

# Blending Instruments outside the EU

Lucia Fuselli  
Energy Specialist  
European Investment Bank

**Brussels, 21st November**

# The EIB in a nutshell



- Created in 1958
- EU Member States are shareholders
- Driven by EU policy
- Outside EU operates through Mandates
- 2016 : 83.8bn EUR, 8bn EUR outside EU

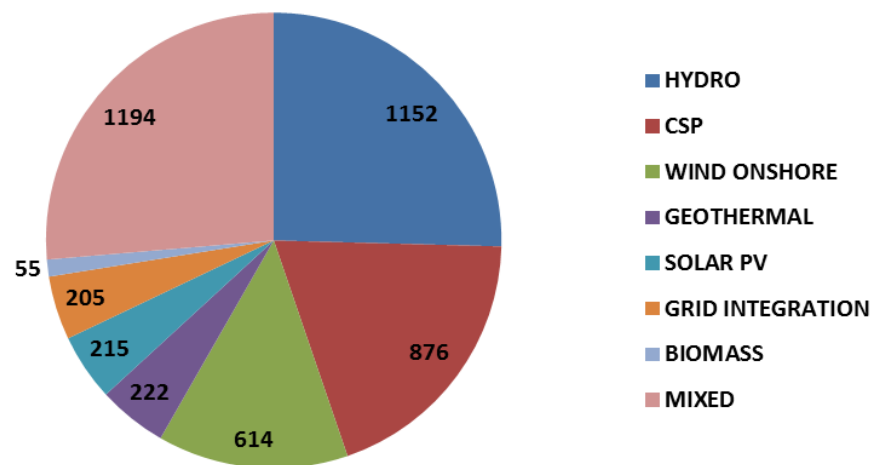
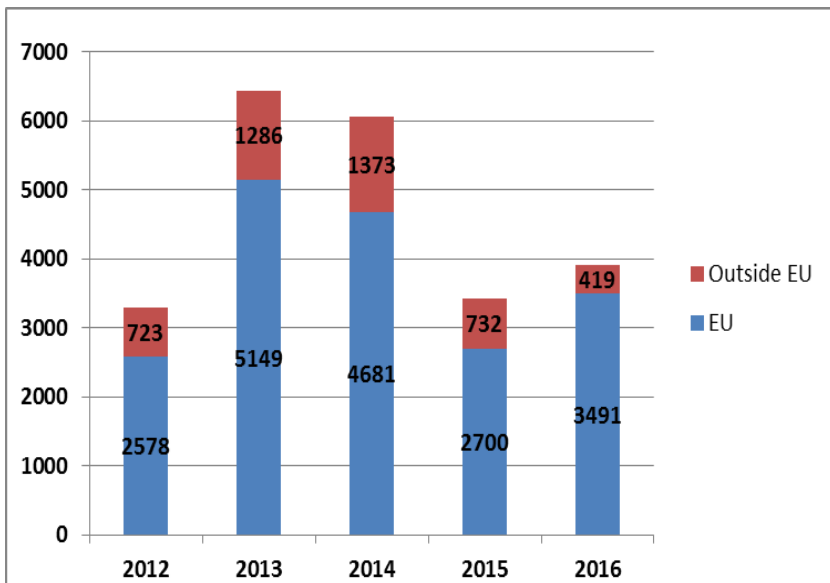
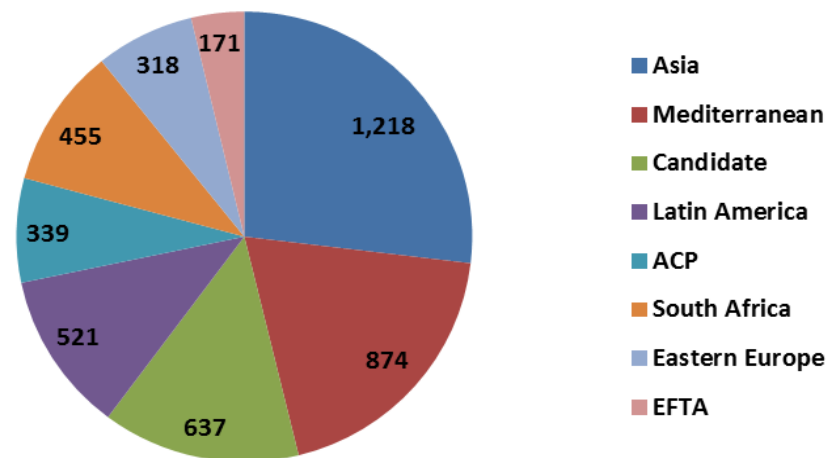
LENDING	<ul style="list-style-type: none"> <li>• loans</li> <li>• loan guarantees</li> <li>• equity participation</li> </ul>
BLENDING	<ul style="list-style-type: none"> <li>• EIB finance + EU funds</li> <li>• co-financing</li> <li>• specific initiatives</li> </ul>
ADVISING	<ul style="list-style-type: none"> <li>• prepare implementation</li> <li>• support PPPs</li> </ul>

