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How European financial institutions can work better together for sustainable and green (co-)investment in times of COVID-19

FINANCE

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The unprecedented scale of the crisis generated by the COVID-19 pandemic calls for greater empowerment of international, European and regional financial institutions for development, development finance institutions (DFIs) and public development banks. They all need to step up their efforts, to 'build back better', in a greener, more inclusive and gender-sensitive manner. This paper suggests ways to do that, adjusting the current business model of financial institutions for development to align and coordinate European investments for development.

The European Union (EU) and its member states are well placed to help 'build back better' by building on their strategic approaches, (financial) institutions, instruments and initiatives. To unlock this potential, however, it is important to further strengthen the European financial architecture for development (EFAD), in particular by enhancing coordination, joint and complementary investments and approaches among European financial institutions and with other development actors and institutions.

The paper recommends the creation of enhanced European co-investment vehicles and investment platforms, embedded in the EU's overall framework, and it explores the focused use of Team Europe and new Team Europe-Partner countries and regions (starting with Africa) for sustainable investment.

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Acronyms

ACP	African, Caribbean and Pacific
AECID	Agencia Española de Cooperación Internacional para el Desarrollo
AFD	Agence Française de Développement
AfDB	African Development Bank
BOAD	West African Development Bank
CDP	Cassa depositi e prestiti
COVID-19	Coronavirus disease 2019
DFI	Development finance institution
EAG	External Action Guarantee
EBRD	European Bank for Reconstruction and Development
EC	European Commission
EDFI	European Development Finance Institutions
ECDPM	European Centre for Development Policy Management
EFAD	European financial architecture for development
EFP	European Financing Partners
EFSD+	European Fund for Sustainable Development Plus
EIB	European Investment Bank
EIP	European External Investment Plan
EIF	European Investment Fund
EU	European Union
EUBEC	EU Platform for Blending in External Cooperation
FinDev	Development Finance Institute Canada
GDP	Gross domestic product
ICCF	Interact Climate Change Facility
ICD	Islamic Corporation for the Development of the Private Sector
IFI	International financial institution
MFF	Multiannual Financial Framework
MSME	Micro, small and medium enterprise
NDICI	Neighbourhood, Development and International Cooperation Instrument
PDB	Public development bank
PIP	Proposed investment programme
TDB	Trade and Development Bank
US	United States
US DFC	United States International Development Finance Corporation

Executive Summary

The unprecedented scale of the crisis generated by the COVID-19 pandemic calls **for greater empowerment of the international financial institutions**, development finance institutions (DFIs) and public development banks to boost their financial and development leverage in a countercyclical manner, in an effort to build back better and greener, in an inclusive and gender-sensitive manner. **The European Union (EU) and its member states are well placed** to build on their strategic approaches, (financial) institutions, instruments and initiatives, notably the Neighbourhood, Development and International Cooperation Instrument (**NDICI**) with the European Fund for Sustainable Development Plus (**EFSD+**) and External Action Guarantee (**EAG**), and the **Team Europe** approach, to mobilise at scale development resources for greater impact toward a sustainable and inclusive COVID-19 recovery. To do so, the EU needs to continue to **further enhance its financial architecture for development**, notably by **stimulating coordination, joint and complementary investments and approaches among European financial institutions as well as with other development stakeholders**.

The programming exercise of NDICI, including the EFSD+/EAG, is a critical step for **a stronger strategic alignment of European external investment with local development needs and European priorities**. To be effective, it **requires a more direct involvement of European financial institutions**, and their shareholders, **in the governance mechanisms** of the European external investment, **in the programming** exercise and as crucially **in implementation phases**, through a **flexible and adaptive manner**.

