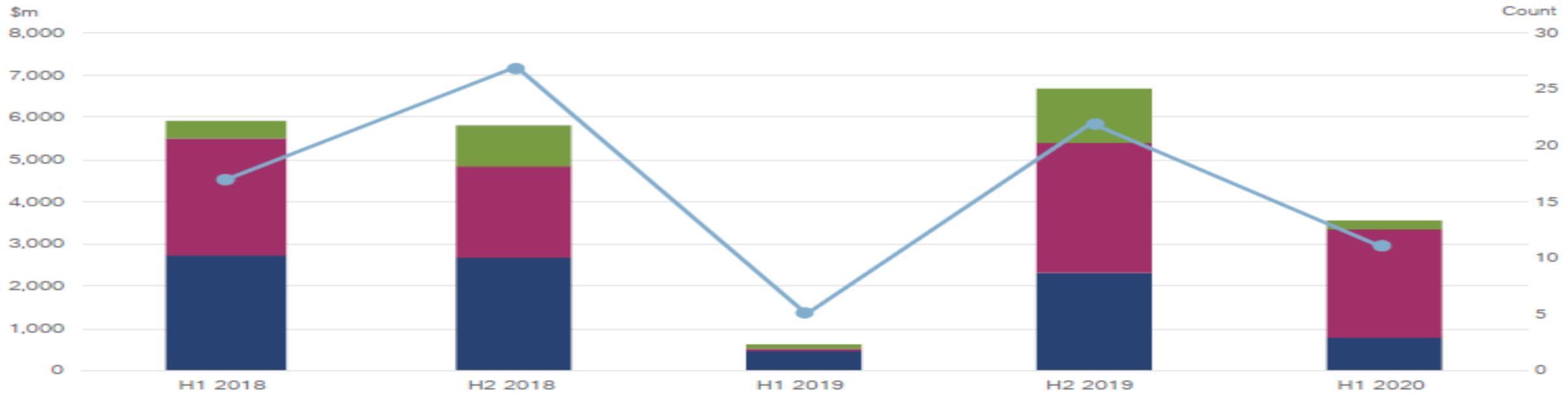
Source: IJGlobal

■ DFI Lending
 ■ Commercial Loans
 ■ Bonds
 ■ Equity
 —●— Transaction Count

SUB-SAHARAN INFRASTRUCTURE FINANCE VALUE BY SOURCE OF FUNDING H1 2020



SUB-SAHARAN PROJECT FINANCE VALUE BY SOURCE OF FUNDING H1 2020



Source: IJGlobal

DFI Lending

Commercial Loans

Bonds

Equity

Deal count

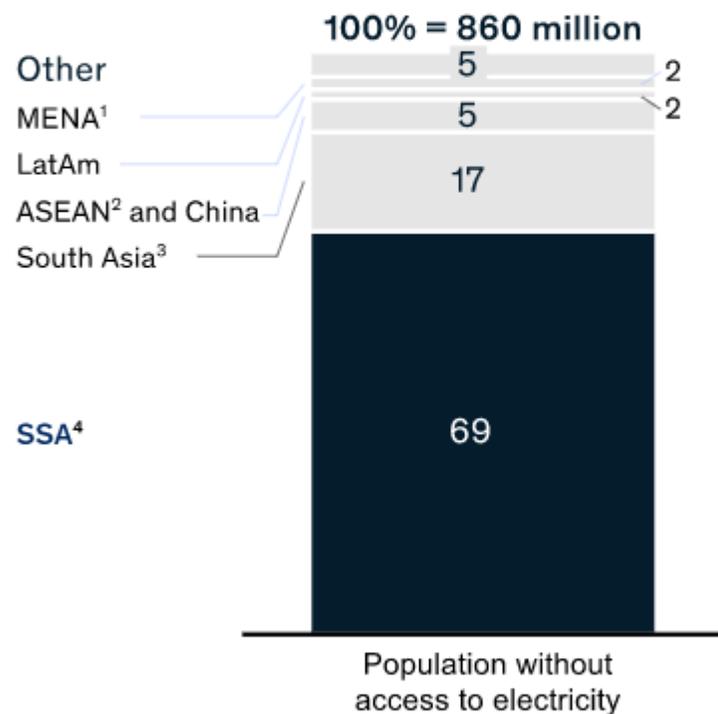
Closing Africa Infrastructure Gaps

Source:
McKinsey&Company,
Johannesburg

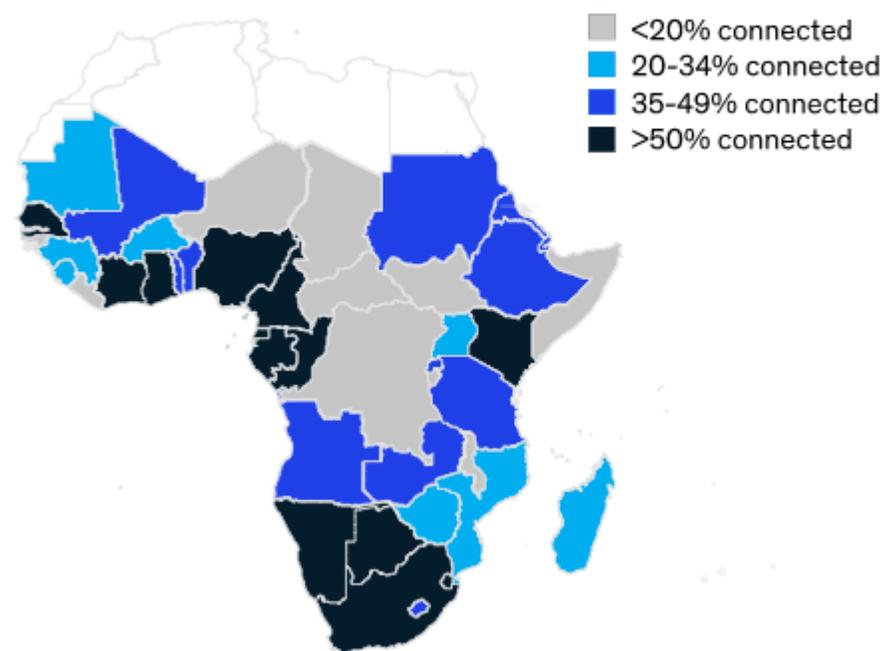
More than two-thirds of the global population without access to electricity is based in sub-Saharan Africa.

Distribution of population without access to electricity by region

2018 total without access, %



SSA electrification rates



Source: McKinsey&Company,
Johannesburg

¹ Middle East and North Africa

