2015:1 UTV Working Paper

Ingrid Hultquist

Mapping of EU blending

Project: Sida and EU blending

Sida

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The views and interpretations expressed in this report are the authors' and do not necessarily reflect those of Sida.
UTV Working Paper 2015:1
Project: Sida and EU blending

Date of final report: December 2015
Printed by: Sitrus 2016
Art. no. Sida61956en
urn:nbn:se:sida-61956en

This publication can be downloaded/ordered from:
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List of abbreviations and acronyms

ACP	African Caribbean Pacific
ADB	Asian Development Bank
AECID	Agencia Española de Cooperación Internacional para el Desarrollo
AFD	Agence Francaise de Developpement
AfDB	African Development Bank
AfIF	African Investment Facility
AIF	Asia Investment Facility
BIO	Belgian Investment Company for Developing Countries
CABEI	Central American Bank for Economic Integration
CAF	Andean Development Corporation
CCW	Climate change window
CDB	Caribbean Development Bank
CEB	Council of Europe Development Bank
CIF	Caribbean Investment Facility
COFIDES	Companía Española de Financiación al Desarrollo
DCI	Development Cooperation Instrument
DG DEVCO	Directorate General for Development and Cooperation
DG NEAR	Directorate General for Enlargement
EBRD	European Bank of Reconstruction and Development
EC	European Commission
EDF	European Development Fund
EDIF	Enterprise Development and Innovation Facility
EEAS	European External Action Service
EIB	European Investment Bank
EWBJF	European Western Balkan Joint Fund
ENI	European Neighbourhood Instrusment
EP	European Parliament
EU	European Union
EU MS	EU Member States
EU-AITF	EU Africa Infrastructure Trust Fund
EUBEC	EU Platform for Blending in External Cooperation
FINNFUND	Finnish Fund for Industrial Cooperation Ltd.
IADB	Inter-American Development Bank

ICT	Information and communication technology
IDB	Inter-American Development Bank
IFC	International Financial Corporation
IFCA	Investment Facility for Central Asia
IFI	International Financial Institutions
IFP	Investment Facility for the Pacific
IPA	Instrument for Pre-Accession Assistance
ITF	EU Africa Infrastructure Trust Fund
JGF	Joint Grant Facility
KfW	Kreditanstalt für Wiederaufbau
LAIF	Latin America Investment Facility
Lux-Dev	Luxembourg Development Agency
NIB	Nordic Investment Bank
NIC	National Investment Committee
NIF	Neighbourhood Investment Facility
ODA	Official Development Assistance
OeEB	Österreichische Entwicklungsbank AG
PFG	Project Financiers Group
PIDG	Private Infrastructure Development Group
REEP	Regional Energy Efficiency Programme
SC	Steering Committee
SE4ALL	UN's Sustainably Energy for ALL
Sida	Swedish International Development Agency
SIMEST	Società Italiana per le Imprese all'Estero
SME	Small and medium size enterprise
SOFID	Sociedade para o Financiamento do Desenvolvimento
SPP	Single Project Pipeline
TAM	Technical Assessment Meeting
TG	Technical Group
WBIF	Western Balkan Investment Framework

Introduction

This report provides an overview of EU blending. EU blending is used as an instrument for achieving EU external policy objectives, complementary to other aid modalities and for pursuing relevant regional, national and overarching policy priorities. Blending combines EU grants with loans or equity from public and/or private financiers.

Since April 2015, Sida is pursuing a two year project with the aim to establish and increase Sida's involvement in EU blending. This document forms part of an activity listed in the project plan dated 20150518 as: "*en kartläggning och nulägesbeskrivning av blendingsamarbetet, EUs olika instrument och de utvecklings-banker och finansieringsinstitutioner som är aktiva*."

The purpose of the mapping is to present an overview of EU blending with a focus on volumes, geographic and thematic coverage as well as governance structure. The information provided will serve as input to various activities within the project Sida and EU blending, including the identification of which facilities to priorities, where and how to increase Sida's involvement as well as for the internal presentations to the departments and thematic working groups at Sida. The mapping will also contribute to a common basic understanding of blending for colleagues at Sida, and other interested parties. It should also contribute to facilitating the future work of Sida with EU blending, such as preparing for the various blending committee meetings.

The mapping is a factual report. The mapping can be used as a reference document depending on the interest of the reader, and need not be read cover to cover. Subsequent activities within the project Sida and EU blending, such as outlining current Sida operations that are related to the infrastructure projects within the EU blending facilities will further add value to the report.

The outline of the report is as follows: the first part explains EU blending on a general level presenting its geographic and thematic scope, volumes of funds as well as the overall governance structure. The second part describes the various EU blending investment facilities with a focus on purpose, volume of grants, geographic scope, sectors, type of support and governance. The third part explains the role of the financial institutions and briefly introduces the most common participating financial institutions.

The sources of information are mainly secondary in the form of annual reports for the various facilities, EU decisions and reports, as well as the internet. The mapping also draws upon information and discussions from the meetings between Sida and the EU in Brussels in early June 2015, as well as from Sida's participation in the Western Balkan Investment Facility Steering Committee meetings.

The mapping presents EU blending on a general level and footnotes are included to facilitate further reading.

EU blending

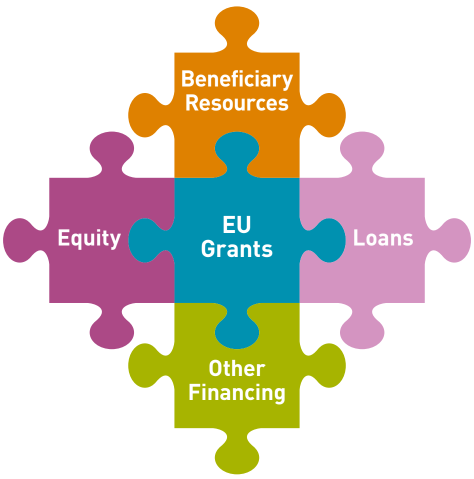
Blending and its benefits

Blending as a concept is not new, but has within the EU development cooperation increased since the launch of the Agenda for Change. The Agenda for Change was communicated in 2011, and recognises blending as an important vehicle for leveraging additional resources and increasing the impact of EU aid. It has been passed by the European Council as well as the European Parliament. [1] The EU Agenda for Change states that "*in selected sectors and countries, a higher percentage of EU development resources should be deployed through existing or new financial instruments, such as blending grants and loans and other risk-sharing mechanisms, in order to leverage further resources and thus increase impact.*"

The EU recognises that substantial investment is required to improve people's living conditions in EU partner countries and that government and donor funds are far from sufficient to cover these needs. Therefore countries need to attract additional public and private financing to drive economic growth for poverty reduction. [2] Hence, blending is regarded as an important vehicle for leveraging additional resources and increasing the impact of EU aid. It is particularly suitable for large investment projects such as in infrastructure.

Blending refers to the combination of EU grants with loans or equity from public and/or private financiers.[3] Beneficiary resources as well as other financing, such as guarantees, can also form part of the blending as presented in **Figure 1**. The grant element is normally provided by official development assistance (ODA), whereas the loans are provided from publicly owned institutions or commercial lenders. ODA must have the objective to promote the economic development and welfare of developing countries, while loans do not need to fulfil the same criteria. [4]

Figure 1 EU blending



Source: Copied from EU blending European Union aid to catalyse investments

Blending aims to address situations in where investments could be economically viable but do not attract sufficient funding from market resources.[5] The reasons for why projects cannot attract financiers at normal market rates include that they:

- present high economic, environmental and/or social benefits, but are insufficiently profitable
- have excessive risk profiles, and/or

[1] Communication from the Commission to the European Parliament, the Council, the European Economic and Social Committee and the Committee of the Regions, increasing the impact of EU Development Policy: an Agenda for Change, COM (2011) 637

[2] EU blending European Union aid to catalyse investments, European Union, 2015

[3] Ibid.

[4] Report by Technical Group 1 to the EUBEC Platform on Topic 2 "Identify and Promote Best Practices" in EU Blending facilities: A review of Existing Blending Mechanisms of the European Commission, author unknown

[5] European Court of Auditors, Special report: The effectiveness of blending regional investment facility grants with financial institution loans to support EU external policies, EU, 2014, Luxembourg

- are located in heavily indebted countries that are subject to International Monetary fund (IMF) requirements for loans, stipulating a certain minimum level of concessionality.[6]

Blending is based on the principles of leveraging other funds, and additionally. Additionally means that the project would not have taken place were it not for the grant component. Understandably, the second criterion has and is subjected to discussions.

The potential benefits of blending include:

- mobilising additional non-grant financing, especially when ODA is limited
- being involved in the formulation of policies
- enabling projects
- having an impact on the way projects are set up and managed
- aid effectiveness and coordination with the private sector for development
- improving donor coordination
- avoiding aid trap, and
- enhancing the visibility of European development cooperation-aid.[7]

The European Court of Auditors examined the effectiveness of blending EU grants with loans from financial institutions, and concluded that the blending had been generally effective. However some of the potential benefits, as listed above, had not been fully realised.[8] The European Commission recognises that to date, most of the leveraged financing has been provided by public sources.[9]

Operations

Since 2007 the European Commission has created eight regional investment facilities that cover the European Commission's sphere of external cooperation. The facilities and the amounts of approved grant contributions are presented in **Figure 2**. The Western Balkan Investment Facility is presented below the map in the figure.

The largest EU blending facilities are the Neighbourhood Investment Facility (NIF), the EU-Africa Infrastructure Trust Fund (ITF) and the Western Balkan Investment Framework (WBIF) in terms of grant contributions approved during 2007 and 2014.

During the period of 2007 and 2014, the European Commission (EC) allocated more than 2 billion euros in grants in total. These resources have mobilised loans of almost 23 billion euros supporting around 390 projects with a total estimated budget of more than 56 billion euros.[10] The total annual grant approvals have increased on a yearly basis (with the exception of 2013) as shown in **Figure 3**.

[6] European Court of Auditors, Special report: The effectiveness of blending regional investment facility grants with financial institution loans to support EU external policies, EU, 2014, Luxembourg

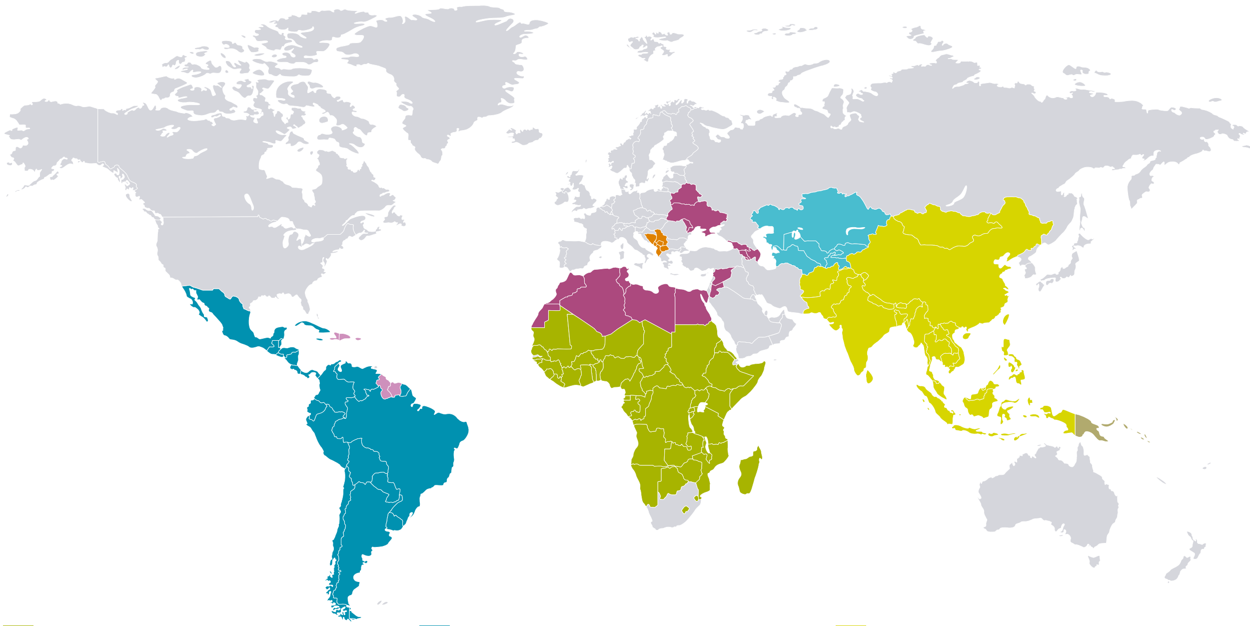
[7] E.g. in European Court of Auditors, Special report: The effectiveness of blending regional investment facility grants with financial institution loans to support EU external policies, EU, 2014, Luxembourg

