

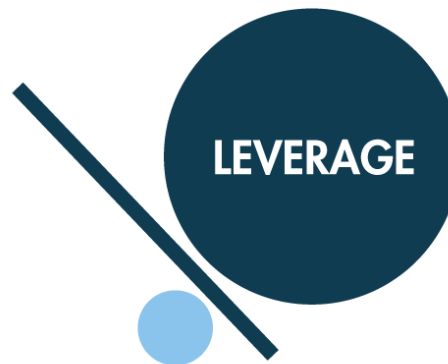
Added value of blending approach

Continental Infrastructure seminar, ADDIS ABABA

EuropeAid – Céline Maertens
October 2, 2013

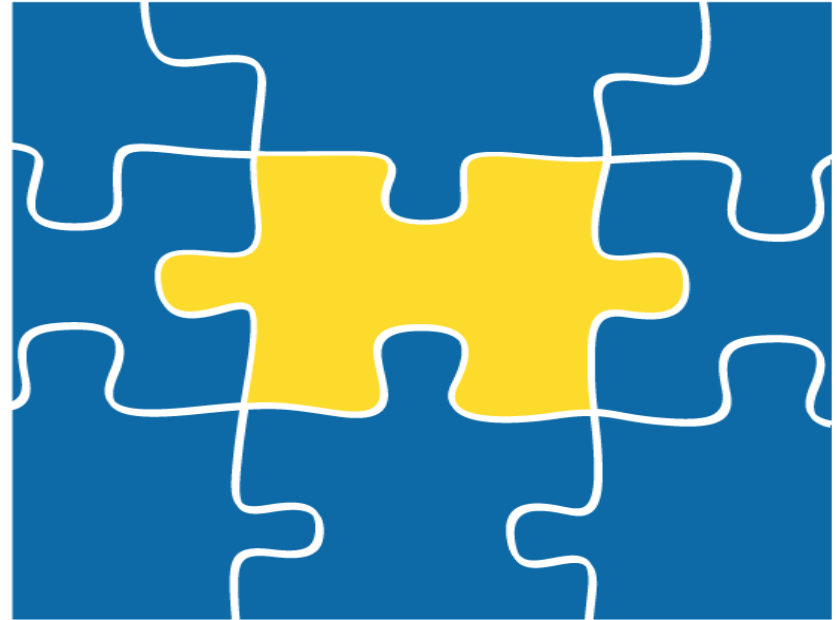
Blending

In times of constrained fiscal frameworks
using grants strategically to unlock additional public and private
non grant financing



EU regional blending facilities

Using EU grants
strategically



Achieve shared development
objectives and support necessary
policy reforms

EU regional blending facilities

Finding the right
financing mix to enable
sustainable projects



EU regional blending facilities

Turning red lights
to green



Addressing risks, ensuring project
financial sustainability, ensuring
social and environmental returns,
addressing capacity issues

EU regional blending facilities

Different type of support
to address different
issues

- ✓ Direct investment grant and interest rate subsidy
- ✓ Technical assistance and investment preparation
- ✓ Risk capital & guarantee mechanisms
- ✓ Other innovative financial tools