² Association of Southeast Asian Nations

³ Bangladesh, India, Nepal, Pakistan, Sri Lanka

⁴ Sub-Saharan Africa

Closing Africa Infrastructure Gaps

Source:
McKinsey&Company,
Johannesburg

More than two-thirds of the global population without access to electricity
based in sub-Saharan Africa.

Distribution of population without access to electricity

2019

**AfDB: Africa's
infrastructure needs are
between \$130 and \$170
billion per year**

¹ Middle East and North Africa

² Association of Southeast Asian Nations

³ Bangladesh, India, Nepal, Pakistan, Sri Lanka

⁴ Sub-Saharan Africa

Source: McKinsey&Company,
Johannesburg



Africa Infrastructure Funding availability



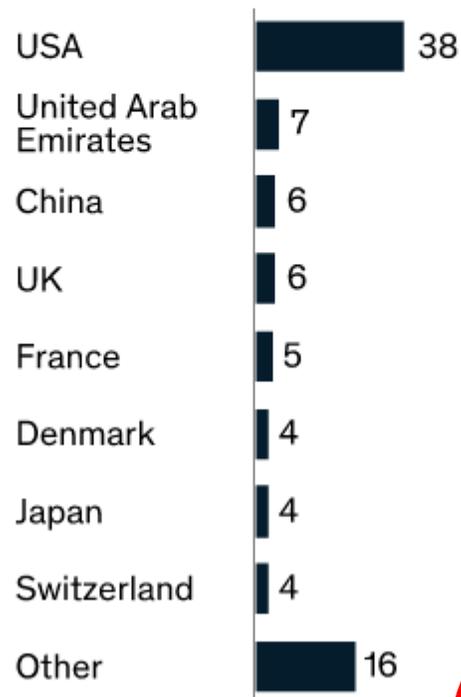
Source:
McKinsey&Company,
Johannesburg

The right interventions could unlock up to \$ 550 billion to invest in African infrastructure.

