



# A partnership with Africa

How the European Investment Bank delivers on EU policies in Africa and our future plans for development and partnership across the continent



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# Africa's challenges and opportunities

**Among its more than one billion people, Africa counts the youngest, fastest-growing middle class in the world. With a median age 14 years younger than any other continent, Africa is embarking upon a period in which its political, economic and social outlook will transform. Every year in sub-Saharan Africa, 20 million jobseekers enter the labour market. In ten years, growth in its workforce will exceed that of the rest of the world combined. The benefit of incorporating this labour force into the global economy could be unparalleled.**

Africa is a continent of great natural wealth—oil, cobalt, platinum and phosphate. Yet poverty afflicts it. Of the ten countries with the highest percentage of the population living in poverty, nine are in sub-Saharan Africa and 32 million more descended into poverty in 2020 because of the economic effects of COVID-19. More than 70% of the people living without access to electricity in the world are Africans. The continent's prospects are changing, however. The petroleum and mining sectors now make up a minority of long-term capital inflows, as investors have come to focus on telecommunications, retailing and services. Every day in sub-Saharan Africa, 90 000 new users connect to the internet for the first time. Africa is fast taking its place as the global centre of mobile money. This expands access to global markets, builds resilience, boosts transparency and creates jobs.

Climate change intensifies Africa's challenges, of course, causing forced displacement and contributing to fragility. Africa suffers from the impact of climate change, but it contributes less than 4% of global greenhouse gas emissions. The Paris Agreement on climate change profoundly altered the dynamic of development by highlighting the fact that every country in the world—rich or poor—is in transition to a green, clean economy. Because of the relatively low level of industrialisation represented by its small contribution to global warming, Africa could in fact leapfrog directly into a greener future.

This green growth must also be inclusive, expanding access to basic goods such as clean energy, water and mobility, as well as education and healthcare, to ensure equal opportunities. After all, the interruptions to the education of sub-Saharan African children caused by COVID-19 alone will cost \$7 000 per child in future lost earnings. Ensuring that businesses and micro-entrepreneurs have access to the finance they need is essential to addressing Africa's huge needs for decent jobs.

A lesson from the pandemic is that the next decades will see rising risks from climate change and extreme weather events, as well as ongoing risks from conflict and the possibility of future pandemics. Achieving resilience in energy, food, education, health and business systems requires urgent investment, not least to ensure that infrastructure can withstand shocks. It requires investment to expand access to quality healthcare and digital services. It requires economic diversification and the mitigation of vulnerabilities arising from high debt and fragile financial systems.

Africans aspire to better working conditions, social rights and improved health and safety in the workplace. Health is also a necessary condition for human development and Africans deserve accessible and affordable healthcare, along with access to water, sanitation and hygiene services. In sub-Saharan Africa, electricity reaches only about half the population. About 600 million people lack electricity and 890 million cook with traditional fuels. For Africans to reach their economic and social development goals, they will need strong partners and outside investment to support their drive for affordable, reliable, sustainable, modern energy. Social and gender inclusion leads to more sustainable, long-term growth, and Africans will look for partners to accompany them on their path to more inclusive growth, with a focus on least developed and integrated regions, as well as on strengthening ties at continental level (for instance, supporting North African companies in expanding south).

Africans are at the start of a new and transformative contribution to the global economy. This document tells the story of the European Investment Bank's part in supporting this great movement.



# Africa and the EIB: The story of a partnership

**The European Investment Bank signed its first African deal in 1965 in Côte d'Ivoire. Since then, the EU bank has invested €59 billion in 52 African countries, supporting infrastructure projects, innovative firms and renewable energy schemes, the public sector and private companies from microenterprises to the largest multinationals.**

Partnerships are more crucial than ever in this time of crisis. The challenges we face are global. Europe will not escape the effects of climate change, no matter how much renewable energy we generate or how many vehicles we electrify on our own continent, unless we engage with countries everywhere to make their societies sustainable, too. If there is a lesson from the COVID-19 pandemic, it is that no one is truly safe until everyone is safe. As Africa's immediate neighbour, we know that our future prosperity—our very fates—are tied together. It is also the right thing to do.

The links between the European Union and Africa are deep and broad. The European Investment Bank is a key part of the EU toolbox that for decades has helped make the partnership between these two continents stronger. We aim to maximise our potential as the EU bank, so that we can join our African partners in addressing today's critical challenges together and embrace our opportunities.

We implement EU external and development policies that aim to tackle climate breakdown and seize opportunities for prosperity through development, poverty reduction and security in Africa by accomplishing those goals through projects on the ground. Working across the African continent, we strive to eradicate poverty, inequalities and vulnerabilities to ensure that no one is left behind and to ensure that economic opportunities are not missed. We harmonise our work with the positive changes affecting Africa with its high growth, improved political stability and integration, increased foreign investment, investment needs and opportunities. The European Investment Bank is the only financial institution in this competitive development space that is exclusively EU-owned and, therefore, bound by treaty to implement EU policies and standards in its African investments (which amounted to €5 billion in concrete projects signed in 2020 alone). Our nine field offices in Africa are located within EU Delegations and work closely with the European External Action Service and the European Commission to deliver integrated programmes that bring security and prosperity across Africa. Through this presence on the ground, and in response to the expectations of EU decision makers through Team Europe, we achieved record lending levels on the continent in 2020 and:

- almost 60 projects were signed, a 50% increase on the previous year;
- 71% of our sub-Saharan Africa financing signed in 2020 is set to benefit fragile states or least developed countries.

