



EUROPEAN COMMISSION
Directorate-General for International Cooperation and Development

Brussels,

**Second Meeting of the Strategic Board of the External Investment Plan –
European Fund for Sustainable Development**

10 July 2018 - from 15:00 to 18:00

MINUTES OF THE MEETING

Chairs:

Mr Stefano Manservigi, Director-General, DEVCO

Ms Katarína Mathernová, Deputy Director-General, NEAR

Mr Christian Leffler, Deputy Secretary General, EEAS

Venue: Centre Borschette, Meeting Room AB 0A, Rue Froissart 36, 1040 Brussels

Participants: (Detailed list of participants in Annex I):

- Member States representatives
- European Investment Bank (EIB)
- Representatives of European Commission services and the EEAS
- European Parliament as observer

1. Introduction and preliminary remarks

On 10 July 2018, the second EFSD Strategic Board met in Brussels. The meeting was co-chaired by Mr Stefano Manservigi, DEVCO Director-General, Mr Christian Leffler, Deputy Secretary General of the EEAS, and Ms Katarina Mathernová, NEAR Deputy Director-General.

This Strategic Board mainly aimed at informing Members about the state of play of the implementation of the External Investment Plan (EIP) and the next steps foreseen, and gathering their reactions and recommendations. Furthermore, it included the presentation of an additional contribution by the Czech Republic and the approval of a contribution from the Bill and Melinda Gates Foundation (USD 50 million) and of the earmarking of the Estonian contribution for the digital window in European Neighbourhood Instrument countries.

In his opening remarks, DG Manservigi underlined the results achieved after the first EFSD Strategic Board and mapped out the next steps to be taken.

He expressed general satisfaction about the progress made in the implementation of the EFSD Guarantee, with several proposals focused on fragile and less developed countries. In addition, the EIP/EFSD Secretariat and the Guarantee Technical Assessment Group (GTAG) have been created, are set up and operational.

Concerning next foreseen actions, DG Manservigi said that, by the end of this year, the first guarantee agreements should be signed and more guarantee tools are expected to be approved.

In addition, particular attention will be drawn on the full deployment of the technical assistance (pillar 2 of the EIP) and on the reforms needed to improve the investment climate in partner countries (pillar 3). In this respect, more involvement of the European Union Delegations and the local and European private sector will be of utter importance for a better definition of investment priorities.

DDG Mathernová also stressed the importance of a holistic approach, working simultaneously on the three pillars of the EFSD and of using Technical Assistant to support both project development and structural reforms. Furthermore she highlighted the important role of the independent experts of the GTAG in the assessment of the risks and the related pricing.

DSG Leffler expressed satisfaction with regards to the innovative approach and the implementation of the EFSD/EIP noting the enormous support that these instruments might offer to the EU policy objectives on external assistance, in particular the Global Agenda and the Partnership Framework on Migration.

After these preliminary remarks, the floor was opened to Members and Observers.

Jean-Cristophe Laloux, Head of Operations of the EIB, recalled the importance of implementing an appropriate results measurement framework, in order to evaluate the development impact of the EFSD guarantee, and pointed out the importance of ensuring

coherence and consistency of the rules applied by implementing agencies, in particular on procurement, environmental and social protection and taxation.

Mr Laloux also indicated that at this stage it is not possible to carry out a comprehensive risk assessment of the entire EFSD Guarantee portfolio. He also invited the Board to balance the need for quick results against a prudential approach. Therefore, after the second Operational Board will have taken place, more strategic discussions on the orientation of the EFSD will be needed at the next Strategic Board.

Further issues were raised by Member States.

France suggested that Members should be provided with an annotated agenda prior to meetings and that during the next strategic board the role of the GTAG, the geographic split of the guarantee and the role of the non-European FIs should be discussed in more detail.

The Netherlands asked the Commission to elaborate more on how the institutional set-up will evolve in the next MFF. Furthermore, the Netherlands suggested that an executive agency would be better suited to achieve leverage, impact and sound financial management, thus keeping the role of the Commission and Member States at the strategic level.

The Co-Chairs addressed the issues raised by Member States. They agreed with the circulation of an annotated agenda before future meetings, and stated that the European preference principle will be discussed at the next meeting of the EU Platform for Blending in External Cooperation (EUBEC) foreseen in September.

With regards to risk assessment, a flexible approach is justified by the unprecedented nature of the Guarantee.

A discussion on the future institutional set up would be premature. Therefore, it will be addressed in the context of the upcoming discussions on the next MFF in other more appropriate institutional settings.

After these preliminary remarks, the agenda for the meeting was adopted.

2. Report from the Joint Meeting of the Operational Boards of the two regional platforms of the EFSD Guarantee

DEVCO Deputy Director General M. Jager and NEAR Deputy Director General K. Mathernová reported on proceedings of the EFSD Joint Operational Boards of 20 June 2018 that gave a positive opinion on the twelve self-standing Proposed Investment Programmes and supported the Commission to finalise the proposals. In addition, the Joint Operational Boards endorsed the concept of Core Guarantee Instruments (CGIs), explaining the rationale for grouping proposals that are very similar in nature into these CGI concepts.