- Climate strategy 2015-2020: 100b EUR
- 35% climate finance in world's developing regions by 2020

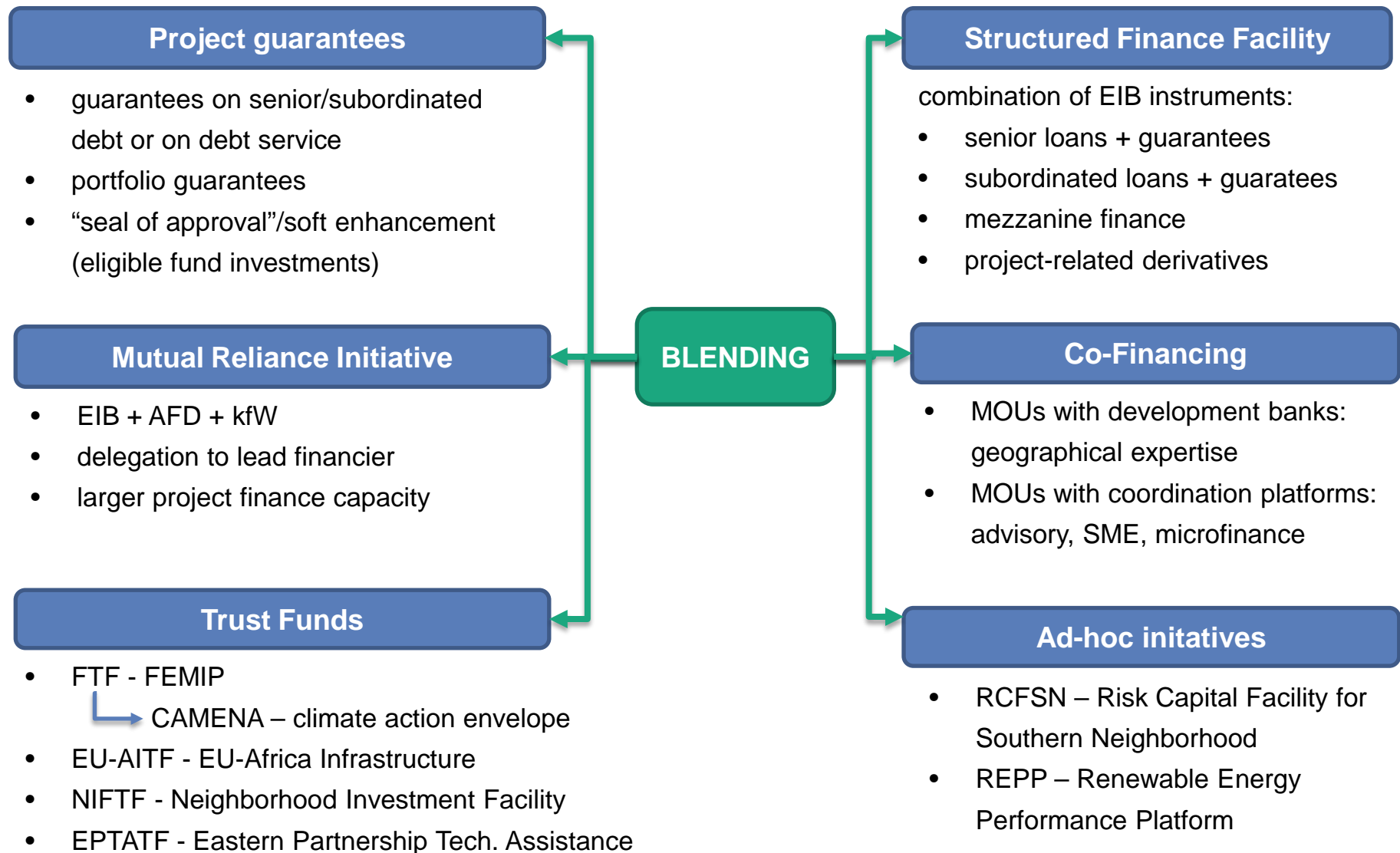
# EIB RE lending outside EU (2012-2016)