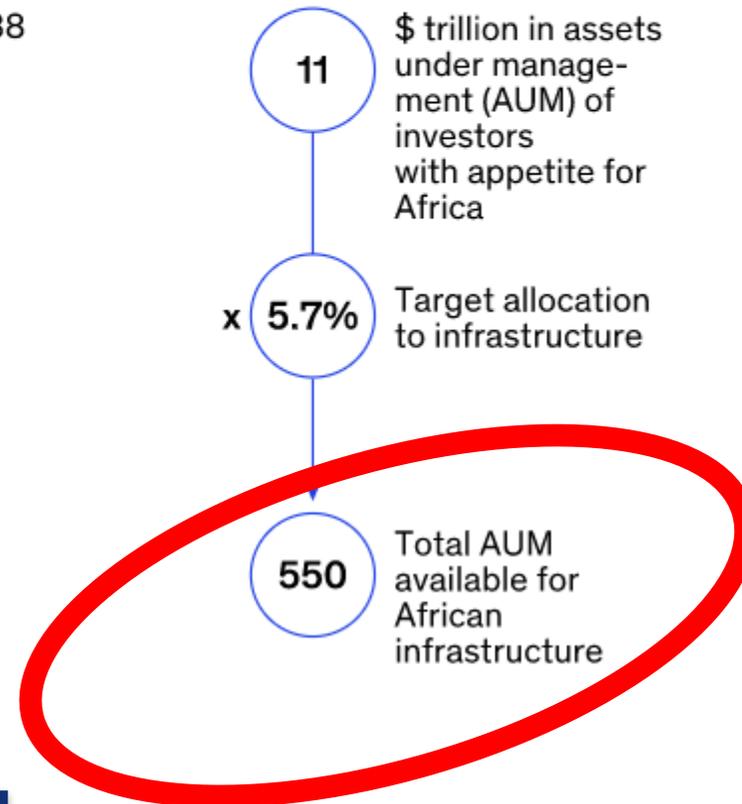
Investors with appetite for Africa by type, %