We have developed and refined our African operations significantly in recent years. Those changes took on a new impetus from discussions among EU policymakers in the context of the NDICI/Global Europe negotiations as well as the reflection on how to enhance European finance architecture for development. Consequently, we have been reflecting on how to improve our contribution to support the goals of the European Union and our partner countries with even greater impact and efficiency across Africa and around the world. At the heart of this reflection is the proposal to refine our activities outside the European Union to improve the way we deliver our external action and development business in close cooperation with the European Commission and the European External Action Service, particularly the EU Delegations on the ground. This will mean more development impact and respond to the growing need for ever stronger bonds between Europe and Africa, strengthening economic and trade ties between the two continents. We are not daunted by the challenges facing these continents; we are inspired by the European Union's mission to put climate action and development goals into operation on the ground and by our role in the fulfilment of the ambitious aspirations expressed in the strategies of our African partners. We are committed to making these visions a reality.

We are at the forefront of the Team Europe initiative that aims to coordinate and accelerate the digital transformation of partner countries, starting with Africa. This is part of the wider set of EU-Africa relations and strategic frameworks joining Europe and Africa, such as the United Nations 2030 Agenda as a guiding vision for both continents, as well as the African Union's Agenda 2063. Agenda 2063 lays out Africa's aspirations for future economic growth and development. It is the continent's strategic framework for delivering on its goal for inclusive and sustainable development, and it is a concrete manifestation of the pan-African drive for unity, self-determination, freedom, progress and collective prosperity. The European Union supports the African Union's Agenda 2063, as reflected in the joint European Commission and European External Action Service proposal for an Africa strategy in March 2020, which presented the partnerships on which the European Union wishes the strategy to focus:

1. partnership for a green transition and energy access
2. partnership for digital transformation
3. partnership for sustainable growth and jobs
4. partnership for peace and governance
5. partnership on migration and mobility.

The European Investment Bank's operations in Africa reflect the aspirations of Agenda 2063, the new Agenda for the Mediterranean and the new EU/Africa-Caribbean-Pacific Partnership Agreement, on which negotiations concluded in April. The European Investment Bank will contribute to the new agreement objectives and to specific African regional priorities such as inclusive, sustainable economic growth and development, human and social development, the environment, natural resource management and climate change. The agreement is to be the legal framework for EIB activities in Africa.

This document highlights the **achievements of the European Investment Bank in delivering EU investments across Africa** and illustrates how—with the right structure and mandates from EU policymakers—**the EIB can deliver better in the years ahead**. It is an account of a solid partnership between the European Commission and the European Investment Bank,

as well as with the full range of European and international development finance institutions and other stakeholders, such as the United Nations Development Programme, for example, to create profound impact on the ground. The result is sustainable investment in jobs and growth that underpins the EU-Africa partnership, develops local capital markets and infrastructure and supports the acquisition of new skills, while promoting EU interests in line with our values. Our commitment to deliver ever more effective investment is also reflected in ambitious new ideas that respond to the challenges of climate change, job creation, health and fragile contexts.

**Read this document to explore:**

- our role as an integral part of the EU toolbox for external action and development policy;
- our key position in global development finance as investors in inclusive growth, resilient economies and innovation;
- our goals and priorities in fighting poverty, exclusion and inequality in Africa;
- our climate commitments as investors in global green growth.



# How we work to support the priorities of the Africa-EU Partnership

## Environmental protection and climate change

Environmental degradation is often a cause and consequence of poverty. Poverty will not be reduced, so long as the environment and natural resources that poor households rely on for sustenance, jobs and income continue to deteriorate. But environmental protection cannot be assured if the needs of people in poverty are not addressed. Climate change exacerbates these dynamics with its increase in sudden and extreme weather events. Adaptation is critical to avoid eroding the basis for sustainable development, as is decarbonisation. The European Investment Bank is one of the largest multilateral providers of climate finance worldwide. All our operations are fully aligned with the principles and objectives of the Paris Agreement.

## Digital economy and telecommunications

Access to digital technologies and services creates opportunities to benefit from technological progress, in particular for young people. Information and communication technologies in developing countries are powerful enablers of inclusive growth and sustainable development. But a lack of connectivity remains a major obstacle to development, notably in rural and remote areas. We support digital solutions in areas such as e-governance, agriculture, education, water management, health, energy, and e-banking and other payment systems.