## 2012-2016

- Total lending 369bn EUR
- Energy lending 63bn EUR
- RE lending 23bn EUR (37%)
- RE lending outside EU 4.5bn EUR (7%, 20% of total RE lending)



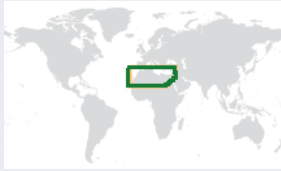

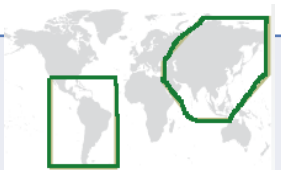


# Blending Instruments overview

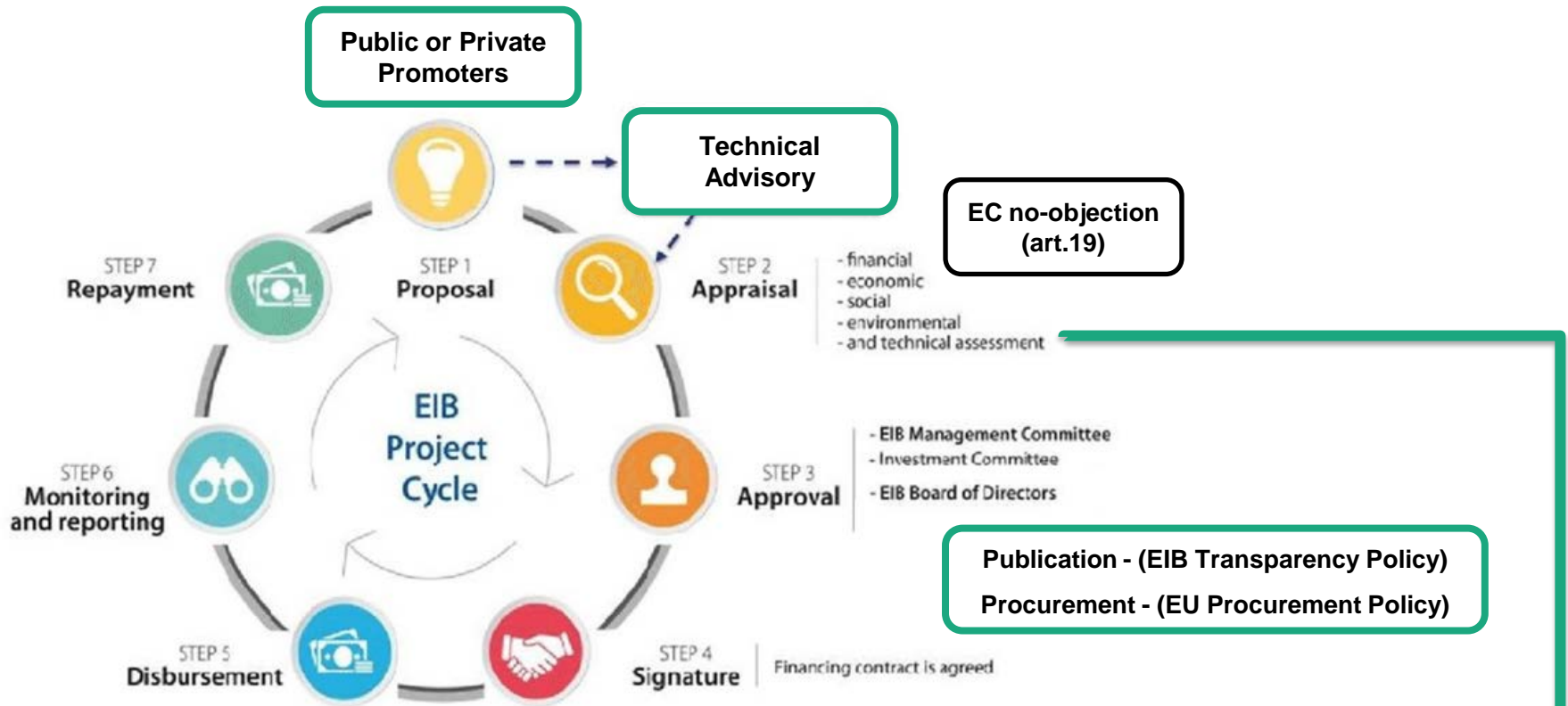


*...plus other blending solutions to cover advisory*

# Blending Instruments by area

Region	Projects	Technical Assistance
<b>EFTA &amp; Candidates</b> 	<ul style="list-style-type: none"> <li><b>Co-financing</b> (EIB, EBRD)</li> <li><b>WBIF</b> – Western Balkans (EIB, EC, EBRD, CoE)</li> <li><b>Innovfin</b> (EIB, EC)</li> </ul>	<ul style="list-style-type: none"> <li><b>WBIF</b> – Western Balkans (EIB, EC, EBRD, CoE)</li> <li><b>Innovfin</b> (EIB, EC)</li> </ul>
<b>Eastern Neighbours</b> 	<ul style="list-style-type: none"> <li><b>Co-financing</b> (EIB, EBRD)</li> <li><b>E5P</b> – Eastern EU EE and Environmental Partnership (EIB, CEB, EC, EBRD, IFC, kfW, NEFCO, NIB, WB)</li> </ul>	<ul style="list-style-type: none"> <li><b>MPSF</b> - Municipal Projects Support Facility (EIB, EC, EBRD, kfW)</li> <li><b>EPTATF</b> - Eastern Partnership (EIB, EU States)</li> </ul>
