

EIB Blending Cooperation and Partnership with the European Commission



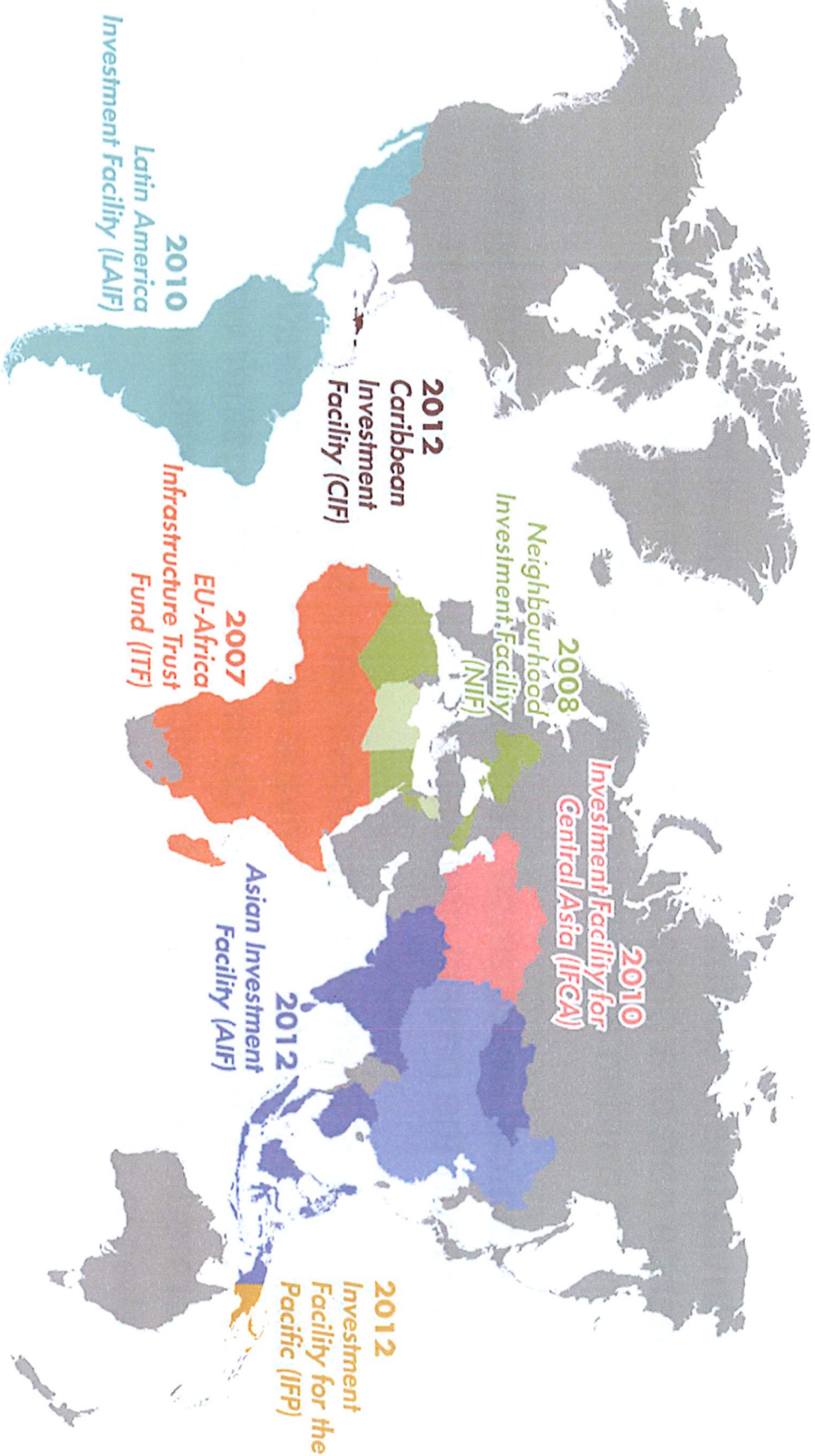
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Operations Directorate