[8] E.g. in European Court of Auditors, Special report: The effectiveness of blending regional investment facility grants with financial institution loans to support EU external policies, EU, 2014, Luxembourg

[9] EU blending European Union aid to catalyse investments, European Union, 2015

[10] Sida's calculations based on figures from EU blending European Union aid to catalyse investments, European Union, 2015 and Western Balkans Investment Framework Annual Report 2014

Figure 2 EU grant contributions approved by facility 2007-2014 (million euros)



2007
EU-Africa
Infrastructure Trust Fund (ITF)*
€536

2008
Neighbourhood Investment
Facility (NIF)
€1045

2010
Latin America
Investment Facility (LAIF)
€190

2010
Investment Facility for Central
Asia (IFCA)
€82

2012
Caribbean
Investment Facility (CIF)
€35

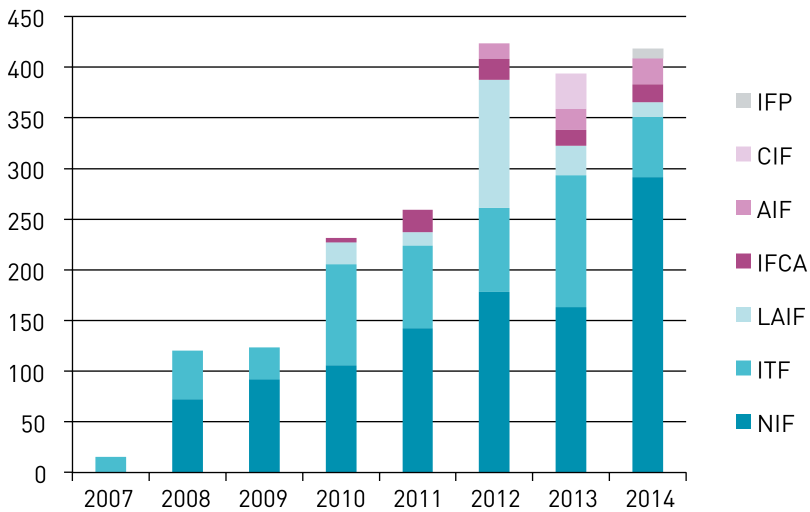
2012
Asian Investment Facility (AIF)
€68

2012
Investment Facility for the Pacific
(IFP)
€9

2009 Western Balkan Investment
Framework (WBIF)
€310

Source: EU blending European Union aid to catalyse investments

Figure 3 Annual grant approvals in million euros 2007-2014, excl. WBIF



Source: Power Point Presentation, DG DEVCO Financial Instruments, Brussels 20150609

The facilities will continue to grow, and the indicative allocations to the facilities for the period of 2014–2020 will be more than twice as much as during the period of 2007–2013/14. See **Table 1**.

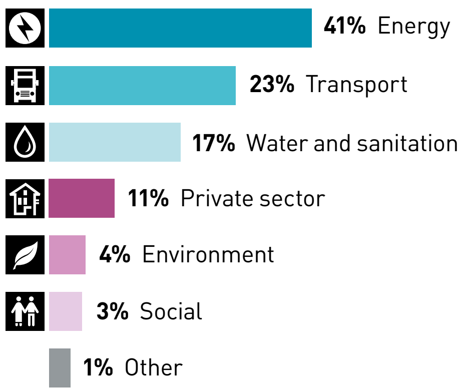
Table 1: Grant allocations in million euros

Facility	Indicative allocations 2014–2020	Allocated 2007–2014
NIF	2100	1045
ITF/AfIF	1000	536
WBIF	700–1000	310
LAIF	320	190
AIF	320	68
IFCA	140	82
CIF	135	35
IFP	20	9
TOTAL	≈ 5000	2275

Source: Power Point Presentation, DG DEVCO Financial Instruments, Brussels 20150609 and WBIF SC Minutes 20150617

The projects supported are mainly public investment projects. Energy, transport and water and sanitation account for more than 80 percent of the approved grants. See **Figure 4**.

Figure 4 Approval of grants by sector, excluding WBIF



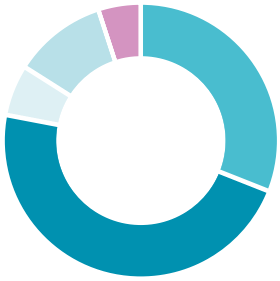
Source: Copied from EU blending European Union aid to catalyse investments 2015

The projects range from small, starting at 0,3 million euro, to those of more than 1 billion euros. In most cases, more than one financial institution is involved. In some cases, the regional investment facilities do not allocate funding to a single investment project, but to a different facility or fund. In the case of such sub-facilities, the financial institutions select and finance sub-actions, which involve local financier partners.[11]

The grants may take various forms, of which the most common types of grants are direct investment grants, technical assistance and interest-rate subsidies as presented in **Figure 5**.

[11] European Court of Auditors, Special report: The effectiveness of blending regional investment facility grants with financial institution loans to support EU external policies, EU, 2014, Luxembourg

Figure 5 Approval of grants by type of support, excluding WBIF



Source: Power Point Presentation, DG DEVCO Financial Instruments, Brussels 20150609

Almost half (47 percent) of the support consists of investment grants that reduce the initial investment and overall project cost for the partner country. Capital cushions and equity for mezzanine loans for local financial institutions to expand their lending to SME:s are included in this category.

Around one third (31 percent) of the support consists of technical assistance that is used to improve efficiency of a project and/or to facilitate a know-how transfer in certain areas, accelerate the start of projects, implementation and management as well as the sustainability of investment, and to help prepare the prepare the appropriate financial package which may consist of another blended loan.[12]

Interest rate subsidies are similar to investment grants, reduce the initial investment and overall project cost for the partner country.[13] One tenth (11 percent) of the approved grants during the period 2007–2014 consisted of interest rate subsidies.

Support in the form of risk capital and guarantees have been provided to a lesser extent. Risk capital (6 percent) is offered in the form of equity or quasi equity. It serves to decrease the risk level of a project, creating incentives for investors and financiers to participate.[14]

Guarantees (4 percent) are risk sharing mechanisms with grant funding serving as guarantee; only in case of default, do they lead to real disbursement. The guarantees are provided free of charge, or at a relatively low price (cost/fee) for the lender.

Governance

In order to optimise the functioning of mechanisms for the blending of grants and loans in the field of external action, the EU Platform for Blending in External Cooperation (EUBEC) was created in 2012. It is set up as a Commission Group of Experts.

The overall objective and scope of the platform, is to:

- improve the quality and efficiency of EU development and external cooperation blending mechanisms, taking account of the policy frameworks that govern the EU relations with the partner countries
- provide guidance for the harmonisation of key principles regarding blending activities
- focus on sectors where financial instruments can be most usefully deployed, within and across geographical regions, and

[12] EU Blending facilities: A review of Existing Blending Mechanisms of the European Commission, author unknown
[13] EU blending European Union aid to catalyse investments, European Union, 2015
[14] EU Blending facilities: A review of Existing Blending Mechanisms of the European Commission, author unknown

• help strengthen the coherence of blending activities with EU policies.[15]

EUBEC is led by a policy group that is supported by seven technical groups (TG). The work of the policy group and the technical groups is coordinated by a Secretariat staffed by the European Commission. The policy group consists of EU member states, European External Action Service (EEAS) and the European Commission. The European Parliament (EP) has observer status.[16] Financial institutions sometimes participate in the policy group meetings, but are not allowed to take part in closed door meetings when important policy decisions are taken. [17]

The technical groups consist of the European Commission, European External Action Service, financial institutions and a number of member states representatives. Representatives of the European Parliament also participate in the technical work of the platform.[18] The technical groups (TG) have been established according to various objectives, and are labelled: TG1 Review of Existing Blending Mechanisms, TG2 and 3 Enhancement of Effectiveness, Transparency and Accountability of Blending Activities, TG4 Further Development of Financial Instruments, TG5 Results Measurement Framework, Improvement of Processes, TG6 Private Sector Engagement and TG7 Climate Action.

Generally the governance structure and the decision making of the eight regional investment facilities consists of a three tiered structure with a strategic body, an executive body and a technical body.[19] The Western Balkan Investment Framework (WBIF) deviates from the three tiered structure since it governed by a steering committee and a project financiers' group, and does not include the participation of EEAS. [20]

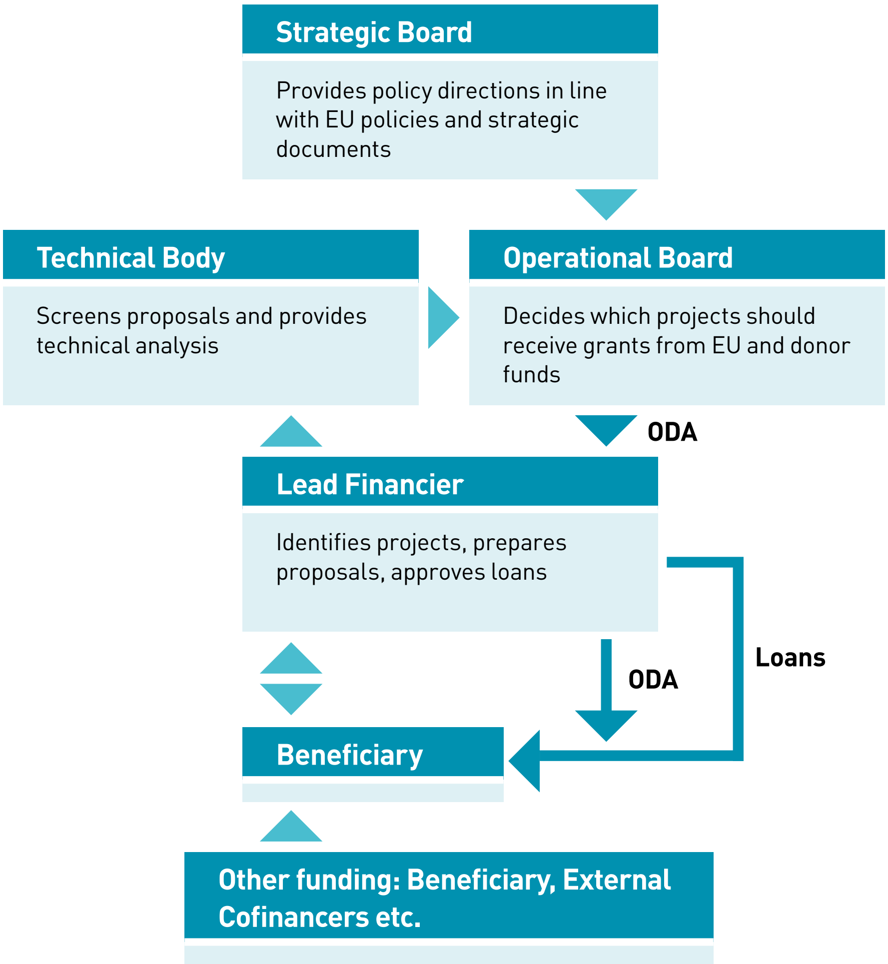
The strategic body is responsible for setting the overall strategy of the financing facility, and is sometimes referred to as the Strategic board or Steering committee (SC). [21] Strategic issues, orientations and priorities of the facility are discussed with partner countries and relevant regional organisations in specific dedicated strategic meetings.

The executive body is responsible for formulating opinions on project proposals and approving individual grants. It is sometimes referred to as the Operational board or Executive committee. [22] The operational boards are chaired by the European Commission, and include the EEAS and EU member states as voting members and financial institutions as observers.

The technical body establishes a common project pipeline and selects the projects to be presented to the executive body, thus preparing the opinions. The technical body is sometimes referred to as Project financiers group (PFG) or Financial institutions group. It consists of financial institutions and the European Commission. [23] In the case of WBIF, EU member states are allowed to attend the technical body meetings.

[15] Report from the Commission to the Council and the European Parliament, on the activites of the EU platform for Blending in External Cooperation since its establishment until end July 2014, COM (2014)733, 20141215
[16] Ibid.
[17] EU Blending facilities: A review of Existing Blending Mechanisms of the European Commission, author unknown
[18] Report from the Commission to the Council and the European Parliament, on the activites of the EU platform for Blending in External Cooperation since its establishment until end July 2014, COM (2014)733, 20141215
[19] European Court of Auditors, Special report: The effectiveness of blending regional investment facility grants with financial institution loans to support EU external policies, EU, 2014, Luxembourg
[20] Ibid.
[21] Ibid.
[22] Ibid.
[23] Ibid.

