



Blending of loans with grants: EU Blending Facilities in the water sector

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EU Blending Facilities

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The development context



MASSIVE
developmental challenges



HEAVILY
constrained public funds



LEVERAGE EFFECT
To achieve largest possible
development impact

Innovative financing for development

Why Blending in EU
external cooperation?

In light of **massive developmental challenges and constrained public funds**, additional (non-grant) resources are needed.

By **blending grants with additional public and private financing such as loans and equity**, substantial investments in partner countries can be channelled to achieve largest development impact of EU grants.

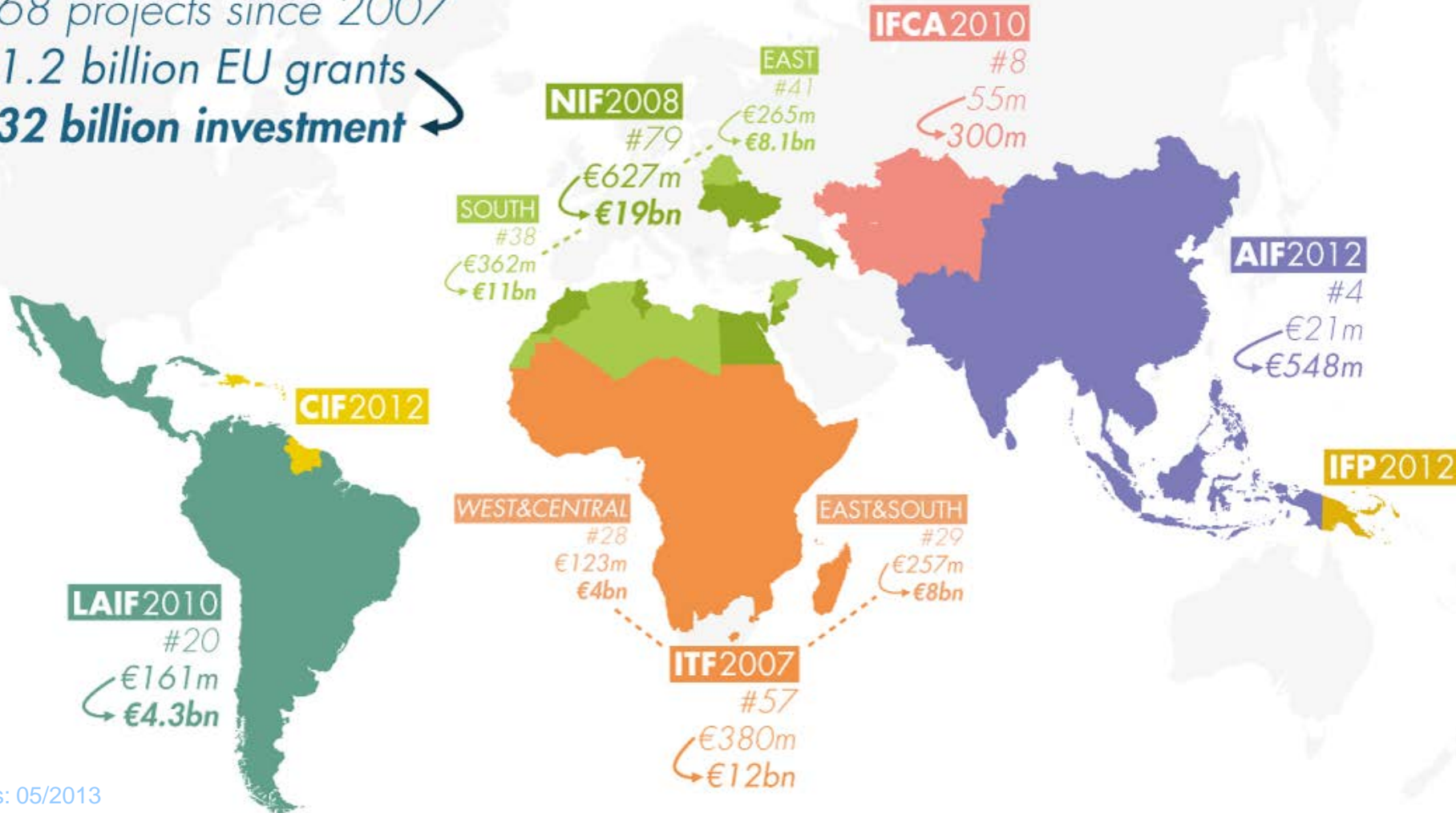
Innovative financing for development

Blending mix varies from
one project to another



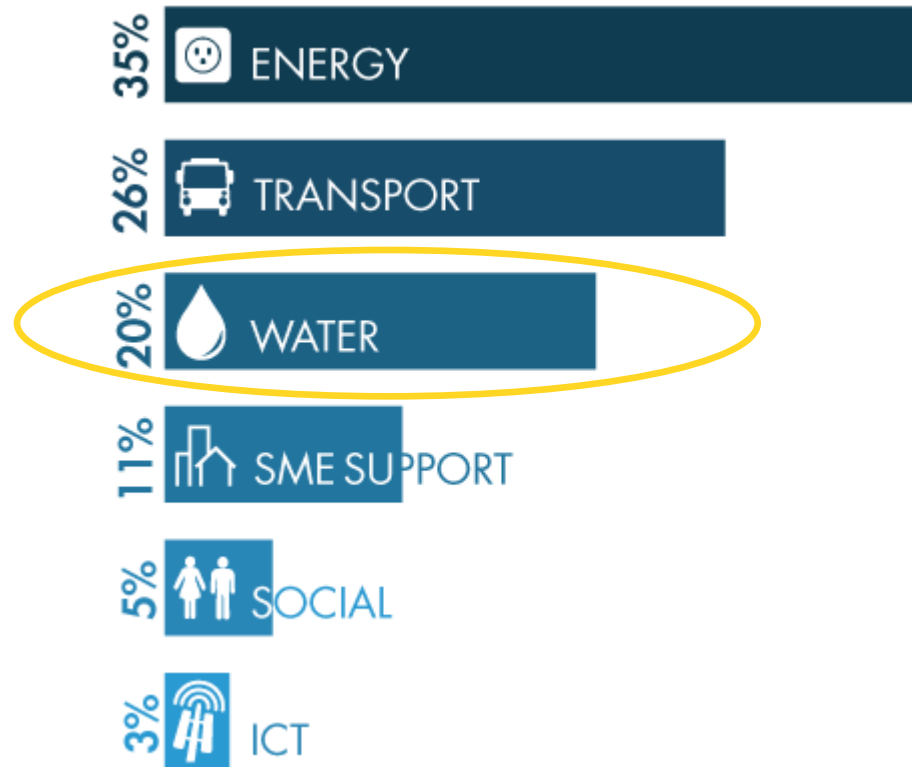
BLENDING IN EU EXTERNAL COOPERATION

168 projects since 2007
 €1.2 billion EU grants
 €32 billion investment



Sectors covered

