



State of the Union 2018: Commission unveils plan for a more efficient financial architecture to support investment outside the EU

Brussels, 12 September 2018

The European Commission is presenting actions for a more effective governance model and greater collaboration between multilateral and national development actors.



On 12 September 2018, on the occasion of his State of the Union Address, President Jean-Claude **Juncker** proposed a new 'Africa – Europe Alliance for Sustainable Investment and Jobs' to focus investment where it matters most: in skills and job creation. To achieve this, a more effective governance model and greater collaboration between multilateral and national development actors in Europe is needed. The European Commission is thus today setting out a number of ways to address the investment challenges and opportunities in Africa, the EU's Neighbourhood and the wider world. These include calls for joint initiatives between multilateral and national development actors and a reinforced European financial architecture able to meet the ambition of the newly proposed [Neighbourhood, Development and International Cooperation Instrument](#).

President Jean-Claude **Juncker** said: *"The European Union has an impressive track record in supporting investment outside the EU. But we could achieve so much more if we worked more efficiently and closer together. We don't need new institutions or wise men groups to meet our goals: we need wise decisions, taken swiftly by relying on our existing structures and partners. The Commission is ready to play its role in providing the right steer. The many investment challenges and opportunities in Africa, the EU's Neighbourhood and the world cannot wait."*

Vice-President Jyrki **Katainen**, responsible for Jobs, Growth, Investment and Competitiveness, said: *"We need to enhance the financial firepower of EU external action. The principle is simple. Following the innovative model of the Investment Plan for Europe, we will multiply available funds by bringing together the EU budget and funds from the EIB, EBRD, Member States' development banks and the private sector. This will allow us to invest more in programmes that support growth, jobs, development, and help address the root causes of migration in our neighbourhood, Africa and beyond."*

Commissioner for International Cooperation and Development Neven **Mimica** said: *"Facilitating public and private investment in Africa, the Neighbourhood and other partners throughout the world is essential to ensure sustainable development, promote stability and overcome global challenges in a context of economic and political fragility. The Commission, through the recently proposed Neighbourhood, Development and International Cooperation Instrument, wants to be very ambitious in this area. I am convinced that the architecture that we propose today is, in the short-term, the best and most efficient way to implement our ambitious proposals."*

Avoiding duplication through greater collaboration

The Commission has identified scope for closer collaboration between the European Investment Bank (EIB) as the EU's Bank, the European Bank for Reconstruction and Development (EBRD), and national and regional development actors, in order to benefit from their respective experience and expertise, while maintaining diversity in the market. One such successful example of coordination already in place is the [Western Balkans Investment Framework](#) in which the European Investment Bank and the European Bank for Reconstruction and Development are joint partners, alongside the Commission, the Council of Europe Development Bank and several bilateral donors. Such a model could be replicated in other areas. Existing structures already in place should be used, rather than creating new ones, and the focus should be on synergies and working more efficiently together. This can be done for example through relevant regional and thematic specialisation of existing individual partner financial institutions, or joint initiatives.

More efficiency through a reinforced European financial architecture

To ensure the EU delivers on its external policy goals and that tax payers' money is spent efficiently, the Commission is ready to provide a **stronger policy steer and oversight** when it comes to deciding on the use of the EU budget guarantee for external investment – without assuming the tasks of a development bank. In addition, the Commission proposes to coordinate more with Member States upfront in order to speak with one voice in the governance structures of international financial institutions and better meet the EU's development finance objectives. This could, in the long run, pave the way for a **joint vote** at the Board of the European Bank for Reconstruction and Development on behalf of all EU Member States.

Finally, the EU should set up an **external investment platform** under the next Multiannual Financial Framework (MFF), bringing together all existing EU budget external investment programmes and instruments under a single platform. The Commission and Member States would set the sectoral and geographical priorities, with independent experts carrying out risk assessments of programmes and portfolios of projects. The European Investment Bank – the EU's partner in investment – and other development finance institutions, on the basis of their respective expertise, would have direct access to the EU guarantee to deliver the highest added value on the ground. The Commission would be responsible for checking the policy compliance of the project pipelines and for the overall management of the use of the EU guarantee, however without carrying out any banking operations.

Next steps

The Commission will convene in October 2018 all relevant actors, including Member States, development finance institutions and other stakeholders, in order to operationalise as rapidly as possible the actions presented today. This is without prejudice to the ongoing negotiations on the future [Neighbourhood, Development and International Cooperation Instrument](#) that the Commission proposed in June 2018 with €89.2 billion from the EU budget. Through its three streams – geographic, thematic and rapid response – the Instrument will address global challenges such as human rights, gender equality, climate change, migration and conflict prevention. The proposal looks at the most appropriate financial tools for the given context, such as grants, financial instruments and guarantees, or a combination of these. It integrates the External Investment Plan model and expands the European Fund for Sustainable Development, giving a new External Action Guarantee of up to €60 billion. The proposal is currently being negotiated by the European Parliament and Member States in the Council.

Background

To respond to increasingly complex challenges in the world around us, ranging from conflicts and migration to climate change and demographic challenges, development finance needs to use a combination of funding sources, both public and private. The EU must adapt its current models in order to maximise its effectiveness in the developing world.

The [European External Investment Plan](#) was launched in 2016 to help boost investment in partner countries in Africa and the European Neighbourhood. It aims to contribute to meeting UN's sustainable development goals (SDG) and to mobilise and leverage sustainable public and private investment in order to improve economic and social development and create jobs. Its financing arm, the European Fund for Sustainable Development, draws on the experience of the Juncker Plan's successful European Fund for Strategic Investments by using an EU budget guarantee of €4.1 billion to crowd in private investors for projects which are at the higher end of innovation and risk. With a guarantee of €75 million, a single investment programme under the External Investment Plan could generate 800,000 jobs.

The External Investment Plan is already seeing the first fruits of its labour. On 10 July 2018, the [EU gave its green light](#) to a package of financial guarantee programmes worth around €800 million. This will help to leverage an estimated €8-9 billion in public and private investment in Africa and the Neighbourhood, with the target figure by 2020 standing at €44 billion. With matching contributions from Member States and other sources, the Plan could double this investment figure to €88 billion.

For the next long-term EU budget 2021-2027, the European Commission is [proposing](#) to increase the external action budget to €123 billion, to significantly simplify its structure, and make it much more flexible and effective to address today's global challenges.

For more information

Memo: [State of the Union 2018: A more efficient financial architecture to support investment outside the EU: Frequently Asked Questions](#)

Communication: "[Towards a more efficient financial architecture for investment outside the European Union](#)"

Communication: "[A new Africa-Europe Alliance for Sustainable Investment and Jobs](#)"

[External Investment Plan website](#)

Press release 11 July 2018: [The EU's External Investment Plan: first projects in Africa and the Neighbourhood](#)

Press release 14 June 2018: [EU budget: Making the EU fit for its role as strong global actor](#)
[President Juncker's 2018 State of the Union Address](#)

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