<b>Southern Neighbours</b> 	<ul style="list-style-type: none"> <li><b>NITFF</b> – Neighbourhood Investment (EIB, EC)</li> <li><b>MRI</b> – Mutual Reliance (EIB, AFD, KfW)</li> <li><b>FTF</b> – FEMIP CAMENA - Climate Action (EIB, EU States)</li> </ul>	<ul style="list-style-type: none"> <li><b>Framework Agreements</b> (Deauville Partnership, Masdar, UfM, CMI, )</li> <li><b>NITFF</b> (EIB, EC)</li> <li><b>MED5P</b> (EIB, AFD, kfW, EBRD, UfM)</li> </ul>
<b>Africa, Caribbean, Pacific</b> 	<ul style="list-style-type: none"> <li><b>ACP-EC</b> – Cotonou (EIB, EU States)</li> <li><b>Co-financing</b> (AFDB, IFC)</li> <li><b>MRI</b> (EIB, AFD, KfW)</li> <li><b>IF</b> - Investment Facility</li> <li><b>Boost Africa</b> (EIB, EU States)</li> <li><b>SE4All</b> – Sustainable Energy for All <ul style="list-style-type: none"> <li><b>EU-AITF</b> – EU-Africa Infrastructure (EIB, EDF)</li> <li><b>GEEREF / GEEREF NEXT</b> (EIB, EC, Private)</li> <li><b>REPP</b> – RE Performance Platform</li> <li><b>AEGL</b> – Africa Energy Guarantee (EIB, EC)</li> </ul> </li> </ul>	<ul style="list-style-type: none"> <li><b>IF</b>- Investment Facility (EIB, EU States)</li> </ul>
<b>Asia &amp; LATAM</b> 	<ul style="list-style-type: none"> <li><b>Co-financing</b> (EIB, IADB/EBRD)</li> <li><b>MRI</b> (EIB, AFD, KfW)</li> <li><b>GEEREF / GEEREF NEXT</b> (EIB, EC, Private)</li> </ul>	<ul style="list-style-type: none"> <li><b>IFCA</b> – Investment Facility Central Asia (EIB, EC)</li> </ul>

