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This action is funded by the European Union

<u>ANNEX</u>

of the Commission Decision on the individual measure in favour of West Africa to be funded from the 11th European Development Fund

<u>Action Document for "*Contribution (phase 2) to the Africa Investment Facility in support of regional economic integration in West Africa*[1]"</u>

1. Title/basic act/ CRIS number	*Contribution (phase 2) to the Africa Investment Facility in support of regional economic integration in West Africa.* CRIS number: ROC/FED/xxx-xxx Financed under the 11th European Development Fund (EDF)
2. Zone benefiting from the action/ location	All countries members of Economic Community of West African States (ECOWAS) and the Republic of Mauritania
3. Programming document	11th EDF - Regional Indicative Programme (RIP) for West Africa-2014-2020
4. Sector of concentration/ thematic area	Priority area 2 – Regional Economic integration and support for trade
5. Amounts concerned	Total estimated cost: EUR 230 000 000 Total amount of EDF contribution EUR 230 000 000 This action is co-financed by entities and for amounts specified indicatively in the draft list of priority projects in Appendix 1
6. Aid modality and implementation modalities	Project Modality This action regarding the Africa Investment Facility shall be implemented in indirect management by entities to be indicated in complementary financing decisions to be adopted at the end of the Africa Investment Facility's project selection procedure.
7. DAC code(s)	210 – Transport and storage 230 – Energy generation and supply 331 – Trade policy and regulations and trade related adjustment

8. Markers (from CRIS DAC form)	**General policy objective**	**Not targeted**	**Significant objective**	**Main objective**
	Participation development/good governance	☐	☒	☐
	Aid to environment	☐	☒	☐
	Gender equality (including Women In Development)	☐	☒	☐

[1] The zone benefiting from this action document is all countries members of Economic Community of West African States (ECOWAS) and Mauritania. For convenience, the action document will refer to "West Africa" or "West Africa countries" as being the overall beneficiary zone.

	Trade Development	☐	☒	☐
	Reproductive, Maternal, New born and child health	☒	☐	☐
	RIO Convention markers	**Not targeted**	**Significant objective**	**Main objective**
	Biological diversity	☒	☐	☐
	Combat desertification	☒	☐	☐
	Climate change mitigation	☐	☒	☐
	Climate change adaptation	☐	☒	☐
9. Global Public Goods and Challenges (GPGC) thematic flagships	N/A			

SUMMARY

The overall objective of this project is to contribute to poverty reduction and to sustainable and inclusive economic development through regional economic integration in West Africa, with an emphasis on the improvement of regional economic infrastructures.

In larger and more harmonised markets, the free movement of goods, services, capital and people enables economies of scale and lower transaction costs, and stimulates investment, thus spurring economic growth and increasing trade. The right mix of gradually-increased intra- and extra-regional competition allows for smooth integration into the global trading system and makes regional integration a vehicle for inclusive growth and accelerated poverty reduction.

The results of the action will be key investments in the transport and energy sectors, improving regional interconnection, enhancing regional integration, and contributing to achieving sustainable and inclusive development in the region.

The project will also result in a pipeline of bankable sustainable infrastructure projects adequately prepared and ready for financing. These projects are in line with the regional and continental priorities for the transport and energy sectors.

The project constitutes a contribution to the Africa Investment Facility[2] to support regional infrastructure investment projects in the region.

1 CONTEXT

1.1 Country/Regional context

The regional integration process in West Africa is supported by Economic Community of West Africa States (ECOWAS)[3] and the West African Economic and Monetary Union (UEMOA)[4], working alongside specialised technical agencies and sub-regional institutions. Despite diverse political and socio-economic backgrounds, ECOWAS, UEMOA and their

[2] Commission Decision on the individual measure "Creation of the Africa Investment Facility" under the 11th European Development Fund, C(2015)5210 of 29.7.2015.

[3] ECOWAS is an intergovernmental organisation established on 28 May 1975, it counts 15 members states (Benin, Burkina Faso, Cape Verde, Côte d'Ivoire, Gambia, Ghana, Guinea, Guinea-Bissau, Liberia, Mali, Niger, Nigeria, Senegal, Sierra Leone and Togo).

[4] The Treaty creating the UEMOA was signed on 10 January 1994. The Union counts 8 countries also members of ECOWAS (Benin, Burkina Faso, Côte d'Ivoire, Guinea-Bissau, Mali, Niger, Senegal, Togo).

member states have made significant progress on improving regional integration, particularly with regard to policies and institutions. The region also progressed towards the creation of a common market in particular through the adoption of a common external tariff. The conclusion of the West Africa – EU Economic Partnership Agreement (EPA) also testifies of the strong commitment to regional economic integration. Furthermore, the Republic of Mauritania has an observer status in ECOWAS and participates in several ECOWAS projects and policies, is part of the West Africa – EU and will benefit from the West Africa (WA) 11th EDF Regional indicative programme (RIP).

In 2007 the ECOWAS Heads of States and Government conference drew up its vision for 2020, aiming to create a prosperous, peaceful and harmonious region without borders, based on good governance. The plan identifies three main areas for action: a) creating a commercial, monetary and economic union in West Africa, b) creating sustainable development and eradicating poverty, c) ensuring peace and regional security.