Figure 6 Decision making structure of regional facility



Source: Copied from EU Blending facilities: A review of Existing Blending Mechanisms of the European Commission, author unknown

Following consultations with the respective partner country or countries, the financial institutions propose projects. In the case of WBIF, applications are mainly made by partner countries. The development of the project pipeline is led by the financial institutions. [24]

The financial institutions identify and select projects on the basis of their own financial assessment criteria and apply for a grant specifying the type and amount. The process of project development involves collaboration with the European Commission, notably within the technical bodies and at EU delegation level. [25] The identification of projects builds on the programming process and on the approved policy priorities by the Commission, EEAS and partner countries. It further builds on strategic discussions held within each blending facility in the context of the strategic board/steering committee and on the discussions held on the analysis of the portfolio of approved projects and on the pipeline of projects.[26]

[24] European Court of Auditors, Special report: The effectiveness of blending regional investment facility grants with financial institution loans to support EU external policies, EU, 2014, Luxembourg
[25] Ibid.
[26] Reply of the Commission in European Court of Auditors, Special report: The effectiveness of blending regional investment facility grants with financial institution loans to support EU external policies, EU, 2014, Luxembourg

After approval of the operational board of a project, a specific ad hoc decision is adopted by the Commission. This decision is needed in order to comply with the EU financial regulation.[27]

The European Commission in most cases channels the grants to the final beneficiaries via the lead financial institution. The lead financial institution is in charge of the implementation of the project. It monitors the implementation of the project and reports on its progress, and is entitled to a fee for managing the implementation of projects. The financial institutions implement the technical assistance and monitor the implementation of the blended projects.

Each of the regional investment facilities has a secretariat to support the executive bodies. The secretariats are hosted by the European Commission, such as the Directorate General for Development and Cooperation (DG DEVCO) and the Directorate General for Enlargement (DG NEAR). The exception is the EU-Africa Infrastructure Fund, whose secretariat is run by the European Investment Bank (EIB).

The secretariat supports the board in all its tasks. It also supports in the organisation of communication events and the general implementation of the communication strategy, as well as in the technical level assessment of proposals and being the central contact point for all stakeholders involved in the blending framework.[28]

Funding

The regional investment facilities combine grants funded by the EU financing instruments with loans, mainly from the European development finance institutions. Direct contributions are also made by EU member states.[29]

There are four external financing instruments, namely the European Development Fund (EDF), European Neighbourhood Instrument (ENI), Development Cooperation Instrument (DCI) and Instrument for Pre-Accession Assistance (IPA). Four blending frameworks are organised according to these financing instruments. Under each framework there are geographically defined facilities, i.e. the eight regional investment facilities as previously presented in **Figure 2**.[30]

The frameworks provide overarching strategic guidelines for the investment facilities, in line with EU priorities for aid in each region.

The financing from the EU of the facilities, mainly come from the regional programmes defined under the different financing instruments. Where relevant, financing can also come from specific national and/or regional programmes in support of priorities and objectives in these countries and/or regions as defined in relevant programming documents.[31]

EU member states or other donors can contribute to blending operations through dedicated funds such as the NIF Trust Fund and the European Western Balkan Joint Fund (EWBJF). However for each facility there is one single governance structure governing the European Commission funds as well as EU member states or other donor's contributions.[32]

[27] EU Blending facilities: A review of Existing Blending Mechanisms of the European Commission, author unknown

[28] Report from the Commission to the Council and the European Parliament, on the activities of the EU platform for Blending in External Cooperation since its establishment until end July 2014, COM (2014)733, 20141215

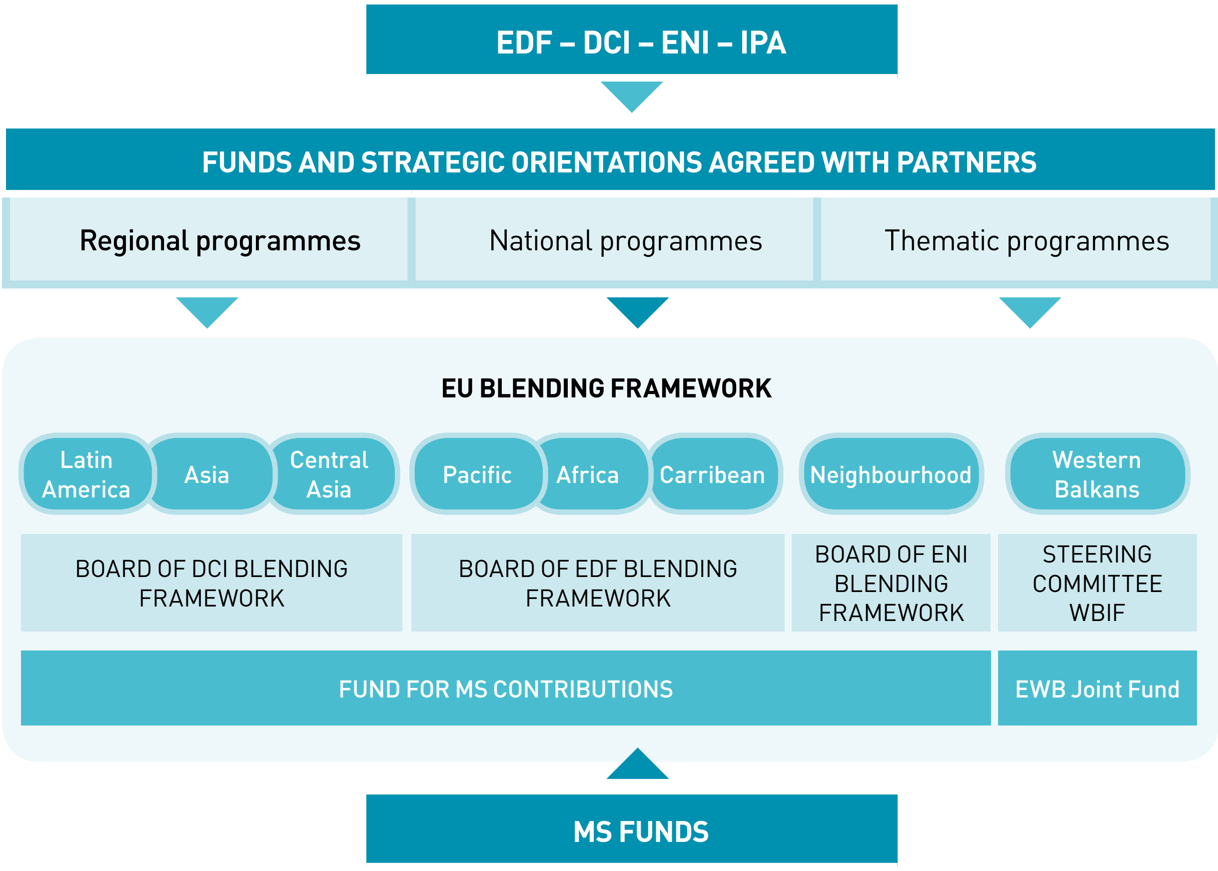
[29] European Court of Auditors, Special report: The effectiveness of blending regional investment facility grants with financial institution loans to support EU external policies, EU, 2014, Luxembourg

[30] Report from the Commission to the Council and the European Parliament, on the activities of the EU platform for Blending in External Cooperation since its establishment until end July 2014, COM (2014)733, 20141215

[31] Ibid.

[32] Ibid.

Figure 7 Governance structure



Source: Copied from EU Blending facilities: A review of Existing Blending Mechanisms of the European Commission, author unknown

Blending facilities

There are eight blending facilities which are presented below in the order of size of allocated resources. For each facility, information is included regarding geographic coverage, allocated resources, sectors, type of support, funding, governance, priorities and eligible financial institutions. The scope of information varies from facility to facility, very much depending on the availability of references. A summary of the facilities is presented in **Annex 1**.

Neighbourhood Investment Facility[33] – NIF

The Neighbourhood investment facility (NIF) is an innovative financial instrument used as a modality of EU support under the European Neighbourhood Policy (ENP). Its primary aim is to support key investment infrastructure projects in the transport, energy, social and environment sectors as well as to support private sector development in particular small and medium sized enterprises. Projects receiving a grant from the NIF must be located in an ENP partner country that has signed an Action Plan with

[33] The information presented in this section is mainly based on the Operational Annual Report 2014, Neighbourhood Investment Facility, European Commission

the EU. ENP partner countries are Algeria, Egypt, Israel, Jordan, Lebanon, Libya, Morocco, the occupied Palestinian territory, Syria and Tunisia in the South, and Armenia, Azerbaijan, Belarus, Georgia, Moldova and Ukraine in the East.

The projects supported by NIF must fully contribute to the overall objective of the EU:s Neighbourhood Policy and the achievement of the ENP partner countries' national strategies. The decision process is steered with the EU external cooperation policies as the main goal. NIF supports the implementation of regional and multilateral processes, such as the Union for the Mediterranean, the Eastern Partnership and the Black Sea Synergy

The strategic objectives for the period from 2014 until 2020 are:

- establishing better energy and transport infrastructure interconnections between the EU and neighbouring countries, and between the neighbouring countries themselves
- improving energy efficiency promoting the use of renewable energy sources and strengthening energy security
- addressing threats to the environment including climate change, and
- promoting equitable socio-economic development and job creation through support for small and medium sized enterprises and the social sector.

The Neighbourhood Investment facility was launched in 2008, and the European Commission has until 2014 allocated resources of a total of 1,072 billion euros, supporting 95 projects. These resources have leveraged 12,2 billion euros from the international financial institutions, and the estimated total cost of the projects is around 25,5 billion euros.

During the period from 2008 to 2014, the geographical allocation of the NIF grants has been fairly well balanced. Forty three projects and 609 million euros of NIF funding have been approved in the south and 52 projects and 463 million euros in the east. The allocation of resources by country is presented in **Table 2**.

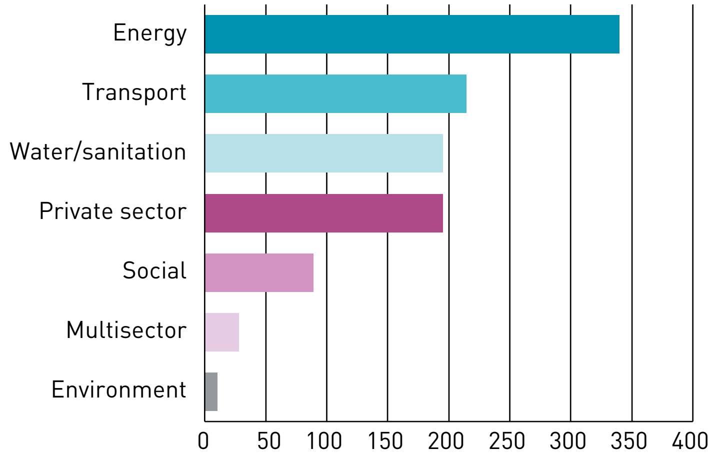
Table 2: Grant contributions by NIF East, NIF South and country 2008–2014

NIF EAST	Allocated resources, million euros	Nr or projects	NIF SOUTH	Allocated resources, million euros	Nr or projects
Regional	152,58	12	Morocco	218,15	12
Moldova	125,19	14	Egypt	158,35	11
Armenia	87,89	11	Regional	139,28	10
Georgia	65,97	7	Tunisia	74,64	6
Ukraine	27,83	7	Lebanon	14,52	2
Azerbaijan	3,55	1	Jordan	3,96	2
TOTAL	463,01	52	TOTAL	608,9	43

Source: Operational Annual Report 2014, Neighbourhood Investment Facility, European Commission

The vast majority of NIF support has been granted to energy, transport and water/sanitation projects with a total of around 750 million euros (70 percent) approved as presented in **Figure 8**. The largest individual share of NIF support went to projects within the energy sector, followed by investments in transport, water and sanitation as well as private sector development.

