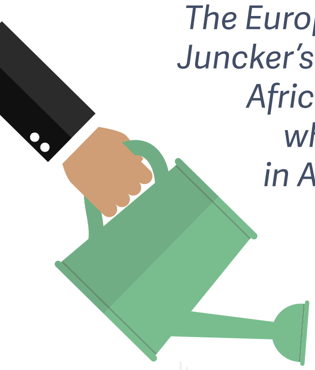
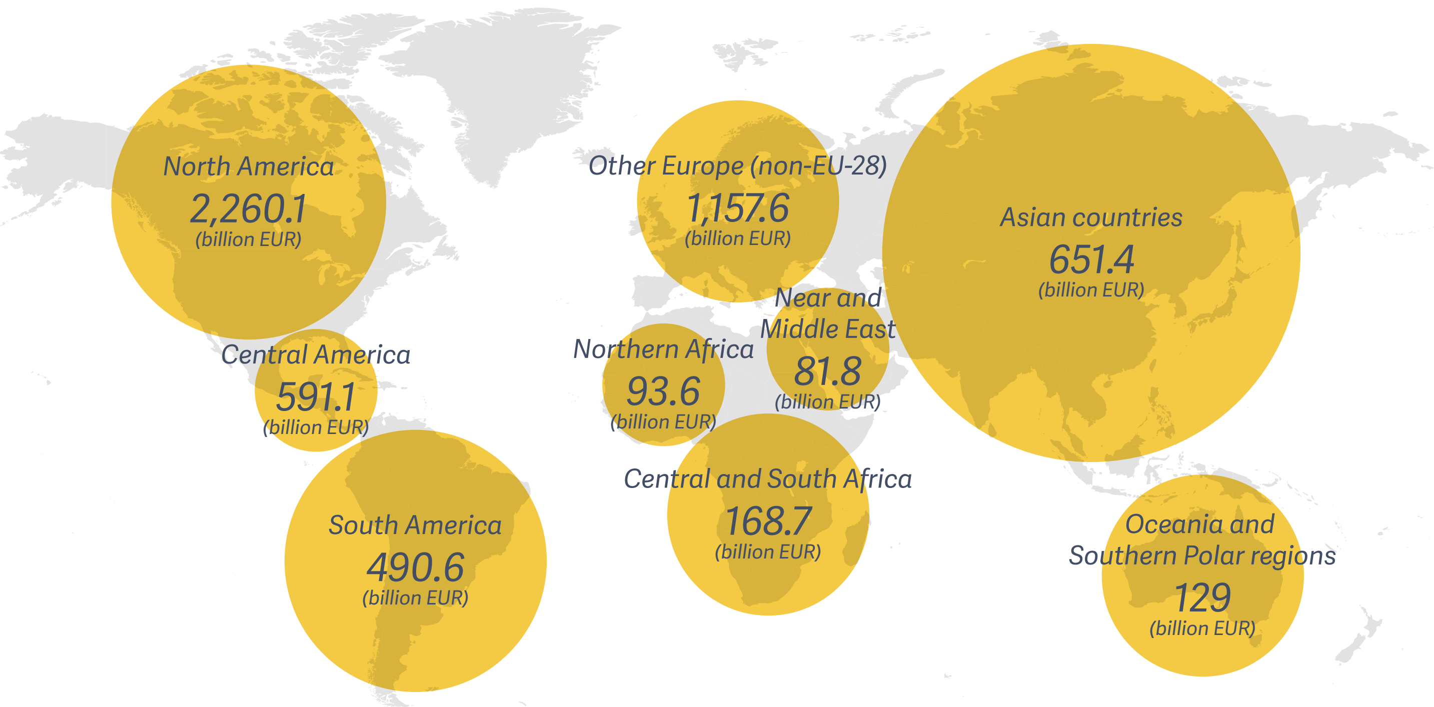
How EU wants to leverage €3.35bn into €88bn in investment for Africa.

The European Commission announced in Jean-Claude Juncker's 'State of the Union' speech a new initiative on Africa – the EU External Investment Plan (EIP), which looks at helping the private sector in Africa and the European Neighbourhood.