This ambition is, however, hampered by the broad developmental challenges faced by the West Africa region including undiversified markets with low value addition, overdependence on commodities exports, still low levels of effective trade, and unsufficient economic integration, lack of infrastructure, regional food insecurity, conflicts, and political instability. As a result the core objectives of the region’s future development are to strengthen market integration, pursue regional infrastructure development and undertake high value-added industrialisation and transformative production.

In the context of the EPA negotiations, the region has developed the West Africa Economic Partnership Agreement Development Programme[5] (EPADP/PAPED) through a participatory approach led by ECOWAS and UEMOA commissions, involving regional and national actors. The overall goal of the PAPED is to accompany the implementation of the EPA by helping West Africa to build a competitive regional economy. Support to the development of trade related infrastructure (energy, transport) is an important part of the EPADP/PAPED.

Infrastructure investment and development remain critical to sustaining West Africa’s strong growth, through economic diversification and structural transformation. Energy and transport infrastructure development will support the West African economies diversification away from the commodities sectors and towards growth in added value productive and service sectors. The result of this diversification will be widening the industrial base in a number of countries and creating more inclusive patterns of growth in the region.

Weakness of the transport network has a serious impact on the competitiveness and economic development of the region. Transport cost in landlocked countries represents almost 20% of imported goods cost, which is three to four times higher than in most developing countries[6]. In West Africa, the need for investment in transport infrastructure (in proportion to income) is and will remain more important than in any other developing region, as populations are spread over large areas with underdeveloped interconnection and little or no access to the ocean. Moreover, missing links in main transport corridors are numerous and would require 30%[7] of investment needed to complete these corridors.

The needs in the energy sector remain vast and there is a continued potential to achieve the strong development impact through blended investments in energy in Sub-Saharan Africa. In West Africa region, the energy access is one of the lowest. Electricity generation varies

[5] http://eeas.europa.eu/delegations/cape_verde/press_corner/all_news/news/2014/papedfr_fr.htm
[6] Transport prices and Costs in Africa – WB 2009.
[7] AU-NEPAD PIDA (African Union's New Partnership for Africa's Development Programme for Infrastructure Development in Africa) 2011.

greatly from country to country and between the countries that have established agreements for trade of electricity. The cost of producing power is exceptionally high and rising also due to growing demand from the market where in most countries the investment in new generation capacities cannot keep up with the pace of growth. The small scale of most national power systems and the widespread reliance on expensive oil-based generation, in particular as a back-up, make the average cost of producing power in Africa extremely high[8]. Additionally, electricity prices are typically very high by world standards, despite often being held below the cost of supply. Power generation capacities must be increased with a focus on renewable energies with the purpose to improved access to clean, stable and affordable energy.

At the same time, the region has advanced with the decision to develop a regional energy market by supporting the West African Power Tool (WAPP). In that context, developing the regional power market would reduce energy system costs substantially and would additionally save tons of carbon emissions annually. Co-operative planning and improved transmission interconnections will increase access to electricity, efficiency of energy, as well as lower the costs of energy to the end user. In turn, energy will have an increased development impact through poverty reduction and inclusive growth (access to energy for SMEs).

At a continental level, the African Union has defined its economic development strategy for the continent (PIDA: the Programme for Infrastructure Development in Africa) involving the improvement of basic infrastructure as a priority. This strategy presents a Priority Investment Plan, which defines the large regional and continental networks judged to be essential for economic growth for the continent with the planning horizon of 2020. PIDA is based on and constituted by the prolongation of infrastructural development strategies from African Regional Economic Communities, combined with, naturally, a choice of priorities based on a continental vision.

PIDA and its PAP (Priority Action Plan) were formally approved by African Heads of State during the Addis Ababa summit of January 2012. Since the 5th College-to-College meeting in June 2011, the EU has positioned itself in favour of the PIDA process definition. The added value of PIDA is that this strategy aims to develop a long-term vision of infrastructure at a continental level, based on strategic objectives and sectorial policies, allowing for the definition of programmes of priority investment at the regional and continental level. In addition, PIDA in particular demonstrates that during a period of economic crisis, capital investment is not sufficient to reduce the cost of transport if it is not accompanied by structural reform. With PIDA, African leaders recognise the importance of institutional reforms and have committed to adopt and implement these.

1.1.1 Public Policy Assessment and EU Policy Framework

The project aims to support West Africa in addressing its regional infrastructure deficit that hampers competitiveness, in particular in the energy and transport sector. This is in line with the regional Duly Mandated Regional Organisations (DMROs)[9] and continental Programme for Infrastructure development in Africa[10] (PIDA) strategies and/or master plans that call for

[8] USD 0.18 per kilowatt-hour with an average effective tariff of USD 0.14 per kilowatt-hour, World Bank Africa Development Forum (2010).

[9] The Duly Mandated Regional Organisations (DMROs) are ECOWAS (Economic Community of Western African States), EAC (East African Community), UEMOA (Union Economique et Monétaire Ouest Africaine).

[10] PIDA is a joint initiative of the African Union Commission (AUC), the New Partnership for Africa's Development Planning and Coordination Agency (NPCA), and the African Development Bank (AfDB) http://pages.au.int/infosoc/pages/program-infrastructure-development-africa-pida.

investments for the development of more integrated transport and energy infrastructures in order to boost continental interconnection and growth.

