



INVESTMENTS & EU BLENDING

7 February 2018
WECOOP2 - Brussels

New European Consensus for Development: alignment with 2030 Agenda for Sustainable Development and Addis Ababa Action Agenda on Financing for Development

From millions to trillions !

*Ultimate goal: job creation and inclusive
sustainable growth*

Paradigm Shift: Development Funds and Investments

- **The investment needs cannot be met by public funds and/or development funds alone**
- **Hence: paradigm shift -> use development funds (e.g. EU DCI funds) to catalyse additional investments instead of entirely funding them (e.g. 1970s)**
- **Catalyzing meaning: addressing barriers to development investment (regulatory, risk perception...)**

Asia/Central Asia/Pacific

Consequently: Under ongoing mid-term review cooperation programmes, increase of EU grant funds in Asia/Central Asia/Pacific regions for strategic use to promote investments.

Privileged instrument in this context are the regional blending facilities -> **IFCA for Central Asia**. However, other implementation modalities are envisageable – e.g. stand-alone TA supporting policy dialogue for an improved business environment, or co-financing. .

With the introduction of bilateral investment allocations, EU Delegations will play an increasingly important role in project identification and formulation.

Expected amounts available for blending/investment facilitation post-MTR (indicative – process not finalized yet)

MEURO	Initial allocation to blending facility	Initial allocation not yet consumed*	Investment allocations under MTR	Overall total to consume by 2020
Asia	320	215.39	201	416.39
Central Asia	140	56.5	66.2	122.7
Pacific	20	20	59	79
Total	480	291.89	326.2	618.09

*not yet consumed = no projects identified yet by  decision

Blending is defined as

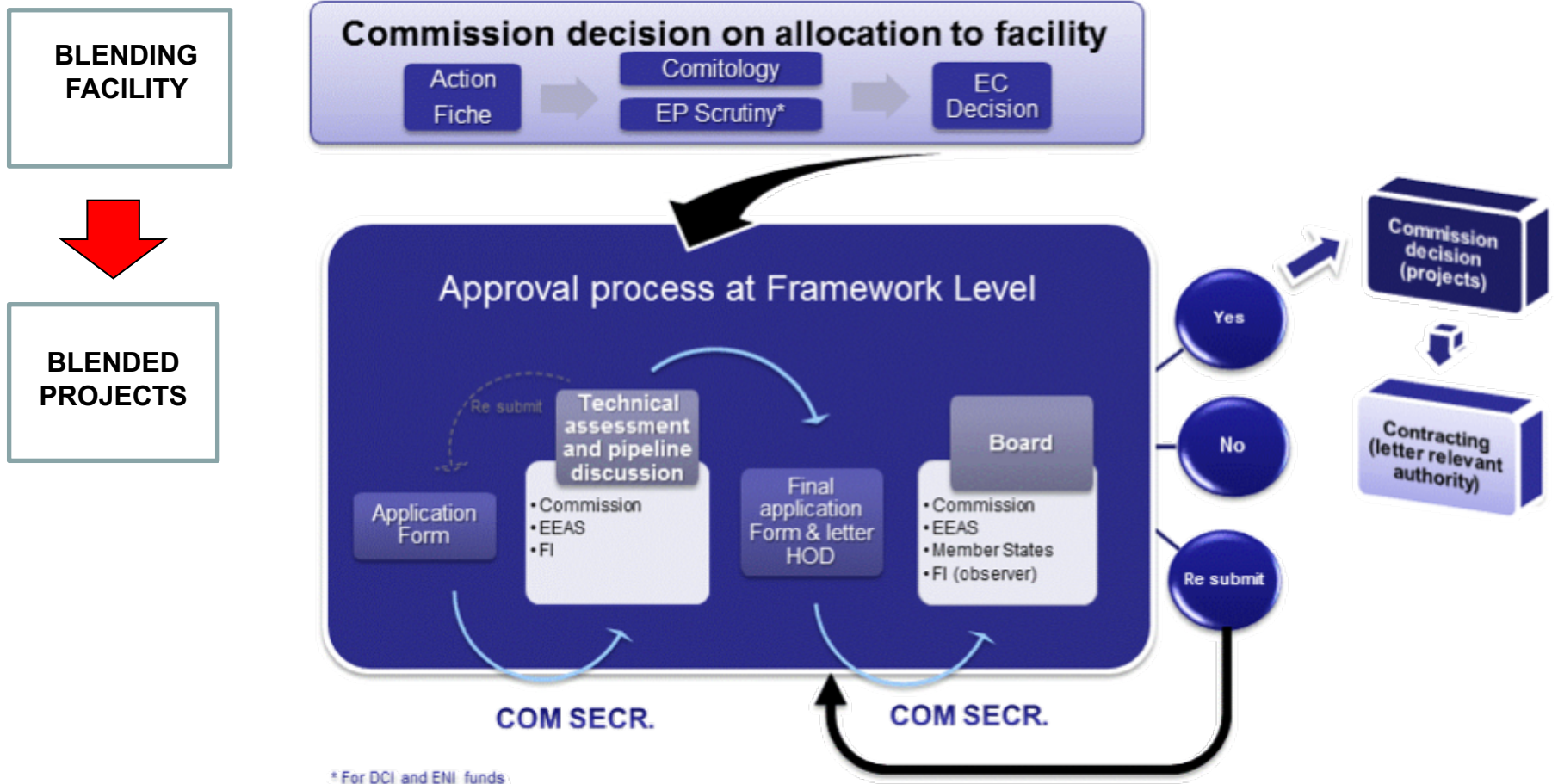
**THE STRATEGIC USE OF A LIMITED
AMOUNT OF GRANTS TO MOBILISE
FINANCING FROM PARTNER FIs
AND THE PRIVATE SECTOR TO ENHANCE THE
DEVELOPMENT IMPACT OF INVESTMENT PROJECTS**