Details were given regarding the amounts, the geographical and sectorial split, and the selection criteria used. Some proposals were put aside either because they were not mature

enough or because they focused on foreign exchange risk, something that is foreseen to be addressed through the creation of a horizontal instrument specifically for local currency lending.

France expressed some dissatisfaction with the timing of the document distribution ahead of the Operational Board, the lack of details on the selection methodology and the confidentiality of the GTAG's assessment. Furthermore, the French delegation stressed the importance of focusing on fragile and Less Developed Countries, and asked to elaborate more on the intended approach to foreign exchange risk.

The United Kingdom aligned with France in encouraging the Commission to further enhance the focus on fragile and Least Developed Countries (LDCs), also stressing the importance of according higher priority to gender equality empowerment, especially within the private and agricultural sector.

Denmark expressed its full support to the EIP, but also asked for a more strategic steer, and more detailed executive summaries of the proposals. In addition, the Danish delegation requested a two-pager document, which could confirm that the current portfolio meets the above requirements.

Spain underlined the importance of the third pillar of the EIP to promote a fruitful environment for private investors to step in even without guarantee coverage. Furthermore, it expressed satisfaction with the efforts made by the Commission to ensure wide participation from the FI side.

In their responses COM representatives indicated that the rules of the game were set in the EFSD Regulation and in the first Strategic Board, recognised the importance of properly evaluating impact, indicating that work on the Results Measurement Framework is in progress, and that the fragility focus will be ensured at the programme level and consolidated at the contracting stage. The full picture on the geo coverage (and intended fragility focus) will be possible only after all proposals, including the Core Guarantee Instruments (CGI), will be assessed and discussed.

The sensitive role of the GTAG was compared to a credit department, which explained why their risk assessment and opinions could not be published.

The Core Guarantee Instruments proposals and amounts will be discussed at the next Technical Assessment Meetings and Joint Operational Board, foreseen for October-November.

The Commission has already invited International Financial Institutions to submit proposals for support under a future horizontal instrument for local currency lending.

3. Member States additional contributions to the Guarantee Fund: presentation

The Chairs invited Member States to consider the possibility of contributing to the Guarantee Fund, in cash or with a guarantee. In this respect, they praised and thanked the Czech Republic and Estonia for their contributions.

More specifically, Czech Republic announced a contribution of EUR 300,000, which is not earmarked.

Estonia also announced a contribution of EUR 100,000, which is proposed to be earmarked for investments in Eastern Neighbourhood countries under the Digital Investment Window. In this regard, Estonia stressed the potential of the ICT sector to mobilise private investment as well as to link up private and public sectors. Spain announced the intention to contribute to the Fund.

The earmarking was approved by the Board during the deliberation session.

4. Private Sector contributions to the Guarantee Fund - Gates Foundation: presentation and endorsement

The Commission announced that the Bill and Melinda Gates Foundation would offer a contribution of USD 50 million in guarantees and USD 12.5 million in TA, to be implemented through a transfer agreement, as specified in the letter transmitted to the Board Members.

The United Kingdom welcomed this sizeable contribution and the flexible approach under EFSD to working with non-European partners.

The contribution was also approved by the Board at the end of the meeting.

5. Presentation of 2017 activities on blending part of EFSD

The Commission gave a brief presentation of 2017 activities on the Blending part of the EFSD.

During the last year the European Union agreed to invest nearly EUR 1.3 billion in 52 blending projects under the EIP: 30 in Africa and 22 in the European Neighbourhood. It has been estimated that the European Union contribution will unlock EUR 10.6 billion in public and private investment which otherwise would not be on such a scale. Therefore, as of January this year, we have already reached 24% of the EUR 44 billion target.

NEAR and DEVCO presented the contents of the Operational Report 2017 on blending activities, illustrating the projects approved by region, country and sector of intervention.

6. Presentation of pillar two and three of EIP

A presentation with regards to the actions taken for the implementation of pillar 2 and pillar 3 within the different regions has also been given by the Commission.

Technical Assistance allocations have been implemented to support project preparation in Southern and Eastern Neighbourhood.

In addition, a Structural Reform Facility has been established in the East Neighbourhood, focusing inter alia on financial infrastructure, human capital, rule of law and good governance.

The state of play of the Sustainable Business for Africa Initiative and its goals was also presented, stressing the importance of the work of our Delegation in ensuring the coherence in the use of the EU tools and complementarity and efficient cooperation with the different actors on the ground.

7. AOB

The Chair informed Members that the ACP Secretariat has presented a request to be admitted as observer to the next Board and asked for any immediate objection.

It was agreed that the Commission would follow the procedure foreseen in the Rules of Procedure in order to ask for the approval of the observers to subsequent meetings.

The next Strategic Board meeting is currently scheduled for December 2018.