Investors with appetite for Africa by location, %



Funds available to invest in African infrastructure

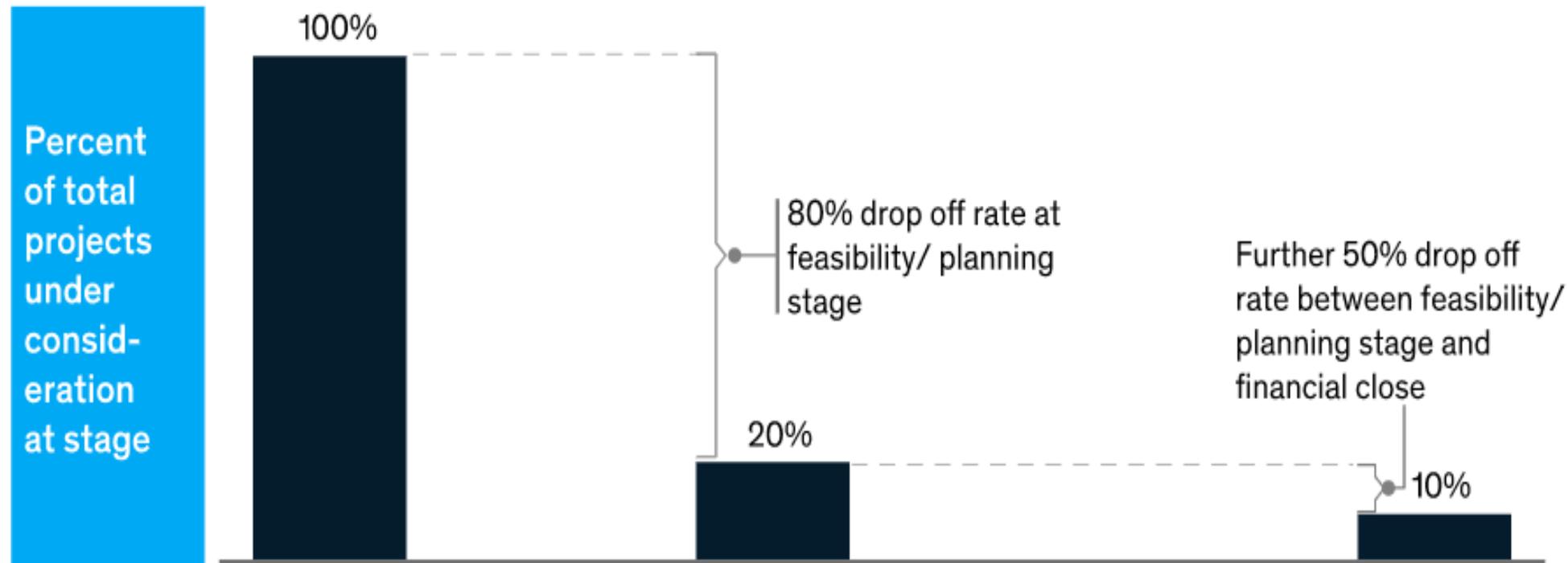


Africa Infrastructure Paradox



Source:
McKinsey&Company,
Johannesburg

Despite available funds, potential pipeline, and clear need, not enough money is being spent...



Africa Infrastructure Paradox



Source:
McKinsey&Company,
Johannesburg

Despite available funds, potential pipeline, and clear need, not enough money is being spent...

McKinsey sees the following underlying this paradox:

- Low technical capabilities, as well as limited financial resources dedicated to developing feasibility studies and business plans result in many being rejected.
- In many African countries, weak country balance sheets and limited banking access for offtakers/commodity buyers impede projects from obtaining guarantees – especially mega projects.

External Investment Plan (EIP) - integrated approach



European Fund for Sustainable Development (EFSD)

- New guarantee to reduce risk
- Blending loans and grants
- Africa Investment Platform
- EU Neighbourhood Investment Platform



Technical Assistance

- Support local authorities and companies preparing bankable projects
- Improving the investment climate in close engagement with the Private Sector