This is also in line with the Agenda for Change[11] which identifies energy as one of EU's highest priorities for the future and as a key driver for inclusive growth as well as EU's commitments in the context of Sustainable Energy for All[12] (SE4All), which aims at reaching three critical objectives:

1. ensuring universal access to modern energy services;
2. doubling the share of renewable energy in the global energy mix;
3. doubling the global rate of improvement in energy efficiency.

This programme is part of the EU response to the Economic Partnership Agreement Development Programme (EPADP/PAPED)[13], following the commitment of the EU Council of Ministers on 17 March 2014 to provide at least €6.5 billion, out of which €3bn through the EU institutions.

This programme is fully in line with EU development policy, as laid down in the European Consensus on Development[14] and the Joint Africa-EU Strategy (JAES)[15] which defines continent to continent relations based on a shared vision and common principles. The overall objectives include sustainable economic development, industrialisation, regional and continent integration.

The programme will also contribute to action plan adopted at the Valetta Summit on Migration November 11-12, 2015[16], in particular to the first priority domain "Development benefits of migration and addressing root causes of irregular migration and forced displacement" by boosting socio-economic development.

Finally, the programme will aim at implementing actions that would mainstream and contribute to SDG goals and targets related to infrastructures, such as SDG 7 ('affordable and clean energy), target 9.1 (quality, reliable, sustainable and resilient regional infrastructures), target 11.3 (access to safe, affordable, accessible and sustainable transport systems in cities), and target 3.6 (number of global deaths and injuries from road traffic accidents).

1.1.2 Stakeholder analysis

The final beneficiaries of the operations financed under the facilities will be the partner countries members of the West Africa regional organisations (ECOWAS and UEMOA) and the Republic of Mauritania, either directly or indirectly through their central, regional and local administrations or public or semi-public institutions.

Indirect beneficiaries will include all African citizens from the region who will benefit from improved infrastructure services.

[11] Communication from the Commission to the European Parliament, the Council, the European Economic and Social Committee and the Committee of the Regions "Increasing the impact of EU Development Policy: an Agenda for Change" COM(2011)637 final.

[12] The Sustainable Energy for All initiative is a multi-stakeholder partnership between governments, the private sector, and civil society, launched by the UN Secretary-General in 2011, http://www.se4all.org/.

[13] http://eeas.europa.eu/delegations/cape_verde/press_corner/all_news/news/2014/papedfr_fr.htm

[14] OJ C 46, 24.2.2006, p. 1.

[15] http://www.africa-eu-partnership.org/key-documents.

[16] http://www.consilium.europa.eu/en/meetings/international-summit/2015/11/ACTION_PLAN_EN_pdf/

The DMROs (ECOWAS and UEMOA) will benefit from improved regional infrastructure and are fully associated with the definition of priorities and projects considered in the context of the regional steering committees (Comité d'orientations stratégiques, COS).

Multilateral and national European financial institutions will be direct partners and important stakeholders of the Africa Investment Facility (AfIF).

In accordance with Article 40 of Council Regulation (EU) 2015/323[17], financial instruments shall be implemented whenever possible under the lead of the European Investment Bank (EIB), a multilateral European financial institution such as the European Bank for Reconstruction and Development (EBRD), or a bilateral European financial institution.

The involvement of non-European financial institutions as lead financiers should be examined by the board of the Africa Investment Facility on a case-by-case basis following a targeted approach, based on the specific added value as a lead financier brought into a particular project or region. This would include those aspects in which non-European financial institutions might contribute to fill the gap left by European financial institutions, in particular regarding their:

a. specific thorough knowledge of local conditions and presence in the region,
b. specific analytical capacities and specific expertise and know-how, notably on private sector financing and the promotion of financial instruments and /or of innovative financing tools that attract private funding,
c. specific know-how and experience in relevant sectors,
d. additional technical and/or financial capacity to substantially leverage further resources.

The role of non-European financial institutions already acting as lead in specific blending facilities should be preserved, provided that the above conditions are met. In the context of the Africa Investment Facility, it relates to the African Development Bank acting as lead financier under the conditions set above.

In accordance with the recommendations made under the EU Platform for Blending in External Cooperation, non-European financial institutions active in a particular region should be invited to attend technical and board meetings as observers.

1.1.3 Priority areas for support/problem analysis

Delivering on regional economic integration requires, among other measures, good regional infrastructure. Despite robust gains in Gross Domestic Product (GDP) in many of the West Africa countries in recent years, infrastructure inefficiencies continue to slow down integration efforts and growth, and put stress on national resources, both public and private. The overall objectives per sub-sector, as identified by PIDA, are to reduce transport prices and boost intra-African trade and to reduce energy costs and increase access. PIDA defines the projected gaps and bottlenecks created by mismatched supply and projected demand and institutional inefficiencies. The identified needs are:

- Investments and technical preparatory studies: for the realisation and/or completion of target key regional projects identified in PIDA, regional strategies or aligned to the principles defined in these documents;

[17] Council Regulation (EU) 2015/323 of 2 March 2015 on the financial regulation applicable to the 11th European Development Fund (OJ L 58, p. 17, 3.3.2015).