Concretely, the EU could set an enhanced **European co-investment vehicle**, building on and combining some of the key features of the European Financing Partners (**EFP**) and the Interact Climate Change Facility (**ICCF**), as well as the ACP Investment Facility and its successor mechanisms (notably the new dedicated Trust Fund), through **an open architecture**. In particular, an **enhanced European co-investment vehicle EFP/ICCF+** could benefit from **guarantee, blended finance and technical assistance** through the EFSD+/EAG, resulting from a joint Proposed Investment Programme (PIP) by European financial institutions, and/or possibly direct support by some EU member states, under the Team Europe framework. This could be complemented by tailored donor actions, notably in terms of **project development**, **technical assistance and policy dialogue**, as envisaged for instance under the European External Investment Plan. In addition, modalities for a common framework for **securitisation** under the EFP/ICCF+ could be envisaged, so as to ensure greater leverage and impact of European finance institutions. The **governance of the European co-investment vehicle EFP/ICCF+** could be harnessed to strategic steering of the EFSD+ Strategic Board, while ensuring effective implementation management by the European financial institutions involved, hence calling for innovative governance mechanisms involving all key actors.

The EU could consider establishing **Team Europe for sustainable investment**, at European headquarter level, as well as in developing countries or regions. It could also consider adding an explicit partnership dimension to complement its Team Europe approach, establishing **Team Europe for investment with Partner regions and countries**, as appropriate, possibly starting with a **Team Europe-Africa Investment** framework at continental and sub-regional levels, drawing on the experience of other initiatives such as the Western Balkan Investment Framework.

1. An unprecedented crisis…

Inclusive sustainable prosperity, through quality job creation and innovation, is one of the main pillars of the EU development policy. It takes even higher priority in the wake of the COVID-19 health and socio-economic crisis, which threatens the livelihood of millions of people, affecting even more harshly women, the poor and vulnerable people. Micro, small and medium size enterprises (MSMEs), as the bulk providers of employment, are in the front line of the pandemic crisis, with the risk that their liquidity constraints increasingly turn into solvency problems. The COVID-19 recovery requires countercyclical sustainable, green, inclusive and gender-sensitive investment on a massive scale. The global recession is putting public resources under pressure. But while advanced economies have provided significant support to their economies, amounting to about 20% of their GDP, lower-income countries have not been able to do so at scale, due to reduced fiscal space, dedicating only 2% of their GDP to such support. Greater emphasis needs to be put on international support to accompany domestic efforts in particular in poorer countries, including by helping to mobilise sustainable private finance and investment, with the objective of building back better and greener in the wake of the COVID-19 crisis.

2. Calling for an empowerment of IFIs/DFIs/PDBs…

The challenge is well appreciated by international financial institutions (IFIs), development finance institutions (DFIs) and public development banks (PDBs), which have for the most part responded speedily to the crisis adjusting and frontloading their activities, simplifying their procedures and reallocating their portfolios to support their existing clients and potential new ones.

The protracted nature of the crisis and its long-lasting impact suggest that frontloading their support will not suffice. **IFIs/DFIs/PDBs need to be able to**:[1]

- sustain **higher investments and leverage** more private finance overtime,
- **bear greater risk** to operate in a **more uncertain** environment,
- conduct activities with **greater impact**, notably by reaching out to the poor and more vulnerable segments of the population, and
- enhance the **transformative, sustainability, green and gender** dimensions of their operations.

To do so, the **adjustments to be considered**, as appropriate, include:

1. lower their risk-adjusted returns requirements,
2. adjust their lending culture and internal incentives toward higher risk tolerance for higher impact,
3. encourage increased equity investments,
4. stretch their balance sheet and callable capital,
5. increase their capital if necessary,
6. provide blended finance and guarantee as appropriate,
7. adopt innovative instruments and approaches,
8. promote local currency financing,

[1] See also Bilal, S., M. Bueno, N. Lee and V. Ramundo Orlando 2020 Op-ed How can DFIs do more to help MSMEs survive COVID-19?, Devex, 18 November; the Tri Hita Karana Statement on The Role of DFIs, MDBs and Shareholders in Building Back Better in the Wake of Covid-19, November 2020, and the related background paper The Role of DFIs and their shareholders in building back better in the wake of Covid-19, Tri Hita Karana Working Paper For Development Finance Institutions, October.

9. promote project development towards sustainable pipelines of projects,
10. enhance international cooperation and partnership with local actors,
11. encourage pooling of resources and syndication,
12. participate to off-balance sheet special purposes vehicles,
13. harmonise basic procedures, topology, impact measurement, reporting and conclude cooperative and mutual recognition agreements,
14. facilitate securitisation to off-load from their balance sheet their more mature investments,
15. adopt ambitious sustainability standards adapted to the local contexts
16. embrace gender-lens approaches,
17. commit to Paris alignment and foster green investment,
18. more actively engage in poorer and more fragile contexts,
19. reaching out to poorer and more vulnerable communities,
20. better enshrine operations in transformative approaches, harnessed to locally-driven development agendas and endeavours to improve the business and regulatory environment, including in its environmental, social and governance dimensions.