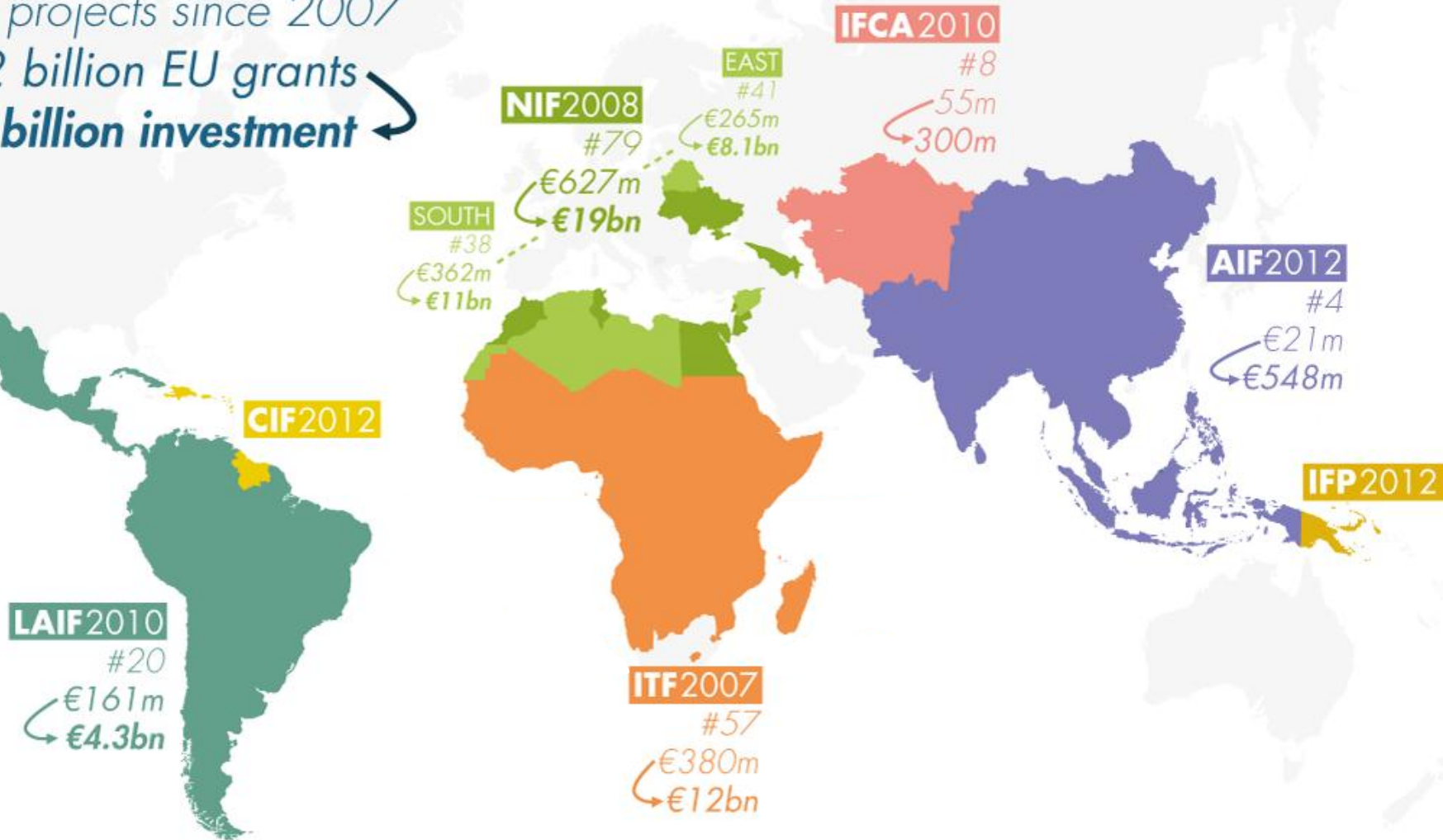
EU regional blending facilities

Increasing cooperation
and coordination

EIB EBRD AFD KfW AECID
IFC CEB SIMEST ADB BIO
SOFID IADB CDB NIB IDB
CAF LUXDEV FINNFUND
OeEB BCIE PIDG AfDB

BLENDING IN EU EXTERNAL COOPERATION

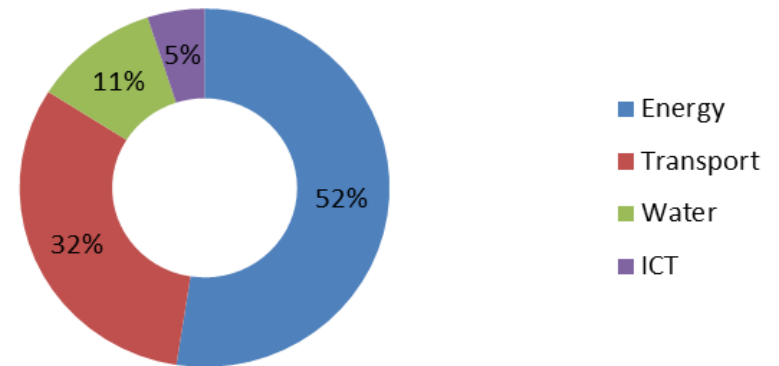
168 projects since 2007
€1.2 billion EU grants
€32 billion investment



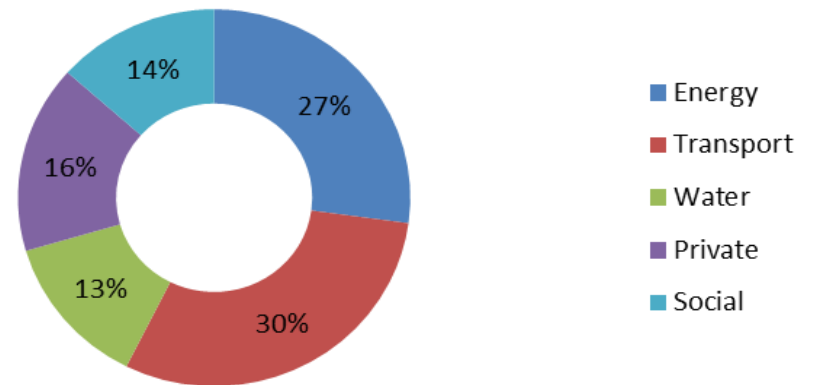
Sectors covered

EU-AITF
NIF (south)