So far, blending takes one of 5 forms

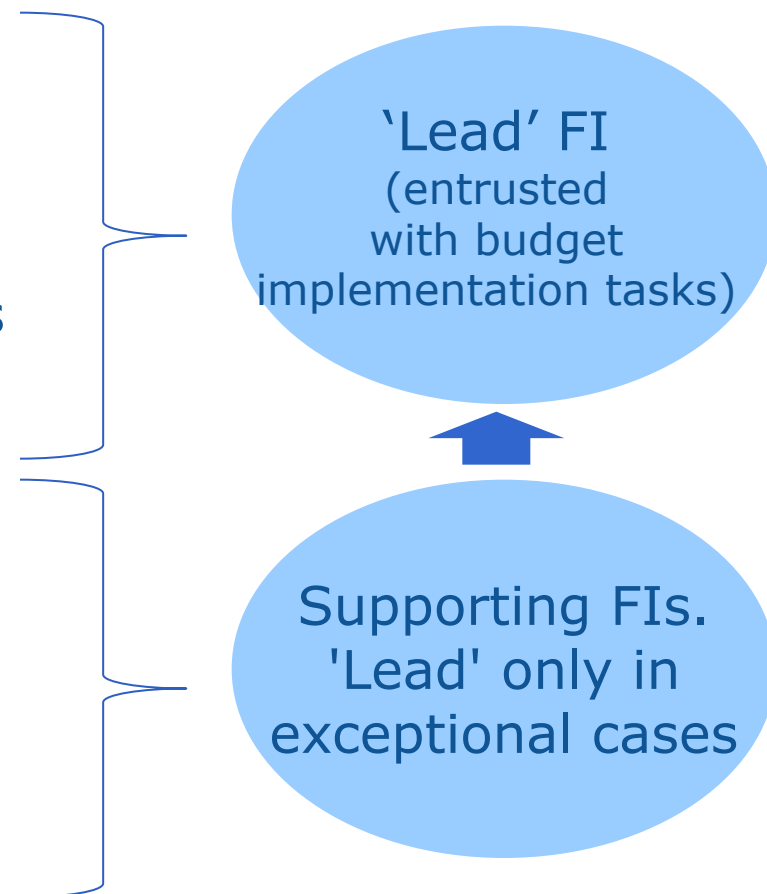
BLENDING GRANT TYPE	...WHICH CAN ELIMINATE A KEY PROBLEM
Direct Investment Grant	Reduce cost to end users or beneficiary country by partly financing the total investment cost
Interest Rate Subsidy Grant	Reduce cost to end users or beneficiary country by reducing interest cost and/or avoiding IMF debt-ceilings (not a favoured tool for EU)
Technical Assistance Grant	To boost management, speed, project design, feasibility/preparation and quality i.e. address risks
Risk Capital	To address perceived high risk by providing funding which absorbs some of this risk and thereby lowers investors' risk perception (often with the objective of mobilising private capital)
Guarantee	To address perceived high risk by partly guaranteeing certain types of investments (often with the objective of mobilising private capital)

Submission and Evaluation of Projects Funded under IFCA



3 'types' of partners, always a *LEAD* FI

- a) **Multilateral** European Finance Institutions (e.g. EIB,...).
- b) European **National** development finance institutions from Member States (e.g. AFD, KfW, AECID, CDP, ...)
- c) **Regional** and other multilateral banks: ADB, WB, now as well AIIB



'Wholesome Approach' to Investment

- Meaning: **sector-wide approach & link to policies and reforms**
- Furthermore, integrated approach of the European External Investment Plan should inspire activities in Central Asia, too:
 - **Exploit the complementarity of funding mobilization, technical assistance and policy dialogue** in order to boost investments.
- WECOOP2 Working Group can contribute to the link between policies and investments!