- Sector governance: compliance with regional policies, regulations and standards is key to ensure the sustainability of the investments. The PIDA evaluation shows that the framework of regional and continental policies is fundamentally sound, but their translation into national legislation and their enforcement are major challenges and constitute the principal reason for the high cost and low level of competitiveness. Furthermore, in order to meet the needs for infrastructure development, the region has to mobilise resources from the private sector through public-private partnerships;

- Capacity development: a major constraint to the development of regional economic infrastructure is the lack of expertise in preparation and development of bankable project proposals. This results in a lack of adequately prepared proposals that could be marketed to potential investors which limits severely the ability of countries to access the required resources to finance infrastructure projects. There is also a need for an enhanced capacity of public institutions to initiate, supervise and manage public-private partnerships. In order to support sustainability of the infrastructure investments, the West African Regional Indicative Programme (WA RIP) foresees to address the governance and capacity issues. The programme is currently under formulation and will address support to regional organisations, sustainability of investments, policy measure to be taken at regional and national levels, market integration, mobilisation and support of the private sector.

Blending can be of particular relevance in contributing to these new goals. In particular, blending is relevant for projects with a high potential development impact and economic rate of return, but a below-market expected financial internal rate of return which cannot attract public lenders or commercial financiers without support. This may be due to the fact that certain projects, including appropriate technical assistance components to ensure quality and sustainability, do not generate sufficient revenue to cover their cost. Alternatively, the (perceived) risks involved in certain projects may be too high to attract financing at the necessary scale. Development finance can be particularly important where the private sector (domestic and foreign) is unwilling to invest because risk/return profiles are not sufficiently attractive. As such, across all sectors aid can be used to attract investments through blended operations.

2 RISKS AND ASSUMPTIONS

Risks	Risk level (H/M/L)	Mitigating measures
Macroeconomic data of the beneficiary countries should be taken into account, especially in order to secure debt sustainability, using International Monetary Fund (IMF)/World Bank (WB) debt sustainability framework. This can negatively impact blending operations in selected countries, in particular those countries that are under a moderate to high risk of debt distress.	L/M	Project application forms contain information about debt sustainability provided by financial institutions. Financial institutions also have internal policies in terms of sovereign lending. Assessment process involves EU. Delegations and other competent services are consulted on the issue of debt sustainability and investment programmes, including the information available on IMF/WB debt sustainability framework.
The existence or development of favourable policies by the target countries in the sectors concerned will be of high importance and should be	L/M	Governance, policy and capacity issues in relation to the transport and energy sectors will be addressed by separate

considered when deciding about a support to an operation in such a way that a systemic impact is being aimed at.		programs to be financed by the WA RIP. Delegations are involved at a very early stage in project identification, and blending operations are leveraged in the sector policy dialogue.
Renewed commitment by financial institutions to continue working through the EU blending facility represents a fundamental condition. The pipelines of operations must be of high quality and volume and must fulfil the criteria of sufficient additionally.	L	Blending facilities have been operating successfully over 2007 and 2013 in all regions covered by the Commission's Directorate General for International Cooperation and Development with financial institutions. Commitment of financial institutions shown to be very strong, including in the context of the EU Platform for Blending in External Cooperation (EUBEC).
Projects should not crowd out private sector financing.	L	Avoidance of market distortions is a key requirement included in the project application form. Any qualitative aspects should be commented on in the project application form completed by the financial institutions and then, if necessary, assessed internally by the Commission.
The results of technical assistance financed by the Africa Investment Facility to prepare preliminary studies (to be managed by the lead financier) might be negative or not conclusive for the project.	L	Explore with the international financing institutions all the possibilities of financing technical assistance (TA) for projects which could potentially lead to bankable and sustainable projects.
Lack of knowledge regarding disaster risk may limit the integration of appropriate prevention and mitigation measures in the investment design.	L/M	Better understand disaster risks in all dimensions, promote of mainstreaming of disaster risk assessment, and map manage investment planning.
Implementing blending operations in particular sectors in certain countries may be considered as not sufficiently bankable or as generating a leverage effect while being strategically important for the achievement of Africa Investment Facility's objectives.	L/M	Proposing other aid modalities for the actions and/or adopting a flexible approach to the leverage effect expected for strategically important interventions.

Assumptions
A stable political and financial climate on the regional level in general, and on the country level in particular, is needed to promote and secure investments. The level of economic governance shall be conducive to investment. Bankable projects are identified and developed by financial institutions with partner countries in close cooperation with the EU delegation, taking into account the reality and challenges of each country/region and the priorities defined with the regional organisations.

3 LESSONS LEARNT, COMPLEMENTARITY AND CROSS-CUTTING ISSUES

3.1 Lessons learnt

During the period 2007-2013, the EU has set up eight blending facilities[18], achieving worldwide coverage. By the end of 2014, the support approved under the facilities from the EU budget and EDF resources has reached a sum of more than EUR 2 billion, generating more than EUR 40 billion total investments. In Africa, the EU-Africa Infrastructure Trust Fund was set up in 2007 and has provided since then support to projects for a total of more than 500 EUR million mainly in the energy, transport and water sector.

Over the period 2007-2013, two facilities were subject to a mid-term evaluation: the EU-Africa Infrastructure Trust Fund in 2012 and the Neighbourhood Investment Facility (NIF) in 2013. Both evaluations concluded that these are valuable and effective instruments in supporting their respective objectives, namely the European Neighbourhood Partnership (ENP) objectives and the development of infrastructure in Africa. In particular, project identification, relevance, and design were considered positive, and both instruments achieved their goal of leveraging significant financial resources. The MTE also pointed to the significant contribution brought to the development of partnerships and increased coordination and cooperation among financial institutions as well as with the Commission. As a result, a number of recommendations were made; notably in terms of improvements to the decision making structure and in particular the role of EU delegations and partner countries, further exploring the involvement of private sector, the use of specific financial instruments such as risk mitigation instruments, and finally the implementation of a result measurement framework.

