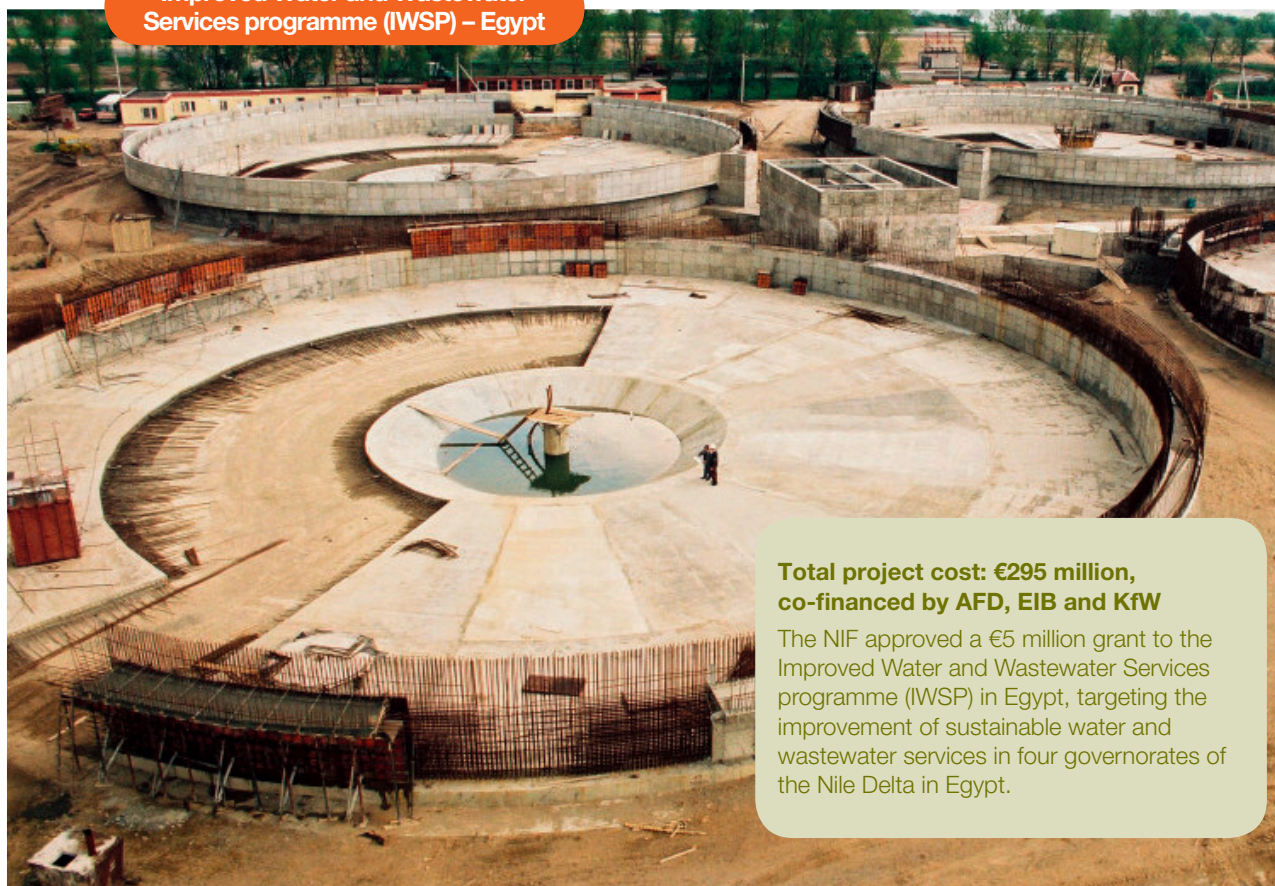


### What is the value added of NIF operations?

- By bringing together European donors and European Finance Institutions, the NIF ensures **greater visibility** to the European dimension of external cooperation.
- Thanks to its leverage effect and by pooling together NIF grants with loans from several European Finance Institutions, the NIF **increases the global resources** devoted to infrastructure investments in the Neighbourhood countries and allows to finance specific investments.
- By encouraging cooperation among European Finance Institutions and promoting a harmonised approach towards the beneficiaries (e.g. procurement procedures), the NIF paves the way for the concrete implementation of **donor coordination, division of labour and harmonisation of procedures**. This is fully in line with the objectives of the Paris Declaration and the Accra Agenda for Action, helping to increase the efficiency and the effectiveness of European external cooperation.
- The NIF is a key financing tool that supports the implementation of **regional and multilateral processes**, in particular the Union for the Mediterranean, the Eastern Partnership and the Black Sea Synergy.

Improved Water and Wastewater Services programme (IWSP) – Egypt



**Total project cost: €295 million, co-financed by AFD, EIB and KfW**

The NIF approved a €5 million grant to the Improved Water and Wastewater Services programme (IWSP) in Egypt, targeting the improvement of sustainable water and wastewater services in four governorates of the Nile Delta in Egypt.