Rome, 11 December 2014

- 1. Blending**
2. Neighbourhood Investment Facility (NIF)
3. Examples of EIB blended projects in the South under NIF

There are 7 EC Regional Blending Facilities



Blending types of support:

- a) **Investment co-financing:** using the grant from the NIF to finance part of a project's total cost; this reduces the projects financial burden and improves its bankability.
- b) **Technical assistance:** recruiting experts or consulting firms to support the project preparation and its implementation.
- c) **Financial instruments:** specifically aiming at the development of the local private sector. These operations can take several forms, such as co-investment together with local intermediaries, investment in micro-finance institutions, taking stakes in private equity funds or guarantees.

EIB is an Eligible Financial Institution in all 7 Blending facilities

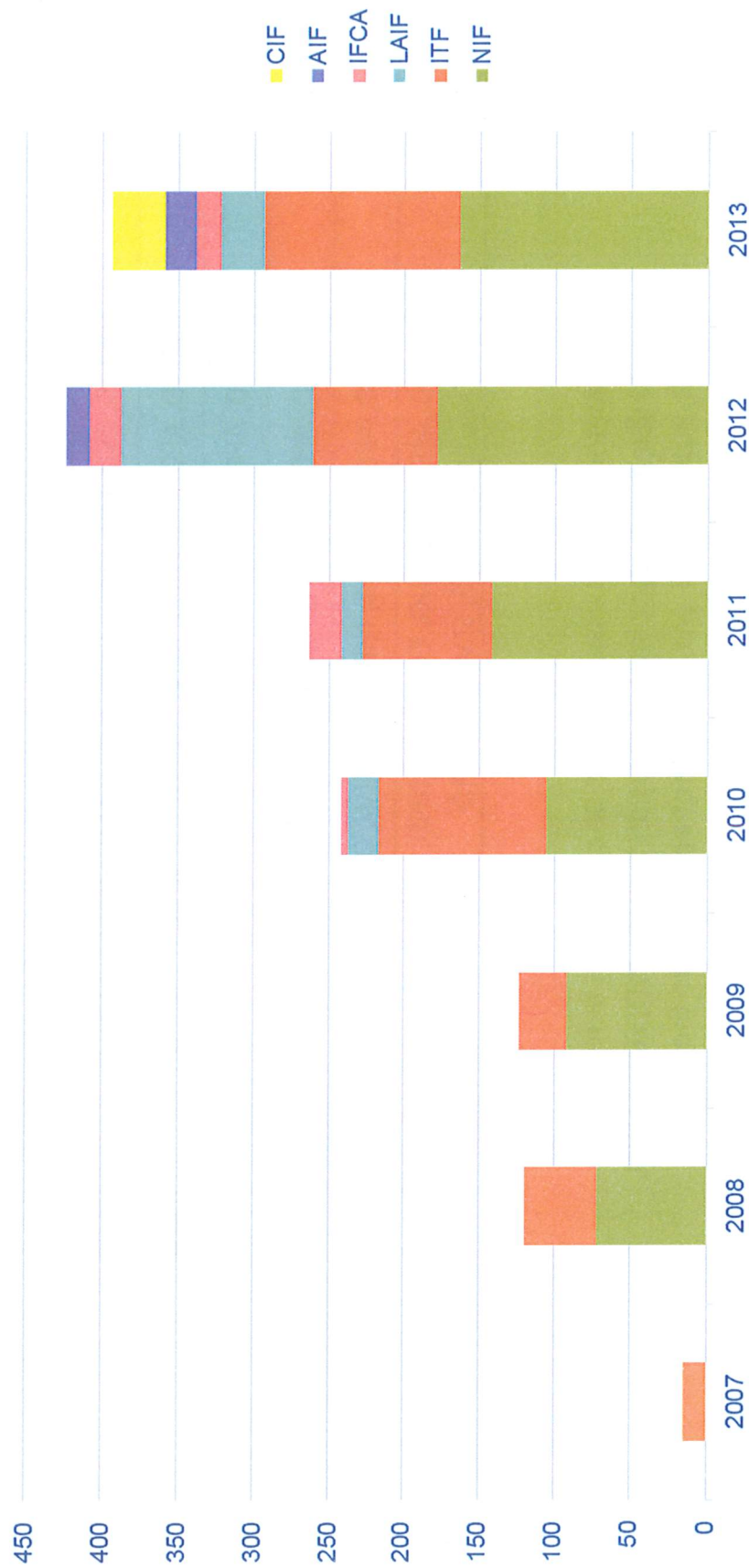
FACILITY	FULL MEMBERS	OBSERVERS
NIF	AECID, AFD, CEB, EIB, EBRD, KfW, NIB, OoEB, SIMEST, SOFID	
AIF	AECID, AFD, EIB, EBRD, KfW, NIB, OoEB, SIMEST, SOFID	ADB
IFCA	AECID, AFD, EIB, EBRD, KfW, NIB, OoEB, SIMEST, SOFID	ADB
IFP	AECID, AFD, EIB, KfW, NIB, OoEB, SIMEST, SOFID	ADB, AusAID, NZAID, WB
LAIF	AECID,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