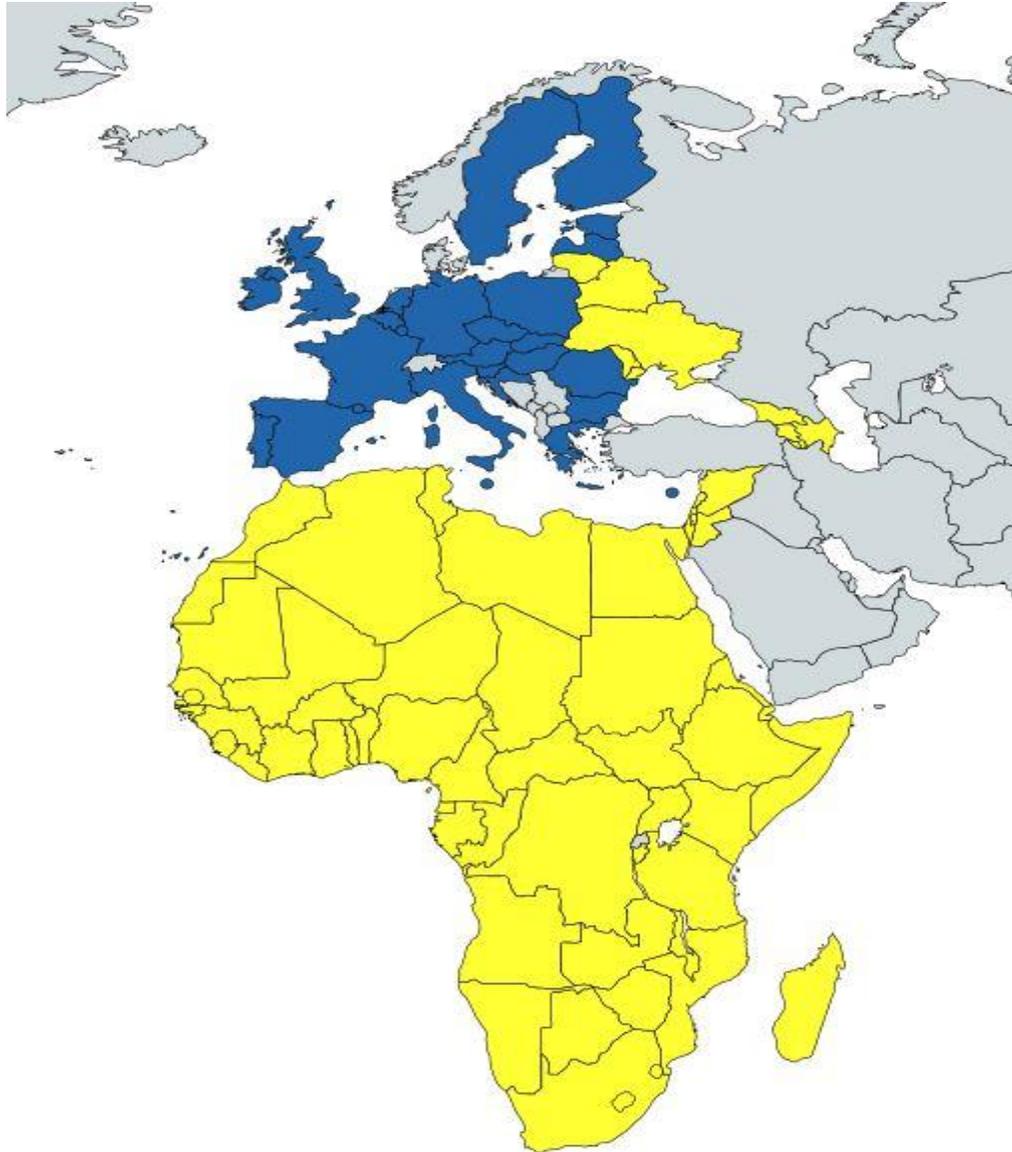
Investment Climate

- Structured dialogue with business
- Market Intelligence & Analytics
- Policy and political dialogue
- EU Cooperation

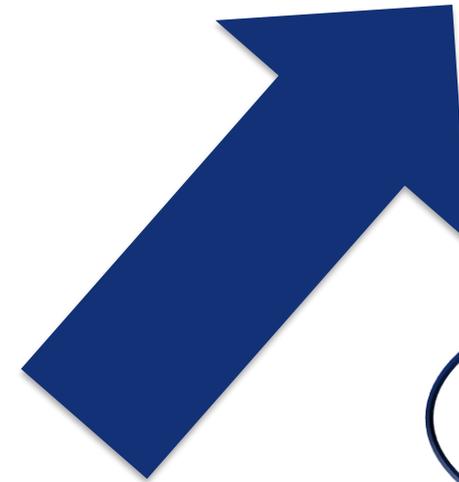
A one-stop-shop for public and private investors

EU guarantee capacity for private investment in developing countries is set to grow substantially in 2021-2027

The European Fund for Sustainable Development (EFSD)



EFSD+
EUR [*]bn**
2021-2027
(global coverage)



EFSD
EUR 1.5bn
2019-2020
(Africa & EU
Neighbourhood)

- Complemented by
- Technical assistance
 - Investment environment

EFSD and EFSD+ in partnership with financial institutions. so far engaging in guarantees:



EIP's Objective: To create investment cases in frontier markets

Priority Areas



1. Sustainable Energy and Sustainable Connectivity
2. Micro, Small and Medium Enterprises (MSMEs) Financing
3. Sustainable Agriculture, Rural Entrepreneurs and Agribusiness
4. Sustainable Cities
5. Digitalisation for Sustainable Development

Future sectors: local currency financing, human capital,...

A highly flexible guarantee product

- First-/ second-/ third- loss guarantees
- Credit enhancement
- Junior equity
- Securitisation
- Specific risk cover (PPAs, construction phase, etc.)

Guarantee is priced: avoid market distortion and crowding-out of private capital!