3. Through an enhanced European Financial Architecture for Development…

The European Union (EU) and its member states are well placed to build on their institutions, instruments and initiatives to mobilise at scale development resources for greater impact toward a sustainable and inclusive COVID-19 recovery.[2]

The EU can helpfully enhance the capacity and synergies among the vast array of its financial institutions, including the European Investment Bank (**EIB**), the European Bank for Reconstruction and Development (**EBRD**), the European Development Finance Institutions and their association (**EDFI**), and other national development and promotional banks and institutions, notably the bigger ones in France (with Agence Française de Développement - **AFD**), Germany (with **KfW**), Italy (Cassa depositi e prestiti - **CDP**) and Spain (Agencia Española de Cooperación Internacional para el Desarrollo - AECID).

The **open architecture** established with the European Fund for Sustainable Development (**EFSD**), and further enhanced with the European Fund for Sustainable Development Plus (**EFSD+)** and the External Action Guarantee (**EAG**) in the Neighbourhood, Development and International Cooperation Instrument (NDICI) under the 2021-2027 Multiannual Financial Framework (MFF) – the long-term budget of the EU – provides a strategic framework and set of mechanisms for blended finance and guarantees to significantly enhance the ability of mainly European IFIs/DFIs/PDBs to invest at scale for greater impact.

[2] See for instance Bilal, S. (2020a), Towards an EU global COVID-19 response 2.0: Boosting smarter finance, ECDPM Discussion Paper 273, June; and Bilal, S. (2020b), Collaborative efforts to stimulate sustainable investment for COVID-19 recovery in developing countries, ARI 142/2020, Elcano Royal Institute, December 2020.

The European External Investment Plan (**EIP**) with its 3-pillar structure helps enshrine the EU blended finance activities and guarantees (pillar 1) with more traditional aid and technical assistance support (pillar 2) and greater efforts to improve the investment climate in EU partner countries (pillar 3).

In addition, the '**Team Europe**' and '[Working Better Together]' approaches of the EU provide the key strategic principles and basic guidance for flexible EU collective action, enabling greater complementarity and synergies among European actors, including European financial institutions.[3] Combined with the numerous initiatives by the EU, its members and their financial institutions, **the European financial architecture for development has the potential to mobilise significantly more investment for greater, more sustainable, greener, inclusive and gender-sensitive impact.[4] The challenge is to effectively and fully unleash this potential** in a decisive and coordinated manner. Here are some key considerations on how to do it.

4. With a strategic alignment of European external investments…

The programming exercise of NDICI, including the EFSD+/EAG, is a critical step for a stronger strategic alignment of European external investment with local development needs and European priorities. Combined with the Team Europe approach, it could provide the much-needed strategic impulse, incentives and means to foster effective cooperation and synergies among European development actors and mechanisms, better harnessing investment to EU strategic priorities, standards, values and interests, and to the pressing needs of development countries in times of COVID-19.

In practice, programming investment is challenging because financing operations of DFIs/IFIs/PDBs tend to be mainly demand-driven, responding to their (potential) client needs and depending on the financial and development sustainability of the investment projects opportunities. While thematic priorities can be identified, as in the case of the EFSD investment windows, they must build on both the local priorities of the partner countries combined with the EU strategic policy priorities – the EU 'policy first' principle.

Based on the EU overall programmatic approach, key thematic and geographic priorities, investment needs and obstacles must be identified, for each partner country and region, possibly articulated along investment windows, type of counterparts, instruments and implementing partners.

Investment should not be programmed in isolation, but in combination with other EU policy objectives and modalities, types of intervention, including grants (such as budget support, technical assistance), policy dialogues and reforms, as envisaged for instance by the three-pillar framework of the EIP, and building on the 'cascading principle' advocated on efficiency grounds by the World Bank. Greater efforts should thus be dedicated to improving the **investment climate**, as well as contributing with local actors to **project development** in a comprehensive and integrated manner, associating European financial institutions to this endeavour. In this context, the type of **technical assistance** needed at policy level and at project level should also be considered in a coherent programmatic manner.