Note:

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

Blending Facility Approvals (EUR m)

With total EUR 753.4m amounts approved as of end 2013, Neighbourhood Investment Facility (NIF) is the largest beneficiary out of 7 blending facilities.



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Neighbourhood Investment Facility (NIF)

NIF pools together grant resources from the EU budget and the EU Member States and using them to **leverage** loans from European Finance Institutions as well as own contributions from the partner countries.

Where does the NIF operate?

Launched in 2008 for the countries covered by the European Neighborhood Policy:

- **Eastern Neighbourhood region:** Armenia, Azerbaijan, Georgia, Republic of Moldova, Ukraine as well as regional east-wide projects.
- **Southern Neighbourhood region:** Egypt, Jordan, Lebanon, Morocco, Tunisia as well as regional south-wide projects.

How does the NIF operate?

To benefit from the NIF, a project has to be submitted by one of the European Public Finance Institution recognised by the NIF Board as eligible:

Multilateral: European Investment Bank (EIB), European Bank for Reconstruction and Development (EBRD), Council of Europe Development Bank (CEB), Nordic Investment Bank (NIB)

Bilateral: Agence Française de Développement (AFD), KfW Entwicklungsbank (KfW), Österreichische Entwicklungsbank AG (OeEB), Società Italiana per le Imprese all'Estero (SIMEST), and Sociedade para o Financiamento do Desenvolvimento (SOFID).

NIF Eligible projects need to respect each of the three following eligibility criteria:

- Projects that fall under the EU Policy Framework
- Projects that contribute to realising at least one of the three NIF strategic objectives (next slide)
- Projects that provide a clear justification for the need for and size of the NIF subsidy (principles of value-added and additionality of the NIF intervention)

Which sectors does the NIF provide support for?

- **Strategic objective 1:** Establishing better and more sustainable **energy** and **transport** interconnections (between the EU and neighbouring countries and between the neighbouring countries themselves)
- **Strategic objective 2:** Addressing **climate change**, as well as threats to the **environment** more broadly.
- **Strategic objective 3:** Promoting smart, sustainable and inclusive growth through support to **small and medium sized enterprises**, to the **social** sector, including human capital development, and to municipal infrastructure development.

NIF support in numbers

During **2007-2013**, the NIF Board approved total amount of EUR 753.4m in support of **92 operations**, leveraging a total project volume of more than EUR 20.5bn. For this same period, the total allocation of the facility was EUR 867.4m.