These findings have been used, with other reports by the EU Platform for Blending in External Cooperation (EUBEC) set up in December 2012, to produce deliverables and make concrete recommendations for further increasing the effectiveness of aid delivered by the EU through blending. In this context, the Court of Auditors published a special report on blending in October 2014. The conclusions were very much in line with the above, as support to EU external policies through blending the regional investment facility grants with loans from financial institutions was found generally effective. The recommendations covered the following aspects:

a. ensure documented assessment of the additionality resulting from the EU grant;
b. ensure the maturity of projects submitted to executive boards, produce guidelines, ensure more proactive role of Delegations;
c. simplify the decision making process, improve Commission's monitoring of the projects;

[18] EU-Africa Infrastructure Trust Fund (ITF), Neighbourhood Investment Facility (NIF), Latin America Investment Facility (LAIF), Investment Facility for Central Asia (IFCA), Asian Investment Facility (AIF), Caribbean Investment Facility (CIF) and Investment Facility for the Pacific (IFP) and Western Balkan Investment Framework (WBIF).

d. ensure appropriate visibility for EU funding.

Part of these recommendations has already been dealt with by the EU Platform with the development of a harmonised and improved project application form and its guidelines as well as with the development of a results measurement framework, including standard indicators.

The Africa Investment Facility was also set up as a result of these different findings and recommendations, with a governance framework that improves the accountability of the decision making process while reducing transaction costs.

Additionally, following the requirement of Article 140 of Regulation (EU, Euratom) No 966/2012 of the European Parliament and of the Council on the financial rules applicable to the general budget of the Union and repealing Council Regulation (EC, Euratom) No 1605/2002[19], applicable in accordance with Article 17 and Article 40 of Council Regulation (EU) 2015/323, an ex-ante evaluation of the future Africa Investment facility has been carried out.

The 2015 WA *Contribution to the AFIF (*100 MEUR) has been committed with a leverage ratio of 6.5. It has mobilized funds from various financial institutions including AfDB, EIB the WB, the BOAD[20], the BIDC[21], JICA[22] and the BID[23] but also from development partners such as FEM[24] and GEF[25], the DMRO's and the beneficiaries countries. The investment grants provided by the program will increase concessionality ratio of the projects above 64% and therefore reduce debt service for the beneficiaries. A significant part of the AFIF contribution will however finance non bankable components of the projects including social and environmental component with immediate benefit for the populations. Lessons learned from this first phase of the WA RIP contribution to the AFIF include the need to ensure with the financial institutions that project design incorporate measure ensuing project sustainability such like maintenance, axial load control. The projects should also provide means to assess impact on SDG's (sustainable development goals) and EU results indicator framework.

3.2 Complementarity, synergy and donor coordination

By enabling joint operations (combining bilateral and EU grant funding with eligible Financial Institutions loan operations), the projects financed under the AfIF will generate greater coherence and better coordination between donors, in line with the Paris Declaration principles and in compliance with the EU Financial Regulation. Member States' resources will reinforce the EU effort. The Africa Investment Facility will finance larger operations, better supporting partners in the necessary reforms and investments, and bringing greater visibility for the European dimension of external cooperation. Co-financing with non-EU financial institutions will certainly further improve donor coordination and harmonisation.

Special attention will be given to ensure complementarity with other existing EU financial instruments for the region notably the African, Caribbean and Pacific Investment Facility

[19] OJ L298, 26.10.2012, p. 1.
[20] Banque Ouest Africaine de Développement (BOAD) / West African Development Bank (WADB).
[21] Banque d'investissement et de développement de la CEDEAO (BIDC) / ECOWAS Bank for Investment and Development (EBID).
[22] Japanese International Cooperation Agency
[23] Banque islamique de développement (BID).
[24] Fonds pour l'environnement mondial
[25] Fonds pour l'environnement mondial (FEM) / Global Environment Facility (GEF).

(ACP IF) under the ACP-EU Partnership Agreement[26] ("Cotonou Agreement"), and the EU-Africa Infrastructure Trust Fund (ITF). This will be ensured through close cooperation with the Infrastructure Trust Fund secretariat during the winding up period as well as close consultation and cooperation with the EIB in the context of its operations under the ACP Investment Facility. In particular, the Commission and EIB are coordinating closely on the preparation and implementation of the ACP IF business plan, and the Commission is being consulted systematically on the different projects to be financed under the ACP IF.

Overall coordination aimed at achieving complementarity between the different aid modalities and tools (budget support actions, projects and programmes implemented under central management, ACP Investment Facility, Infrastructure Trust Fund, energy for all initiative) shall be ensured while implementing the Africa Investment Facility, through the regular internal consultation processes and exchanges between the different Commission services.