# Neighbourhood Investment Facility



### For more information

**Internet:** [http://ec.europa.eu/europeaid/where/neighbourhood/regionalcooperation/irc/investment\\_en.htm](http://ec.europa.eu/europeaid/where/neighbourhood/regionalcooperation/irc/investment_en.htm)

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EuropeAid



EUROPEAN COMMISSION

## What is the NIF?

Officially launched in May 2008, the **Neighbourhood Investment Facility (NIF)** is an innovative financial instrument of the European Neighbourhood Policy, whose primary objective is 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) in the Neighbourhood region.

### Geographical scope

Projects receiving a grant contribution from the NIF must be located in an ENP partner country which has signed an Action Plan with the EU. On a case-by-case basis, taking into account regional or specific circumstances, other countries may also benefit from NIF interventions.

### Sector priorities

Projects supported by the NIF specifically aim at:

- establishing better **energy** and **transport** infrastructure interconnections between the EU and neighbouring countries and among neighbouring countries themselves.
- 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**.

Financing and implementing large infrastructure projects requires considerable financial resources. The NIF aims to create a 'partnership', **pooling together grant** resources from the European Commission and the EU Member States and using them to **leverage loans** from European Finance Institutions as well as own contributions from the ENP partner countries. Accordingly, to receive a grant contribution from the NIF, a project must be financed by an eligible European Finance Institution.

### Eligible European Finance Institutions are:

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

### Sources of funding

For the period 2007–13, the European Commission has reserved a minimum amount of **€700 million** for the NIF, complemented by **direct contributions from the Member States**. A trust fund managed by the European Investment Bank was established in January 2009 to receive Member States' bilateral contributions. While there is no predefined allocation per country or sector, funds for the Southern Neighbourhood and the Eastern Neighbourhood are separately earmarked.

### Type of intervention

NIF contributions to a project can take several forms, including:

- **Investment co-financing:** using the grant from the NIF to finance part of the project's total cost; this reduces the project's financial burden and improves its bankability.
- **Technical assistance:** recruiting experts or consultancy firms to support the project preparation and its implementation.
- **Risk capital operations:** specifically aimed at the development of the local private sector these operations can take several forms, such as co-investments with local intermediaries, investment in micro-finance institutions taking stakes in private equity funds, guarantees.

### 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.

- European **bilateral** development finance institutions from one of the Member States (presently, l'Agence Française de Développement (AFD), the Kreditanstalt für Wiederaufbau (KfW), the Oesterreichische Entwicklungsbank AG (OeEB), the Società Italiana per le Imprese all'Estero (SIMEST), and the Sociedade para o Financiamento do Desenvolvimento (SOFID)).

## How to submit a project to the NIF?

The application for a NIF grant is made directly by the European Finance Institutions providing financing to an eligible NIF project. On a case-by-case basis, a **Lead Finance Institution** is designated to present the project for approval by the NIF bodies.

### Projects are presented

- To the **Finance Institution Group (FIG)**, an informal technical group composed of all eligible European Finance Institutions. The FIG gives a technical assessment on the operations before submitting them to the NIF Board.
- To the **NIF Board**, composed of representatives of the Member States and other donors, charged with setting the overall strategy and taking operational decisions (including project approval). During the strategy meeting of the NIF, the partner countries participate as observers.

The Strategic Board meetings are chaired by the European Commission's Directorate-General for External Relations, whereas the FIG and Operational Board meetings are chaired by the European Commission's EuropeAid Cooperation Office, which also acts as NIF secretariat.

### Black Sea Energy Transmission System project – Georgia



#### Total project cost: €220 million, co-financed by EBRD, EIB and KfW

The NIF approved a €8 million grant to the Black Sea Energy Transmission System project in Georgia involving the construction of a new 315 km transmission line linking the power supply systems of the southern Caucasus countries with Turkey and Europe.

### THE NIF AND THE ENP

The European Neighbourhood Policy (ENP) was developed in 2004 with the objective of avoiding the emergence of new dividing lines between the enlarged EU and its neighbours and, instead, strengthening the prosperity, stability and security of all concerned. The premise of the ENP is that the EU has a vital interest in seeing greater economic development and better governance in its neighbourhood. Spreading peace and prosperity across the borders of the EU prevents artificial divisions and creates benefits for the ENP partners and the EU alike.

The NIF is one of the tools introduced in the framework of the ENP to strengthen EU support to the economic development of its neighbours. Private investment flows to most countries of the neighbourhood region remain insufficient compared to global needs. The capacity to finance crucial infrastructure is also insufficient in neighbourhood countries. The NIF aims to maximise the impact of EU funding, in particular lending provided by European Finance Institutions to critical infrastructures and SMEs. Implemented by the EuropeAid Co-operation Office and financed through the interregional programme, the NIF has been available to the south and eastern neighbours since 2008.