

EU External Investment Plan in EU Neighbourhood and Africa

IOE COMMENTS

In September 2017, the EU launched a new initiative, the [External Investment Plan \(EIP\)](#). The aim of the EIP is to attract more European investment into countries near the EU (['EU Neighbourhood'](#)) and in Africa while tackling some of the root causes of migration and forced displacement. It is expected to leverage €44 billion of investment through an EU input of €4.5 billion.

The EIP will do so by using European public money to lower the risk of investing in the 'EU Neighbourhood' and in Africa.

The EIP will be based on three pillars:

- Pillar 1 - a **European Fund for Sustainable Development**, which will combine existing European Union blending facilities for Africa and EU Neighbourhood countries, and include the provision of guarantees to crowd in private sector investment and leverage International Financial Institutions (IFIs) in support of investments;
- Pillar 2 - **technical assistance** to help local authorities and companies develop a higher number of sustainable projects and attract investors; and
- Pillar 3 - a range of dedicated thematic, national and regional EU development cooperation programmes combined with structured political dialogue targeted at **improving the investment climate and overall policy environment** in the countries concerned.

The private sector, through IOE, welcomes the establishment of the EIP and commends the EU's approach to leverage EU external investment in EU Neighbourhood countries and in Africa to help achieve SDG Goal 8 of promoting inclusive and sustainable economic growth, employment and decent work for all. The EIP further encourages and supports the essential factors necessary for business to grow, most notably in Pillar 3, which highlights that the EIP is targeted at improving the investment climate and overall policy environments in the countries concerned.

In reviewing the EIP, the private sector views ***Pillar 3 as essential*** because there can be no private sector job creation without enterprises, and for the private sector to be able to create and sustain productive and sustainable jobs, it requires:

- A conducive environment for enterprise creation and development
- Stable macro-economic conditions that facilitate access to finance and guarantee fair competition
- Political stability
- Economic predictability
- Infrastructure (road, rail, water & sanitation, airports, seaports, ICT)
- Reduction of red tape and bureaucratic obstacles
- Policy coherence in economy, finance, trade & investment
- Incentives for domestic and foreign direct investment
- Attracting investments to job rich sectors such as agriculture

The private sector provides some 90 per cent of jobs in developing countries and is thus an essential partner in the fight against poverty. [Agenda 2030](#) explicitly calls on business to apply its creativity and innovation to reaching sustainable development goals because the goals recognise that private companies produce the goods and services that people need, as well as providing jobs and income that support workers and their families. Although the private sector has a distinct role in SDG 8, which recognises the priority of sustainable economic growth and links it to employment and decent work, the importance of the private sector can be seen across all SDG goals.

Understanding that the EIP is one of many instruments that can be used to implement the SDGs and finance development along with national commitments and policies, IOE is satisfied that the determining role of the private sector in the SDGs and the EU Consensus on Development is recognised in the EIP. However, the EU has not been clear about how transformative they want the EIP to be. So far, the instrument appears to focus on selecting specific development projects and this is not the most conducive way to improve the overall business climate and have an overall development impact. It is important to have a holistic approach that takes into consideration the productive capacity of each country and to build the capacity and resilience of strong institutions of social dialogue like EOs, which is key to ensuring a mutually beneficial relationship.

The role of MSMEs for job creation is critical. Local, national, regional and international initiatives as well as EU initiatives such as [AgriFi](#), [ElectriFi](#), [SwitchMed](#) and [PowerAfrica](#) play important roles as catalysts, particularly in rural areas, and should be replicated. Concern has been raised among IOE member organisations that the local representative private sector has not been sufficiently consulted nor made aware of the existence of consultation or dialogue about the EIP. Local business and employers' organisation structures exist across Africa and in EU Neighbourhood countries and are better placed to provide investment guidance because they are more aware of the national contexts in which they operate.

A sustainable climate requires strong institutions, and for business this means having strong employers' organisations. Building institutions of social dialogue such as employers' organisations helps to promote accountability and good governance. Effective employers' organisations are an essential

support to business in that they aid in building systems and an enabling environment. Having strong business institutions engaging in responsible social dialogue in Africa and EU neighbourhood countries can foster a sustainable climate which is essential for job creation. For this reason, IOE has partnered with the EU to strengthen the capacity of employers' organisations, particularly in LDCs, so they can become strong advocates and work with their government to create an enabling environment for business.

IOE encourages a participatory approach to development cooperation with the private sector to address the needs of countries, whereby the private sector is consulted and involved in investments and initiatives. As a global employers' organisation, IOE has contacts with all its member organisations in EU neighbourhood countries, Africa and LDCs and therefore represents a good first point of contact for identifying stakeholders. With its wide global network, IOE can help the EU engage with the local representative private sector in more than 145 countries around the world.

Equally important is the need to focus on building the productive capacity of LDCs. Free trade agreements such as Economic Partnership Agreements (EPAs) and multiple investments serve a limited purpose if no effort is made to build productive capacity by focusing on the competitive advantage of each country. In this vein, focus and priority should be given to local investment and private sector processes.

IOE also calls on the EIP to promote a holistic approach rather than a top down approach. There are large percentages of unemployed youth, yet vacancies in the private sector exist. This points to a mismatch between education and training and the needs of enterprises. There needs to be better preparation of labour within education and training systems, and institutions must listen to the needs of business in increasing human capital, monitoring skills gaps and anticipating future shortages. IOE was instrumental in the creation of the [Global Apprenticeships Network \(GAN\)](#) which supports work-based training/apprenticeships for youth in partnership with companies to give them that first job opportunity. IOE encourages more flexibility for business to provide on-the- job/in-company training and active labour market programmes. Additionally, there should be more emphasis on the development of entrepreneurial culture.

IOE is also deeply involved in [the Global Forum for Migration and Development](#) as the Secretariat of its Business Mechanism. The mechanism is focused on articulating business priorities and bringing business expertise to the table in a dialogue that includes governments, the private sector, and civil society; to promoting more transparent, effective and humane migration policies; jobs for migrants and skills for business, to tackle some of the root causes of migration and forced displacement.

The International Organisation of Employers (IOE) is the largest network of the private sector in the world, with more than 150 business and employers' organisation members in over 145 countries. IOE represents the interests of more than 50 million companies that employ hundreds of millions of workers. We support and represent the worldwide business community as the global voice of business in international employment and social policy forums with the aim of ensuring that such policy promotes the viability of business. We are one global employer community.

4 April 2019