In order to ensure complementarity, extensive information is provided in the grant application form of each project to ensure coherence with relevant EU policy objectives, the general policy framework, basic principles for blending as well as the remaining existing support programmes in the relevant field. Furthermore, additionality and complementarity with other EU measures are always ensured in the preparatory process, by close financial institution coordination with the partner(s), the Commission services and the European External Action Service (EEAS), as well as during the decision making process. This process will ensure complementarity and synergy with multilateral and bilateral development aids brought to the beneficiary countries.

3.3 Cross-cutting issues

Cross cutting issues will be addressed in all activities implemented under of the project. Regional organisations, partner countries and eligible financial institutions will ensure that all projects financed with EU resources respect European Union principles in terms of environmental and social impact (e.g. gender issues, indigenous people's rights, governance, etc.), public procurement, state aid, and equal opportunities. All activities must also respect the principles of sound financial management with effective and proportionate anti-fraud measures as well as good governance and human rights (applying the Rights Based Approach Toolbox[27]).

Environmental and social issues will be a key part of the project design and assessment process in terms of ensuring positive environmental and social impact of infrastructure projects, as well as climate-proofing the proposed projects. All projects will be subject to an Environmental Impact Assessment as per the Africa Investment Facility guidelines in order to identify their potential environmental impacts and measures to integrate in their design to ensure they will not result in significant adverse impacts on the environment during their construction, operation and decommissioning.

Gender issues will also be integrated in the project, according to EU guidelines on "Mainstreaming gender equality to the project approach".

[26] Partnership agreement between the members of the African, Caribbean and Pacific Group of States of the one part, and the European Community and its Member States, of the other part, Signed in Cotonou on 23 June 2000 (OJ L 317, 15.12.2000, p. 3), as first amended in Luxembourg on 25 June 2005 (OJ L 209, 11.8.2005, p. 27) and as amended for the second time in Ouagadougou on 22 June 2010 (OJ L 287, 4.11.2010, p. 3).

[27] SWD(2014)152 final.

4 DESCRIPTION OF THE ACTION

4.1 Objectives/results

The overall objective of the action is to contribute to poverty reduction in line with the SDG's (sustainable development goals), and sustainable and inclusive economic development in West Africa through regional economic integration and trade development, with an emphasis on the improvement of economic infrastructures.

By supporting renewable energy, energy efficiency, grid interconnection and railways projects, the action intends to contribute to reduced greenhouse gas emissions and thus to climate change mitigation.

Results in relation with regional integration and trade support:
In larger and more harmonised markets, the free movement of goods, services, capital and people enables economies of scale and lower transaction costs, in order to stimulate investment, thus spurring economic growth and increasing trade.

The right mix of gradually-increased intra- and extra-regional competition allows for smooth integration into the global trading system and makes regional integration a vehicle for inclusive growth and accelerated poverty reduction.

Results in relation with the transport sector:

a. better interconnection of the existing transport infrastructure;
b. improved accessibility and sustainability of the primary transport system;
c. improved interregional transport management leading to greater regional integration;
d. lower costs and shorter journey on the main regional transport corridors, including port transit;
e. greater regional capacity for project preparation and an increased number of bankable projects;
f. better sustainability of transport infrastructures through better harmonisation and implementation of axial load and maintenance policies as well as improved resilience to extreme weather events or gradual changes in climate.

Results in relation with the energy sector:

a. better access to energy services for the public and business and a reduction in national disparities;
b. greater proportion of the energy mix produced from renewable sources across the region in order to achieve ECOWAS and UEMOA objectives;
c. increased energy efficiency, achieved through, investment and the introduction of regional standards;
d. operational regional electricity market.

4.2 Main activities

EU support will address projects with a regional dimension that can swiftly and efficiently deliver results in the transport and energy sectors. All contributions will be done through the Africa Investment Facility.

Subsectors of activities:
For the transport sector, the investments will focus on finalising the main regional corridors which in accordance with the PIDA are: a) the West Africa coastal corridor (connecting Nouakchott and Lagos, including connection with the Cape Verde islands; b) the West Africa trans-Sahel corridor (connecting Dakar, Bamako, Ouagadougou and Niamey c) the main North-South corridors (e.g Abidjan-Ouagadougou-Bamako, Tema-Ouagadougou-Bamako-Niamey and Lome-Ouagadougou-Bamako).

A special attention will be given by EU Commission and the financial institutions to better integration of sustainable policies and practices in terms of infrastructure maintenance and axial load control.

For the energy sector, the regional dimension will take into account concrete steps to reduce regional disparities and to end energy poverty which are key barriers to growth and regional integration. The investment will therefore support the development of production, transmission and distribution and for promoting efficiency.

In addition, funds from this contribution to the Africa Investment Facility may be used to perform the necessary studies to develop and finalise the most promising investment projects exploring both traditional and innovative financing mechanisms. The type of preparatory work may include prefeasibility, feasibility and detailed design studies or complementary (environmental/social) studies or updating of existing studies.

The involvement of the private sector, including SME's, should be facilitated and supported in particular for the energy projects.

As a general principle, the design of the proposed infrastructures takes the necessary measures related to the preservation of the investment with regards to foreseeable climatic changes during its service life into account.

Considering the importance of information and communications technologies (ICTs) as drivers of growth, attention will also be paid to including in projects ICTs adapted to the local context.

Selections of projects:
With the aim of establishing an indicative list of projects to be identified as a priority in the execution of the RIP, the West Africa regional organisations and the EU have been engaging in a thorough analysis of the needs in those sectors, in dialogue with national governments, financial institutions and other donors.