ITF grants per sector, 2007-2012



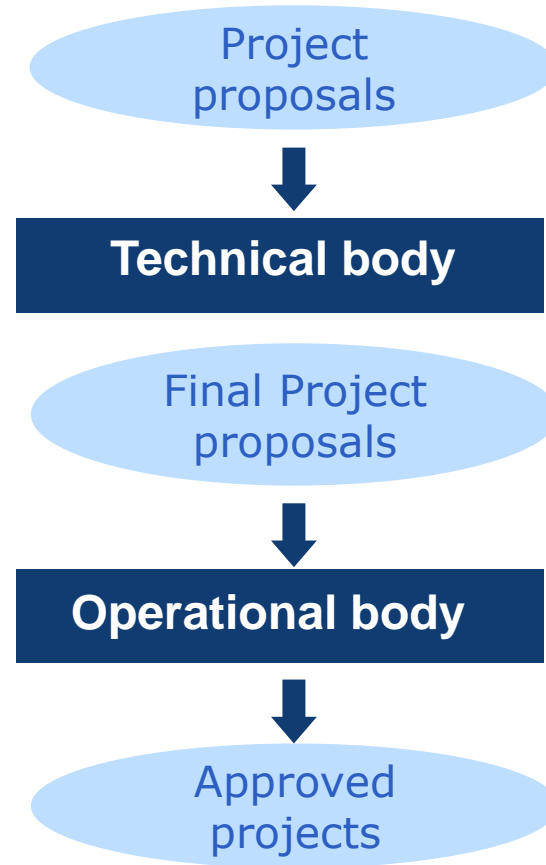
NIF grants per sector, 2008-2012



EU regional blending facilities

A 3-tier governance
structure

Strategic body



Blending is a EU aid modality

It must adhere to the
same principles as
other aid modalities

Any project will meet the following conditions:

- ✓ Project is 100% in line with agreed policy objectives
- ✓ Environmental & social standards are met
- ✓ Additionality of grant element
- ✓ Market distortions are avoided.

Further explore the potential

With the facilities
the instruments
are in place

Explore innovative risk sharing mechanisms (structured funds, guarantee mechanisms)

Catalyse private financing, FDI or domestic resources

Deepen and expand partnerships and cooperations

Blending projects examples

Ouarzazate solar power plant (NIF)

Direct investment grant



Part of the **Moroccan Solar Plan**. If fully developed (2GW target capacity), 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.

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

Total project volume: approx. €807 million

Grant contribution: €30 million

Involved FIs: EIB, AFD, KfW, IFC, WB

Lake Victoria WATSAN Initiative

Interest rate subsidy
Technical assistance



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

In Uganda, the project aims to increase coverage, reliability and access to water supply services for the population of metropolitan Kampala.

IRS was needed to meet objectives set by the Ugandan debt strategy and concessionality requirements established by the IMF. Technical assistance relates to planning, project preparation and hydraulic analysis.

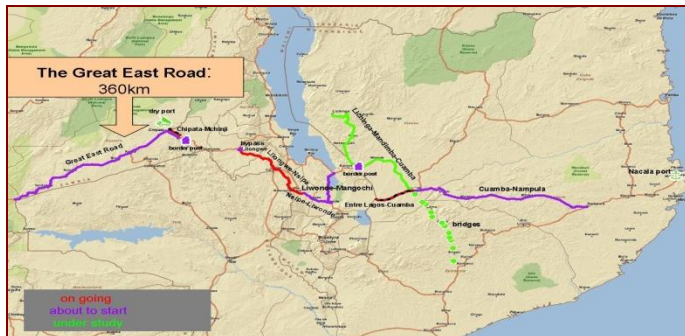
Total project volume: €212 m

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

Involved EFIs: KfW, AFD, EIB

Rehabilitation of the Great East Road

Interest Rate Subsidy



Improvement of a 360km section of the Great East Road, part of the Nacal Corridor, a regional road/railway passing through Zambia, Malawi and Mozambique and linking Lusaka with the port of Nacala.

The project will improve journey times and safety, thus reducing transport costs and facilitating trade and economic growth in the region.

Total project volume: € 250 m Euro
Total EC grant €38m (AITF & NIP)
Involved EFIs: AFD, EIB

Africa Sustainable Energy Facility

Guarantee
mechanism



Increasing the role of the private sector in financing climate change activities by promoting climate finance through local financial intermediaries

EU grant resources (up to €5m) can be used to guarantee 50% of the first-loss on a portfolio of new loans for energy efficiency and renewable energy projects originated by local (private sector) finance institutions, who retain the remaining risk.

Combined with €3M TA program to support local project developers and build local finance institution capacity.

Total project volume: up to €50 million
Involved FIs: EIB, IFC

Seychelles East Africa Submarine Cable (SEAS)

Grant
IRS

Mauritania Submarine Cable



SEAS will link directly into a landing station of ZANTEL in Dar es Salaam, from where other international fibre systems can be accessed.

The grant finances GoS's equity stake (€ 4M) in the cable company created (Seychelles Cable Systems), held by the two main telecom operators and the GoS

Total cost is €26.6 M (involved FI is EIB)

Similar project in Mauritania, where the grant was used as an IRS to soften EIB loan to the Government.