In doing so, **the EU could benefit from the experience of others, notably EU member states and financial institutions** (e.g. France/AFD/Proparco, Germany/KfW/DEG, EBRD). By linking investment, grants support and policy

[3] See for instance Jones, A. and C. Teevan (2021), Team Europe: Up to the challenge, ECDPM Briefing Note 118, January.

[4] See also Senechal et al. (2021), *Feasibility Study on Options for Strengthening the Future European Financial Architecture for Development*, feasibility study carried out on behalf of the European Commission, implemented by Particip GmbH and Lion's Head Global Partners, March.

engagement, Europe, along a Team Europe approach, could better leverage its influence towards sustainable development impact. Closer interactions and synergies should also be sought between support to public sector and private sector, and consequently also between sovereign, semi-sovereign and non-sovereign operations. This is the case for instance in France, with Proparco as an entity of the AFD, and in Germany DEG as part of the KfW. Moving forward, **stronger cooperation frameworks at the European level could be considered, building notably on EDFI, the AECID-AFD-CDP-KfW coalition, and the experience of the EIB and EBRD.**

A more strategic approach to investment would require donors and financial intuitions to **give greater attention to the non-financial additionality of investment** (e.g. systemic impact, demonstration effect, innovation impact). For European financial institutions, this means integrating their individual projects into broader **transformative dynamics, shifting away from a deal culture to more programmatic approaches to development**, as in the case for instance of the transition approach adopted by the EBRD.

To be effective, this more comprehensive approach to programming, harnessing investment potential, also **requires a more direct involvement of European financial institutions, and their shareholders, in the governance mechanisms of the EU external investment, in the programming exercise and implementation phases**. Team Europe is in that respect also a very promising avenue, as illustrated so far by the early phase of the NDICI programming. The **EFSD+/EAG governance** could usefully be complemented by **integrating a coordination structure where European financial institutions would have a seat and a voice**. This would help not only the programming of investment, but also help ensure it is fully in line with the overall NDICI programming and that this alignment is tracked during the implementation of the investment programmes, continuously aligning implementation practices with the programming objectives. In doing so, it will be important to **remain flexible and adaptive**, as investments cannot be programmed in the same manner and to the same level of detail as grants, and should be based on clear market needs and criteria.

Given the scale and longer-term nature of the COVID-19 crisis and its consequences, and the reduced resources available for the NDICI and EFSD+/EAG compared to the initial pre-COVID-19 proposal of the European Commission, there is a **need to mobilise all forces available and further adjust and innovate to unleash the full potential of the EU financial firepower and development impact**. This requires to build on existing frameworks and better combine the potentials of various mechanisms, in more innovative and flexible ways. As there is no 'one-size-fits-all' approach, various combinations can be envisaged. Here are **some options, which should deserve serious consideration**.

5. Facilitated by a European co-investment vehicle, combining EFP/ICCF and ACP IF features through an open architecture…

The Association of European DFIs (**EDFI**) has been instrumental in facilitating cooperation among European DFIs and with other European IFIs and PDBs. About half of the investment operations conducted by European DFIs are done jointly, by at least two financial institutions. European DFIs have also jointly submitted proposed investment programmes (PIPs) for the EFSD under the EDFI umbrella. Most relevant for the open EU financial architecture, EDFI has set up together with the EIB **two syndication vehicles to facilitate co-financing**:

- the **European Financing Partners (EFP)** is an EDFI joint venture with the EIB established in 2003, allowing eleven eligible European DFIs[5] and the EIB to cooperate and co-invest in operations targeting sustainable

[5] The EDFI members part of the EFP are: BIO (Belgium), COFIDES (Spain), KfW-DEG (Germany), Finnfund (Finland), FMO (Netherlands), IFU (Denmark), Norfund (Norway), OeEB (Austria), Proparco (France), SIFEM (Switzerland), and Swedfund (Sweden).

development of the private sector in developing countries, principally to financial intermediaries (accounting to 40% of EFP financing to date), infrastructure and agribusiness;

- the **Interact Climate Change Facility (ICCF)** is a joint climate change fund, modelled on the EFP, established in 2011 jointly by the AFD, EDFI[6] and the EIB to promote the use of renewable energy, clean technologies and energy efficiency in developing and emerging countries by providing long-term financing.