## Agriculture, agriculture value chain and food security

We support projects related to agriculture, forestry and fisheries, which provide nutritious food and create jobs, supporting rural development while protecting the environment. This sector is linked to climate action (through increased risks from disasters, such as droughts and floods) and employment (because of migration in search of opportunities). Food and agriculture offer key solutions for development, and are central to the eradication of hunger and poverty, the first of the Sustainable Development Goals. Investment in the agriculture value chain is needed to diversify local and regional production systems, prevent malnutrition, generate increases in productivity and create decent jobs, without harming the environment.

## Clean water and sanitation

Water scarcity, poor water quality and inadequate sanitation negatively impact health and affect food security, livelihood choices and educational opportunities for poor families across the world. Drought afflicts some of the world's poorest countries, worsening hunger and malnutrition. Access to clean water is also a prerequisite for growth and productivity.

## Clean and affordable energy

Energy is central to nearly every major challenge and opportunity that developing or emerging countries face. Reliable electricity is necessary for industrialisation and private sector development. But the wrong sources of energy are detrimental to the environment and health. We finance projects in the generation of clean, renewable energy and the transmission and distribution of electricity, as well as energy efficiency projects. We support on-grid, off-grid and mini-grid solutions for access to energy.

## Infrastructure

Whether in the area of transport, irrigation, energy or information and communication technology, infrastructure investment has long fostered growth in productivity and improved incomes. We support resilient infrastructure that is adapted to climate change and opens opportunities for further growth and investment. Transport infrastructure is often a key contributor to increased trade. It facilitates economic exchange and growth, as well as regional integration.

## Industrialisation

Inclusive and sustainable industrial development is key to the creation of jobs. It is the primary source of income generation, bringing rapid and sustained increases in living standards. We are constantly looking for projects with big corporations (local or international), small and medium-sized enterprises (through intermediation) and private equity funds, as well as enabling infrastructure (industrial zones and parks).

## Urban development

Cities are hubs for ideas, commerce, culture, science, social development and production. But rapidly growing cities also cause challenges for emerging and developing countries. They require major investment to deliver growth and inclusive development. We identify projects that are part of well-integrated urban plans and that turn cities into places of opportunity for all, with access to basic services, energy, solid waste treatment, housing, water and sanitation and sustainable transport.

## Financial sector

We support the financial sector in emerging or developing countries to reinforce local capacity to lend to sustainable projects or projects carried out by microenterprises, small and medium-sized enterprises and large corporations. We encourage the development of regional financial systems, for example, by backing increasingly important regional banking groups and, especially in sub-Saharan Africa, working with local and regional development banks. Given the broad range of needs facing developing and emerging countries, we promote a wide range of players in the sector, including banks, leasing companies, microfinance institutions and private equity funds.





# Our experience in Africa

**The European Investment Bank is the EU bank, supporting sustainable investments inside and beyond the European Union. We are an EU body with a treaty-based mandate to implement EU development policy. Half of our €9.3 billion investment beyond the European Union in 2020 was in Africa.**

We are:

- a **reliable financing catalyst, leveraging and crowding in other financing sources**. We offer solutions for quality investments, including blended finance, local ownership and long-term finance on sustainable terms;
- a **knowledge sharer**, focusing on local needs, including skills development and technology transfer;
- an **inclusive partner**, promoting dialogue and collaboration among diverse partners and stakeholders.

We have deep expertise in climate action, large private and public infrastructure projects, supporting small and medium-sized enterprises (SMEs), energy, mobility, water, health and other sectors.

The core of our effort is to ensure long-term impact on lives through sustainable development. That means applying sound social and environmental safeguards in line with the spirit of EU legislation and best international practice, and promoting social sustainability, inclusiveness, job creation, environmental benefits, transparency and accountability. Our focus on impact also means supporting investments that attract still more investment, such as enabling infrastructure, and pursuing a long-term, sustainable approach to investment and its financing, including local ownership and developing skills.

Financing climate action and the technology that supports the green transition is our priority. We fulfilled a commitment to provide at least 35% of our loans outside Europe to climate action projects by 2020. We aim to reach at least 50% by 2025.

Our contribution to the Team Europe COVID-19 response, spearheaded by the European Commission, is mobilising up to €7.3 billion in global commitments for our partner countries. Partnerships like this are essential to answering such a global challenge, and the Team Europe model is now the foundation of much of what we do, even beyond pandemic-related investment. In 2020, we quickly stepped up our support for Africa in the face of the pandemic and maximised our impact in tackling the health and economic consequences by working closely with our partners as part of Team Europe. For Africa, our Team Europe contribution has focused on building health and economic resilience, including investments in the green economy and sustainable jobs, sustainable and inclusive agricultural transformation, a smart green and digital recovery,

stability and business development, energy and economic governance. Partnering with the World Health Organization and Gavi, the Vaccine Alliance, we invested an initial €400 million in the innovative COVAX financing instrument that enables poorer countries to access donor-funded doses of COVID-19 vaccines. In 2021, we increased our COVAX financing to €600 million.

We systematically crowd in other public and private financial institutions. We lower the cost of strategic investment in Africa because of our efficient capital structure, which brings a favourable cost of funding through our bond issuance. We have a comprehensive product offering for the private sector from targeted long-term finance, de-risking operations, capital markets instruments and loans blended with European Commission funds to make our investments more impactful.

