ENPI and International Financial Institutions

ENPI workshop, Georgia
2010

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ENP AND INT.FINANCIAL INSTITUTIONS

‡ EU assistance priorities identified in ENP Action Plan and ENPI major programming documents identify
‡ The EC considers these documents as framework for other IFIs and Donors assistance.
‡ Regulation considers that EU assistance can be used for “to finance investments and investment related activities;”
‡ “for contributions to the EIB or other financial intermediaries,… for loan financing, equity investments, guarantee funds or investment funds;”
COORDINATION

❖ EIB representative is part of ENPI committee (includes EP, EC, MS)
❖ In 2008 establish the Neighbourhood Investment Facility (NIF)
❖
**EIB Lending for the ENP-East Region & Russia**

- 2000–2006: €0.6 bn for Eastern Europe
- New EIB lending mandate for 2007-2013:
  - *Very substantial increase* –
    - Ceiling for ENPI - East: €3.7 bn
- Closer cooperation with EBRD (memorandum)

- Other International Financial Institutions (such as the World Bank) is foreseen.
EIB in East ENP

- To support projects of the EU’s significant interest in transport, energy, telecommunications and environmental infrastructure (ext.mandate)
- Eastern Partnership facility -1.5 bln SME loans (without EC guarantee)
- To support FDI flow in East ENP
VALUE-ADDED OF THE BANK’S LENDING ACTIVITIES

- Support for EU priority objectives
- Project quality and soundness
- Financial benefits of EIB funds
- Technical assistance
- Project assessment (environmental and social appraisal)
NEIGHBORHOOD INVESTMENT FACILITY

- Mobilising new funds
- • €700m from the European Commission
- • Other donors (EuropeanFinancialInstitution)
- is an innovative financial instrument to finance, with a mix of grants and loans, key infrastructure projects in the transport, energy, social and environment sectors as well as support private sector development (in particular SMEs).
GUIDING PRINCIPLES

- **Complementarity**: NIF projects support the priorities of the ENP Action Plans or related thematic priorities and are complementary to corresponding regional, national and local strategies and measures;

- **Additionality**: NIF projects avoid replacing private financing or introducing distortions in the financial markets;

- **Value for money**: NIF projects are technically and financially sound.
Projects supported by the NIF specifically aim at:

- establishing better energy and transport infrastructure interconnections between the EU and neighbouring countries
- addressing threats to the environment, including climate change.
- promoting equitable socio-economic development and job creation through the support for small and medium size enterprises and the social sector.
ELIGIBLE EUROPEAN FINANCE INSTITUTIONS ARE:

Multilateral European Finance Institutions
- The European Investment Bank (EIB),
- The European Bank for Reconstruction and Development (EBRD)
- the Council of Europe Development Bank CEB)
- the Nordic Investment Bank (NIB)

Bilateral Institutions:
- AFD
- KfW
- SIMEST
- SOFID
Type of intervention

- **Investment co-financing**: using the grant from the NIF to finance part of the project’s total cost;

- **Technical assistance**: recruiting experts or consultancy firms to support the project preparation and its implementation.

- **Risk capital operations**: development of the local private sector, such as co-investments with local intermediaries, investment in micro-finance institutions taking stakes in private equity funds, guarantees.
ARCHITECTURE OF THE NIF

- NIF Board of Directors
  - strategic meeting (2)
  - operations meeting (4)

- The « Finance Institutions Group » (FIG)
NIF OPERATION MODULE

¢ Projects are presented by a lead financial Institution

¢ To the Finance Institution Group for technical discussion

¢ Submission to NIF board for approval

¢ The FIG and Board are chaired by Commission that acts as secretariat
IMPLEMENTATION MODALITIES

Use Beneficiary country’s systems whenever possible
- NIF contribution transferred to the beneficiary country (not through the FI) in most cases

Ensure an harmonised approach towards the Beneficiary
- NIF Funds are pooled with those from the Finance Institutions (when possible)
- Procurement procedures are the ones agreed upon amongst donors

Enhance coordination between European donors
- Projects financed by a consortium of Eligible FI are strongly encouraged

Guarantee European visibility
**Lead Finance Institution’s Role**

NIF intention is to avoid duplicating tasks already performed by a Finance institution for which procedures have been positively assessed.

- Project’s **monitoring and follow-up are delegated to** the Lead Finance Institution (NIF contribution is marginal compared to FI’s loans).

- Commission relies on external independent **audits and evaluation** foreseen by the Lead Finance Institution whenever it is appropriate.
**ADDED VALUE**

- Leverage effect: financing operations of a larger scale with several finance institutions
- Increased concessionality
- Reducing transaction costs: donor coordination and harmonisation of procedures
- Joint visibility of “European operations"
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<thead>
<tr>
<th>country</th>
<th>Name of the project</th>
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<tr>
<td>Georgia</td>
<td>Black sea Energy transmission system</td>
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<td>Moldova</td>
<td>technical Assistance for the chisinau Airport modernisation Project II</td>
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<td>Moldova</td>
<td>capacity Assessment and modernisation of the clinical hospital in chisinau</td>
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<td>moldova road rehabilitation Project</td>
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<td>Fstudy for the improvement of Water and sanitation systems in chisinau</td>
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<tr>
<td>Ukraine</td>
<td>technical Assistance for ukrenergo high voltage transmission Networks</td>
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<td>Armenia</td>
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<td>regional</td>
<td>regional Energy Efficiency Programme for the corporate sector</td>
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<td>Financial sector institutional building and crisis response</td>
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<td>ENbF - European Neighbourhood Fund</td>
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