EIP Guarantees - Summary Table

	Financial Institution	Guarantee	Up to €m
A. Intermediated Lending for MSMEs and Agricultural Businesses			Sub-Total: 522
1	EDFI/AfDB	EDFI AfDB Joint SME Guarantees for Inclusive Growth and Job Creation	60
2	EBRD	Financial Inclusion in the Neighbourhood (East and South)	30
3	EIB	SME Access to Finance Initiative	20
4	AFD	AGREENFI	85
5	IFC	Small Loans and Guarantee Program (SLGP)	42
6	FMO	Guarantee Facility 'NASIRA' – for the Underserved Population	75
7	KfW	African Local Currency Bond Guarantee Program (ALCBGP)	100
8	AECID/CDP/COFIDES	InclusiFI - Financial inclusion driven by diaspora	20
9	EIB	MSME Investment Platform	25
10	AFD	FISEA EFSD SME Investment Guarantee	35
11	CDP/AfDB	"Archipelagos - One Platform for Africa" ("ONE4A")	30
B. Sustainable Energy & Connectivity			Sub-Total: 603.5
12	AFD/EIB/CDP/KfW	European Guarantee for Renewable Energy	168.5
13	AFD	Africa GreenCo	28
14	AfDB	Room2Run	87
15	AfDB	DESCOs Financing Programme	50
16	AECID/COFIDES	Renewable energy support programme for SSA	20
17	EBRD	Sustainable Logistics and Interconnectivity Guarantee (SLIG)	50
18	EBRD, EDFI	Framework to Scale-up Renewable Energy Investments (Boosting investment in RE)	100
19	EBRD	Energy Efficiency in the Neighbourhood (rev. = + Sustainable Cities)	100
C. Sustainable Cities			Sub-Total: 167
20	AECID/WB	Resilient City Development (RECIDE)	100
21	EIB	Sustainable Cities Investment Fund Platform	37
22	AFD	European Guarantee to increase local govt access to finance	30
D. Digitalisation			Sub-Total: 195
23	EIB/EBRD	Digital Transformation Platform	70
24	FMO	Ventures Programme	45
25	EIB	Digital European Health Guarantee Platform	80
E. Local Currency Financing			Sub-Total: 52.5
26	AfDB	Social Impact Fund for Africa	25
27	KfW	TCX Concessional and Collateral Facility (TCXCCF)	15
28	AfDB	The EFSD Local Currency Guarantee	12.5
Total:			1540

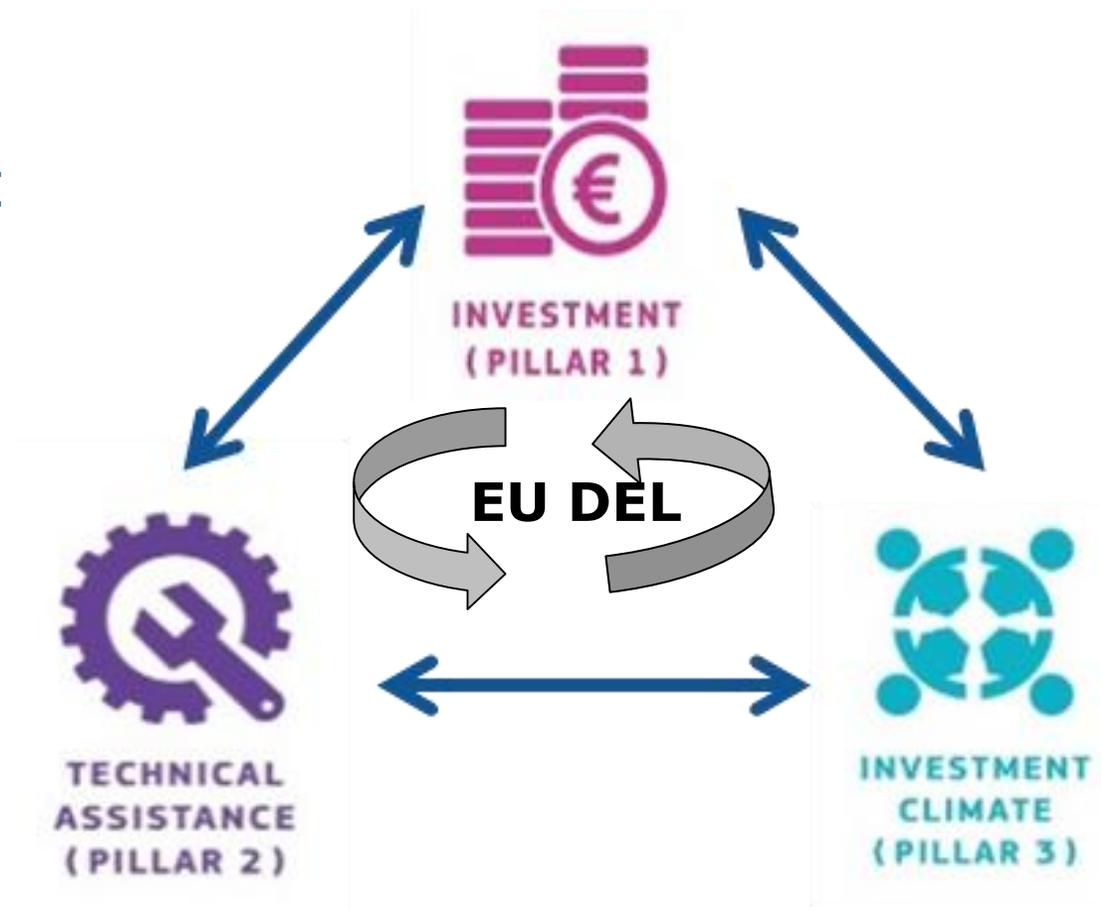
 Signed!