Figures since 2007 in
ITF, NIF, LAIF, IFCA, AIF



Overview on the Regional Facilities

Regional Facility	ITF	NIF	LAIF	IFCA	AIF	CIF	IFP	TOTAL
Creation	2007	2008	2010	2010	2011	2012	2012	
Region	Sub-Saharan Africa	Neighbourhood	Latina America	Central Asia	Asia	Caribbean	Pacific	
Operations approved (number)	57	79	20	8	4	-	-	168
Water sector projects (number)	3 (regional)	16	5	1	-	-	-	25
Water sector total FI financing (grant) (M€)	468 (52)	1,006 (131)	619 (77)	8 (7)	-	-	-	
Grant amounts approved (M€)	380	627	161	55	21	-	-	1,244
Available resources in 2013 (M€)	30+329 (SE4A)	237	28	16	15	40	10	514

Project lifecycle under blending



Who should be involved and at what stage?



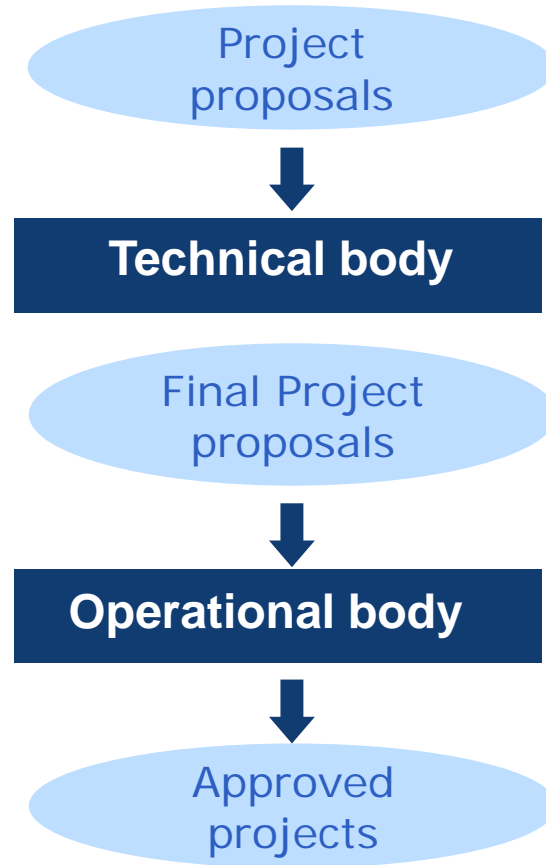
➤ Screening and Decision making process

Project proposals are presented by a lead finance institution

Decision making process

A 3-tier governance
structure

Strategic body







Screening Process

EU development
objectives are always
paramount

Every project proposal is subject to a peer review among finance institutions and a screening process led by COM.