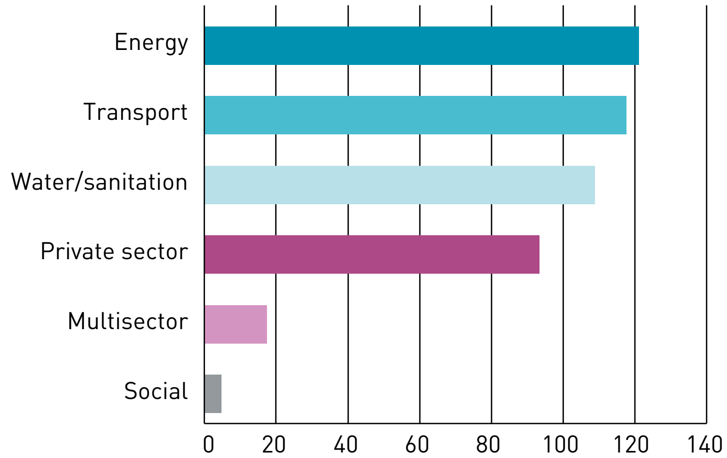
Figure 8 NIF contributions by sector 2008–2014, millions of euro



Source: Operational Annual Report 2014, Neighbourhood Investment Facility, European Commission

The grants are more evenly distributed between the largest sectors in NIF East. Projects within energy, transport, water and sanitation, as well as private sector development, received 95 percent of the support. See **Figure 9**.

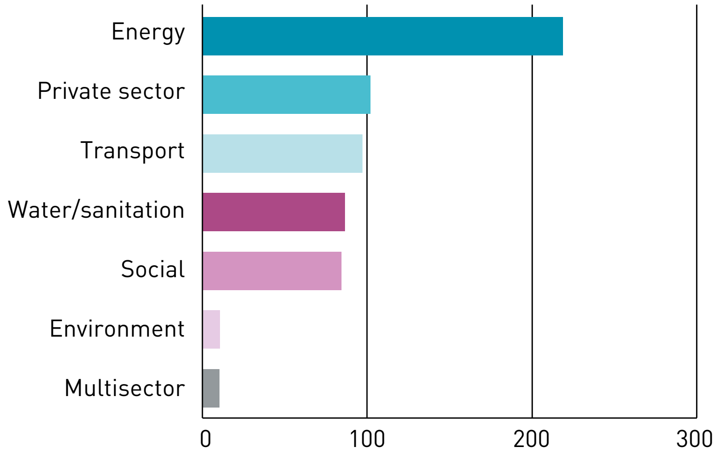
Figure 9 NIF East contributions by sector 2008–2014, millions of euro



Source: Operational Annual Report 2014, Neighbourhood Investment Facility, European Commission

In the south the energy sector is clearly dominant having received more than 200 million euros in grant support as presented in **Figure 10**. The private sector, transport, water and sanitation and the social sector have received around 100 million euros each.

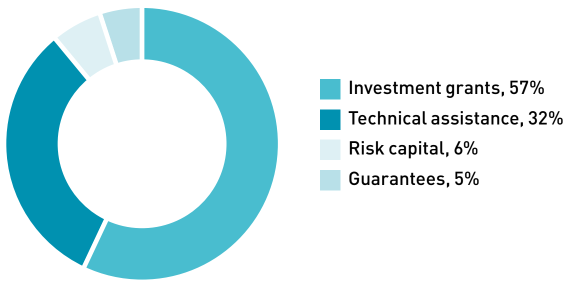
Figure 10 NIF South contributions by sector 2008–2014, millions of euro



Source: Operational Annual Report 2014, Neighbourhood Investment Facility, European Commission

The type of support that was awarded by the NIF in the period 2008–2014 was mainly investment grants (57 percent) followed by technical assistance (32 percent). Guarantees and risk capital were used to a lesser extent. See **Figure 11**.

Figure 11 Type of support, percentage



Source: Operational Annual Report 2014, Neighbourhood Investment Facility, European Commission

The financial institutions that are eligible to participate in NIF, are the following multilateral financial institutions: European Bank of Reconstruction and Development (EBRD), European Investment Bank (EIB), Council of Europe Development Bank (CEB) and the Nordic Investment Bank (NIB). The eligible financial institutions are Kreditanstalt für Wiederaufbau (KfW), Agencia Española de Cooperación Internacional para el Desarrollo (AECID), Agence Francaise de Developpement (AFD), Österreichische Entwicklungsbank AG (OeEB), Società Italiana per le Imprese all'Estero (SIMEST) and Sociedade para o Financiamento do Desenvolvimento (SOFID).

The sources of funding of NIF are the EU budget and the NIF Trust Fund. The funding from the EU is channelled via the financial instrument European Neighbourhood Instrument. The NIF Trust Fund allows EU Member States to complement the NIF resources provided from the general budget of the EU. Fifteen EU Member states have committed a total of 81,3 million euros to the NIF Trust Fund during 2008–2014. Their contributions are managed by the EIB, and the approval process follows the same NIF project appraisal and approval procedures. Sweden has contributed with 1 million euros to the NIF trust fund. The same rules of procedure are expected to apply to the trust fund as for the funding from the EU budget, which will be decided upon end of 2015.

Table 3: EU MS contributions to the NIF trust fund 2008–2014

Country	Million euros
Germany	32
France	27
Austria	3
Finland	3
Poland	3
Estonia	2,3
Czech Republic	2
Spain	2
Bulgaria	1
Greece	1
Italy	1
Luxembourg	1
Portugal	1
Romania	1
Sweden	1
TOTAL	81,3

Source: Operational Annual Report 2014, Neighbourhood Investment Facility, European Commission

The decision making structure of NIF consists of three levels, and covers technical assessment meetings, board meetings and strategic discussions.

The technical assessment meeting (TAM) is a group made up of all the eligible financial institutions which is chaired by the European Commission. The TAM discuss assesses whether the projects proposed are mature enough and of sufficient quality to be presented to the NIF board. The partner countries have prior to this stage discussed the projects with the financial institutions. The financial institutions designate between themselves a lead European financial institution that presents the project to the technical assessment meeting. Member states normally do not participate in TAM.[34]

The lead financial institution s the NIF grant requests to the NIF Board for approval. The Board is chaired by the European Commission and made up of European Commission, European External Action Service and EU member states. Eligible European financial institutions attend as observers. The NIF Board issues an opinion as to which projects will benefit from financing by the NIF. This opinion is subject to a subsequent financing decision by the European Commission, if the funding will come from the EU budget, and is final if the project is to be funded from the NIF Trust Fund.

Once a year there are strategic discussions providing strategic and policy guidance to the NIF Board. The European Commission, the EEAS and the EU MS regularly hold a dialogue on strategic orientations for the NIF with partner countries and relevant regional organisations. COM and EEAS conduct and co-chair these strategic discussions. Financial institutions, partner countries and regional organisations take part as observers.

The NIF Secretariat organises NIF Board meetings and implements its decisions. The secretariat is managed by Directorate General for Neighbourhood and Enlargement Negotiations (DG NEAR in the

[34] In order to invite other organisations that are not part of the NIF to participate in the technical assessment meetings, the Chair will have to ask the participants if they agree to that invitation, as foreseen in the NIF Rules of Procedure. Specific reasons for proposing that a third party be invited must be provided, even if that party is a European Financial Institution or a European Cooperation Agency. Usually those reasons should be technical, since the meeting is of a technical nature, and cannot be for example for the mere purpose of gathering more information on how the NIF works.

European Commission. It functions as the single entry point for requests for grants presented by the financial institutions, as well as for the organisation and follow-up of the whole assessment and decision making process.

EU-Africa Infrastructure Trust Fund /African Investment Facility – ITF/AfIF

The EU-Africa Infrastructure Trust Fund (ITF) was established in 2007 by the EU, EU member states and the European Investment Bank. The trust fund aims to increase European and African investment in infrastructure and related services, and is a cornerstone of the Joint Africa-EU Strategy.[35]

The EU Africa Infrastructure Trust Fund is gradually being replaced by the African Investment Facility (AfIF). The African Investment Facility (AfIF) was formally launched in July 2015 but is not yet established. The AfIF will manage all blending as well as financial instruments and programs. The board meetings of the African Investment Facility take place in conjunction with the European Development Fund (EDF) committee meetings. During the board meetings the member states provide an opinion on the projects.[36]

ITF – EU-Africa Infrastructure Trust Fund[37]

The EU-Africa Infrastructure Trust Fund finances large regional infrastructure programmes in Africa to facilitate interconnectivity and regional integration. It is the second largest EU blending investment facility. As of June 2015, 105 grants totalling 704,8 million euros had been approved.[38]

The trust fund was established with the objective to provide grants for regional and cross-border infrastructure projects in the energy, water, transport and communications, and telecoms sectors. In 2013 it acquired a second objective, to support projects coming within the EU:s guidelines for the UN's Sustainably Energy for ALL (SE4ALL) initiative. Around 398 million euro has been earmarked for national and/or regional energy projects that qualify under the EU SE4ALL eligibility criteria.

Consequently, EU-AITF funding is available from two different grant envelopes, i.e. the regional envelope promoting infrastructure projects with a demonstrable regional impact, and from the Sustainable Energy for All (SE4ALL) envelope supporting regional, national and local energy projects targeting SE4ALL objectives.[39]

The projects that are eligible for financing must be able to demonstrate both financial sustainability and a development impact, including:

- a significant contribution to poverty reduction and economic development and trade;
- economic viability;
- provisions for sustainable operation and maintenance;
- African ownership (projects identified as priority projects by the African Union or one of the African regional or national bodies).[40]

[35] EU-Africa Infrastructure Trust fund 2014 Annual Report
[36] Rapport från möte i EDF-kommittén 9 juli 2015, Enheten för Europeiska Unionen, Utrikesdepartementet, UD/2015-07-10/1531
[37] Source of information for this section is mainly from EU-Africa Infrastructure Trust fund 2014 Annual Report
[38] http://www.eu-africa-infrastructure-tf.net/activities/index.htm
[39] EU-AITF brochure
[40] Ibid.

During the period 2007 to 2014, 95 grant operations totalling 536,3 million euros had been approved to support 73 projects. The overall cost of these projects is estimated at 6,9 billion euros, of which 3,3 billion is funded by the Project Financiers Group (PFG).

The trust fund consists of contributions from the European Commission and the EU member states. The total contributions at the end of 2014 were 809,7 million euros, of which the European Commission had contributed with 80 percent and the EU MS with the remaining. **Table 4** presents the contributions to the trust fund from the EU member states.

Table 4: EU MS contributions to the Africa Infrastructure Trust Fund 2007–2014

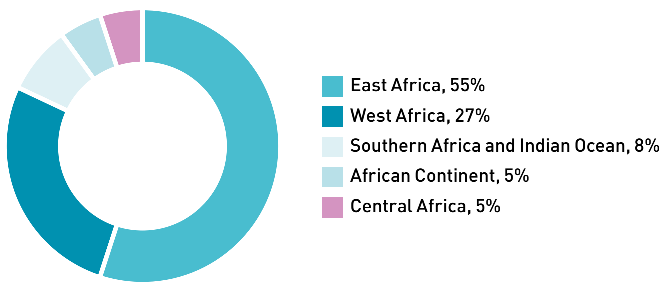
Country	Million euros
United Kingdom	113
Spain	10
France	10
Germany	9
Italy	5
Finland	5
Luxembourg	2
Austria	3
Netherlands	2
Greece	1
Portugal	1
Belgium	1
TOTAL	162

Source: EU-Africa Infrastructure Trust fund 2014 Annual Report

Eligible countries to receive support are Angola, Benin, Botswana, Burkina Faso, Burundi, Cameroon, Central African Republic, Chad, Congo Brazzaville, Ivory Coast, DR Congo, Eritrea, Ethiopia, Djibouti, Gabon, Equatorial Guinea, Sao Tome and Principe, Ghana, Togo, Guinea-Bissau, Guinea Republic, Liberia, Kenya, Somalia, Lesotho, Swaziland, Madagascar, Malawi, Mali, Mauritania, Mauritius, Comoros, Seychelles, Mozambique, Namibia, Niger, Nigeria, Rwanda, Senegal, Cape Verde, Gambia, Sierra Leone, Sudan, Tanzania, Uganda, Zambia and Zimbabwe.

During 2007 and 2014, more than half of the total amount of grants were received by East Africa, while West Africa received around one third, as presented in **Figure 12**.