The European Investment Bank plays a key role in building a resilient Africa. Our Economic Resilience Initiative in North Africa and the ACP Migration Package have helped countries seize the opportunities generated by new technologies, trade agreements and productivity gains. We know we can do even more for job creation and sustainable and inclusive economic growth with the right financial structures and mandates from individual countries, the European Union and other donors.

## Climate change

Africa will be the part of the world most affected by climate change, although it contributes least to the problem. The continent faces an increased threat from extreme weather—such as tropical storms, flooding, rising sea levels, sand erosion and long-term droughts—which influence agricultural yields, food and water security, ecosystems, livelihoods, health, infrastructure and migration. By damaging vital resources and increasing competition for natural resources, climate change is likely to increase poverty, inequality and unemployment. Failure to address climate change could further intensify political, social, ethnic and religious tensions as more communities struggle to secure access to resources.

Our investments contribute to the building of the infrastructure that helps mitigate climate change and allows Africans to adapt to its unavoidable impact on their lives. For example, solar-powered mobile phone towers like the ones financed in Guinea with our \$30 million loan extend the network, but they also cut out diesel power.

We support an inclusive approach to the low-carbon transition in Africa. We help increase resilience for the communities and businesses most affected by climate change, while ensuring that no one is left behind. One of our projects in The Gambia is a good example, as a partnership with the European Commission. The project consists of a big solar plant, improvements on the transmission network and—because it will take time to bring electricity to all the population—installation of solar panels on every rural school and every rural clinic in the country.

Climate change and conflicts are key drivers of forced displacement. Of the 33.4 million new displacements in 2019, 23.9 million were weather-related and 8.5 million were due to conflict and violence. In the long term, climate change is likely to become the single most important driver of migration and forced displacement. Forecasts estimate that by 2050, climate change could forcibly displace up to 200 million people, in addition to the anticipated 150 million internal rural-to-urban climate migrants by the same date.

Recognising the pressing need in Africa to address climate change while matching urban growth with an increase in economic opportunities to limit risks of growing inequality and social unrest, the EIB supports:

- climate adaptation projects that build the resilience of vulnerable communities;
- targeted urban development and social infrastructure in regions likely to receive large numbers of climate-related rural-to-urban migrants or large numbers of internally displaced persons. Investing in inclusive urban growth and resilience has significant impact potential;
- financial inclusion and private sector investments to support job creation and access to finance for those whose livelihoods are most precarious or at risk. This includes employment creation through SME finance.

Cutting across sectors are considerations of:

- contributions to social outcomes and impacts such as social inclusion, gender equality and the prevention of social exclusion, disenfranchisement, violence and conflict;
- the EIB Environmental and Social Standards, which aim at ensuring that the human rights of vulnerable groups such as migrant labourers are upheld and protected through EIB investments. In recent years, we have successfully established our contribution to long-term resilience, a guiding theme for our interventions in Africa and the neighbouring regions. Our approach to conflict sensitivity, our strategy on gender equality and the economic empowerment of women, alongside strong climate and social development expertise, all position the European Investment Bank as a credible player fit to contribute to long-term resilience.

Our water sector work is crucial to our central role in climate action across the globe. During the 2014-2020 programming period, our water sector lending beyond the European Union was almost €5 billion, about 23% of our total investment in the sector. Of that, €2.1 billion was in Africa. But water is not just a sector in which we provide massive financing. It highlights our unique position as a bank that operates in developed and developing countries, as well as our ability to cooperate on important global initiatives. Water projects benefit greatly, for example, from knowledge transfer—expertise gained on advanced European water projects is applied in innovative ways to African programmes. We cooperate on the Clean Oceans Initiative with KfW, Agence Française de Développement, Cassa Depositi e Prestiti and Instituto de Crédito Oficial to reduce the discharge of plastics into the oceans. We have committed to investing €2.5 billion between 2019 and 2023 in ocean projects for sustainable coastal development and protection, sustainable seafood production, green shipping and blue biotechnology. We are also reprising our pioneering role in the green bond market with the introduction over the last two years of sustainability awareness bonds, which benefit high-impact projects, including those in the water sector.

## Resilience

In 2016, we launched our flagship Economic Resilience Initiative for the Western Balkans and Europe's Southern Neighbourhood (North Africa and the Middle East). We significantly increased our financing in these regions, adding an extra €6 billion beyond the €7.5 billion that we had already planned in the four years to 2020. This will ultimately attract €35 billion of new investment to boost education, energy, infrastructure and small business finance. Our initiative supports

technical assistance and advisory services to prepare and implement projects. It provides loans and grants for the public sector to build resilience. Under this initiative, 60 projects have been approved for €5.83 billion in financing. Key impacts of our Resilience Initiative include:

- lending to 11 363 smaller businesses and mid-caps through partner banks, helping to sustain more than 218 200 jobs;
- the creation of around 8 806 new permanent jobs, with 223 270 jobs in the construction phase;
- safer water for 4.5 million people and improved sanitation for a further 6.5 million;
- better urban and rail transport for 420 000 passengers daily;
- 6 600 new student places in higher education.