South: EUR 408.1m NIF amounts approved; EUR 11.7 bn total project volumes leveraged;

East: EUR 345,25m NIF amounts approved; EUR 8.9 bn total project volumes leveraged;

EIB and the NIF

- **EIB** acted as a **Lead Financier in 22 operations** where 1.5 bn of EIB loans were blended with EUR 230m (30% of the total) NIF grants.
- By **type of grant support**: Investment grants represent 61% of the total amounts, TA grants 25%, Guarantees 12%, and Risk Capital 2%.
- By **sector**, Energy sector (30%), Transport (26%), Water and Sanitation (23%), Private sector (13%), Social (7%), mix of sectors (2%).
- By **geographical coverage**, Regional projects and projects in Egypt received each 22% of the grants, Morocco (17%), Georgia (14%), Armenia (10%), Tunisia (7%), Lebanon (6%), and Jordan and Moldova (1% respectively).

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SME Guarantee Facility (Regional)

NIF grant: EUR 24m

Type of NIF support:

Guarantees/ first loss coverage

IFI Partners (EIB lead, IFC, AFD, OFID):

EIB: EUR 120m

IFC: EUR 120m

AFD: EUR 40m

OFID: EUR 40m

Total cost (RSF): EUR 368m
(*Senior Tranche*): EUR 320m
(*Junior Tranche*): EUR 48m Grant
resources

- The project is a risk sharing facility (RSF) organised by the IFI Partners. The RSF is the **regional SME support mechanism** targeting 5 countries: **Jordan, Lebanon, Egypt, Tunisia, and Morocco.**

- The NIF grant is the **risk cushion** of the Facility that brings the necessary credit enhancement that will translate into improved conditions for the Participating Financial Institutions (PFI) to guarantee instruments and access at scale to SME final beneficiaries.

- The **leverage ratio** is around **1:34**: NIF grant will leverage the Senior Tranche provided by the IFI Partners and ultimately the amount of loans provided by the PFIs to their SME customers.

Project description:

Under the Facility, several individual operations will be signed with local commercial banks (RSF Operations), providing them with a partial credit risk guarantee covering 50% of the losses incurred under their portfolios of eligible loans to SMEs. NIF grant will absorb the first loss incurred by the IFI Partners under each operation.

Value added:

- The project is a concrete articulated joint response by EIB, IFC, AfD and OFID to the Deauville Partnership which aims at fostering support to SMEs across the region following the Arab spring events.
- Due to its structure as an investment facility the RSF allows for prompt reaction on current needs of the region.
- The RSF is a catalytic vehicle contributing to an increase in local banks' lending to SMEs, improving access to finance for SMEs on a sustainable basis leading to job creation and increased economic activity in the country.
- The IFI Partners expect to reach a large number of SMEs with a portfolio approach. Portfolio guarantee instruments are not common in the region and this project will have a demonstrating effect that should motivate national guarantee schemes to further develop portfolio approaches.

Renewable Energy and Energy Efficiency Project Preparation Initiative in support of the Mediterranean Solar Plan (MSP) (“MSP-PPI”, or “the Initiative”) (Regional)

NIF grant: EUR 5m

Type of NIF support: Technical Assistance

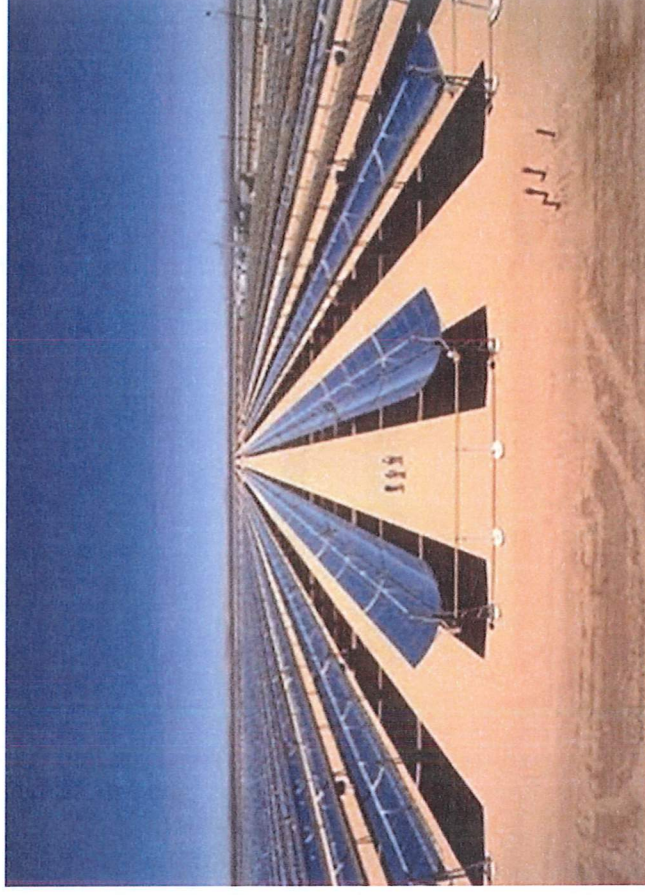
EIB lead, other EFIs: AFD, KfW, EBRD, AECID

