

Position on the use of new financial instruments in European External Aid

The 2011 Agenda for Change proposes that a higher share of EU aid is channeled through innovative financial instruments, including facilities for blending grants and loans. Blending facilities use grants strategically to leverage additional public and private financing, and make projects with a high economic and social return but insufficient financial return possible.

Blending is an increasingly important instrument to deliver EU grants to partner countries, and since 2007, the European Commission and Member States have set up eight regional blending facilities, covering the entire region of EU external cooperation. Grants from the EU budget, the European Development Fund (EDF) and Member States amounting to EUR 1.5 billion have financed more than 320 operations of EU blending mechanisms. The EU grant contributions to individual projects have leveraged more than EUR 20 billion of loans, unlocking project financing of at least EUR 45 billion, mainly in the water, transport, energy and environment sectors.

In December 2012 the European Commission and the Member States set-up an *EU Platform for Blending in External Cooperation* to further develop the partnership with European Financial Institutions and increase the visibility of EU external cooperation. The Platform will act as a major forum to improve the quality and efficiency of blending mechanisms, and to which the Consulting Engineering Industry will contribute with its views and experience through EFCA's European External Aid Committee.

The amount of European aid disbursed through blending facilities is impressive; however, the participation of consulting engineers in the projects financed through the blending facilities is insignificant.

In the standard use of EU grants the procurement of services is defined by the PRAG, and European consulting engineers have consistently played a major role in supporting the identification, preparation, implementation, monitoring and evaluation of programmes and projects.

Although European consulting engineers have extensive experience in the sectors and regions covered by the EU Blending Facilities, and despite the fact that 33% of the grant support in the facilities is dedicated to Technical Assistance, their participation has been very limited to date.

This is mainly due to the following reasons:

- The lack of information on the projects proposed to the facilities, on the selection process and on the leading financing institution in each project, who determines the procurement procedure to be used;
- The limited use of external technical assistance services for project preparation and implementation in the facilities, and the difficulty of tracing those procurements for companies;
- When the leading financing institution is a Development Financing Institution of a Member State, its procurement procedures do not always offer the same guarantees of equal access to information and equal contracting opportunities as the EU PRAG (*i.e. procurement notices are not always free, prior information notices are not systematically available, no shortlists or awards are published, there are no public statistics on the awarded contracts, etc.*).

In our view, it is contradictory that the increasing coordination between the EC and the MS to build an EU External Cooperation translates into a multiplying number of procurement procedures using different information, visibility and monitoring systems. This does not contribute to the efficiency or to the effectiveness of the EU External Aid.

MESSAGE: European blending facilities should not only leverage private funding, but also European knowledge and experience. Facilities should make a better use of European consulting engineering services to ensure quality in their projects. They should also be more transparent in providing information on the projects to be financed, the institutions involved (including the leaders) and the procurement procedures to be applied. We advocate for the use of a single set of procedures whenever the financing is European, such as the EU PRAG.

European External Aid Committee
Ines Ferguson, Chair