



Transport and infrastructure: How EU Blending can help?

Seminar Transport and Infrastructure
in the EU external aid instruments
Brussels, 11 June 2013

Yves des Rieux - DEVCO.C3

Innovative financing

Why blending?

The world is facing **massive developmental challenges** (e.g. Climate Change, Arab Spring, etc.)

HOWEVER

EU member states' **public funds are heavily constrained** (due to financial & economic crisis).

Ways have to be sought to achieve the **largest possible impact** of development grants.

Innovative financing

What does blending do?

Combine grants with additional flows (such as loans and risk capital) to **gain financial and qualitative leverage** and thereby **increase EU development policy impact**.



Innovative financing

What does blending do?

The **strategic use of a grant element can make projects** and initiatives by public or commercial financiers **financially viable** and thereby exerts a leveraged policy impact.





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BLENDING IN EU EXTERNAL COOPERATION

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

LAIF2010
#20
€161m
€4.3bn

CIF2012

SOUTH
#38
€362m
€11bn

NIF2008
#79
€627m
€19bn

EAST
#41
€265m
€8.1bn

ITF2007
#57
€380m
€12bn

IFCA2010
#8
55m
300m

AIF2012
#4
€21m
€548m

IFP2012

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	Neighborhood	Latina America	Central Asia	Asia	Carribbean	Pacific	
Operations approved (number)	57	79	20	8	4	-	-	168
Amounts approved (M€)	380	627	161	55	21	-	-	1,244
Amounts of the contracts signed (end Nov. 2012)	163	404	39	37	6	-	-	650
Available resources in 2013 (M€)	30+329 (SE4A)	237	28	16	15	40	10	514

Blending

The EU is pioneering innovative financing for development

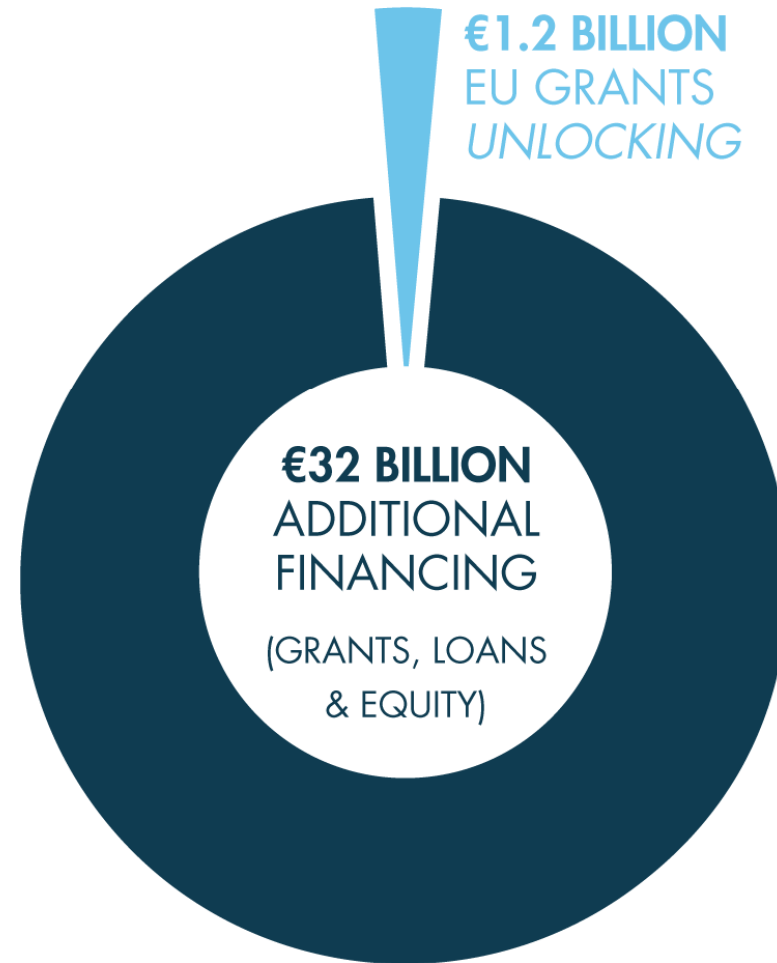


At the project level, grant and non-grant resources are blended to create the right financing-mix for that specific project.