We stepped up our activities to enhance economic opportunity and access to social services in sub-Saharan Africa, too. The €800 million ACP Migration Package, launched in 2016, offers finance to the public and private sectors with a focus on resilience.

## Conflict sensitivity

We are seeking new ways to help countries in Africa deal with conflict and extreme fragility. In 2020, we increased the proportion of smaller, higher-impact, riskier operations in the Africa, Caribbean and Pacific Region to 76% of our financing with a total of over €1.7 billion going to fragile or conflict-affected contexts. In the European Union's Eastern and Southern Neighbourhoods, 2020 signatures in the same category of countries was €3.8 billion, representing 82% of total signatures. Since 2015, our operational approach to conflict sensitivity has promoted responsible investment in fragile and conflict-affected situations. For our activities in Africa, the conflict sensitivity approach aims to contribute to the achievement of the European Union's external action goals, including the promotion of peace and stability. At a minimum, we commit not to aggravate a conflict when operating in conflict-prone and conflict-affected environments. Whenever possible, we also try to contribute to conflict prevention, recovery and peacebuilding efforts through our investments.

Like climate change, COVID-19 is a global systemic shock and a threat multiplier, with the potential to interact with conflict dynamics and compromise even modest progress on the SDGs. Sub-Saharan Africa exhibits the highest levels of overall, economic and environmental fragility of any region of the world. Fragility will remain a focus of the EIB's support for the continent.

We have taken a number of proactive steps to demonstrate institutional commitment to making our investments conflict-sensitive:

**Strengthening staff capacity:** We have developed tools and training on conflict sensitivity for staff working in fragile and conflict-affected states. We have set up a conflict sensitivity helpdesk, which provides tailored conflict analysis and recommendations for relevant operations.

**Building and leveraging partnerships:** We collaborate with the European External Action Service and the European Commission by sharing knowledge and organising joint staff training

sessions. We work closely with other international financial institutions on co-financing or parallel financing, through knowledge exchange and participation in the Multilateral Development Banks' Working Group on Fragility, Conflict and Violence. We have signed memorandums of understanding with United Nations agencies such as the UNDP and the UN Office for Project Services to partner in crisis and post-crisis situations. We have partnered with two specialised non-governmental organisations, Saferworld and Swisspeace, working with international and local networks for conflict expertise.

**Deepening knowledge and learning from experience:** We explore links between conflict and fragility, gender equality, climate change and forced displacement through analytical work and operational approaches. We have also developed specific guidance on COVID-19-related risks to support recipients of our financing who operate in fragile and conflict-affected states.

Enhancing impact in **least developed countries** and **fragile and conflict-affected contexts** is a key element in the deliberations on the European financial architecture for development. We put special emphasis on least developed countries and fragile contexts through public and private sector investments to enhance our policy alignment with EU external action. We are engaged in addressing the impact of forced displacements and migration, particularly in northern Africa, a crossroads for migration.

As one of the most fragile regions in Africa, the Sahel is a priority for the European Union. We are developing various initiatives to support this region, which is at risk of land degradation due to climate change, over-farming and unsustainable land management practices. We participate in the **Desert to Power** programme under the lead of the African Development Bank, aiming to expand electricity supply for 11 countries in the Sahel region through renewable energy programmes, mainly in solar power. We gave our support for the **Great Green Wall** initiative at the One Planet Summit in January 2021, when our President Werner Hoyer pledged to mobilise €1 billion in financing and technical assistance for the restoration of up to 100 million hectares of currently degraded land and the sequestration of 250 million tonnes of carbon. We are also active in the **Sahel Alliance**, a forum for all multilateral development banks and national development agencies active in the region. In the context of **Team Europe**, we lead one of the Sahel Alliance work streams, alongside the European Commission, on the private sector in the region, sharing knowledge on initiatives, financing envelopes and models. All this aims to leverage Africa's vast natural capital, with its unique biodiversity and ecosystems, to bring opportunity for social and economic development, while contributing to climate change mitigation and adaptation.

## COVID-19

As with our European safety net for small businesses, we aim to support the flow of goods and services within the economies of Africa, as well as their health systems. We have accelerated disbursements on existing loans and reprioritised others so that the money could have a greater impact on the emergency. We have focused on "enabling" investments—those that catalyse further investment, such as those in the digital sector or energy grid—to reduce the impact of the crisis, as well as facilitating private sector development and economic growth.

Our expert knowledge is an important asset in the health sector and has proved its relevance during the pandemic. We joined the COVAX initiative, investing €600 million in the innovative

financing instrument that enables poorer countries to access donor-funded doses of COVID-19 vaccines. We invested in conjunction with the European Commission's €100 million grant.

We tailored our COVID-19 response to the needs of individual African countries. Within a few weeks of the start of the lockdown, we signed a €200 million loan to Morocco (which may increase to €280 million) to pay for medical devices, supplies and equipment. The flexible loan allows Morocco to use the funds for any COVID-19-related health purchases. The loan can pay for up to 90% of the project cost, compared to our normal 50% limit. The money reached Morocco in record time, with €100 million disbursed within a month.