The participation of financial institutions is done on the basis of 36-month voluntary funding commitment cycles by each financial institution. A financial institution takes the lead in proposing an operation for syndication, which once approved by the respective EFP or ICCF investment committee can be co-financed by other interested members.[7] The EFP like the ICCF are based on mutual recognition agreements, with a very simple and effective management - a light administrative structure and fast procedures - allowing for an efficient and flexible mode of operation.

The EFP and ICCF are an attractive way of fostering cooperation, mutualising projects, stimulating syndication, and sharing and diversifying risks, hence allowing some financial institutions to undertake projects, which they would have otherwise not been able to engage in.[8] As stressed by Bruno Wenn, Chair of EDFI, *"The role of DFIs is crucial in times of crisis. Our impact and efficiency are only greater when we cooperate and work together towards the same goals: This is why we call for joining forces for support to the private sector in Africa, especially to smaller and growing businesses. In these challenging times, there is great strength in cooperation among DFIs but also in our diversity and complementarity."* And to conclude that ***"Co-financing between development finance institutions is an important component of the Team Europe's response."*** The challenge is therefore to unleash the potential of such co-financing facilities.

EDFI and the EIB have created a new dedicated COVID-19 financing initiative through the EFP, to which they have allocated €280 million. This is a very positive step. Yet, more can be done, either within the framework of the EFP/ICCF or similar new parallel structures, by enhancing the risk bearing and impact of its activities through blended finance and guarantees, by extending the whole co-investment vehicle and by creating specific dedicated windows, as appropriate.

One of the major positive features of the EFP/ICCF is that it is a light, fast and effective structure to foster cooperation among European financial institutions, managed and therefore owned by them. Options to unleash its full development potential should not come at the expense of its effectiveness, but could be better harnessed to the strategic objective and governance structure of the EU external financing instrument NDICI. Thus, hybrid-solutions could be envisaged, or parallel structures considered, for more development impactful (and possibly riskier) activities, as part of the EFSD+ or integrated to other European settings, such as the successor mechanisms to the ACP Investment Facility as managed by the EIB, or similar types of structures, which could be set up under the Team Europe framework.

An **enhanced European** co**-investment vehicle** (within or inspired by an enhanced EFP/ICCF+) could include:

1. **strengthening and extending confidentiality agreements** (i.e. non-disclosure agreements) and **mutual recognition agreements**, key for due diligence requirements and simplifying co-investment procedures; this could allow for instance the EIB to also take the role of lead promoting partners in some EFP/ICCF+ types of operations, therefore being able to initiate deals and bring on board European financial institutions to some of the operations originated by the EIB;

[6] The EDFI members part of the ICCF are the same as for the EFP plus CDC (United Kingdom).

[7] The EIB can only participate in operations in African, Caribbean and Pacific (ACP) countries, and does not take the lead as a promoting partner, but can rely on the due diligence of an EFP and ICCF promoting partner to finance up to 50% of the total financing of the proposed operation, under the ACP Investment Facility managed by the EIB.

[8] This is typically the case for smaller DFIs, which may not have the ability to originate or underwrite large deals on their own, but are willing to co-invest along other DFIs. The EFP/ICCF offers a simple and effective opportunity to do so.

2. **providing access to EU blended finance**[9] and where relevant **access to EU guarantee**, for instance under **a joint proposed investment programme (PIP) under the EFSD+/AEG**, and/or possibly with direct contributions from EU member states, so as to allow more impactful investments in riskier contexts than currently undertaken under the EFP/ICCF;

3. **better integrating European co-investment (EFP/ICCF+) operations in European donor efforts, along a Team Europe approach,** towards sustainable **project development**, **transformative endeavours**, and enhanced **investment climate**, along the approach pursued under the European External Investment Plan, its 3-pillar structure and its integration in the EU development toolbox, which would require enhanced coordination mechanisms for complementarity and synergies with development systems of the EU and its member states, and **notably European national development banks (AECID, AFD, CDP, KfW),** better harnessing private sector operations with public sector operations;