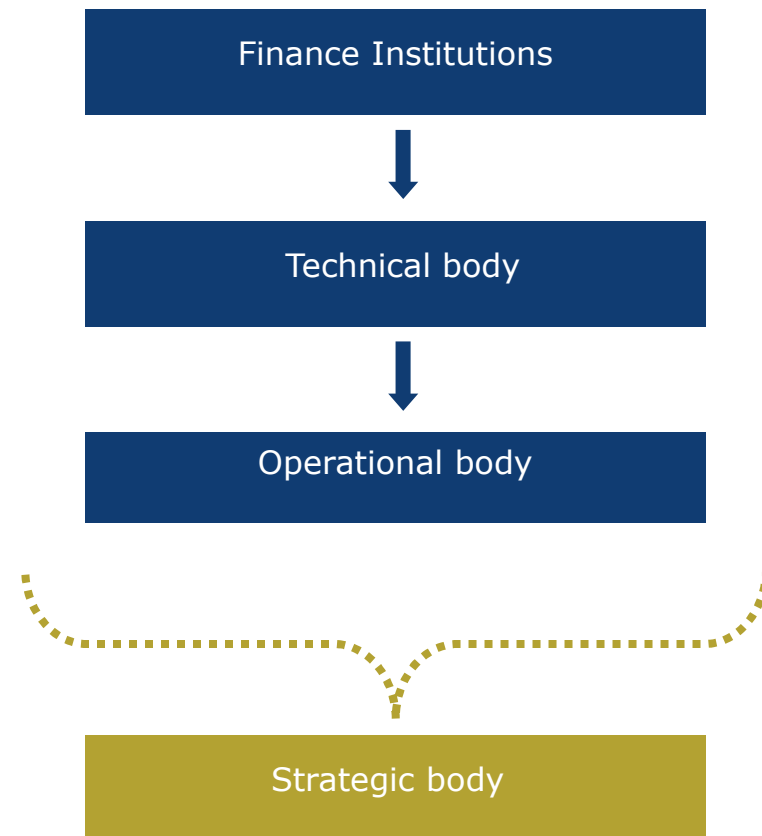
Amount leveraged

Since 2007 in ITF, NIF, LAIF, IFCA, AIF



Blending: Project approval process

- Projects are presented by a Lead Finance Institution...
- ... to the technical body where they are technically discussed
- Submitted for approval to Operational body
- **The strategic body** oversees the activities and provides guidance



Blending

Who are the actors?

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

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

Eligible Financial 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)

Blending

Project examples

Nicaragua: access to drinking water from 72% to 95% in 15 cities.

Egypt: extension of Cairo metro on 17.7 km, which will unlock 2 densely populated districts and provide safe and reliable access to the city centre and the central business districts.

West Africa: 1,300 km transmission line and connecting 60,000 households to the electricity grid.

East Africa: Geothermal power plants producing >2.000 GWh per year, providing stable & affordable energy in the region.

Neighbourhood East: providing sustainable funding to local businesses through a fund that has already created 250,000 jobs.



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Types of grant support

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





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Sectors covered

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



Sectors covered

Focus on the sector of
Transport

- ITF, NIF and LAIF have supported many pre-investment and investment stage projects: ports, airports, roads, rail, trolley buses, tramway and metros, in a wide range of countries (see annex):
 - ITF: 18 projects; grants 116 M€; total investments 1,477 M€; leverage 12.7x
 - NIF: 20 projects; 179 M€; 5,413 M€; 30x
 - LAIF: 2 projects; 7 M€; 449 M€; 64x
- Transport is an area in which the blending instruments are already being widely used, and where there is scope for significant further growth.

Aid effectiveness

Key aspects of the
"Agenda for Change"

Enhancing cooperation among aid actors as a means of boosting the **impact** and efficiency and effectiveness of European aid.

Coordinating interventions makes development assistance more coherent and complementary. Exchanging best practices and **innovative** approaches is part of that.

Harmonising processes makes for lower transaction costs, while reducing administrative burden for partner countries, freeing up funds for additional programmes.

Drive for better coordination, **division of labour** and aid effectiveness is a key aspect of the *Agenda for Change* (→ chapters 5 & 6).

Blending

Promoting cooperation
& coordination

Increasing Aid Effectiveness is key motivating factor behind blending.

Blending has brought added value in terms of the enhanced coordination and synergies between finance institutions.

Finance institutions & donors work together in identifying, preparing & financing projects.

This has boosted coordination and cooperation among the actors involved in the EU blending facilities.

Blending leads to lower transaction costs, more harmonisation of procedures and greater efficiency.

Summing up

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 reforms in line with EU policies.

Use of blending

Warning

- Blending is an EU aid modality: it must adhere to the same principles as other EU aid modalities.
- EU development objectives are always paramount. Blending is not an export promotion tool.
- In order to become eligible under the EU regional blending facilities, finance institutions must pass an *ex-ante* assessment that – among other things – requires them to meet international standards of competitive bidding (tied-aid not possible).

Use of blending

As a conclusion:
practical aspects

- Projects can only be submitted by eligible finance institutions (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).



Contacts

ITF: EuropeAid-AITF@ec.europa.eu

NIF: EuropeAid-NIF@ec.europa.eu

LAIF: EuropeAid-LAIF@ec.europa.eu

IFCA: EuropeAid-IFCA@ec.europa.eu

AIF: EuropeAid-AIF@ec.europa.eu





Thank you