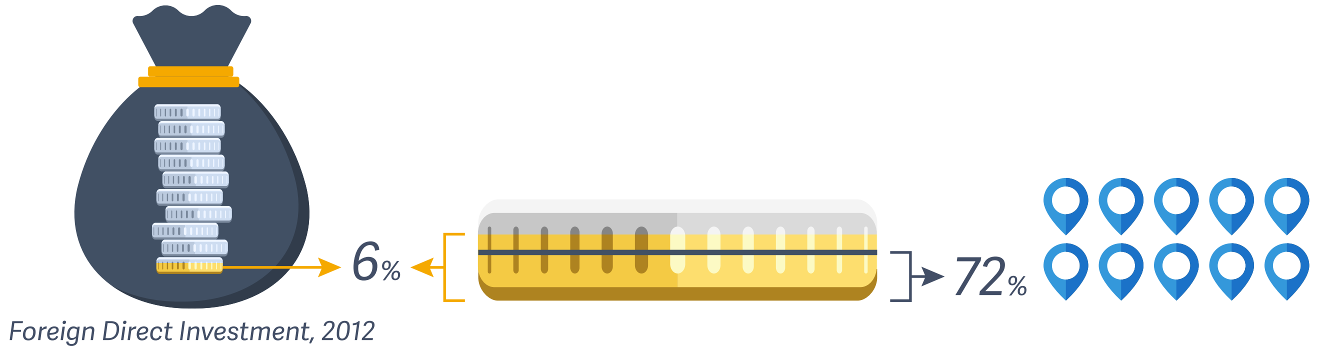


The plan hopes to help meet the UN Sustainable Development Goals agreed in 2015 and boost the decline since the financial crisis of 2008 of foreign direct investment (FDI) to developing states.

Outward stocks of Foreign Direct Investment, EU-28, end 2014



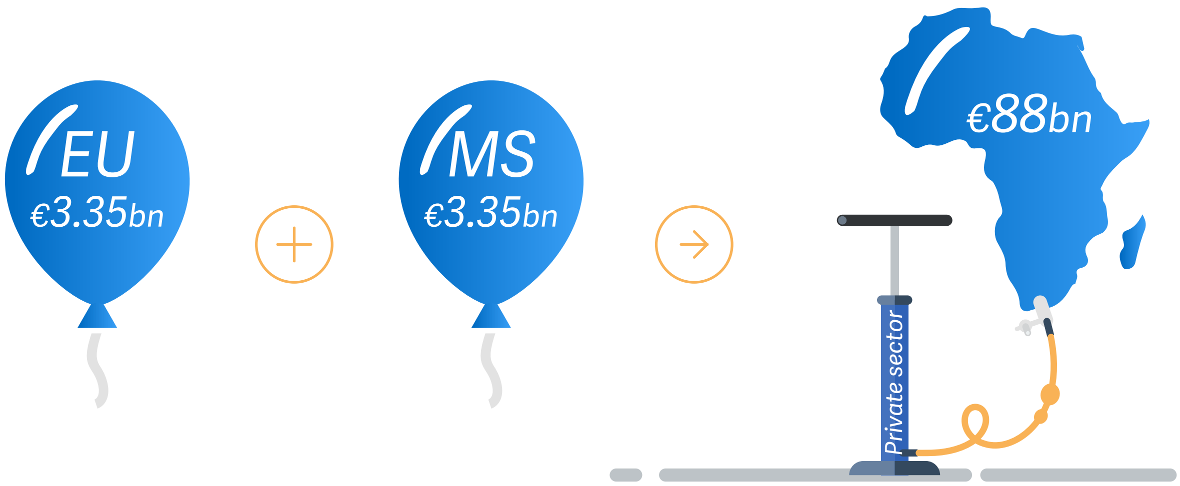
In 2012, only 6% (€ 34.6 billion) of total global FDI to developing countries went to what the OECD calls 'fragile states.' Among those on the fragile states list, the majority of FDI is attracted by resources-rich countries, with 72% concentrated in ten countries in 2012.



Also, the cost of setting up a business in the most fragile African countries is three times higher than in non-fragile African states.

The EIP contains a European Fund for Sustainable Development (EFSD), which will ‘blend’ contributions from the EU, member states, and the private sector.

The EU will put in €3.35bn. Through guarantees, that should be leveraged to mobilise €44bn. If the 28-member states, and other private sector match that €3.35bn – so a total of €6.7bn – then the total leveraged funds available will reach €88bn, the Commission says.



NGOs have noted that little migration occurs from the very poorest countries. It tends to be a by-product as the most fragile states become a little richer. They also worry that the plan could merely underpin Western investment and profits in developing nations, rather than triggering homegrown businesses.

EurActiv

Sources: Eurostat, European Commission, Oxfam, War on Want

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