Key role of Delegations:



Integrating the pillars:

- Moving between watchdog, broker, and implementing agent
 - Coherence with EU policies and safeguards
 - TA (pillar 1 and 3),
 - EU Cooperation/blending
 - Financial institutions visits
 - Portfolio and Pipeline review meetings
- EU political/policy dialogue with government
- Structured dialogue with private sector



Connecting the dots, creating synergies!

The EIP – How can businesses get involved?

1. Through the One-stop-shop

- Web form to enter your ideas - for investors and promoters
- Enhancing accessibility



2. In the dialogue on investment climate

- Help identifying key constraints to investment - EU Delegations

3. Through partner financial institutions - benefits of EU guarantee passed on to end-borrower

- MSMEs – via local private banks
- Start-ups – via investment funds and VC
- Large Corporates - local private banks, risk-sharing facilities, directly to partner financial institutions

How you can engage in the External Investment Plan - a one-stop-shop

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One-stop-shop

This is the one-stop-shop for investors, promoters and other potential partners.

The EFSD Guarantee will only be directly available to entities assessed by the European Commission and entrusted to manage EU resources. These entities will manage individual operations covered by the EFSD Guarantee.

Other interested parties are encouraged to engage by describing proposed actions through the [web form below](#). The Commission will share duly filled-in and complete descriptions with relevant entrusted entities, and other partners as needed. We will ask entrusted entities to get in touch with you directly for further follow-up.

Email ec-eip-efsd-secretariat@ec.europa.eu

Submission form

Please complete all fields of this form

https://ec.europa.eu/commission/eu-external-investment-plan/how-you-can-engage-external-investment-plan-one-stop-shop_en



Thank you



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Valdis Dombrovskis – Executive Vice President

“With this green list, or taxonomy, investors and industry will for the first time have a definition of what is ‘green’, which will give a real boost to sustainable investments. That will be crucial for the European Green Deal to become a reality.”



- **EU Taxonomy:** the world's first-ever “green list” – a **classification system for sustainable economic activities** (18 December 2019).
- The aim of this green list is to:
 - Reduce fragmentation resulting from market-based initiatives and national practices
 - Reduce "greenwashing", i.e. the practice of marketing financial products as "green" or "sustainable", when in fact they do not meet basic environmental standards.

Scale up private and public investments to finance economic activities and projects that are truly sustainable.

The EIP – How can businesses get involved?

**“I DO NOT SEEK AID, I
SEEK INVESTMENT
FOR AFRICA”**

*- Akinwumi A. Adesina, President, African
Development Bank —*



- **Africa's investment market place**
- **Connecting global investors with project sponsors**
- **Game changer for Africa's infrastructure financing**

EU and AfDB are strategic partners!