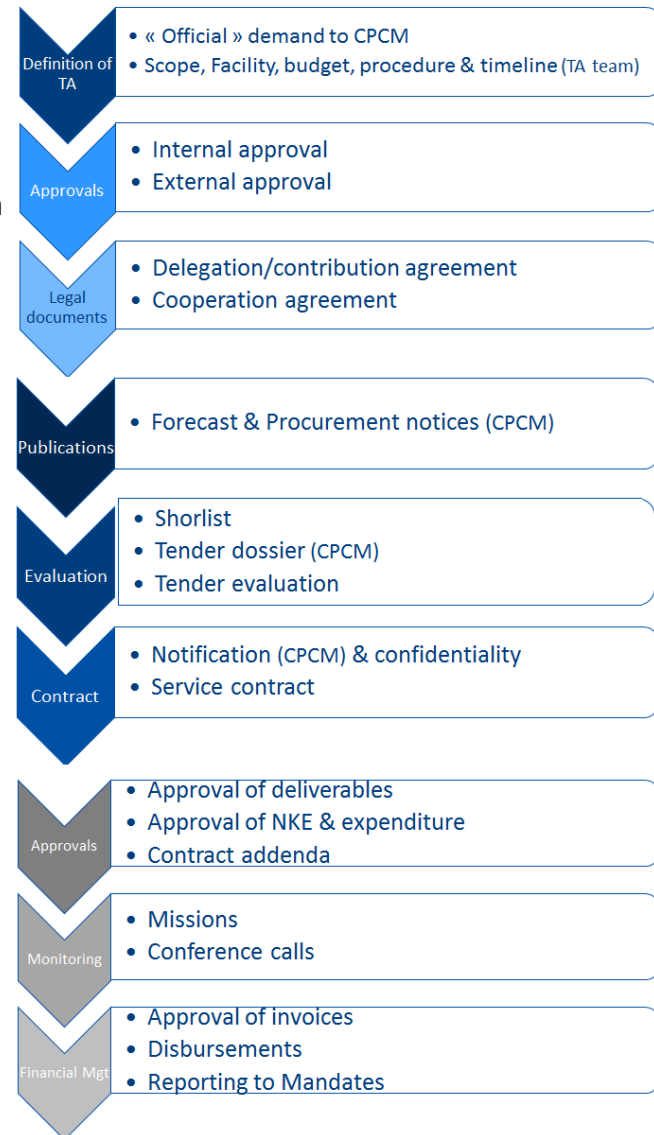
# Getting involved – Project



- Economic Appraisal of Investment Projects at the EIB
- Environmental & Social Principles and Standards, Environmental & Social Handbook
- Public Promoters → public procurement (publication on the OJEU)
- All Promoters → EIB Guide to Procurement

# Getting involved – Advisory

- **TA objectives:** help prepare projects, increase impact, capacity building;
- **TA focus:** private sector, environment/energy, communication, education/health
- **TA & project lifecycle:** upstream, identification, preparation, implementation, monitoring
- **TA undertaken by:** EIB, external consultants, third parties
- **TA business process follows lending**
- **Facts & figures:** 188 TA ops (EUR 392m), 60% contracted, 55% outside EU
- **Reference documentation:**
  - **EC Practical Guide (PRAG)** - contracting procedures for EU external actions;
  - **EIB's Corporate & Technical Assistance Procurement Guide** - EIB procurement



## Tendering for TA services:

Published tender procedure	Non-published procedures	
≥ €209,000	≥ € 50,000 but < € 209,000 (for TA service contracts outside EU)	< € 50,000 (for TA service contracts outside EU)
	≥ €35,000 but < € 209,000 (for TA service contracts inside EU) <b>Negotiated procedure with five candidates</b>	< € 35,000 (for TA service contracts inside EU) <b>Single tender/Direct award</b>



3 different workflows:

- restricted international tender
- open tender
- negotiation

3-6 months

**ASD Framework Agreements (>500,000 EUR)** - a series of FAs between the EIB and a number of consultancy companies/consortia (2016, 4 years validity; contracted into one of 5 sectoral lots (Lot 1 – Environment, Lot 2 – Energy...)).