Decisions taken on a case by case basis, requiring the following checks :

-  project is 100% in line with EU development policy objectives
-  **environmental & social standards** have been taken into account
-  necessity of grant element has been documented
-  sufficient analysis has been made **to avoid market distortions**

Cooperation & coordination

between European and Non-European aid actors (donors and finance institutions).

EIB EBRD AFD KfW AECID
IFC CEB LUXDEV ADB BIO
SOFID IADB CDB NIB IDB
CAFFINN FUND AfDB CDP
OeEB BCIE PIDG

As a matter of principle, finance institutions must pass an *ex-ante* assessment that – among other things – requires them to meet **international standards of competitive bidding** (tied-aid is not possible).

Eligible Finance Institutions

FACILITY	FULL MEMBERS	OBSERVERS
NIF	AECID, AFD, CEB, EIB, EBRD, KfW, NIB, OoEB, SIMEST, SOFID	
AIF	AECID, AFD, EIB, EBRD, KfW, NIB, OoEB, SIMEST, SOFID	ADB
IFCA	AECID, AFD, EIB, EBRD, KfW, NIB, OoEB, SIMEST, SOFID	ADB
IFP	AECID, AFD, EIB, KfW, NIB, OoEB, SIMEST, SOFID	ADB, AusAID, NZAID, WB
LAIF	AECID, AFD, EIB, KfW, NIB, OoEB, SIMEST, SOFID	CABEI, CAF, IADB
CIF	AECID, AFD, CDB, EIB, NIB, IADB, KfW, OoEB, SIMEST, SOFID	CABEI
ITF	AECID, AfDB, AFD, BIO, EIB, FINNFUND, KfW, LuxDev, OoEB, PIDG, SIMEST, SOFID	

Note: Satisfactory ex ante assessment to be carried out before EC could delegate budget implementation tasks to BIO, FINNFUND, OoEB, PIDG, SIMEST and SOFID. (Not applicable to the ITF)

Project example I

AITF: Lake Victoria
WATSAN Initiative



Regional initiative aiming to reverse the environmental deterioration of Lake Victoria and improve living conditions in the lake basin

Project measures

- Upgrading and rehabilitation of the Ggaba Water Treatment Complex
- Network Restructuring & Rehabilitation
- Extension of Water Supply in Informal Settlements
- Construction of new Water Treatment Plant East of Kampala and associated Network

TA relates to planning, project preparation and hydraulic analysis.

Total project volume: €212 m

Grant contribution: €14 m IRS / €8 m TA

Involved Partners: GoU, EC (AITF),
AFD, EIB, **KfW**

Project example II

NIF - Morocco: Drinking
water efficiency programme



Securing a permanent drinking water supply
in approx. 30 urban centres in Morocco

Foster the sector reform in Morocco towards
integrated water resources management

Project measures

- Rehabilitation of urban water distribution networks
- Tele-control of transport pipelines and reservoirs
- Rehabilitation of water production infrastructure
- Modernisation of water pumps and meters
- Technical support and accompanying measures

Total project volume: €101 m

Grant contribution: €6 m IG / €1 m TA

Involved Partners: GoM, EC (NIF), AFD, **KfW**

Summing up I:

Blending is not only
about financial leverage



FINANCIAL

Leverage additional public and private resources for stronger development impact.

NON-FINANCIAL

Improve project sustainability & speed. More financial discipline & ownership.

POLICY

Support to (sector) reforms in line with EU policies.

Summing up II: Opportunities for EU companies

Blending drives standards
and a level playing field

Blending is a tool to implement EU external policy objectives. They are always paramount.

As a basic principle, blending projects adhere to international procurement standards.

Blending is beneficial to EU companies:

- It helps increase the number and speed of key investment projects that lead to opportunities for contractors
- Blending pushes the highest environmental and social standards.

Summing up III: Opportunities for EU companies

Practical considerations

- Projects can only be submitted by eligible finance institutions (advice: contact the local representation of the finance institution).
- The EU delegation can help to establish the contacts to the relevant financiers and public authorities.
- Once a project has been approved, the partner country and/or the Lead Finance Institution is responsible to launch the tenders for the project.
- It is usually the Lead Finance Institution's procurement procedures which apply (and not the EC's).

Summing up IV: EU Platform for blending in external cooperation

Forum to further enhance
blending as an innovative
financial instrument

In December 2012, the EU Platform for Blending in External Cooperation (**EUBEC**) was launched to further increase the effectiveness of blending by providing recommendations.

EC expert group, involving MS, EP, EEAS and finance institutions.

Main forum to build on successful experience so far and look at how to further improve the quality & efficiency of blending mechanisms.

EU Platform is led by a Policy Group (EC, EEAS, MS, EP), which can make recommendations on the use of blending. The Policy Group is supported by technical groups, involving relevant finance institutions.



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