

**ECDPM works to improve relations between Europe and its partners in Africa, the Caribbean and the Pacific** L'ECDPM œuvre à l'amélioration des relations entre l'Europe et ses partenaires d'Afrique, des Caraïbes et du Pacifique

European Centre for Development  
Policy Management

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**European Parliament**  
**Joint Committee Meeting**  
Committee on Foreign Affairs  
Committee on Development  
Committee on Budgets

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# EFSD in Perspective

## the EU's way forward

Dr San Bilal

# EFSD (European Fund for Sustainable Development): Regional Blending Platforms

- Blending one of the forms to stimulate and leverage private investments
- BUT by no means a magic bullet & great caution required to prevent...
  - ...unwarranted subsidy to businesses
  - ...market distortion
  - ...wasting scarce ODA/public resources
- So far, blending approaches rather fragmented and different among key actors
- Similar rationales for blended finance but...
- ...principles, modalities & practice do vary among EU financing institutions, DFIs/MDBs

# To blend? (Pros)

- Quantity leverage:
  - additional resources
  - closing financial gap
  - reducing burden on donors: doing “more with less”
  - reducing debt burden by developing countries
- Quality leverage:
  - greater focus on development objectives
  - better management development support (TA, etc.)
  - lower risk / better risk management
  - greater aid and/or development effectiveness
  - greater country ownership (public and private)
  - greater private sector involvement

# Or not to blend? (Cons)

- Risk and challenges:
  - financial incentives outweighing development principles
  - differentiate in favour of MICs against poorer countries
  - crowding out private financing
  - race to the bottom: distorted competition and markets
  - transparency and accountability
  - monitoring and evaluation
  - increasing debt
  - additionality / leveraging

=> Compared to what?

Myth vs. reality

# EUBEC *(EU Platform for Blending in External Cooperation):* *Recommendations for improvement*

- Use more risk capital, guarantees and interest rate subsidies
- Improve monitoring and reporting systems
- Involve more EU Delegations in pipeline development
- Promote wider participation among EU aid actors (FIs)
- Promote the involvement of non-European FIs (e.g. regional banks as lead FIs)
- More systematically involve partner countries/ regions in project design & preparation

# EFSD main innovation: Risk management

- Different types of risk
  - sovereign, political, macroeconomic (e.g. FX, fiscal)
  - Perceived risk for businesses often higher than actual risk
- 'Catch-22' → how to best reconcile risk, financial return and development impact?
  - Striking the right balance regarding level of intervention (risk of market distortion) & desired development impact
  - Continuum of risks and development impact assessments
- EIP's 1<sup>st</sup> pillar → EFSD Guarantee
  - Single portal to provide risk mitigation/sharing instruments
  - passed on to intermediary financing institutions
- EIB experience outside the EU → ACP IF's Impact Financing Envelope
  - higher development impact while bearing greater risks

# EFSD: Key considerations

- Need for building on lessons learnt from:
  - EU regional blending facilities (e.g. AfIF, NIF)
  - EIB, EBRD, AFD, KfW, DFIs
  - IFC: most active in fragile states
  - Others
- Risk principles and management
- Additionality and Sustainability principles
- Coherence
  - within EIP pillars
  - with other European initiatives and instruments (e.g. DFIs/ECAs)
  - Other international (non-EU) actors

**Thank you!**  
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