## Proposals success factors:

- knowing the terms/evaluation/bid management (consortia),
- knowledge of local conditions,
- preparation of best offer (thoroughness, conciseness),
- technical compliance threshold (80%), technical/financial weighting (80/20)

# Examples – EFTA & Candidates

## OSMANIYE WIND FARM (2008-0569)

Construction and operation of a 135 MW onshore wind farm.

**Location:** Osmaniye, Turkey

**Total Investment Cost:** 221m EUR

**Blending Facility:** co-financing

**Financing structure**

	Amount (m EUR)	Share
EIB	60,00	40%
Promoter	81,10	37%
EBRD	30,00	23%
IFC	50,00	14%

**Status:** Completed and operating



## Chisinau Energy Efficiency (2014-0161) Energy Efficiency retrofits

Framework loan (FL) for EE improvements targeting public and residential buildings in Chisinau. Includes Technical Advisory support.

**Location:** Chisinau, Republic of Moldova

**Total Investment Cost:** 25m EUR

**Blending Facilities:** co-financing, E5P

*The E5P (Eastern Europe EE and Environment Partnership) is a 180 m EUR multi-donor fund to encourage, through grants, municipal investments in energy efficiency, renewables and environmental projects in the Eastern Partnership region. Active since 2009 in Ukraine, the fund extended its activities to Armenia, Georgia, Moldova and Belarus.*

*The E5P merges financial contributions from the European Union and a group of 21 nations, including countries within E5P scope.*

### Financing structure

	Amount (m EUR)	Share
EIB	10,00	40%
EBRD	10,00	40%
E5P grant	5,00	20%

**Status:** Approved Feb 2017



## Ouarzazate Complex

- **Centrale solaire de Ouarzazate (2010-0242)**  
CSP plant with a gross capacity between 125 and 160 MW
- **Ouarzazate II (2013-0342)**  
200 MW CSP parabolic trough plant
- **Ouarzazate III (2013-0468)**  
150 MW CSP Tower plant

### Total Investment Cost:

- Centrale solaire de Ouarzazate – 676m EUR
- Ouarzazate II – 865m EUR
- Ouarzazate III – 855m EUR

### Blending Facilities: Co-financing, MRI, NIFTF

*The Neighbourhood Investment Facility (NIF) mobilizes funding to finance capital-intensive infrastructure projects in EU partner countries covered by the European Neighbourhood Policy (ENP) in sectors such as transport, energy, environment and social development. It does so by pooling grant resources from the EU budget and the EU Member States and from the ENP partner countries themselves.*

*The Mutual Reliance Initiative (MRI) allows promoters to benefit from a larger project finance capacity. Most of the tasks during the project cycle are delegated to one of the three institutions as a lead financier (in this case KfW), from appraisal to preparing lending decisions and implementation.*

### Status: Completed

- World's largest CSP and largest solar plant
- 650 ha, same size of Morocco capital city
- Production of electricity for 1.1 million people



	Centrale Solaire de Ouarzazate		Ouarzazate II		Ouarzazate III	
	Amount (M EUR)	Share	Amount (M EUR)	Share	Amount (M EUR)	Share
EIB	300	45%	200	23%	180	18%
AFDB	100	15%	72	8%	28	3%
IBRD	100	15%	78	9%	-	-
AFD	50	7%	-	-	50	6%
KfW	50	7%	330	38%	324	38%
Promoter	45	7%	145	17%	259	30%
NIFTF grant	30	4%	40	5%	43	5 %

## Green for Growth CAMENA (2016-0182)

Participation in a debt fund targeting energy efficiency and renewable energy investments within the Southern Neighbourhood region.

