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Opportunities for the Private Sector

in the new

"Investment Facilities"

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10 June 2010

EUROPEAN COMMISSION

Outline

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2. How do they work?

3. What are the opportunities for the private sector?

1. What are the Investment Facilities?

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The Facilities are innovative financial mechanisms launched to support operations from the **European development finance institutions**

The Facilities optimally 'blend' grants and loans from EU development actors

1. The Investment Facilities - Overview

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- **EU-Africa Infrastructure Trust Fund (EUAITF):**
  - **Launched in 2007**
  - **EUR 108.7 M from 9th EDF + EUR 200 M from 10th EDF + EUR 64M from MS budgets**
- **Neighbourhood Investment Facility (NIF):**
  - **Launched in May 2008**
  - **EUR 700M 2007-2013 from EU budget + EUR 54M from MS budgets**
- **Western Balkans Investment Framework (WBIF):**
  - **Launched in December 2009**
  - **EUR 110M 2010 from EU budget + 3 x EUR 10 M from EIB, EBRD and CEB + contributions from MS budgets through the EWBJF**
- **Latin America Investment Facility (LAIF):**
  - **Launched in March 2010**
  - **EUR 135M 2010-2013 from EU budget**
- **Investment Facility for Central Asia (IFCA):**
  - **Launched in June 2010**
  - **EUR 20M 2010; allocations for 2011-2013 tbc**
- **Asia Investment Facility (AIF):**
  - **Under proposal; EUR 10M 2010; indicative allocations for 2011-2013 EUR 30M.**

1. Sectors covered

- Transport
- Energy
- Environment
- Social
- Telecoms

Infrastructure

- Private sector (in particular SMEs)

Sectors covered vary across Facilities depending on regional priorities, but transport is a priority throughout

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1. Strategic Objectives

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Projects supported by the Investment Facilities aim at :

- Establishing better **energy** and **transport** infrastructure interconnections between the EU and the concerned region and within the region itself;

- Addressing threats to our common **environment** including climate change;

- Promoting equitable socio economic development and job creation through the support for **small and medium size enterprise and the social sector**.

Strategic objectives common to all Facilities though priorities are adapted to regional context

1. Type of Support

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- Grants provided by the Investment Facilities can take several forms, such as:
  - **Investment** co-financing
  - **Technical assistance** and preparatory studies
  - **Risk capital** operations
  - **Loan guarantee** cost financing

A large range of financial products to ensure flexibility and adaptation to projects' and promoters' needs

1. Guiding principles

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- Mobilise additional funding for investments by leveraging loans and partner countries own contributions
- Support the priorities of EU Action Plans or related thematic policy priorities
- Avoid replacing private financing (additionality)
- Be complementary to corresponding regional, national and local strategy and measures
- Value for money: projects need to be technically and financially sound

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2. How do they work?

2. Investment Facilities' Architecture

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- The « **Finance Institutions Group** » (FIG)

- The « **Board** »

Strategic meeting

Operational meeting

2. Eligible Finance Institutions

Finance Institutions authorized to submit operations to the Investment Facilities:

- **Multilateral** European Finance Institutions (e.g.EIB, EBRD, CEB, NIB)
- European public **national** development finance institutions from Member States (e.g. AFD, KfW, OeEB, SIMEST, SOFID…)
- **Other** Finance Institutions where MS own altogether the highest share of the capital, following an unanimous decision

European Finance Institutions take the lead in proposing projects to the Investment Facilities

2. Implementation Modalities

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- Use Beneficiary country's systems whenever possible
  - Facilities contribution transferred to the beneficiary country (not through the FI) in most cases
- Ensure an harmonised approach towards the Beneficiary
  - Facilities contribution pooled with those from the Finance Institutions (when possible)
  - Procurement procedures are the ones agreed upon amongst donors
- Enhance coordination between European donors
  - Projects financed by a consortium of Eligible FI are strongly encouraged
- Guarantee European visibility

2. Added value

- Leverage effect : financing operations of a larger scale with several finance institutions
- Increased concessionality
- Reducing transaction costs: donor co-ordination and harmonisation of procedures
- Joint visibility of “European operations"

The Investment Facilities are key instruments towards stronger partnerships between the EU and the concerned developing regions

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2. NIF: first 18-months results

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- 25 projects approved (16 East - 9 South) from June 2008 until December 2009
- 170 million Euros allocated (75 M € South, 95 M € East)
  - 50% for Technical Assistance
  - 44% for Investment co-financing
  - 6% for Risk Capital Operations
- > 3.8 billion Euros of loans from IFIs
- 7.4 billion Euros of total cost of investments

Success of the NIF has led to replication of the instrument across other regions

2. NIF: focus on transport

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- 7 projects approved (4 East - 3 South)
  - Yerevan Metro - Armenia
  - Tbilisi Railway Bypass Environmental Clean-up - Georgia
  - Moldova Road Rehabilitation - Rep. of Moldova
  - Chisinau Airport Modernisation - Rep. of Moldova
  - Tunis High Speed Urban Railway – Tunisia
  - Tramway of Rabat - Morocco
  - Second National Programme for Rural Roads - Morocco
- 59 million Euros allocated (31.8 M € South, 27.2 M € East) to projects worth > € 1.6 billion, leveraging loans from European Finance Institutions of approx. € 800 M
- Transport sector represented 35% of overall NIF portfolio as of end 2009

As of end 2009, the transport sector was the main beneficiary volume-wise of NIF support

3. Opportunities for the private sector

3. How can the private sector benefit?

Directly…

- SMEs
- Financial sector (intermediary banks, investment funds, etc)
- PPPs

Indirectly….

- Services' providers
  - E.g. as of end 2009 EUR 85M approved for TA by the NIF
- Works' and supplies' providers
  - E.g. as of end 2009 EUR 75M approved as investment grant by the NIF

The Facilities create a range of new opportunities for both the local and European private sector

3. Some examples - NIF

Energy Efficiency Programme in the Corporate Sector

- Total Cost: **€ 302 million**
- NIF support: **€ 2 million** for **TA**
- Co-financing Institutions: **EBRD**
- Targeting private companies operating in various industrial sectors, agri-business and processing of natural resources in the Eastern Neighbourhood

European Neighbourhood Fund (ENBF)

- Total Cost: up to **€ 70 million**
- NIF support: **€ 10 million** in **risk capital**
- Co-financing Institutions: **KfW**, OEeB
- Creation of a new fund supporting SMEs in the Eastern Neighbourhood. NIF grant contributes to a first-loss tranche to be used to leverage additional mezzanine and senior tranches from IFIs and commerical banks

As of end 2009, 15% of NIF approvals' portfolio allocated to support of the private sector

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3. Opportunities for services/works/supplies providers

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- Lead Finance Institution plays a key role in the selection of projects and their implementation

- Procurement rules of the Lead adopted for tendering of NIF grant or whole European financing package:

  - http://www.ojeu.eu/
  - http://tenders.afd.dgmarket.com/
  - http://www.ebrd.com/oppor/procure/opps/goods/general/index.htm
  - https://www.gtai.de/EN/Navigation/KfW-Tender-Search/search-kfw-tender.html
  - ……… as well as websites of Beneficiary countries' contracting Authorities

Lead Finance Institution main point of entry for private sector

Questions ?

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NIF:

http://ec.europa.eu/europeaid/where/neighbourhood/regional-cooperation/irc/investment_en.htm

EUAITF:

http://www.eu-africa-infrastructure-tf.net/

LAIF:

http://ec.europa.eu/europeaid/where/latin-america/regional-cooperation/laif/index_en.htm

WBIF:

http://www.wbif.eu/

IFCA:

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