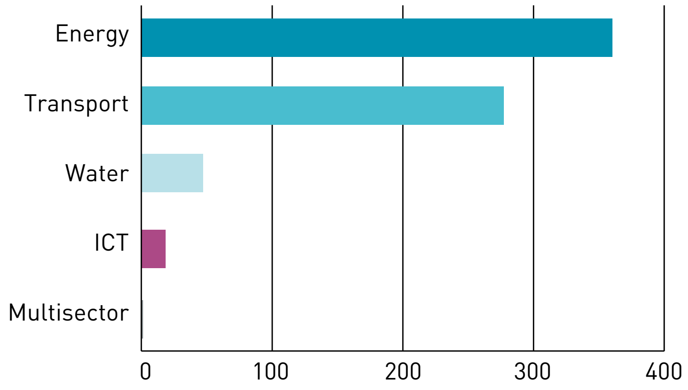
Figure 12 Approved grants by region 2007–2014



Source: EU-Africa Infrastructure Trust fund 2014 Annual Report

The largest share (90 percent) of the grants has been approved for projects in the energy and transport sectors, as illustrated in **Figure 13**.

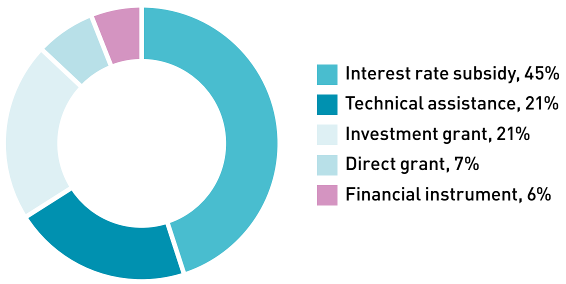
Figure 13 Approved grants by sector 2007–June 2015 in millions of euro



Source: http://www.eu-africa-infrastructure-tf.net/activities/index.htm

The most common type of support is interest rate subsidy which constitutes almost half of all the grants. Technical assistance and investment grants constitute around one fifth of the grant amounts. Direct grants are similar to investment grants but are provided to governments for the purpose of acquiring equity stakes. Financial instruments include loan guarantees, insurance premiums and equity or quasi-equity investments or other risk-sharing instruments.

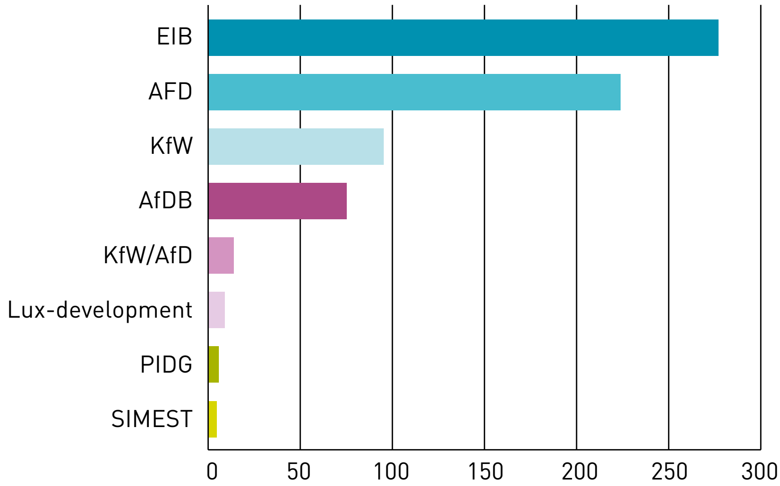
Figure 14 Approved grants by type of support 2007 – June 2015



Source: http://www.eu-africa-infrastructure-tf.net/activities/index.htm

The European Investment Bank (EIB) and the Agence Francaise de Developpement (AFD) are main lead financier of the projects approved by the EU-Africa Infrastructure trust fund. The bilateral financial institution Kreditanstalt für Wiederaufbau (KfW) and the African Development Bank (AfDB) are also important lead financiers.

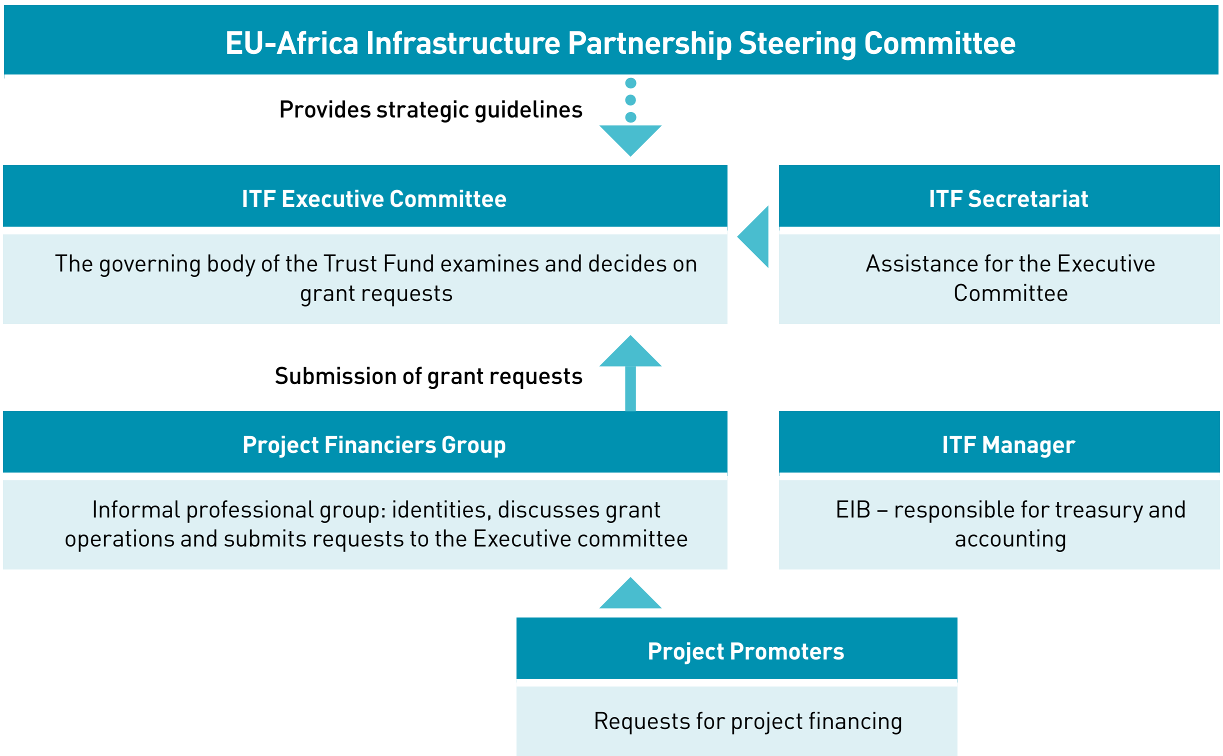
Figure 15 Approved grants by lead financier 2007–June 2015 in million euros



Source: http://www.eu-africa-infrastructure-tf.net/activities/index.htm

The governance of the EU-Africa Infrastructure Trust Fund is organised in a three levelled decision making structure as illustrated in **Figure 16**.

Figure 16 Governance structure of EU Africa Infrastructure Trust Fund



Source: Copied from *EU-Africa Infrastructure Trust fund 2014 Annual Report*

The EU-Africa Infrastructure Partnership Steering Committee provides strategic advice to the Executive Committee. It is made up of 29 representatives from the European Union and 29 representatives from the African Union.

The Executive Committee is the decision-making body of the trust fund. As the governing body, it is responsible for all key decisions and approves grant requests. The voting participants are the donors consisting of the European Commission and 12 participating EU member states. Non-voting participants are EU MS that are not yet donors, the manager of the trust fund and the Secretariat of the trust fund.

The Project Financiers Group (PFG) identifies, discusses and submits grant requests to the Executive Committee. The members of the PFG are the financial institutions nominated by donors and experts from the European Commission.

The ITF Secretariat assists the Executive Committee and attends all Executive Committee and PFG meetings, as well as meetings of other African infrastructure forums. It coordinates the overall ITF governance process and acts as a permanent contact centre for stakeholders interested in the trust fund's activities. It is housed in the headquarters of the European Investment Bank.

The manager of the EU-Africa infrastructure trust fund is the European Investment Bank (EIB). The EIB is responsible for the financial management of the trust fund and its accounting and treasury operations.

Western Balkan Investment Framework[41] – WBIF

The Western Balkan Investment Framework (WBIF) is a blending-platform for coordination of financing of projects and programs to support economic development in Western Balkan. It was created in 2009 to support the reform process and the EU enlargement.

WBIF pools grants, loans and expertise for infrastructure projects in energy, transport, environment and the social sector, as well as for private sector development. The geographical scope of the platform is Albania, Macedonia, Kosovo, Montenegro, Serbia and Bosnia and Herzegovina (BiH).

The WBIF was launched in December 2009. Since then and until the end of 2014, 310 million euros in grants have been approved to 174 projects.

The WBIF receives allocations from the European Commission Instrument for Pre-Accession (IPA), bilateral donor contributions as well as international financial institution grants and loans. During 2014–2020, the WBIF will benefit from increased IPA contributions, compared to the previous period, since the indicative allocation of funds from the EU to WBIF is 700–1000 million euros.[42]

The WBIF mixes two main facilities – the Joint Grant Facility (JGF) and the Joint Lending Facility. The Joint Grant Facility is funded by contributions from the Instrument for Pre Accession (IPA) and IPA 2 instruments, CEB, EBRD, EIB and bilateral donors. During the period 2008–2014, the European Commissioned earmarked 257 million euros, the three partner IFI:s – Council of Europe Development Bank (CEB), European Bank of Reconstruction and Development (EBRD) and European Investment Bank (EIB) – allocated 30 million euros, and 19 donor countries pledged 48,4 million euros, totalling 335,4 million euros. The types of grant allowed under the Joint Grant Facility include technical assistance, investment grants, incentive payments to financial intermediaries, interest rate subsidies, and insurance premium.

The Joint Lending Facility is the platform for cooperation between the international financial institutions to leverage the grants from the Joint Grant Facility. For each project approved for WBIF assistance and grant funding, a partner financial institution acts as the lead financier. The lead financier coordinates the implementation of the project with the beneficiary on behalf of the other financiers. Eligible financial institutions to participate in WBIF are EIB, EBRD, CEB and European Commission, as well

[41] Source of information include 2014 Annual Report Western Balkan Investment Framework, WBIF Monitoring Report May 2015, Reserapport från WBIF 12:e styrkommittémote ärendenr 15/000896 and Minutes of the Meeting WBIF 12th SC.
[42] WBIF Steering Committee meeting, 20150617

as the German bilateral financial institution Kreditanstalt für Wiederaufbau (KfW) and the World Bank Group.

The proposed project must be relevant for a national or regional strategy. The WBIF supports national and regional priorities targeting socio-economic development, environmental improvement, regional connectivity and progress toward EU accession. Eligible sectors include infrastructure development within the environment, energy, transport and social sectors as well as private sector development.

The WBIF closely cooperates with several key regional initiatives for the Western Balkans, including the Regional Cooperation Council, the Comprehensive Transport Network as agreed in 2004 under the South East Europe Transport Observatory (complementary to the Trans European Network) and the Energy Community Secretariat that supports the implementation of commitments under the Energy Community Treaty.

The WBIF has increasingly focused its efforts on regional projects which are supported by two or more beneficiaries, and/or which improve interconnection within the region and between the region and the European Union. In Berlin in August 2014, the Western Balkan leaders made a declaration on the need for increased regional interconnectivity. The connectivity agenda is based on that well-developed and coordinated infrastructure for transport and energy are key drivers for economic growth and jobs, and for attracting new investments. The transport policy of the European Union aims to close the gaps between EU member states' transport networks and remove bottlenecks that still hamper the smooth functioning of the internal market.

Lately WBIF has prioritised providing support that:

- "unblock" an existing project where identified problems can be solved by targeted TA
- build on and/or enhance an existing project where additional support either advances it to the next stage in the project development cycle or expands the benefits of the existing grant, as well as
- clearly demonstrating regional impact on the ground.

National investment committees (NIC) are gradually introduced in beneficiary countries and serve as a basis for programming of all available financing sources. A single list of prioritised projects, a so called Single Project Pipeline (SPP) has been decided as a requirement for co-financing of investments under the WBIF in 2015. The articulation of Single Project Pipeline is key in the early identification of projects that render themselves for co-financing, as well as for bilateral IPA support and for most donors.

Bosnia and Herzegovina is the single largest beneficiary of grants approved within NIF followed by Albania, Kosovo and Serbia as presented in **Table 5**. Regional projects have a large portion of the value of grants which is mainly explained by the large volume of funding allocated to Regional Energy Efficiency Programme (REEP) and the Enterprise Development and Innovation Facility (EDIF), set at 23,4 million euro and 34,2 million respectively. The REEP is an integrated package mixing policy support, direct finance and intermediated finance, aimed at supporting the creation of a sustainable market for energy efficiency in the Western Balkan. The EDIF promotes private sector development by easing access to finance for SME:s. It is platform that provides equity financing, loan financing and guarantees to SME:s throughout the region along with targeted technical assistance to governments to enact reforms that are necessary to improve SME financing facilities.

