



Commenting on the European Investment Plan, EFCA President Kevin Rudden said "This plan has a lot of potential for the consulting engineering sector, especially in the energy sector and the development of sustainable cities in Africa. The European Commission is anticipating private investment along with financial commitments from Member States and other partners. However, all that glitters isn't gold. From our engineering consultancies engaged in EU external aid projects we learn that there are cumbersome obstacles in gathering accurate and timely information on projects in the pipeline. The decentralisation of aid management makes it complicated for consultancies as they need



to acquaint themselves with a multitude of tendering procedures. And that's where the shoe pinches."

"As a result of this increasingly complex system, many small and medium-sized engineering consultancies have abandoned the external aid market for too intricate and costly", Mr Rudden continued. "As a sector we are grateful to the European

## More transparency can boost market response to EU investment plan



Ines Ferguson

***The latest EU financing initiative for Africa and the Neighbourhood countries needs to shed more light on its processes if the private sector is to play its role in bringing a massive € 88 billion worth of development to these regions. There is a real danger, according to Ines Ferguson, Chair of EFCA's European External Aid Committee, and Business Development Director at the multinational consulting engineers TYPESA, that fewer good projects will be put forward for investment because project developers cannot access appropriate and timely information. 'More transparency is crucial,' says Ms Ferguson.***

The private sector is the new ingredient in the European External Investment Plan (EIP) which was launched toward the close of 2017. In times of decreasing aid budgets and growing development needs, the EU hopes private

companies will provide significant investment finance to make existing funds go further. Over €4 billion of grants are being made available over the next three years to leverage a further € 44 billion in bank loans and private investment. If EU Member States and other partners match the funding, the EU anticipates a total potential pot of € 88 billion for development projects. Many of the energy and infrastructure projects planned will be through public-private partnerships (PPPs).

### ***Huge opportunities***

'The opportunities are huge,' declares Ms Ferguson, 'and can help create a productive export for the EU as well as sound projects to boost jobs and sustainable development in developing countries. The development agenda is clearly stated. The financing is ambitious. But it is going to be difficult to attract investment without us.'

There are two 'windows' in the EIP's Fund for Sustainable Development where consulting engineers are looking to contribute: developing sustainable energy and connectivity and building sustainable cities. To invest, however, the private sector needs to see sound, bankable projects. 'Given our knowledge and experience of the developing world, the technical know-how we have developed with our partners as well as the international standards, integrity and principles that we adhere to, we are well prepared to lead the way for investment to come into these countries.'

### ***Fragmented system***

The way development funds are being handled has fundamentally changed in recent years. Efficiency measures means much of the management is moving back



Commission to have listened to us and make some information available in the Supplement of the Official Journal. But more is required and at a quicker pace if the EIP with its delegated agreements are to become effective and efficient.”

The increased use of PPPs is also a challenge. PPPs are mostly large-scale and often very complex projects owing to the number of stakeholders involved, the high costs and risks, and the long duration of project development. “We further contend that, while PPP projects involve multidisciplinary partnership, consulting engineers have the necessary breath of vision to act as the central pivot for such projects. We have the technical skills to understand the dynamics of design, infrastructure and construction. We have a clear overview of environmental and social aspects surrounding projects for the public sector. We understand the strategic issues that must be taken into consideration to achieve a successful outcome. And finally, we have a sound knowledge of the African market in which we operate.” said the President.

“We know the needs of the countries in the developing world, we know their limitations and we understand the challenges they face. So, we can come up with the ideas. This has to be a growing industry and it has to be done with a European ‘stamp’. Europe wants to see climate change mitigation, it wants to see innovation, resilience in infrastructure, sustainability. All these tags, all these priorities of European policies can have European companies behind them.”

In conclusion Kevin recalled that “A well-engineered project can be improved by a sophisticated legal and financial framework, but clever financing can never make a badly designed project feasible.”



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into the hands of Member States. France and Germany, with their greater capacity for managing development aid and finance, have dominated the EU delegated cooperation and blending instrument for more than 10 years. This has already created issues around competition and fairness for companies of other Member States pursuing opportunities with indirect management modes.

This growing number of accredited agencies to manage EU money, each issuing different sets of tendering procedures, without harmonised processes and transparency, is the latest headache for independent engineers. ‘It’s almost incompatible to have a highly complex system and to try to reach small and medium-sized businesses across Europe,’ Ms Ferguson says. ‘It has become a very practical, and now very expensive, problem. Not being able to plan their business has driven a lot of consulting engineers out of the marketplace.’

‘In Spain, for example, there has been a massive loss of international work and the sector is in crisis. Fundamentally, not being business friendly is jeopardising the EU’s new instrument.’

### **Improvements becoming more urgent**

Ms Ferguson is concerned about the European Commission’s intention to increase the use of blending from around 4% to 10% of total official development assistance over the coming years. On the other hand, the use of delegated cooperation was shown to have limited impact to date, yet delegated management is responsible for two-thirds of programmable aid in some partner countries and it is also expected to increase considerably. ‘As the EIP and delegated agreements become more important, so improvements to their transparency, efficiency and effectiveness become more urgent,’ Ms Ferguson says.

The European Commission say they have been listening, and now publish some information in the Supplement to the Official Journal. ‘This has been vital,’ Ms Ferguson acknowledges, ‘and we appreciate the EC has a difficult job trying to harmonise a multitude of procedures. But it’s still not enough, and change is too slow.’

### **Reluctant investors**

The lack of results is starting to show. ‘European investors are reluctant to invest in what they consider high-risk countries,’ she claims. ‘It’s not just a matter of providing bank guarantees; environmental, technical, social and economic risks need to be managed too. We know the needs, the limitations, and the challenges. If we come at the early stages we cannot just prepare but also identify, good projects. Our role is critical.’

Since the financial crisis of 2008, the sector has consolidated and invested heavily in its own capacity to deliver smarter, green cities with infrastructure and social services suited to 21st century living, powered by less-polluting, lower carbon energy, companies. ‘This is our natural habitat,’ says Ms Ferguson, ‘and development funds motivated us to grow in this way.’

The EU should not disengage from ensuring transparency, efficiency and effectiveness in any of its instruments. It should still strive to have full procurement plans for each project being publicly available, to harmonise procedures and to have one single source of information.

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**EFCA has member associations in 26 countries, and is the sole European federation lobbying on behalf of engineering consultancy and related services, a sector that employs around one million staff in Europe. EFCA contributes with a strong and cohesive input to legislative actions of its national associations on issues affecting market conditions. Furthermore, the organisation works as a Europe-wide platform for national associations and their member firms to gather relevant facts and discuss issues with their counterparts.**