- Objective: to accelerate the development of renewable energy (RE) and energy efficiency (EE) projects in the Mediterranean Partner Countries to fulfil their national targets and to achieve the regional target of an additional 20 GW capacities of RE by 2020.
- The MSP-PPI is designed to provide **small technical assistance operations** (from 50.000 up to EUR 0.5m) **to fill the gap in the existing instruments** that support very early stage project preparation.

Eligible activities under MSP-PPI:

- Pre-feasibility and feasibility studies;
- TA for preparing projects’ technical specifications and tender documents, grid connection studies, etc.;
- On-site RE resource assessment or audits for a related project;
- Environmental and social impact studies;
- Detailed analysis of project financial structuring (including an implicit analysis related to the tariffs and subsidies frameworks needed in the subsequent implementation of the project);
- Analysis of the economic impacts of the project;
- TA for setting up Project Implementation Units (PIU) related to RE or EE investments;
- TA/studies to speed up further project preparation and to accompany initial stages of implementation until the start of disbursement of the MSP investment projects.

Ouarzazate solar power plant



Solar power plant with initial capacity of 125-160 MW in Morocco.

It will reduce dependence on energy imports and prevent the generation of at least 250000 tons of CO².

Quarzazate solar power plant

Direct investment grant

Phase 1 2011 of EUR 30M IG

Phase 2 2014 of EUR 40M IG

Phase 3 2014 of EUR 50M IG

Associated lending:

EIB EUR 650M

KfW EUR 754M

AFD EUR 150M

Part of the **Moroccan Solar Plan**. If fully developed (2GW target capacity) will be the largest solar power plant in North Africa.

Project promoter is the Moroccan Agency for Solar Energy - MASEN.

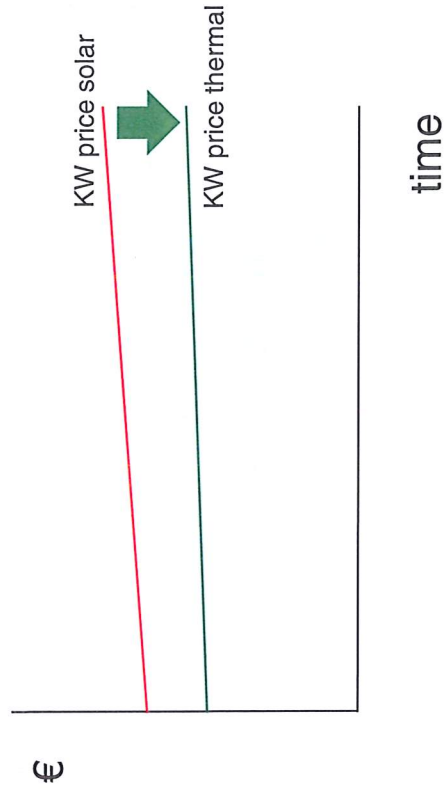
Independent power producer (IPP) to implement the project is determined by MASEN through competitive bidding.

The NIF direct investment grant to **bring down the cost of electricity** during the initial stage of the project.

The impact of the instrument

Direct investment Grant

enables reduction in consumer price per KW



Thank You

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