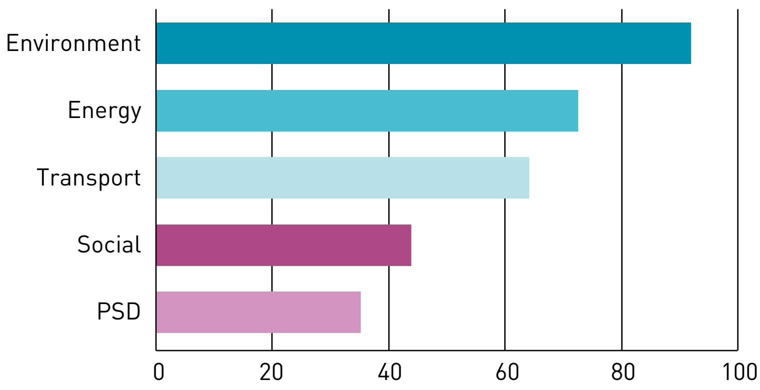
Table 5: Approved grants by beneficiary 2009–2014 in million euros

Country	Grants approved	Nr of projects
Regional	77	18
BiH	63	35
Albania	43	24
Kosovo	39	19
Serbia	38	32
Macedonia	23	17
Montenegro	18	22
(Croatia)	(9)	(7)
TOTAL	310	174

Source: Western Balkan Investment Framework 2014 Annual Report

Projects in the environment sector have received almost one third of the total grants, while energy and transport have received approximately one forth each. The small share of private sector development is explained by it being added as a sector at a later stage after the facility's set up. See **Figure 17**.

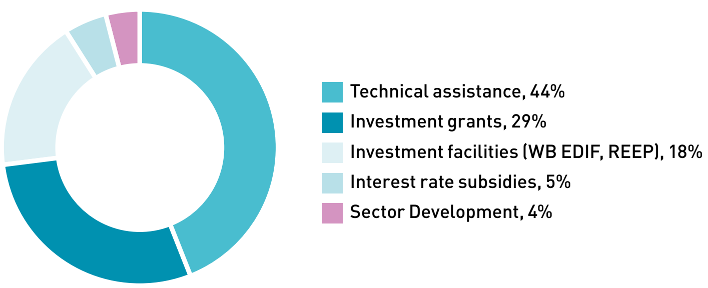
Figure 17 Approved grants by sector 2009–2014 in million euros



Source: Western Balkan Investment Framework 2014 Annual Report

The most common type of support received is technical assistance that is used for, for example project preparation support. Investment grants and the special facilities, EDIF and REEP, combined are equally as large as the share of technical assistance. See **Figure 18**.

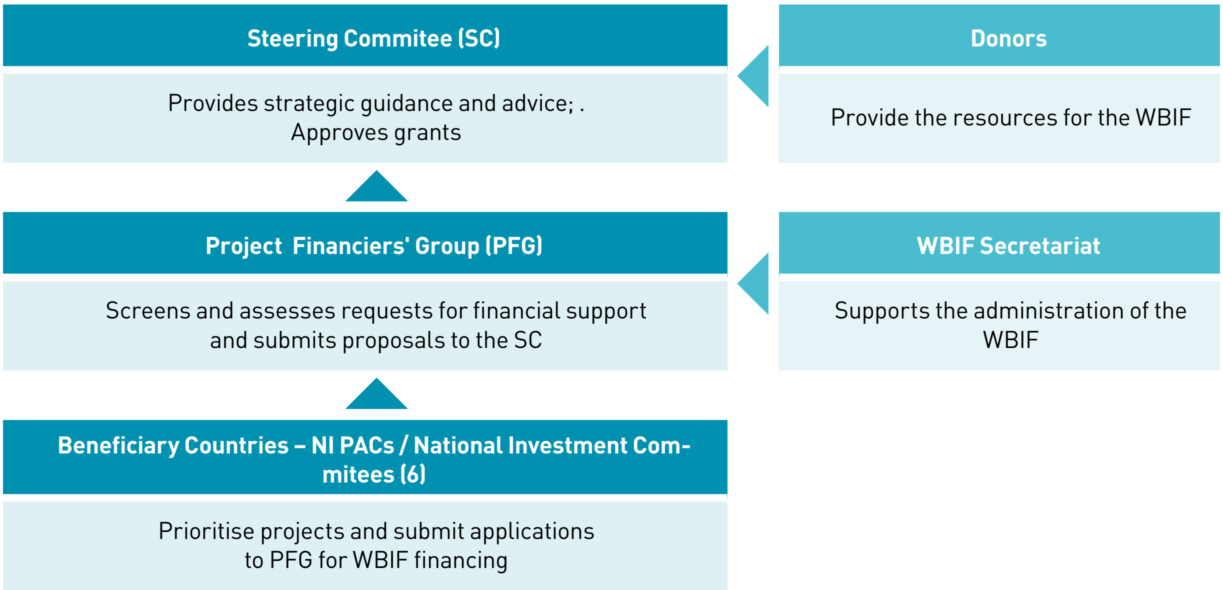
Figure 18 Approved grants by type of support 2009–2014 in million euros



Source: Western Balkan Investment Framework 2014 Annual Report

The governance structure of WBIF is slightly different from the other EU blending facilities, as it comprises of only a Steering committee (SC) and a Project financiers group (PFG). The beneficiary countries are further allowed to submit proposals. **Figure 19** illustrates the decision making structure of the WBIF.

Figure 19 Governance of Western Balkan Investment Framework



Source: Copied from Western Balkan Investment Framework 2014 Annual Report

The WBIF is governed by a Steering committee composed of representatives of the European Commission, partner IFIs, and the contributors to the European Western Balkans Joint Fund (EWBJF). The EWBJF is the donor trust fund of WBIF. The Steering Committee decides on the Joint Grant Facility (JGF) grant allocations, takes all decisions related to the JGF, and provides strategic orientation to the WBIF. The Steering Committee is co-chaired by the Commission and a donor country on an annual rotating basis.

Priorities are decided upon in the Steering committee (SC) and the Project financiers group (PFG).

The Project financiers' group is composed of representatives of the Commission, the partner IFIs, bilateral Financial Institutions and development agencies of the contributors to the donor trust fund (EWBJF). The PFG provides a 'single entry point' for requests and is responsible for the process of screening (by the Commission) and financial appraisal (by the financial Institutions) of grant requests. The Project Financiers' Group recommends positively assessed requests to the Steering Committee for grant approval and monitors their subsequent implementation.

The WBIF Secretariat is housed within DG NEAR, Unit D5 in the EC, and supports the administration and daily operations of the WBIF. The Secretariat ensures that the Terms of Reference of the Joint Grant Facility (JGF) are implemented fully. The Secretariat is supported by a number of EC-financed consultancy assignments.

The lead financial institution coordinates project implementation and provides debt finance whenever necessary.

Latin America Investment Facility[43] – LAIF

The Latin America Investment Facility was created in 2010 as an instrument to mobilise additional infrastructure investments in Latin America, focusing on transport, energy and environment, as well as supporting social programmes and private sector development with a focus on SME:s.

[43] Source of information is mainly the Latin America Investment Facility 2013–2014 Operations report

More specifically, LAIF pursues three interconnected and mutually reinforcing strategic objectives:

- improving interconnectivity between and within Latin American countries via better energy and transport infrastructures, including energy efficiency, renewable energy systems, and sustainable transport and communication networks,
- increasing environment protection and supporting climate change adaptation and mitigation, and
- promoting equitable and sustainable socio-economic development through the improvement of social service infrastructure and support to SME:s.

LAIF help to underpin the EU development strategies for Latin America, and as such contributes to achieving the objectives of the EU's Development Cooperation Instrument (DCI) and its Regional Strategy for Latin America. The resources come from the EU's Development Cooperation Instrument (DCI), and the Secretariat of LAIF is part of the Financial Instruments unit of the Commission's Directorate-General for International Cooperation and Development.

Almost all LAIF operations involve at least one European Finance Institution and at least one Latin American Regional Development Bank in Latin America.[44]

LAIF:s total budget for the period 2010–2013 was 197,7 million euros. The total budget of 197,7 million euros include 50 million euros earmarked for Nicaragua and 17,3 million euros earmarked for specific climate change projects.

For the period 2010 to 2014, 25 projects were approved, representing a total investment cost of more than 6 billion euros with EU grant contributions of just over 190 million euros.

Nine projects are regional of which seven involve the whole region and two focus on Central America. The other 16 projects concern Nicaragua, Mexico, Chile, Paraguay, El Salvador, Peru, Bolivia, Brazil and Colombia individually. Nicaragua and regional projects have received the largest amounts of grants. See **Table 6**.

Table 6: Approved grants by beneficiary 2010–2014

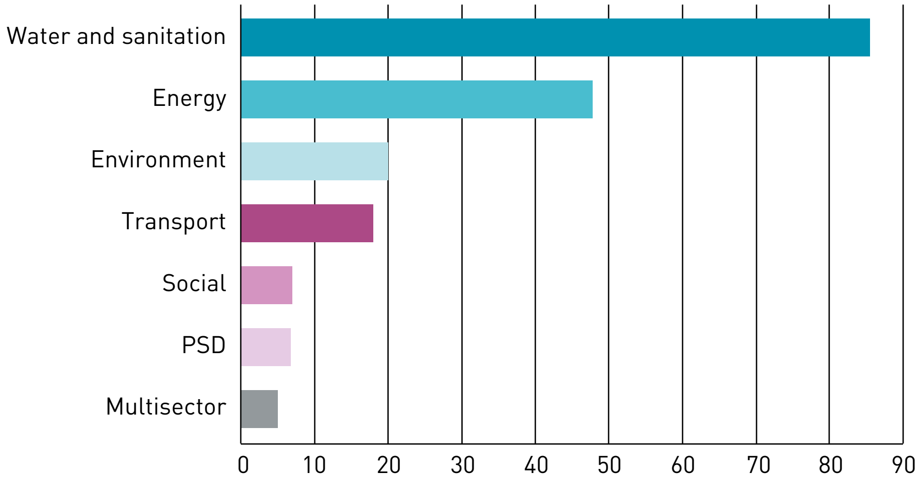
Country	Million euros	Nr of projects
Nicaragua	57	2
Regional LA	43	7
Mexico	26	5
Chile	15	1
El Salvador	10	2
Paraguay	10	1
Colombia	10	2
Bolivia	8	1
Regional CA	7	2
Peru	3	1
Brazil	2	1
TOTAL	190	25

Source: Latin America Investment Facility 2013–2014 Operations report

[44] Factsheet – Latin America Investment Facility (LAIF), 20150716

Water and sanitation is the sector that has received most grants of almost 90 million euros or 45 percent of the total grants approved in LAIF. The energy sector has received approximately 25 percent of the grants and the environment sector around 10 percent, as illustrated in **Figure 20**.

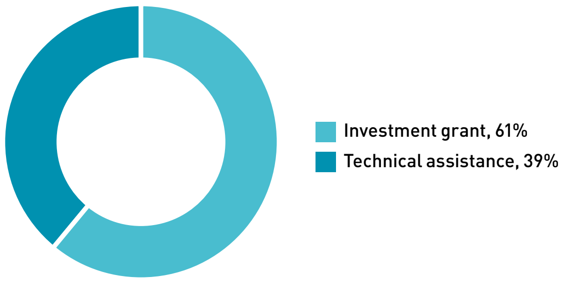
Figure 20 Approved grants by sector 2010–2014



Source: Latin America Investment Facility 2013–2014 Operations report

The Latin American Investment Facility has so far approved grants in the form of investment grants and technical assistance, as presented in **Figure 21**. The largest share has been provided through investment grants. Technical assistance includes management, expert advice, market and operational studies. Investment grants include providing for equipment and supplies.

Figure 21 Approved grants by type of support 2010–2014



Source: Latin America Investment Facility 2013–2014 Operations report

Asia Investment Facility[45] – AIF

The Asia investment facility was created in 2012. Its main purpose is to promote additional investments and key infrastructure with a priority focus on climate change relevant and "green" investments in the areas of energy, environment, and transport. In addition, capital may be provided in particular to small and medium sized enterprises (SME:s) and to social sector investments. Where relevant and possible, a regional dimension can be included to the above mentioned sectors.