4. **considering securitisation mechanisms for European financial institutions (EFP/ICCF+),** which could facilitate the off-loading of more mature investments to private investors, so as to allow increased new, more innovative and impactful investments by the concerned financial institutions;

5. **expanding the membership of the European co-investment vehicle (EFP/ICCF+)**: additional European financial institutions could join the EFP/ICCF or similar structures, possibly including still missing EDFI members,[10] and more significantly the **EBRD.**

6. **enhancing closer cooperation with some non-European financial institutions**, in particular with like-minded ones, building on common principles, values and basic operational modalities; this might possibly be the case for instance with (i) FinDev Canada and US International Development Finance Corporation (US DFC), which are both members of the DFI Alliance with EDFI members; (ii) PDBs engaged in private sector operations, which already have an established relationship with European financial institutions or are supported by European donors.[11]

7. **providing direct capital contribution to a European co-investment vehicle (EFP/ICCF+)**, from the EU budget (via EFSD+), some EU member states, and other impact and philanthropist investors, could be considered, to enhance the capacity of the involved financial institutions to carry out more impactful investments in riskier contexts, off their balance sheet; this could require establishing a new capitalised co-investment vehicle or trust fund, or restructuring existing structures such as the EFP/ICCF vehicle, drawing of the experience of the ACP Investment Facility as a **revolving fund off balance-sheet**, with EU blended finance and guarantee, and on the features of its successor mechanism under the EU external finance instrument; a high-potential European co-investment vehicle could be set as an evergreen trust fund with enhanced financial and development leverages.

8. The **governance of the European co-investment vehicle EFP/ICCF+** could be harnessed to the EU strategic steering and 'policy first' principle, while keeping the effective management of the implementation by the European financial institutions involved. Calling for innovative governance mechanisms involving all key actors, this could imply for instance directly associating the European financial institutions to the EFSD+ Strategic Board when dealing with the European co-investment vehicle, and delegating implementation management to the European financial institutions. An inclusive **Team Europe governance body** with not only the EU and its member states, but also the EIB, EBRD and EDFIs, could also be tasked to coordinate

[9] As was the case for instance with the EU-EDFI Private Sector Development Facility (EEDF) adopted in 2014 and drawing on the lessons from this experience.

[10] These would be: BMI-SBI (Belgium), Simest (Italy) and SOFID (Portugal), as well as for the EFP-only CDC (United Kingdom).

[11] Specific considerations could be given to some of the signatories of the DFI Coalition for a sustainable and inclusive recovery for the private sector, which next to EDFI, FinDev Canada and US DFC, include the African Development Bank (AfDB), the West African Development Bank (BOAD), and Islamic Corporation for the Development of the Private Sector (ICD). Additional institutions could also be considered, such as the Trade and Development Bank (TDB), with whom the EIB has extensive cooperation, notably on MSMEs and trade financing, and the African Export-Import Bank, among others.

on key issues, such as on sectoral priorities (e.g. climate finance, digitalisation, etc.), the application of EU standards, harmonised development impact measurement, conflict prevention mechanisms, regulatory reforms and policy dialogue, policy coordination with local authorities (e.g. central banks and financial regulators), international and local investment partnerships, etc.

This collective endeavour process would be enhanced by the upgrading of individual European financial institutions to increase their respective leveraging capacity, risk tolerance and development impact.

6. Building on a Team Europe approach for sustainable investment…

Team Europe is a driving force for a more coordinated and coherent approach among European actors, including for European financial institutions, along the EU 'policy first' approach for European development finance and investments. This is already the case in the programming exercise of the NDICI, and notably for the EFSD+, where European financial institutions are involved in the exercise. They should also remain continuously involved throughout the implementation process and to respond to evolving needs.

In this context, it would be useful to formalise a coordination framework for a **Team Europe for sustainable investment**, which would bring together European financial institutions conducting external investment, for a better coordination with the European Commission / the European External Action Service and EU member states. The EFSD+ Strategic and Executive Boards are key anchors for the policy first approach of the EU, but need to be complemented by processes more formally including European financial institutions in regular strategic and operational dialogues, including with EU Delegations, also reaching out beyond the EFSD+ operations.

