

19th EU-OCT Forum

Nouméa, New Caledonia

THEMATIC WORKSHOPS - 19 November 2022

FORUM ROUNDTABLE ON INVESTMENTS IN THE OCTs

BACKGROUND:

EU-OCT cooperation on investment during 2014-2020

During 2014-2020 the old OAD provided financial assistance to the OCTs through financial mechanisms managed by the European Investment Bank (EIB) to promote investment. These mechanisms were the OCT Investment Facility (EUR 48.5 million), interest rate subsidies and technical assistance (EUR 5 million) and the EIB's Own Resources (up to EUR 100 million). Recent examples for the investment facility's activities included EUR 750,000 as interest rate subsidies for the Pacific OCTs COVID-19 Financial Sector Facility and EUR 20 million from EIB resources for the COVID-19 Financial Sector Facility operation in New Caledonia (both 2020). A further EUR 15.7m was added in 2021 as a top-up to this operation in order to meet the growing financing needs identified back then. Except for the EIB Own Resources OCT envelope, full use was made of the funds available for investment support in the 2014-2020 period.

2021-2027: New EU tools for investment cooperation

OCTs are now eligible for InvestEU support. InvestEU was created as a successor to intra-EU investment such as under the Investment Plan for Europe (Juncker plan), as one single Regulation bringing together several EU-level financial instruments. The InvestEU fund provides EUR 26 billion in budgetary guarantees, with the aim to mobilise EUR 370 billion in investment (of which 30% is to contribute to climate objectives). It provides direct access to the EU guarantee, which is open to multiple implementing partners, namely the EIB as prime implementing partner (with 75% of the guarantee allocated) but also the European Investment Fund, the national promotional banks as well as the international financial institutions. OCTs are eligible under InvestEU through a budgetary guarantee, but there is no geographical ring-fencing for OCTs, which will have to compete with member states' projects.

Projects will either receive loans directly from the EIB or, indirectly from the EIB and the other implementing partners (European Investment fund, national promotional banks, international financial institutions) through financial intermediaries. Those can be banks, guarantee societies, microfinance providers, venture capital, or equity funds. Operations must be approved by an Investment Committee, composed of experts independent of the EU institutions but before the Commission can assess the operations ("policy check"). Investment guidelines (a delegated act adopted in March 2021) set the references for criteria and priorities of financial products. To support projects an Investment Advisory Hub was set up, to provide technical assistance for projects (available in principle only when they have already been pre-selected by the EIB or, in the future, other implementing institutions).

In addition to the EU compartment, as described above, Member State compartment, could be set up on voluntary basis. With a main focus on specific national priorities. EU countries have the possibility to contribute a part of their shared management funds or from the Recovery and Resilience Facility funds to the InvestEU Fund, when setting up a “Member State compartment”. With this voluntary contribution, EU countries can benefit from the EU guarantee's high credit rating, and having ring-fenced national and regional investments. First agreements have been concluded with Bulgaria, Czech Republic, Finland, Greece and Romania, further are in preparation and could potentially concern OCTs. Current implementing partners for the related financial products are the EIF and the EBRD.

For OCTs the change to InvestEU instead of a dedicated investment facility means working with different partners in addition to the EIB, adapting to new procedures and identifying and working with financial intermediaries on a local level. It will be therefore important to discuss with OCTs, Member States and implementing partners the existence of financial intermediaries at OCT level as they have a crucial role in the selection of operations and are the first contact of local actors such as SMEs.

InvestEU has a policy-driven approach, which comprises four investment windows with dedicated guarantee amounts: sustainable infrastructure (EUR 9.9 billion), research, innovation and digitisation (EUR 6.6 billion), SMEs (EUR 6.9 billion), and social investment and skills (EUR 2.8 billion). While there is no dedicated window for climate- and environment-related actions, a goal of 30% climate action will be pursued through all four windows, advancing the Green Deal targets. The windows sustainable infrastructure and research, innovation and digitisation are particularly relevant for Global Gateway.

Attracting investment is challenging for OCTs, notably due to their remoteness and related infrastructural and logistic issues, limited administrative capacity, high costs of doing business, as well as risk factors such as vulnerability to natural disasters and external shocks, dependency on external aid and single economic sectors, and shortages in a skilled workforce. The availability of on-the-ground financial actors, which could act as an entry point for both local businesses, and international actors is another hurdle. Moreover, even if some are available, those financial actors prefer projects of a larger scale than what is likely to emerge from OCTs.

However, the OCTs, also have some advantages when it comes to investment opportunities. They offer particular natural resources (maritime or geological), and have strong ambitions to further develop renewable energy, ecotourism, or sustainable fishing. There will also be increasing needs for investment regarding climate change adaption and mitigation (resource-efficient utilities such as water and sanitation, recycling and recovery, sustainable value chains, nomies (particularly for digitalisation of businesses, digital learning, ICT infrastructure). In the framework of InvestEU, a particular challenge for the OCTs will be that the instrument (in its EU compartment) has no ringfenced OCT envelope. They will need to compete with projects across the EU in attracting attention and support. However, the possibilities on the use of the Member State compartment can be considered, which would then concern Denmark, France and the Netherlands

To address these challenges, the seminar aims at the following objectives and outputs:

Objectives

Discussions will focus on:

1. Raising awareness of InvestEU among OCTs and of OCTs among financial institutions
2. Enhancing understanding on how to access support to investment
3. Exchanging on first project ideas and sharing expectations, concerns and past experiences with investment schemes
4. Creating contacts between financial institutions and beneficiaries – and exploring the interest of a structured follow up such as through a dedicated Partnership Working Party (PWP) on Investment to better structure EU-OCT investment cooperation.

Expected Outcomes: how to take the topic forward/what next.

The roundtable is expected to produce the following results:

- Increased awareness on investment matters/InvestEU in OCTs and increased awareness of EIB and other EU financial institutions about OCTs and their specificities;
- New contacts between OCTs and InvestEU partners including banks established;
- Start of a process to structure the further investment dialogue with OCTs (which possibly could in the perspective lead to projects pipelines).

Format

The Commission and Bonaire will co-chair and co-moderate the session.

While the thematic workshop mainly aims to stimulate a reflection at the technical/working level of the participating delegations to subsequently feed into the political dialogue on the 22 November, all delegates (OCT, Member States and where explicitly mentioned third parties such as EFIs) are invited to participate. For this workshop, third parties will include a representative of DG ECFIN, representatives of AFD/Expertise France and the European financial institutions (EIB and, to be confirmed, Nordic Investment Bank).

- Opening (5 min: brief introduction by the chair on the relevance of the topic, mentioning the previous investment structure for OCTs, stressing the opportunity that represents InvestEU and the need to work together across institutions to achieve its potential.
- Presentation InvestEU by Michael Feith, DG ECFIN (20 min): Focus on state of play of InvestEU (confirmed partner institutions, active components including for beneficiary support) and how OCT governments can facilitate the participation of local projects.
- Q&A presentation InvestEU (15 min)
- Kick-off discussion (25 min): Short interventions by OCT with experience with investment support (e.g. New Caledonia), and ideally from EIB plus possibly other relevant financial institution (such as AFD, InvestNL, Nordic Investment Bank) on their plans for working with OCTs.
- Open discussion (20 min)

- Conclusion by chair (5 min)

The co-chairs will draw the main conclusions at the end of the discussion, which will be presented at the Forum on 22 November.