[45] This section is based on information from 1 Regulation (EU) No 233/2014 of the European Parliament and of the Council establishing a financing instrument for development cooperation, for the period 2014–2020, OJ L 77, 15.3.2014; as well as Decision C(2014) 9382 and Decision C(2014) 6112. Other sources include for example, decision C(2011)9053, the decision C(2013)8672 and the decision C(2014)8785, as well as EU Blending facilities: A review of Existing Blending Mechanisms of the European Commission, author unknown.

The indicative budget from the EU to the Asia Investment Facility for the period of 2014 to 2020 is 350 million euros.

The Facility is designed to combine EU grants with other public and private financing. By reducing, through co-financing, the overall cost of the project or perceived risk or by subsidising interest rates and/or financing technical assistance, the facility seeks to encourage the beneficiary governments, private sector and/or public institutions to carry out essential investments.

The beneficiaries of the facility are Asian countries, either directly or indirectly through their central, regional and local administrations or semi-public institutions, and the private sector, in particular local financial institutions and SME:s in the context of operations dedicated to private sector development. In addition, stakeholders include European financial institutions that are eligible to become lead financial institutions in the context of AIF funding.

The types of operations to be financed under the Asia investment facility are direct investment grants, guarantees, interest rate subsidies, technical assistance, risk capital operations and other risk sharing mechanisms.

The expected results of the Asia Investment Facility are increased investment to contribute to:

- better energy infrastructure
- increased protection of the environment and better focus and control of climate changes impacts
- creation and growth of SME:s and improvement of the employment situations, notably in the area of climate change relevant and “green” investments
- improved social services and infrastructures, notably in the area of climate change relevant and “green” investments, and
- better transport infrastructure, notably in the area of climate change relevant and “green” investments.

During the period of 2012 until 2014, grants have been approved totalling 68 million euros. As of July 2014, three projects had been approved to receive grants. During the seven year period of 2014 to 2020, the facility will receive substantially more funds, since the indicative allocation is 320 million euros.

The funds are allocated from the EU Development Cooperation Instrument (DCI), and the facility is managed by the Commission’s Directorate-General for International Cooperation and Development (DG DEVCO).

Eligible countries of operations are Afghanistan, Bangladesh, Bhutan, Cambodia, China, DRP Korea, India, Indonesia, Laos, Malaysia, Maldives, Mongolia, Myanmar, Nepal, Pakistan, Philippines, Sri Lanka, Thailand and Vietnam.

Investment Facility for Central Asia – IFCA

The EU Investment Facility for Central Asia (IFCA) was launched in 2010. It blends EU budget grant funding with loans by the financial institutions for projects in five countries in Central Asia, namely Kazakhstan, the Kyrgyz Republic, Tajikistan, Turkmenistan and Uzbekistan. IFCA operates by providing financial non-refundable contributions to support loans to Central Asian countries from the EIB, the EBRD and other European multilateral and national financial institutions. Its main purpose is to promote additional investments and key infrastructures with an initial priority focus on energy, environment, SME:s and social infrastructure. Based on the development of the Central Asia strategies, a later extension to transport could be envisaged. [46]

The contribution of the European Commission to the IFCA is decided annually. The initial financial allocation made to the facility in 2010 was 20 million euros. A further 45 million euros was provided for the period 2011–2013 and a further 140 million euro is provided for the period 2014–2020. Grants approved during 2010 to 2014 amounted to 82 million euros. As of July 2014, grants of 47 million euros had been approved for 7 projects, leveraging 140 million euros by financial institutions. The project's total investment was estimated at 207 million euros.

The financing instruments available under the IFCA include investment co-financing in public infrastructure projects, loan guarantee cost financing, interest rate subsidy, technical assistance and risk capital.

To ensure overall coherence of the operations of the facility, the Commission is assisted by a Board. The Commission presides over the IFCA Board. The Board is composed of representatives of the European Commission, EU member states and other donors, and assists the Commission with setting the overall strategy and taking operational decisions. The Board is served by a Secretariat managed by the Commission in the Directorate General of Development and Cooperation.[47]

Caribbean Investment Facility[48] – CIF

The Caribbean investment facility was established in 2012. The purpose of CIF is to fund key infrastructure projects in the sectors of transport, water and sanitation, energy, information and communication technology (ICT) and disaster prevention. The facility aims to provide the countries of the region with financial instruments that are currently unavailable.

The resources in the Caribbean Investment Facility come from the European Development Fund (EDF) which is the EU's multiannual funding instrument to support countries in the African Caribbean Pacific (ACP) group. The EDF earmarked a minimum amount of direct funding of 40 million euro for CIF for the period of 2012–2015. An additional allocation of 30,2 million euros was made available from the National Indicative Programme of Guyana in 2013. As a result the total allocation to CIF between 2012 and 2015 was 70,2 million euros. CIF does not have a predefined allocation per country or per sector.

CIF grants support investments located in the 15 Caribbean countries which have signed the ACP-EU Partnership Agreement, namely Antigua & Barbuda, Bahamas, Barbados, Belize, Dominica, Dominican Republic, Grenada, Guyana, Haiti, Jamaica, St Kitts & Nevis, St Lucia, Saint-Vincent and the Grenadines, Suriname and Trinidad & Tobago. CIF also supports regional operations.

The priorities of the Caribbean Investment Facility are to:

- create better transport and energy infrastructures which promote interconnectivity, safety, security and efficiency
- improve access to ICT infrastructures and improve coverage at lower cost
- establish a better water and sanitation infrastructure
- promote infrastructure linked to disaster prevention or mitigation, and
- address social services' infrastructure needs.

[46] http://www.eib.org/projects/regions/central-asia/technical_assistance_and_grants/ [20150903)
[47] Ibid.
[48] The main source of information in this section is the Caribbean Investment Facility 2013–2014 Operational Report

The CIF includes a special climate change window (CCW) to support the implementation of projects supporting partner countries to tackle climate change through mitigation and/or adaptation measures.

During 2012 to 2014, the Caribbean Investment Facility allocated grants to four projects totalling 35,05 million euros. Loans from financial institutions amounted to 66,55 million euros. The total investment cost was 101,6 million euros.

As of 2014, projects in Guyana and Dominica have received grants, as well as one regional project. See **Table 7**. Eligible countries are Antigua and Barbuda, Bahamas, Barbados, Belize, Dominica, Dominican Republic, Grenada, Guyana, Haiti, Jamaica, Saint Kitts and Nevis, Saint Lucia, Saint Vincent and the Grenadines.

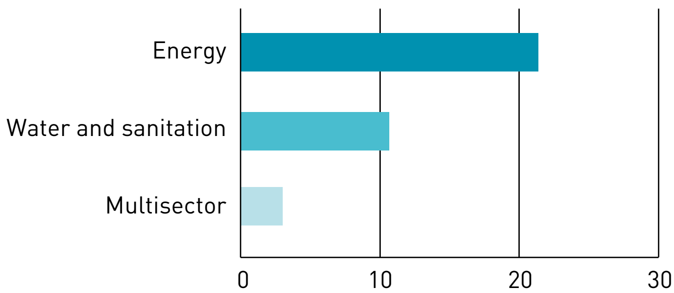
Table 7: Approved grants by beneficiary 2013–2014

Country	Million euros	Nr of projects
Guyana	30	2
Regional	3	1
Dominica	2	1
TOTAL	35	4

Source: Caribbean Investment Facility 2013–2014 Operational Report

Grants have been approved to in particular the energy sector as well as to water and sanitation during the two years of operations of CIF, as illustrated in **Figure 22**.

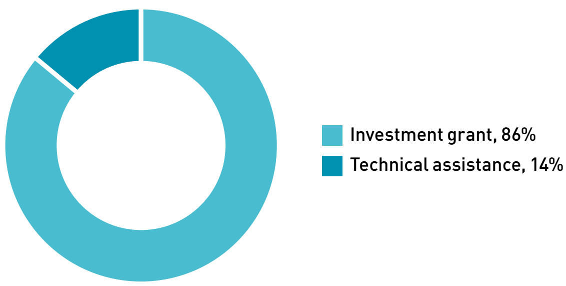
Figure 22 Approved grants by sector 2013–2014



Source: Caribbean Investment Facility 2013–2014 Operational Report

The largest share (86 percent) of support has been provided through investment grants. See **Figure 23**.

Figure 23 Approved grants by type of support 2013–2014



Source: Caribbean Investment Facility 2013–2014 Operational Report

The organisational structure of the Caribbean Investment Facility is similar, but separate, to that of Latin American Infrastructure Facility. The Secretariat of CIF is part of the Financial instruments unit of the Commission's Directorate General for International Cooperation and Development.

Investment Facility for the Pacific[49] – IFP

The Investment Facility for the Pacific (IFP) blends grants from the European Development Fund (EDF) with loans and other funding from financial institutions to support countries in the Pacific by enabling investment in "green" infrastructure, sustainably energy, private sector development, environmental protection, and delivery of social services.

The facility was established in 2012, but as of mid-2014, no projects had yet been approved.

Eligible countries are Cook Islands, East Timor, Fiji, Kiribati, Marshall Islands, Micronesia, Federated States of, Naru, Niue, Palau, Papua New Guinea, Samoa American, Samoa Western, Solomon Islands, Tonga, Tuvalu and Vanuatu.

Eligible financial institutions are AECID, AFD, EIB, EBRD, KfW, NIB, OoEB, SIMEST and SOFID. The World Bank participates as an observer.

The EU has allocated 9 million euros to the facility and will benefit from a further indicative allocation of 20 million euros during the period 2014 to 2020. The source of financing is the EDF which is not part of the official EU budget.

The facility is managed by Commission's Directorate General for International Cooperation and Development.

Financial institutions

In general the EU regional blending facilities accept project proposals from eligible finance institutions only. These are defined differently under each facility but usually consist of European multilateral and European bilateral financial institutions.[50] According to EU regulations for financial instruments, financial instruments shall be implemented whenever possible under the lead of the EIB, a multilateral European financial institutions, such as the European Bank for Reconstruction and Development, or a bilateral European financial institution.[51]

The lead financial institution of a project monitors the implementation of the project, and reports on its progress. It is entitled to a fee for managing the implementation of projects. The European Commission in most cases channels the grants to the final beneficiaries via the lead financial institution. The beneficiaries themselves award and manage the underlying contracts.[52]

The four main financial institutions involved in the regional investment facilities from the outset are the EIB, the European Bank for Reconstruction and Development (EBRD), the Agence Francaise de

[49] EU Blending facilities: A review of Existing Blending Mechanisms of the European Commission, author unknown.
[50] Ibid.
[51] Regulation (EU) No 236/2014 of the European Parliament and of the Council of 11 March 2014 laying down common rules and procedures for the implementation of the Union's instruments for financing external action. Official Journal of European Union, L77/95, 20140315
[52] European Court of Auditors, Special report: The effectiveness of blending regional investment facility grants with financial institution loans to support EU external policies, EU, 2014, Luxembourg

Developpement (AFD) and the Kreditanstalt für Wiederaufbau (KfW).[53] **Table 8** illustrates the involvement of the main financial institutions during 2007–2013 for all facilities except for the Investment facility for the Pacific. The EIB is clearly the largest actor.