Of course, COVID-19 is not the only health threat to Africa. That is why we are financing a drive to make a safer and more effective tuberculosis vaccine for developing countries. We also signed a €50 million deal with the kENUP Foundation to reduce African dependency on drug imports and have made other investments to build Africa's capacity to produce pharmaceuticals locally.

## A special focus on women and girls

Gender inequality remains a stark reality across the world and Africa is no exception. It slows down overall development and growth in countries and entire regions. We know that when women and girls are able to fulfil their potential, their economic contribution is significant. Advancing women's equality can add \$12 trillion to global growth, according to studies. Our investments contribute to gender equality and women's economic development in three main ways.

- We protect the rights of women and girls affected by our projects, through the application of our Environmental and Social Standards, with a special focus on identifying and mitigating against any risks of gender-based violence and harassment.
- We enhance the impact of our projects on gender equality and seek to ensure that women and girls can equally access the benefits generated by our operations. This is done through project design features, the use of gender analysis and sound results measurement, as well as through investment choices that seek those projects likely to positively impact on gender equality (e.g. access to safe potable water).
- We increase women's access to finance and economic opportunities, seeking specifically to support women's entrepreneurship and access to markets through SME financing, such as our programmes in Morocco supporting vulnerable groups.

In 2019, the European Investment Bank was the first multilateral development bank to join the 2X Challenge, a recognised industry standard for identifying investments that contribute to gender equality. The 2X Challenge criteria are endorsed by the G7 development finance institutions and Africa is a key target region for 2X investors. At the same time, we launched SheInvest, our own initiative to mobilise €1 billion of gender-responsive investment across Africa (which was increased to €2 billion in 2021). The first SheInvest loan was €15 million to the Uganda Development Bank for women-owned and women-run businesses.

## Digitalisation

Digital solutions have a profound impact on most parts of the modern economy. They facilitate climate change mitigation in other sectors (e.g. energy, transport, buildings and agriculture) through smart and efficient technologies or ICT-enabled services. Digital technologies are also a powerful catalyst for the active participation and economic empowerment of women and girls in the economic, social and political spheres and for the reduction of inequalities. We have steadily increased our activity in Africa's digital economy, working to promote European policy objectives across the continent. Over the last five years, our digital economy lending mobilised €2.5 billion in investment across Africa. This financing has largely supported private sector companies (70% of the total) operating in infrastructure and innovative digital solutions. Our digital economy lending has increasingly been combined with technical advisory services.

The long-term digital transformation of African economies and societies is profound. Support and financing are required to ensure an inclusive transition and wide dissemination of the economic and social benefits. With investment in digital technologies benefiting all sectors of the economy and society, Africa may be in a stronger position to absorb economic shocks such as the blow dealt by COVID-19, build resilience and generate significant economic growth. With the growing importance of the digital sector in the immediate response to COVID-19, we see the need to strengthen our work in this sector even further.

Support for the digital economy is key to boosting technological innovation and services and essential for driving productivity growth. **We have more exposure to the digital sector in Africa than any other international financial institution.** Between 2015 and 2020, we signed finance contracts of more than €12.3 billion in digital connectivity projects (broadband), with average annual lending of around €2.4 billion.

## COVID-19 and digitalisation

We carried out a study in summer 2020 with the UNDP to evaluate the digital infrastructure investment required to provide an immediate response to the COVID-19 crisis across Africa. The tools presented in the study are examples of investments that save lives and increase resilience, and we will finance all of them with our partners. Our survey reviewed more than 100 digital solutions in Europe and Africa and interviewed 50 respondents with responsibility for coordinating digital investments related to the COVID-19 outbreak in 30 African countries. Our study highlights the ways digital technologies can provide immediate solutions to curb the spread of the pandemic; assesses the capacity to deploy solutions to counter COVID-19 from supply and demand standpoints; evaluates market acceptance by local stakeholders; and estimates quantitative investment requirements across the continent over the coming year.

## Understanding local contexts, ensuring impact

We assess investment needs and constraints in the countries in which we work, focusing on thematic areas of strategic relevance such as climate change, infrastructure, access to finance, innovation and inclusion. We also work with our partners to foster knowledge-sharing that deepens our understanding. We started a Country Diagnostic Working Group with other development finance institutions to share perspectives and experiences of preparing country diagnostics, and to develop cross-institutional collaboration.

Our analysis of country contexts and the needs that exist in specific sectors is essential to shaping our **strategic and operational orientation**. Our regular Banking in Africa report analyses banking systems, the microfinance sector and private equity provision across the continent, shedding light on how the financial sector can contribute to the mobilisation of resources for private sector investments. Our analysis builds on partnerships with other institutions and a unique survey of African banks to provide insights into the opportunities and constraints they face. In partnership with the World Bank and the European Bank for Reconstruction and Development, we also launched Enterprise Surveys in northern Africa. The data collected informs our evidence-based research to identify constraints and opportunities for promoting private sector development in these economies.