**Location:** Egypt, Lebanon, Jordan, Morocco, Tunisia, Palestine

**Total Investment Cost:** 500m EUR

**Blending Facilities:** FTF/CAMENA

*The FEMIP Trust Fund (FTF) is an instrument to finance upstream technical assistance, regional studies and targeted risk capital operations supporting innovative private sector companies. Infrastructure and Environment are one of FEMIP priority financing areas.*

*CAMENA is a climate action envelope within the FTF providing partner countries with grants targeted at specific climate initiatives.*

*It was created with the support of the UK Department for International Development; the first CAMENA-financed projects were approved in 2015.*

**Financing structure**

	Amount (m EUR)	Share
CAMENA grant	4.50	1%
Fund Investors	495.50	99%

**Status:** Implemented.

**The fund has been very successful and currently finances project in both the Eastern and Southern Neighbourhood.**



Initiated by



With funding from:



## Meridiam Infrastructure Africa Fund

(2014-0518)

Fund financing **greenfield infrastructure projects** in the energy and power, transportation, environmental infrastructure, social infrastructure and telecommunications sectors across Africa.

**Location:** across Africa

**Total Investment Cost:** 300m EUR

**Blending Facility:** ACP-EC (EDF)

## Off-grid solar acceleration

(2016-1001)

The project aims at providing **access to energy** to households and micro-entrepreneurs in Sub-Saharan Africa, through the design, financing and implementation of 7-10 million solar devices over 2.5 years.

**Location:** Ethiopia, Kenia, Nigeria, Tanzania, Uganda

**Total Investment Cost:** 48m EUR

**Blending Facility:** ACP-EC (EDF)

*Under the ACP-EC Partnership Agreement (the “Cotonou Agreement”, 2000-2020), financing is provided from the European Development Fund (EDF) by EU Member States, with a contribution of EIB own resources.*

*ACP-EU objectives: poverty reduction, sustainable development, and progressive integration in the world economy.*

### Financing structure

**20% of EDF financing  
Is for RE projects**

	Amount (M EUR)	Share
EDF	30	10%
Fund Investors	270	90%

**Status:** Fully signed in 2015

### Financing structure

**20% of EDF financing  
Is for RE projects**

	Amount (M USD)	Share
EDF	25	45%
Promoter	31	55%

**Status:** Approved in 2017

# Examples – Africa, Caribbean, Pacific

## PAMIGA water & RE through microfinance

(2013-0648)

Financing of **micro-projects in rural areas of sub-saharan Africa**. EIB lends to a vehicle providing local currency funding to selected African MFIs, for them to develop a loan portfolio dedicated to micro-projects in the solar energy, irrigation and drinking water sectors. Final beneficiaries include low-income households, micro-entrepreneurs and villages/communities.

**Location:** Benin, Burkina Faso, Cameroon, Kenya, Madagascar, Senegal, Tanzania and Togo

**Total Investment Cost:** 12m EUR

**Blending Facilities:** co-financing, ACP-EU, IF

*The Bank is entrusted with the management of the Investment Facility (IF), a revolving fund which meets the financing needs of investment projects in the regions and which is able to provide grants (interest rate subsidies and technical assistance).*

### Financing structure

*includes TA Unit*

	Amount (M EUR)	Share
EDF	4	33%
OPIC	4	33%
Private Corporates	4	34%
Promoter	2	17%

### Status:

- 10 RFIs offering Solar Loans, 200 agents trained,
- 8,200 rural households can access solar solution/solar lamps, no more kerosene lamps (40% households)
- 64% average reduction in energy expenditures.

## Boost Africa

(2015-0796)

Investment Programme including venture capital funds and solutions to **support the creation of innovative and highly scalable start-ups and SMEs**. Sectors include: ICT, agribusiness, financial services, health, education, RE.

The ultimate aim is to mobilise EUR 200m, and leverage EUR 1 billion in additional investments through FIs, supporting 1,500 SMEs, creating 25,000 direct and 70,000 indirect jobs.

**Location:** across Africa

**Total Investment Cost:** 200m EUR

**Blending Facilities:** co-financing, ACP-EU, IF

### Financing structure

**Boost Africa is a specific envelope within the IF, Including a TA service and Innovation Labs**

	Amount (M EUR)	Share
EDF	50	25%
Promoters	80	40%
AFDB	50	25%
IF grant	20	10%

**Status:** approved 2016

# Examples – ACP, Asia & LATAM

## GEEREF / GEEREF NEXT

(2012-0175 / 2017-0176)

GEEREF is a Fund-of-Funds (SICAV, 15 years) investing in PE funds focused on RE and EE technologies in emerging markets. GEEREF invests according to a people-planet-profit bottom line philosophy, focusing on greenfield/early-stage projects with total equity requirement up to EUR 10m.