Table 8: Financial institution loans by regional investment facility 2007–2013 (million euro)

	EIB	EBRD	AFD	KfW	Other financial institutions	Total
ITF	1237	–	881	246	–	2364
WBIF	1760	600	200	160	–	2720
NIF	4498	2588	1100	1429	11	9626
LAIF	209	–	823	772	397	2201
IFCA	170	142	–	4	1	317
AIF	110	–	203	45	–	358
CIF	–	–	37	–	–	37
TOTAL	7984	3330	3244	2656	409	17623

Source: Copied from European Court of Auditors, Special report: The effectiveness of blending regional investment facility grants with financial institution loans to support EU external policies, EU, 2014, Luxembourg

Other eligible financial institutions are Agencia Española de Cooperación Internacional para el Desarrollo (AECID), African Development Bank (AfDB), Belgian Investment Company for Developing Countries (BIO), Caribbean Development Bank (CDB), Council of Europe Development Bank (CEB), Compañía Española de Financiación al Desarrollo (COFIDES), Finnish Fund for Industrial Cooperation Ltd. (FINNFUND), Inter-American Development Bank (IADB, observer in LAIF), Luxembourg Development Agency (Lux-Dev), Nordic Investment Bank (NIB), Private Infrastructure Development Group (PIDG), Österreichische Entwicklungsbank AG (OeEB), Società Italiana per le Imprese all'Estero (SIMEST), and Sociedade para o Financiamento do Desenvolvimento (SOFID).[54]

Although non-eligible finance institutions cannot directly propose projects to the EU blending facilities, they typically participate by co-financing projects that receive EU grants. From the EU perspective, these projects are "led" by the eligible financial institution, which contracts the grant on behalf of the group of financiers.[55]

Non-European development banks participate as observers in the decision making foras and can act as a lead financier only in exceptional cases. According to EUBEC recommendations, the involvement of non-European financial institutions as lead-financiers should be examined by the board on a case by case basis, based on the specific added value it brings in as a lead financier to a particular project or region. This would include filling a gap left by European Financial Institutions for example regarding thorough knowledge of local conditions and presence in the region or specific know-how and experience in relevant sectors.[56] Non-European financial institutions active in a particular region are recommended by EUBEC to be invited to attend technical and board meetings as observers.[57]

The African Development Bank is eligible to be a lead financier of the projects approved in the EU Africa Infrastructure Trust Fund and the Interamerican Development Bank and Caribbean Development Bank in those within the Caribbean Investment Facility. The World Bank has granted observer

[53] European Court of Auditors, Special report: The effectiveness of blending regional investment facility grants with financial institution loans to support EU external policies, EU, 2014, Luxembourg
[54] Ibid.
[55] EU Blending facilities: A review of Existing Blending Mechanisms of the European Commission, author unknown
[56] Annex to the Commission Implementing Decision on the Annual Action Programmes 2015 part II and 2016 part I in favour of the Asia region to be financed from the general budget of the European Union
[57] Ibid.

status for the Investment Facility for Central Asia and the Investment Facility for the Pacific, and is a member of the Western Balkans Investment Facility where it mostly funds technical assistance.[58]

Main financial institutions

The European Investment Bank (EIB) is a multilateral financial institution and is the European Union's bank. It is owned by and represents the interests of the European Union Member States and works closely with other EU institutions to implement EU policy by providing finance for investment projects. It is the EU's long-term lending institution. As a public bank with objectives driven by EU-policies, its leading priority is to promote European economic development and integration.[59]

The European Bank of Reconstruction and Development (EBRD) is a multilateral European financial institution. It was established in 1991 to help build a new, post-Cold War era in Central and Eastern Europe.[60] EBRD is a publicly owned development bank based in London that promotes transition to open, market-based economies in countries from central and eastern Europe to central Asia and the southern and eastern Mediterranean. It provides project financing for banks, industries and businesses, both new ventures and investments in existing companies. It focuses on the private sector but also works with publicly owned companies.[61]

Uniquely for a development bank, the EBRD has a political mandate in that it assists only those countries 'committed to and applying the principles of for example multi-party democracy. Safeguarding the environment and a commitment to sustainable energy are also central to the EBRD's activity. The EBRD is active in more than 30 countries from central Europe to central Asia and the southern and eastern Mediterranean.[62]

The Council of Europe Development Bank (CEB) is a multilateral financial institution with a social mandate. It was founded in 1956 by eight member states of the Council of Europe to bring solutions to the problems of refugees. The CEB invests in social projects that foster inclusion and contribute to improving the living conditions of the most vulnerable populations across Europe. It funds projects to strengthen social integration, manage the environment, support public infrastructure with a social vocation and support micro, small and medium-sized enterprises.[63] The CEB can provide support to its 41 member states to finance projects. The CEB is financially independent from the Council of Europe.[64]

The Nordic Investment Bank (NIB) is a multilateral financial institution whose vision is a prosperous and sustainable Nordic-Baltic region. NIB finances projects that improve competitiveness and the environment of the Nordic and Baltic countries. NIB is owned by the five Nordic and three Baltic countries: Denmark, Estonia, Finland, Iceland, Latvia, Lithuania, Norway and Sweden. The Bank adds value and complements commercial lending to help ensure sustainable growth.[65]

NIB has established cooperation with international financial institutions such as the Asian Development Bank (ADB); the African Development Bank (ADB); the Council of Europe Development Bank (CEB); the European Bank for Reconstruction and Development (EBRD); the Inter-American Development

[58] EU Blending facilities: A review of Existing Blending Mechanisms of the European Commission, author unknown
[59] www.eib.org
[60] www.ebrd.com
[61] European Court of Auditors, Special report: The effectiveness of blending regional investment facility grants with financial institution loans to support EU external policies, EU, 2014, Luxembourg
[62] www.ebrd.com
[63] www.coebank.org
[64] CEB Annual Report 2014
[65] www.nib.int

Bank (IDB); as well as the IBRD, IDA, and IFC within the World Bank Group. The European Investment Bank (EIB) has an office in the NIB Headquarters building.[66]

NIB has cooperation agreements with three regional multilateral banks: the Black Sea Trade & Development Bank, the Central American Bank for Economic Integration (CABEI) and the Andean Development Corporation (CAF). Through these institutions, NIB can operate also in countries where it has no agreement on financial cooperation.[67]

The Kreditanstalt für Wiederaufbau (KfW) is a bilateral German financial institution. KfW was formed in 1948 after World War II as part of the Marshall Plan, and is owned by the Federal Republic of Germany (80%) and the States of Germany (20%). KfW is the promotional bank of Germany with various branches. The development branch of the bank carries out German financial development cooperation on behalf of the government. A separate branch of KfW works with export promotion.[68]

The development branch of KfW promotes economic and social progress in developing and emerging countries to improve people's lives, through the provision of support and advice for reform processes and investments. The bank's objectives concern improving economic and social conditions, poverty reduction, climate and environmental protection as well as promoting the financial sector.[69]

The Agence Française de Développement (AfD) is a bilateral French financial institution and the main implementing agency for France's official development assistance to developing countries and overseas territories. AfD operates in more than 90 countries worldwide, and has implemented France's development-aid policies for more than 70 years. The Agency's actions have three primary goals: transforming economic development into universal social progress, encouraging environment-centred growth models and equalizing development opportunities across regions.[70]

AFD finances and assists development stakeholders in both the public and private sectors, through for example the provision of expertise as well as helping designing public policies for prosperity and human development. Partnerships and innovations also hold a central place in its actions through providing loans and other financing, sharing know-how and expertise and commissioning research and participating in international discussions.[71]

[66] www.nib.int
[67] Ibid.
[68] https://www.kfw-entwicklungsbank.de/Internationale-Finanzierung/KfW-Entwicklungsbank/
[69] Ibid.
[70] www.afd.fr
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ANNEX 1 Summary of Blending facilities

Facility	Established	Countries of operations	Eligible sectors	Resources	Eligible financial institutions	Nr of projects (as of Dec 2014)	Managed by
AIF – Asian Investment Facility	2012	Afghanistan, Bangladesh, Bhutan, Cambodia, China DRP Korea, India, Indonesia, Laos, Malaysia, Maldives, Mongolia, Myanmar, Nepal, Pakistan, Philippines, Sri Lanka, Thailand, Vietnam	Energy Environment and climate change SME financing	Grants approved 2012–2014: 68 million euros Indicative allocation 2014–2020: 320 million euros EU funding from Development Cooperation Instrument (DCI)	AECID, AFD, EIB, EBRD, KfW, NIB, OeEB, SIMEST, SOFID, IFC	3 as of 28.07.2014	EC/DG DEVCO
CIF – Caribbean Investment Facility	2012	Antigua and Barbuda, Bahamas, Barbados, Belize, Dominica, Dominican Republic, Grenada, Guyana, Haiti, Jamaica, Saint Kitts and Nevis, Saint Lucia, Saint Vincent and the Grenadines.	Interconnectivity, energy infrastructure, transport, environment, climate change adaptation and mitigation, social services infrastructure and support to private sector development, SME:s	EU allocation 2012–2014:35 million euros Indicative allocation 2014–2020: 135 million euros EU funding from European Development Fund (EDF)	AECID, AFD, CDB, EIB, IADB, KfW, NIB, OeEB, SIMEST, SOFID	4	EC DG DEVCO
IFCA – Investment Facility for Central Asia	2010	Kazakhstan, the Kyrgyz republic, Tajikistan, Turkmenistan, Uzbekistan	Energy policy and administrative management Environmental policy and administrative management Transport policy and administrative management SME development, Multisector aid for basic social services	Grants approved 2010–2014: 82 million euros Indicative allocation 2014–2020: 140 million euros EU funding from Development Cooperation Instrument (DCI)	AECID, AFD, EIB, EBRD, KfW, NIB, OeEB, SIMEST, SOFID, IFC WB – observer	7 as of 28.07.2014	EC DG DEVCO

Facility	Es-tab-lished	Countries of operations	Eligible sectors	Resources	Eligible financial institutions	Nr of projects (as of Dec 2014)	Man-aged by
IFP – Invest-ment facility for the Pacific	2012	Cook Islands, East Timor, Fiji, Kiribati, Marshall Islands, Micronesia, Federated States of, Naru, Niue, Palau, Papua New Guinea, Samoa American, Samoa Western, Solomon Islands, Tonga, Tuvalu, Vanuatu	Climate change sensitive and green invest-ments in transport, energy, telecommunica-tions, water and sanitation, actions adapted to climate change or reducing the impact of natural hazards, SME:s Social sector	EU allocation 2012–2014: 9 million euros Indicative allocation 2014–2020: 20 million euros EU funding from European Development Fund (EDF)	AECID, AFD, EIB, EBRD, KfW, NIB, OoEB, SIMEST, SOFID, WB – observer	No projects approved yet as of July 2014	EC DG DEVCO
ITF – EU-Africa Infrastruc-ture Trust Fund (is gradually being replaced by AfIF – African Investment Facility	2007	Angola, Benin, Botswana, Burkina Faso, Burundi, Cameroon, Central African Republic, Chad, Congo Brazzaville, Ivory Coast, DR Congo, Eritrea, Ethiopia, Djibouti, Gabon, Equatorial Guinea, Sao Tome and Principe, Ghana, Togo, Guinea-Bis-sau, Guinea Republic, Liberia, Kenya, Somalia, Lesotho, Swaziland, Madagascar, Malawi, Mali, Mauritania, Mauritius, Comoros, Seychelles, Mozambique, Namibia, Niger, Nigeria, Rwanda, Senegal, Cape Verde, Gambia, Sierra Leone, Sudan, Tanzania, Uganda, Zambia, Zimbabwe.	Energy Transport (rail, road, air and sea) Water Information technology Telecommunica-tions	Grants approved 2007–2014: 536,3 million euros Indicative allocation 2014–2020: 1000 million euros EU funding from European Development Fund (EDF)	AECID, AfDB, AFD, BIO, EIB, FINNFUND, KfW, LuxDev, OoEB, PIDG, SIMEST, SOFID	73	EIB (not EC) – be-cause a trust fund

Facility	Es-tab-lished	Countries of operations	Eligible sectors	Resources	Eligible financial institutions	Nr of projects (as of Dec 2014)	Man-aged by
LAIF – Latin America Investment Facility	2010	Argentina, Bolivia, Brazil, Colombia, Costa Rica, Cuba, Chile, Ecuador, El Salvador, Guate-mala, Honduras, Mexico, Nicaragua, Panama, Peru, Paraguay, Uruguay, Venezuela	Infrastructure in basic social services, environment including climate change, adaptation and mitigation, transport, energy, support to SME:s and job creation	Grants approved 2010–2014: 190 million euros Indicative allocation 2014–2020: 320 million euros EU funding from Development Cooperation Instrument (DCI)	AECID, AFD, EIB, KfW, NIB, OoEB, SIMEST, SOFID	25	EC DG DEVCO
NIF – Neigh-bourhood Investment Facility	2008	Armenia, Georgia, Moldova, Ukraine, Egypt, Jordan, Lebanon, Morocoo, Tunisia	Transport Energy Environment Social Private sector (SME:s)	Approved grants 2008–2014: 1072 million euros (NIF East 43%, NIF South 57%) Indicative allocation 2014–2020: 2 100 million euros. EU funding from European Neighbourhood Instrument (ENI)	EBRD, KfW, EIB, AFD, AECID, NIB, CEB, OoEB, SIMEST, SOFID	95	EC DG DEVCO
WBIF – Western Balkan Investment Facility	2009	Albania, BiH,Croatia, Kosovo, Macedonia, Montenegro and Serbia	Energy Transport Environment Social sector Private sector development	Approved grants 2009–2014: 310 million euros Indicative allocation 2014–2020: 700–1000 million euros EU funding from Instrument for Pre-Accession (IPA)	CEB, EIB, EBRD, WB, KfW	159	DG NEAR

Mapping of EU blending

Project: Sida and EU blending

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