**Measuring our impact** is essential to ensuring the effectiveness of our contribution to sustainable and inclusive development. We use a combination of three approaches to measure our impact. Using our results measurement system, we track the direct outputs of the investments we support and the wider outcomes to which they contribute. We use macroeconomic modelling to investigate the broader, indirect economic impact of our lending, for example on job creation. To get a more detailed understanding of the impact of selected projects and instruments, the EIB also invests in more in-depth, targeted research. In partnership with the Global Development Network, we support talented young researchers from Ethiopia, Rwanda, Senegal, Mali, Cameroon, Ghana, Nigeria, Kenya and The Gambia to carry out impact studies of private sector impact investment projects. Expert advisors have played an important role in ensuring rigour and the use of state-of-the-art methods, also helping to develop the skills of research communities in the region. The studies have investigated EIB-supported impacts in areas ranging from the provision of free internet in Kenyan schools, through maternal and child health services provided by a small company in Senegal, to the contribution of microfinance to women's economic success and empowerment.



# Instruments

**Different African countries have different financing needs, so the Bank tailors its range of instruments to local requirements, based on discussions with local partners, EU policies for the specific regions and our technical assistance in the project preparation stage. Many of our instruments are “blended,” meaning that they include a loan from the European Investment Bank combined with grant financing. Grants are instrumental, especially in areas affected by conflicts, fragile regions or situations where investments have higher risk. The grants come from the European Union, EU countries or other parties. Our blended finance creates financial discipline and helps develop skills in the target countries. We mobilise grants for technical assistance or investment to combine with our loans. We use a number of financial products and first-loss structures to reduce real and perceived risk and to support private businesses that struggle to get financing in fragile situations.**

With credit lines and partial portfolio guarantees that reinforce the capacity of African banks to lend to their local economy, we are addressing the gaps in medium-to-longer-term finance. We enable intermediary banks to lend to riskier firms. This is crucial for SMEs and mid-caps in a banking sector that relies heavily on collateralised lending.

We work closely with other financial institutions on individual projects. But we know that public funds will not be enough. **Our investments encourage the private sector to make more sustainable investments in Africa.** The private sector mobilises resources for businesses, but if properly managed, this mobilisation also results in better development, more jobs and more innovation and efficiency. The private sector is essential to meeting the huge long-term financing needs of infrastructure projects in Africa. Our work gives private sector investors the reassurance they need to get involved, because we improve environmental, social and governance standards, increase integrity and transparency, provide financing on reasonable terms that are not available in the market, improve project design and development, and lower risks.

## Technical assistance

We offer a wide range of advisory and technical assistance services for all stages of the project cycle and beyond, to make investment projects bankable and ensure their sustainable implementation. The most common advisory services include market and sector studies that help companies understand the needs of various industries and regions, business plan and strategy definition, risk mitigation and skills development. At local level, our technical assistance programmes with financial intermediaries develop the skills of local partner banks and their clients, which then enhances the debt-servicing capacities of small businesses and microenterprises. That, in turn, enhances a bank’s resilience.

We are currently providing pre-project technical assistance in the digital economy, for example, to Mauritania (submarine international connectivity), the Republic of the Congo (government information systems, national data centre, transmission networks), Chad (government information systems, transmission networks, network expansion in rural areas) and Cabo Verde (regulatory review for access to transmission networks).

One of the constraints facing development in many African countries is a lack of technical expertise in governments and financial institutions. This is why we have developed a Capacity Development Partnership with the International Monetary Fund to train government officials and financial sector staff. We developed a new online course that draws on IMF expertise on macroeconomic and financial sector policies, as well as EIB expertise on the products, services and risk management methodologies that financial intermediaries can use to enhance financial inclusion. The course aims to improve the capacity of trainees to deliver financial stability and respond to the financing needs of private sector enterprises, especially microenterprises and smaller companies. Since its launch in 2019, over 500 participants invited by the EIB from more than 20 countries have benefited from the course.

## Venture capital

We are at the forefront of the African technology venture capital market. We have been the anchor investor in funds such as TLcom Tide Africa, Partech Africa and AfricInvest Venture Capital, which managed to attract public development and private investors. In venture capital, our commitment is often crucial to the attainment of the first closing or the target size, so that the investment team can pursue its intended strategy. The backing of a facility such as our Boost Africa initiative provides further capacity for de-risking investment in technology.

# What we will do

**We aim to maximise our potential for delivering EU investments that support a better future for Africa, introducing a series of new steps in how we organise our operations, listen to the aims and aspirations of our African partners and work to meet their demands.**

## Maximising impact with a dedicated development setup

We propose to bring all the EIB's activities outside the European Union together into a dedicated organisational setup within the EIB Group. This will contribute to maximising our development impact under Team Europe. By harnessing a range of resources in a common framework, we will create a dedicated EU partner to finance key priorities of the European Union and its partner countries, including the climate, health, migration, digitalisation and support for EU norms and standards, while continuing to generate synergies with our operations beyond the European Union.