This dialogue resulted in an indicative list of projects included in appendix 1 to this action document. The list consists in a first group of projects which are at a various stage of development and may be launched by the end of 2018 or before, as soon as final specific agreements will be reached between stakeholders (beneficiary governments, financial institutions, private partners, and donors). New projects in line with the priorities identified in the RIP for West Africa may be taken in consideration for funding if proposed by the DMROs, beneficiaries countries or financial institutions.

5 IMPLEMENTATION

5.1 Financing agreement

In order to implement this action, it may be foreseen to conclude financing agreement with the partner countries, as referred to in Article 17 of Annex IV to the ACP-EU Partnership Agreement.

5.2 Indicative implementation period

The indicative operational implementation period of this action, during which the activities described in section 4.2 will be carried out and the corresponding contracts and agreements implemented, is 120 months from the date of entry into force of the financing agreement or, when none is concluded, from the adoption of this Action Document.

Extensions of the implementation period may be agreed upon by the Commission's authorising officer responsible by amending this decision and the relevant contracts and agreements; such amendments to this decision constitute non-substantial amendment in the sense of Article 9(4) of the Regulation (EU) 2015/322[28].

5.3 Implementation of the budget support component

n/a

5.4 Implementation modalities

5.4.1 Contribution to the Africa Investment Facility

This contribution may be implemented under indirect management with the entities called Lead Financial Institutions, and for amounts to be identified by a complementary decision, in accordance with Article 58(1)(c) of Regulation (EU, Euratom) No 966/2012, applicable in accordance with Article 17 of Regulation (EU) 2015/323.

The entrusted budget-implementation tasks consist of the implementation of procurement, grants, financial instruments and payments. The entrusted Member State agency or international organisation shall also monitor and evaluate the project and report on it.

The Lead Financial Institutions are not definitively known at the moment of adoption of this Action Document but are indicatively listed in its appendix. A complementary financing decision will be adopted under Article 84(3) of Regulation (EU, Euratom) No 966/2012 to determine the Lead Financial Institutions definitively.

Certain entrusted entities are currently undergoing the ex-ante assessment in accordance with Article 61(1) and 140(13) of Regulation (EU, Euratom) No 966/2012 applicable in accordance with Article 17 of Regulation (EU) 2015/323. The Commission's authorising officer responsible deems that, based on the compliance with the ex-ante assessment based on Article 140 of Regulation (EU, Euratom) No 1605/2002, they can be entrusted with budget-implementation tasks under indirect management.

5.5 Scope of geographical eligibility for procurement and grants

The geographical eligibility in terms of place of establishment for participating in procurement and grant award procedures and in terms of origin of supplies purchased as established in the basic act and set out in the relevant contractual documents shall apply.

The Commission's authorising officer responsible may extend the geographical eligibility in accordance with Article 22(1)(b) of Annex IV to the ACP-EU Partnership Agreement on the basis of urgency or of unavailability of products and services in the markets of the countries concerned, or in other duly substantiated cases where the eligibility rules would make the realization of this action impossible or exceedingly difficult.

5.6 Indicative budget

	EU contribution (*) (EUR)	**Indicative third party contribution, in currency identified**
5.4.1 Contribution to the Africa Investment Facility	230 000 000	The contributions from the financial institutions will be decided at a later stage

[28] Council Regulation (EU) 2015/322 of 2 March 2015 on the implementation of the 11th European Development Fund (OJ L 58, p. 1, 3.3.2015).

5.9 Evaluation, Audit	To be covered by another measure constituting a financing decision	N.A.
5.10 Communication and visibility	included in the Contribution to the AfIF (5.4.1)	The contributions from the financial institutions will be decided at a later stage
Contingencies	N.A.	N.A.
Totals	**230 000 000**	The contributions from the financial institutions will be decided at a later stage

(*)The contribution to the Africa Investment Facility includes the fees to be paid to the Lead Financial Institutions, as defined in the contractual arrangements of each specific project.

5.7 Organisational set-up and responsibilities

The organisational set-up and responsibilities are those put in place in the context of the Africa Investment Facility.

The contribution will be implemented under the governance of the EDF blending framework with a decision-making process organised in a two level structure:

- opinions on projects will be formulated by the Board, held whenever possible back-to-back with EDF Committee meetings;
- such opinions will be prepared in dedicated Technical Meetings, where the project application forms completed by the lead financial institution, in full coordination with the relevant EU Delegation and the European Commission, are assessed.

5.8 Performance monitoring and reporting

The day-to-day technical and financial monitoring of the implementation of individual projects will be a continuous process and part of the implementing partner’s responsibilities. To this aim, the implementing partner shall establish a permanent internal, technical and financial monitoring system for the action and elaborate regular progress reports (not less than annual) and final reports. Every report shall provide an accurate account of implementation of the action, difficulties encountered, changes introduced, as well as the degree of achievement of its results (outputs and direct outcomes) as measured by corresponding indicators, using as reference the relevant minimum set of indicators defined in the EU blending results framework and the relevant indicators defined in the regional programme. The report shall be laid out in such a way as to allow monitoring of the means envisaged and employed and of the budget details for the action. The final report, narrative and financial, will cover the entire period of the action implementation.

The Commission may undertake additional project monitoring visits both through its own staff and through independent consultants recruited directly by the Commission for independent monitoring reviews (or recruited by the responsible agent contracted by the Commission for implementing such reviews).

