EU guarantee to the European Investment Bank (EIB) against losses under loans and loan guarantees for projects outside the Union

2010/0101(COD) - 19/09/2016 - Follow-up document

The Commission presents a report on the activities of the EU Platform for Blending in External Cooperation (EUBEC) from August 2014 until end of 2015.

The objective of the EUBEC is to **improve the quality and efficiency of EU development and external cooperation blending mechanisms**, taking due account of the policy frameworks that govern the EU relations with the different partner countries, notably EU development, neighbourhood and enlargement policies.

The EUBEC works through the Policy Group that is chaired by the EC and composed of representatives of the EU Member States and the European External Action Service (EEAS), with the European Parliament and the Financial Institutions involved in the technical work as observers.

The report:

- provides an update on the **structural issues** pertaining to the blending facilities: their governance; the measures addressing recommendations by the Court of Auditors, and the involvement of other stakeholders ;
- recaps **discussions at technical level** and at policy group level during the reporting period on the blending facilities' contribution to mobilising private sector resources, the fight against climate change and Financing for Development.

The main conclusions in the report are as follows:

Blending as aid delivery mechanism: the report notes that EU blending facilities have continued to **perform adequately in support** of EU external policies. Blending is a relatively new instrument that is considered innovative and an independent external evaluation on its effectiveness is taking place.

- **At the Addis Ababa Summit** from 13 - 16 July 2015, the Addis Ababa Action Agenda was adopted, establishing the move to a new sustainable development paradigm, including aspects of governance, gender, partnerships, and working with the private sector.
- As the **flows of refugees and migrants** intensified in the course of the year 2015, the EUBEC group identified the importance of the potential contribution of blending to addressing this challenge as an urgent priority, in particular with a view to addressing the root causes of migration.

Governance: clear and consistent governance have now been put in practice. EU Blending operations are organised in four blending frameworks for each relevant financing instrument: the Development Cooperation Instrument (DCI), the European Neighbourhood Instrument (ENI), the European Development Funds (EDF) and the Instrument for Pre-Accession (IPA), with a single governance structure for each framework.

It was agreed that it should be possible to **group several "facilities" under a blending framework** in order to be able to better address the different regional and thematic strategic priorities, to increase policy leverage, to increase the impact, efficiency and visibility of the EU aid.

It is also possible to create **dedicated Facility Trust Funds** to enable EU Member States or other

donors which are interested to provide additional contributions to blending operations under the

Facilities.

Regarding the **strategic discussions**, in the DCI and ENI blending frameworks, the Commission services, the EEAS and the EU Member States hold a regular dialogue on strategic orientations for each Facility with partner countries and relevant regional organisations.

The Commission, in the framework of the EUBEC, has dealt with **most of the recommendations made by the Court of Auditors,** and the Commission will continue to monitor the process and all the concerns raised.

Civil society: the EC continued its exchange on blending with CSOs and private sector. Four meetings were held during 2014: three in the context of the Policy Forum on Development (PFD) during the sessions organised in Lima (Peru), Bangkok (Thailand) and Brussels.

Private sector involvement: technical discussions were held on the work undertaken by EUBEC, on ideas presented by financial institutions, where the latter were asked to submit more concrete concepts for further discussion.

A Technical Meeting was held on 16 October 2015, focused on the main constraints preventing institutional and other private investors from participating in the financing of projects in the emerging countries. Inadequate risk/return profiles, rating, liquidity, currency and transaction size were identified as some of the aspects that should be considered. Possible solutions included loan syndication, participation of private investors in the loan market, participation in equity funds, and donor support to reduce expected loss and increase attractiveness for the private sector.

Climate change action: the regional blending facilities need to continue to integrate climate action in the EU blending operations and s**upport the implementation of the Paris Climate Agreement**. The EUBEC discussions should support the implementation and provide further horizontal guidance as needed.