Here are some key points about our proposed setup:

- It will create a clearer distinction between our activities within and beyond the European Union and enable the EIB Group to address the specific needs of our partners.
- Its operations will be framed by the long-term development challenges currently described by the SDGs, including climate-related issues, but it will also be able to respond to immediate shocks and challenges such as COVID-19.
- The Member States, the European Commission and the External Action Service will be invited to associate their development experts in advising on development impact and ensuring policy alignment.
- It aims to enhance the EIB Group's delivery on EU goals even further, especially where the EIB can work in tandem with other development finance institutions and multilateral development banks, for instance as part of the Neighbourhood, Development and International Cooperation Instrument known as Global Europe.

## Impact through proximity: Creation of regional hubs

In project origination and execution, development impact is substantially enhanced by ever closer proximity to our partners. Currently, we have nine EIB offices in Africa, mostly located within EU Delegations. We are now exploring options to increase staff presence on the ground in Africa so that we can listen actively and attentively to the needs of our partners. This will boost our capacity to generate new projects through formal and informal contacts in the business community and with local ministries.

In turn, this will enable us to implement more projects on the ground, monitor them more closely and, consequently, disburse funds faster. We will expand our proximity by increasing staffing in our regional offices, creating larger regional hubs that will each cover a group of countries, with “spokes” reaching out into neighbouring countries. This boosted local presence will be largely driven by more local African staff with training and skills tailored to local markets. As the legal frameworks are already in place, this new structure can be implemented swiftly.

## Deepening partnership with the African Development Bank

Over the past five years, our shared portfolio with the African Development Bank Group has grown to €3.4 billion, leveraging a total €10.2 billion in investment for 26 projects across the continent. In early 2021, we signed a Joint Partnership Action Plan with the African Development Bank to strengthen this cooperation and develop further our shared project pipeline in:

- climate action and environmental sustainability;
- transformative large-scale infrastructure investment;
- information and communication technology infrastructure and services;
- financial inclusion aimed at the empowerment of girls and women;
- education and training; and
- the health sector.

## Countries affected by fragility and conflict

Demand for our value added in conflict-affected and fragile contexts has grown significantly over the last several years. With most of our financing in Africa going to fragile contexts, we have been stepping up our efforts to enhance impact. We created the ACP Impact Finance Envelope, a highly effective instrument that has allowed us to take greater risk for higher development

impact. We have projects in our investment pipeline in Chad, Djibouti, Somalia and the Democratic Republic of the Congo, to name a few.

We are committed to strengthening our approach in fragile and conflict-affected contexts. This work will include a synthesis of our central initiatives and experience to date, an exploration of areas for further business development and an overview of key partnerships that enhance our effectiveness in fragile and conflict-affected countries. Building on the lessons learned, the result will be a set of guiding principles for our existing and planned activities in fragile situations to enhance our contribution to recovery and peace, and strengthen our policy alignment with the European Union's external action.

## Resilience

Our refined approach builds on our Resilience Initiative, based on a 2020 study and consultation across the Bank. We identified the following areas as particularly suitable for boosting socio-economic development and addressing key challenges such as migration and forced displacement.

- **Climate adaptation projects** that build the resilience of vulnerable communities.
- **Targeted urban development and social infrastructure** in regions likely to receive large numbers of climate-related rural-to-urban migrants or large numbers of refugees. Interventions can support the integration of migrants and internally displaced persons, while reducing the risk of further displacement due to climate change. In places of origin, investment in social infrastructure—and in particular health, given the experience of the COVID-19 pandemic—can build more resilient economies and communities that are better equipped to withstand shocks when they occur and better able to generate longer-term opportunity.
- **Financial inclusion and private sector investment** to support job creation and access to finance for those whose livelihoods are most precarious or at risk, including micro-SME finance.
- **Contribution to social outcomes and impacts** such as social inclusion, gender equality and the prevention of social exclusion, disenfranchisement, violence and conflict. Our Environmental and Social Standards aim to ensure the human rights of vulnerable groups such as migrant labourers are upheld and protected through our investments.

These developments will be supported by a toolbox for operational staff to identify entry points on migration and forced displacement and to gain insights about adjustments to products, project design, approaches and indicators that would strengthen impact on movements of people.

## Development Survey

In each of the last three years, we have carried out the EIB Climate Survey, an opinion poll examining attitudes towards climate change among a large sample of the public in the European Union, United States, United Kingdom and China. The results have garnered considerable media attention globally and in top political echelons, supporting the broader brand perception of the

EIB as the EU climate bank and providing policy and academic stakeholders with valuable data for assessing public perceptions on this vital issue.

We are preparing a similar survey that will deliver its first results in late 2021, the EIB Development Survey, which will survey African people across the continent. Through a participatory approach, the aim is to generate bottom-up information about development needs in Africa that can be used to identify issues affecting African people and help define our response. Through media coverage of the survey results in Africa, we aim to raise awareness about the importance of development finance and put Africa in the forefront of policy debates, providing insights to design solutions for the continent's challenges.





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# A partnership with Africa

How the European Investment Bank delivers on EU policies in Africa and our future plans for development and partnership across the continent