

with the support of Concord

## The European External Investment Plan: True or False?

---

### **The External Investment Plan (EIP) will generate jobs which will discourage migration towards Europe: True or False**

Difficult to say. That is the explicit objective of this initiative, worth 4 billion euro official development aid by 2020, which will encourage private investment in Africa and EU neighbouring countries. The rationale is that companies investing in those countries will create jobs, which should reduce the number of migrants looking for a better future in Europe. It is important to ensure that anyone has the right to choose whether to leave one's country or not, without being forced to do so to escape poverty. However, it is questionable to consider that there is a direct link between the amounts invested, the number of jobs created and the number of migrants. In addition, development aid is meant to eradicate poverty and fight inequality and shouldn't serve Europe's migration management objectives. It will be crucial to assess whether jobs created will be decent and accessible for marginalised populations living in poverty. To do this, the European Commission will have to provide detailed information on the type of jobs created.

### **The External Investment Plan will only support local companies in developing countries: True or False?**

False. Details about the proportion of the funding that will be channelled towards local private actors as opposed to projects involving European companies are not available. However, the capacity of private sector actors to bring additional financial resources will be an important criteria when deciding which projects to support. That could de facto exclude many local actors, in particular those most in need of support. For example, small-scale producers' organizations and cooperatives are in principle eligible for support as private sector entities; however it will be crucial for the EU to put in place the adequate procedures and mechanisms that will allow this kind of actors to effectively benefit from the plan. For example, future guidelines will determine whether there will be a minimum size for loans.



**The European Union will give aid money to for-profit companies: True or False?**

True, but the support will in most cases be indirect. The EU will be able to allocate grants, but will also provide guarantees to a series of public and private actors. Those guarantees may underwrite a loan (public money will be used to pay back the loan in case the project fails) ; it would also be possible to use this new European fund to buy shares in a company in order to allow it to attract more investors in its project. This will be done via national development banks of European countries (such as AFD or KfW), the European Investment Bank, but also the African Development Bank or private finance institutions and financiers. The EU support may also take the form of technical assistance, notably for specific projects. In most cases, companies will not receive money directly, but their investments will be made less risky by reducing costs (thereby increasing the expected profit) or by underwriting some of the risks (e.g. by guaranteeing a loan).



**Companies denounced for human rights violations or lack of consultation of local communities affected by their project may benefit from European development assistance: True or False?**

True. There is no exclusion list. Financial institutions contributing to implementing the Investment Plan may or not have their own lists, which would then apply to the funds they would manage. Impact assessments will be carried out to ensure there is no negative impact on the environment. It is unclear whether there will be a specific analysis of the impacts on human rights. There is no obligation to ensure free, prior and informed consent (FPIC) of local communities affected by the projects – a process that allows them to refuse or propose changes in a project if they consider that it doesn't meet their aspirations or interest. The FPIC principle is a key way to shift the power imbalance between investors and local communities and avoid future disputes about land rights or about how to share the profits from the project.



**All projects supported through the External Investment Plan will be compatible with the objectives of the Paris agreement on climate change: True or False?**

It may not be true. At least 28% of the Investment Plan funds will be dedicated to projects fighting climate change, with a focus on energy efficiency and renewable energies. But support to fossil fuels is eligible as well. And development banks expected to contribute to the implementation of the Investment Plan generally favour large infrastructure projects such as dams, rather than small community-managed energy projects.



**Governments from partner countries and local civil society are represented in the body deciding which projects to support, and have a voting right: True or False?**

False. The Strategic Board of the financial pillar of the Investment Plan – the European Fund for Sustainable Development – is an advisory body to the European Commission. The Commission is deciding which projects receive support. The strategic board is composed of representatives from the European Commission, the External Action Service, EU Member States and the European Investment Bank. The European Parliament has an observer status. Other actors, including civil society organisations and governments from partner countries, notably from Africa, could have observer status “where appropriate”.



**The European Union will encourage African countries to protect their local industries and workers in the informal sector, even when that may not converge with the interest of European companies: True or False?**

This is unsure. European decision-makers seem to consider that foreign investments are per se good for the African economy. However, it has been demonstrated that this is only the case if investments aim at diversifying the economy, with more value added in the country as opposed to exporting raw materials for transformation in Europe. Those investments are development-friendly if there is an appropriate legal framework in the host country that protects workers' rights and includes mechanisms to guarantee that foreign investors support the local economy (local contents rules, sharing know-how with local actors, etc). In order for the political dialogue that is part of the Investment Plan to make space for the expression of diverging interests, and to avoid an excessive weight of private commercial interests, it will be important to ensure that such dialogues will be transparent, and that relevant local actors will be involved.



**European investors supported by the Investment Plan will be able to sue African governments under investor-state dispute settlement mechanisms in case they consider that measures adopted by those governments would affect their expected profits: True or False?**

True in the event that the EU or the company's country has signed an agreement with the partner country that includes such a mechanism to protect European investors. Over the past 50 years, European countries have negotiated more than 1,400 bilateral investment agreements offering protection mechanisms to many European investors.



## Detailed information concerning the investments and projects supported by the Plan will be publicly available: True or False?

True, with the exception of “confidential and commercially sensitive information” – a vague notion that has allowed excessive opacity in blending operations so far. The Commission will create a dedicated website for the External Investment Plan that will include essential elements of guarantee agreements, identity of financial intermediaries, expected impacts and complaint mechanisms available to potential victims. The European Commission will publish an annual report on the implementation of this initiative. The EU Delegations in partner countries will inform the public and civil society about funding opportunities in the framework of the Plan. That does not mean, however, that civil society organisations will be consulted about how to use the funds. In addition, only for-profit actors are eligible for support – the non-profit sector can only access such funding indirectly if the private actors decide to involve CSOs in their projects.

---

Learn more about the European External Investment Plan:

- Oxfam, Advocacy Note on the EIP, November 2017, <https://www.oxfam.org/en/research/how-europe-can-invest-good-africa>
- Eurodad, Mixed messages: The rhetoric and the reality of using blended finance to ‘leave no-one behind’, November 2017, [www.eurodad.org/blended-finance-briefing](http://www.eurodad.org/blended-finance-briefing)
- Counter Balance briefing on the EIP, November 2017, [http://www.counter-balance.org/wp-content/uploads/2017/11/CB\\_EIP\\_print.pdf](http://www.counter-balance.org/wp-content/uploads/2017/11/CB_EIP_print.pdf)
- Concord, A 10-Point Roadmap for Europe on the Role of the Private Sector in Development, October 2017: <https://concordeurope.org/wp-content/uploads/2017/10/Private-sector-2017-online-final.pdf?1fdb40&1fdb40>
- Regulation of 26 September 2017 establishing the European Fund for Sustainable Development (EFSD), the EFSD Guarantee and the EFSD Guarantee Fund: <http://eur-lex.europa.eu/legal-content/EN/TXT/PDF/?uri=CELEX:32017R1601&from=EN>
- Joint recommendations by a group of civil society organisations regarding the External Investment Plan, June 2017: <http://www.caneurope.org/docman/climate-finance-development/3137-annex-to-cso-letter-on-the-external-investment-plan-june-2017/file>
- CSO expectations for the new Private Sector Instruments rules, June 2017: <https://www.eurodad.org/files/pdf/1546772-civil-society-organisations-position-on-oecd-dac-private-sector-instrument-rules-1497530303.pdf>
- Recommendations from CSOs for the finalisation of the EFSD regulation, April 2017: <http://eurodad.org/files/pdf/58f75ebc4ca05.pdf>