More efforts could also be made to reach out to all relevant European financial institutions, including relevant National Promotional Banks and Institutions, export credit agencies and investment promotion agencies that contribute to promote European investment and private sector abroad, or stimulate import and investment from developing countries, harnessing the European economic diplomacy dimension to sustainability, developmental, green, inclusive and gender-sensitive objectives.

The ***Team Europe for sustainable investment*** could be operationalised through several options, including:

- at the **headquarter level**, inter alia, by either:
    - reviving and reforming strategic platforms such as the EU Platform for Blending in External Cooperation (**EUBEC**), inactive since late 2018, or
    - adopting a structure/platform linked to and de facto expanding the format of the **EFSD+ Strategic Board structure**, to address strategic coordination beyond the EFSD, fostering coordination between European policy actors and European financial institutions, or
    - building on the **Practitioners Network**, have an expanded dedicated group on investment, which would also include all relevant European financial institutions;
- at the **local level**, at the regional or country level, **under the coordination of EU Delegations**, regional/country coordination platforms including all European financial institutions for development.

7. In partnership with developing countries, with a possible Team Europe-Africa for investment approach

Team Europe is a most promising endeavour to foster a more coherent and coordinate approach to European development efforts, and to increase the visibility of European development action. Yet, its European branding might also be wrongly perceived in some developing countries, as too Euro-centric, not sufficiently reflecting the partnership and local ownership dimensions of the European development actions.

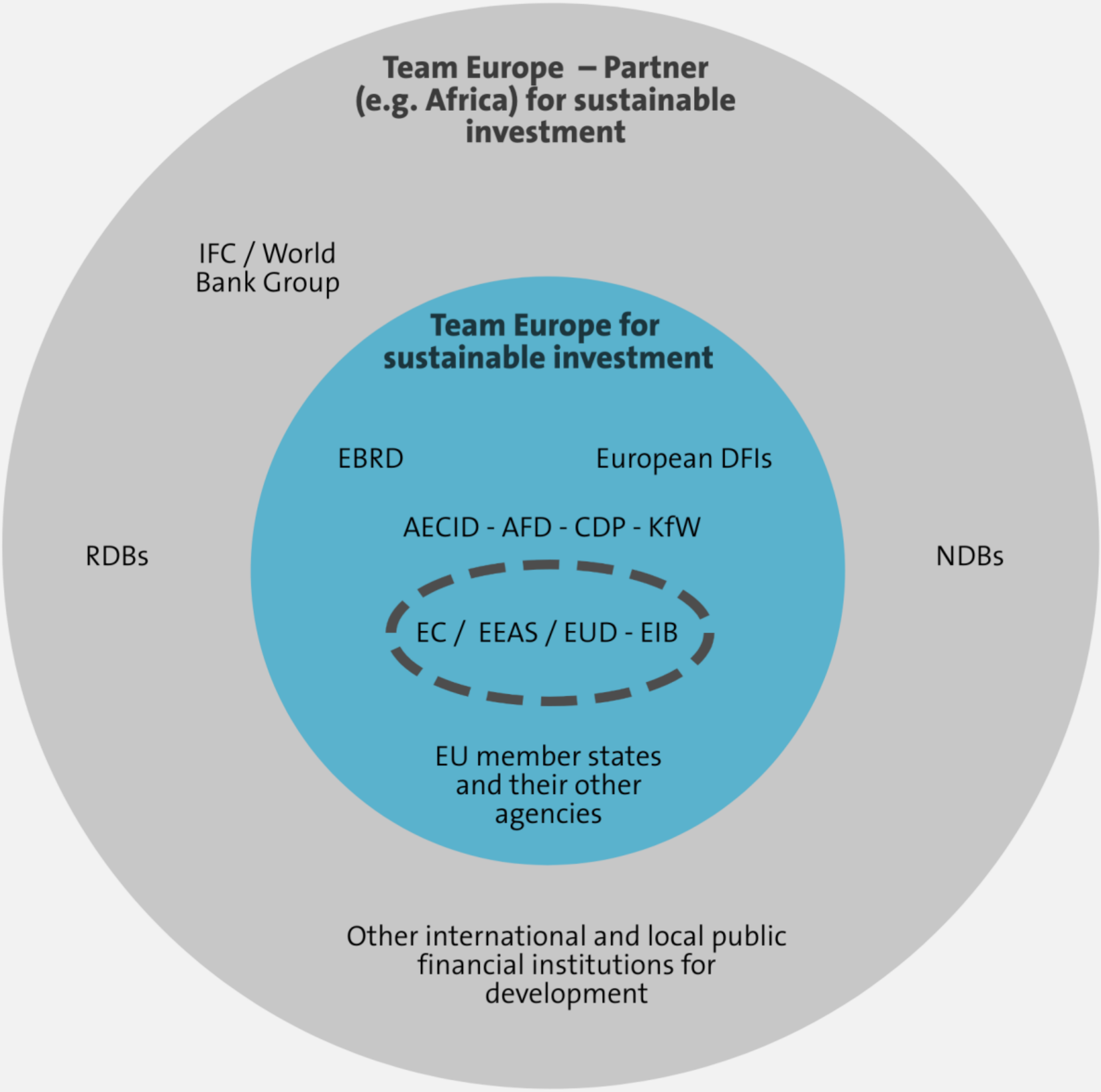
To counter this perception, and promote the partnership approach of the EU, it might be more politically savvy and efficient to complement the Team Europe approach with a **Team Europe – Partner X investment approach**, where the partner could be a continent, a region or a country, as appropriate. Taking the African continent as an example, given the focus of the European development policy on Africa, next to and building on the Team Europe approach, the EU with its African counterparts could set up a **Team Europe – Africa for sustainable investment** approach at the continental level, a Team Europe – North Africa, Team Europe – East Africa, etc. at the sub-regional level, and country specific Team Europe – Country X, where appropriate and needed. The same approach could be pursued in other regions. Where relevant, such Team Europe – Partner approach could also draw on the World Bank country platforms, which could be led where appropriate by the EU.