GEEREF funds typically have strong transaction skills, regional focus, established local presence, overall size of 50-200m EUR. GEEREF engages with funds early in their development enhancing their strategy, capability and structure.

**Location:** development countries

**Total Investment Cost:** 216m EUR / 635m EUR

**Blending Facility:** GEEREF / Green Climate Fund

*The Green Climate Fund (GCF) is a fund established within the framework of the UNFCCC to assist developing countries in adaptation and mitigation practices to counter climate change.*

*EU member states contribute directly to the fund, and have jointly pledged US\$4.7 billion (50% of fund resources) by 2016.*

### Financing structure

	GEEREF		GEEREF NEXT	
	Amount (M EUR)	Share	Amount (M EUR)	Share
EIB	10	5%	147	33%
Funds Investors	206	95%	45	7%
Green Climate Fund	-		445	60%

Launched in 2008, GEEREF concluded its fundraising from private sector investors on May 2015, with 222m EUR AUM.

GEEREF NEXT is currently under negotiation.



## Rehabilitation Warsak Hydroelectric Project

(2013-0579)

The Project comprises the modernisation and upgrade of a 50-year old hydropower plant, including a comprehensive rehabilitation programme designed to restore the plant to its original capacity of 243 MW and to achieve an additional 40 years of safe, reliable and cost-effective energy production.

**Location:** Pakistan

**Total Investment Cost:** 150m EUR

**Blending Facility:** MRI

*The Mutual Reliance Initiative (MRI) allows promoters to benefit from a larger project finance capacity. Most of the tasks during the project cycle are delegated to one of the three institutions as a lead financier (in this case KfW), from appraisal to preparing lending decisions and implementation.*

### Financing structure

	Amount (M EUR)	Share
EIB	50	33%
AFD	45	30%
KfW	45	30%
Promoter	10	7%

**Status:** Successfully implemented



## Las Pailas Geothermal Project

(2013-0037)

The project comprises the expansion of electricity generating capacity at an existing geothermal power plant with construction of a new turbine hall, installation of a 55 MW condensing steam turbine and a 26-well extension of the steam field.

**Location:** Costa Rica

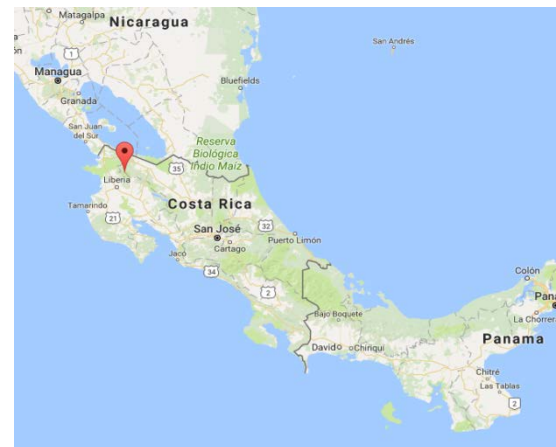
**Total Investment Cost:** 255m EUR

**Blending Facility:** co-financing

### Financing structure

	Amount (M EUR)	Share
EIB	55	21%
JAPAN Coop Agency	147	58%
IADB	38	15%
Promoter	15	6%

**Status:** under implementation, overall progress of 60%, (55% with respect to total cost of the project). Completion expected by early 2019.



# Takeaways and outlook

- Renewable Energy is one of the core sectors for the Bank's lending.
- EIB's lending to RE projects outside the EU is expected to step up over the next years given the higher climate action target.
- Support to RE projects can be provided by EIB through a variety of financial products, co-financing and also technical assistance.
- For each reference area, a variety of blending instruments is available.
- Blending even more extensively utilised in future, for projects outside the EU, as:
  - importance of engaging private stakeholders to reach sustainable development goals
  - value and benefit of solutions encompassing Technical Advisory, Risk Sharing and Lending in non-mature markets (power of addressing market failures/risks).

# THANK YOU

## Q&A?