

**By E-mail**

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Kb/vs

**EIC queries on new EU External Investment Plan**

Dear Mr. Manservisi,

European International Contractors (EIC), which represents the interests of the European construction industry in all questions related to its international construction activities and which has as its members construction industry trade associations from fifteen European countries, has taken from the beginning a great interest in the new EU External Investment Plan (EIP). We congratulate the European Commission for promoting the EIP successfully with other European Institutions as well as with business and civil society, and we welcome that, following the adoption by the Parliament and Council, the European Commission will start soon with the implementation of its ambitious plan to boost investments in Africa and the EU Neighbourhood.

EIC particularly acknowledges the fact that the European Commission intends to assign a stronger role to the private sector in achieving sustainable and inclusive growth in these regions. As European international contractors, we are confident that we, too, can make a significant contribution to the Commission's development agenda, and to the EIP in particular, through the successful implementation of sustainable infrastructure projects with a high development impact.

With a view to the implementation of the EIP and bearing in mind the provisions of the *Regulation COM(2016) 586 final*, dated 14 September 2016, which provides the starting-point, we would like to inform you about the following EIC comments and questions:

**Article 8 – Eligibility criteria for the use of the EFSD Guarantee**

- EIC welcomes that the EFSD Guarantee shall also “*target socio-economic sectors, in particular infrastructure including sustainable energy, water and transport [...and] environmental*” projects (Article 8 para. 1 lit. b). We doubt, however, the compatibility of these socio-economic sectors with the requirement that projects benefitting from an EFSD Guarantee must be “*economically and financially viable*” (Article 8 para. 2 lit. c). **The EIC experience is that, especially in the context of Africa, that these two objectives are difficult to align in the majority of cases.**

We would expect that practice will show over time that this combination may not be consistent with a conventional calculation of the pure private finance viability of an infrastructure project. **EIC therefore calls for a maximum flexibility regarding the assessment of the financial viability of eligible infrastructure projects which should also take into consideration the socio-economic benefits of such projects.**

- EIC welcomes that “*financing and investment operations eligible for support through the EFSD Guarantee shall be consistent and aligned with Union policies*” (Article 8 para. 1). We would assume that such coherence also includes the eligibility criteria governing the European Development Fund. **EIC questions how the principles and philosophy currently stipulated in the EDF / EU PRAG with respect to nationality and origin rules will be incorporated into the EFSD.**
- EIC fully supports the objective of the international development community, and in particular the European Union, to promote higher social and environmental standards in the projects they are financing and thus the requirement that projects be “*sustainable from an environmental and social point of view*” (Article 8 para 2 lit. d). **In order to establish further coherence between these fundamental EU values and the disbursement of EFSD guarantees, EIC asks for the incorporation of the respective procurement rules of AFD and KfW, which provide a benchmark for environmental and social performance of projects, also in the EFSD regulation and in the EU PRAG.**
- EIC welcomes that the Commission shall have a broad discretion with respect to the definition of “investment windows” in accordance with Article 8 para. 4. **EIC asks that specific investment windows for sustainable energy, water, transport and urban infrastructure projects as well as for climate mitigation and adaptation projects (e.g. coastal erosion, flood defence, etc.) will be agreed. In this context, it is our experience that a “portfolio approach” is not going to work for large infrastructure projects requiring middle- and long-term financing, which are typically financed on a single transaction basis.**

#### **Article 9 (Eligible instruments for the EFSD Guarantee)**

- EIC welcomes the wide spectrum of financial instruments. **EIC would like to enquire whether local currency loans are also covered by this provision.**

#### **Article 10 (Eligibility and selection of counterparts)**

- EIC welcomes the broad list of eligible counterparts. Contrary to what was previously envisaged however, according to a memo all published by the European commission on 28 September 2017, “*direct funding from the Commission can only go to eligible Financial Institutions that were assessed by the Commission*”. **EIC, therefore, seeks further clarification how private organisations and companies, such as European enterprises, commercial banks, export credit agencies and investors, can benefit from the newly available instruments, for instance by way of an example list. We also wonder whether sovereign wealth funds and investors from other world regions can approach the Financial Institutions.**

**Article 12 (implementation of the EFSD guarantee agreements)**

- We understands that any “eligible counterpart” must undergo a specific “pillar assessment” to become eligible for cooperation. **EIC would like to obtain further information about the scope and various criteria for complying with such assessment. In this context, Article 12 para. 4 only mentions “the experience and operational and financial capacity of the counterpart [and] the amount of own resources that the counterpart is ready to mobilise for the investment window”.**
- EIC regrets that the Regulation does not provide for minimum information about the modalities of the guarantee agreements. In order to be able to present projects to the European Commission, European international contractors would need further clarification about the basic features of the guarantee and the mode of application on the project. **EIC assumes that this information shall be provided to interested parties and applicants in due time.**

Dear Mr. Manservisi, we would very much appreciate to get further clarification from the European Commission on the queries raised above and we look forward to resuming the dialogue with representatives of DG Development at the occasion of our forthcoming EIC Workshop on **“The Global Infrastructure Funding Gap – Why it exists and how it can be overcome”** on 13 October 2017 in Paris.

Yours sincerely,

European International Contractors



Philippe Dessoy  
EIC President