Besides the political advantages of such a partnership, it could prove an effective way to **coordinate investment approaches with European partner countries and regions**, **bringing on board key local financial institutions for development (PDBs and others)**, with which European financial institutions could potentially partner, or complement the action, as most relevant.

Concretely, keeping Africa as the example, and perhaps a useful pilot initiative in the context of the EU-AU Summit in 2021, the EU and Africa could envisage setting up a **Team Europe – Africa for sustainable investment** initiative. It could comprise a continent-to-continent level, but could usefully be articulated at the sub-regional regional level through sub-regional platforms bringing together key European and African financial institutions for development, as an extension to the Team Europe approach among European financial institutions only. For instance, **Team Europe – (North/West/East/South) Africa for sustainable investment** could be set up, possibly starting with one or two sub-regions as pilot. A Team Europe - West Africa platform for instance could bring the AfDB, the BOAD, and other relevant national actors, covering regional and national priorities. Such platforms could also have a sectoral or thematic focus, as most relevant for the region concerned (e.g. Team Europe – East Africa for climate investment/renewable energy investment, etc.).

Lessons should be drawn primarily from the European experience with the **Western Balkan Investment Framework**, as well as from other relevant initiatives, such as the World Bank/IFC country coordination platforms, and in particular the IFC DFI Country Pilots, which aim to expand the impact of development partners in fragile and challenging settings. Sharing of knowledge and insights relevant for investment is also key to reform the investment climate and identify investment opportunities. The European Commission, EU donors and relevant European financial institutions should consider joining and further enhance the joint EBRD-EIB-IFC-World Bank-DFID(UK)-SIDA(Sweden)-MCC-ADB-AfDB-OECD Country Diagnostic Platform launched in 2019.

The circles of investment friends



Abbreviations

AECID: Spanish Agency for International Development Cooperation

AFD : agence française de développement

CDP: Cassa depositi e prestiti

DFIs: development finance institutions

EBRD: European Bank for Reconstruction and Development

EC: European Commission

EEAS: European External Action Service

EIB: European Investment Bank

EUD: European Union delegation

IFC: International Finance Corporation

KfW: KfW Development Bank

NDBs: national development banks

RDBs: regional development banks

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