5.9 Evaluation

At the level of the individual operations, evaluation tasks will be carried out under the responsibility of the Lead Financial Institution and will be organised according to the requirements of each project.

In addition, the Commission reserves the right to undertake evaluations on specific projects; in that case it shall be financed by other financial sources.

5.10 Audit

Without prejudice to the obligations applicable to contracts concluded for the implementation of this action, the Commission may, on the basis of a risk assessment, contract independent audits or expenditure verification assignments for one or several contracts or agreements. The financing of such audit shall be covered by another measure constituting a financing decision.

5.11 Communication and visibility

Communication and visibility of the EU is a legal obligation for all external actions funded by the EU.

The individual operations financed under this action shall contain communication and visibility measures which shall be based on a specific Communication and Visibility Plan of the Action, to be elaborated at the start of implementation of the operations.

The European Commission and its implementing partners will abide by the visibility rules for European Union financing as per relevant provisions in the respective project agreements and contracts. For each individual project, a communication plan will be prepared by the lead financial institution, allowing for the involvement of the EU Delegations at key stages of the projects to have visibility potential. Additional communication measures might be taken if necessary.

The Communication and Visibility Manual for European Union External Action shall be used to establish the Communication and Visibility Plan of the operations financed under this Action and the appropriate contractual obligations.

APPENDIX: WEST AFRICA RIP AFIF INDICATIVE PIPELINE 2016-2018

COUNTRIES	OPERATION'S TITLE TRANSPORT	LEAD FI	TOTAL COST (EUR) (*)	FIF GRANT (EUR) (*)	RISK (**)
Guinea	**Construction of the road Boke-Quebo / Construction of Tinguilinta Bridge/ Rehabilitation of Bridges along Road Quebo-Sao Domingos**	AfDB	90 000 000	30 000 000	Low
Guinea, Guinea Bissau	**Rehabilitation of the road Coyah-Forecariah-Farmoréah /Construction of a bridge on Cogon River**	AfDB	75 000 000	30 000 000	Low
Senegal	**Trans-Gambia Road - Phase II - Rehabilitation - Section Sénoba (Gambia Board)- Ziguinchor**	AfDB / EIB	80 000 000	10 000 000	Low
Benin	**Rehabilitation of the road Beroubouay-Malanville**	AfDB	98 000 000	20 000 000	Medium
Côte d'Ivoire	**Construction of the road Danané - Liberia border**	AfDB	15 000 000	5 000 000	Medium
Niger	**Rehabilitation of the road Zinder - Agadez**	AfDB	142 000 000	30 000 000	Medium
Regional	**Etude Corridor Côtier Dakar - Abidjan**	AfDB	tbc	tbc	Medium
Regional	**Etude Corridor Côtier Abidjan - Lagos**	AfBD	tbc	tbc	Medium
Senegal - Mali	**Rehabilitation of the railway Dakar Bamako**	EIB	300 000 000	5 000 000	High

(*) All amounts are indicative and provisional
(**) Low Risk = Application expected in 2016
Medium Risk = Application expected in 2017
High Risk = Application expected in 2018 or later, in some case no lead FI identified

Countries	Operation's Title ENERGY generation	Lead FI	Total cost (EUR)	AfIF grant (EUR)	Risk
Mali	**Centrale hydroélectrique de 42 MW à Baguinéda sur le fleuve Niger**	AFD	116 000 000	6 000 000	Low
Ivory Coast	**Solar power Plant**	KFW	20 000 000	10 000 000	Medium
Liberia - Siera Leone	**Aménagement hydroélectrique - Kongo DAM (études)**	AfDB	20 000 000	5 000 000	Medium
Ghana	**Pwalugu multi-purpose dam**	AFD	600 000 000	tbc	High
Guinea	**Amaria hydro plan**	tbc	tbc	tbc	High
Guinea	**Koutoutamba 294 MW Hydro Projet**	tbc	575 000 000	tbc	High
Guinea	**Manantali Phase II**	tbc	tbc	tbc	High

Countries	Operation's Title ENERGY interconnection	Lead FI	Total cost (EUR)	AfIF grant (EUR)	Risk
Mali	**Doublement de la ligne d'interconnexion 225 kV Manantali - Bamako / OMVS**	AFD	77 000 000	30 000 000	Low
Niger, Nigeria, Burkina Faso, Benin	**North Core 330 kV Project (Nigeria – Niger – Burkina Faso – Benin Interconnection)**	AfDB /AFD (Burkina)	50 000 000	20 000 000	Low
		AfDB/KFW/ EIB	120 000 000	tbc	Medium
Guinea, Mali	**225 kV Guinea – Mali Interconnection Project**	AfDB/EIB	300 000 000	30 000 000	Low
Ivory Coast, Ghana	**Interconnection 330 kV Cote d'Ivoire – Ghana**	EIB/KFW	186 000 000	35 000 000	Medium
Mali	**Doublement de la ligne d'interconnexion 225 kV Manantali - Bamako / OMVS**	AFD	77 000 000	30 000 000	Low
Niger, Nigeria, Burkina Faso, Benin	**North Core 330 kV Project (Nigeria – Niger – Burkina Faso – Benin Interconnection)**	AfDB /AFD (Burkina)	50 000 000	20 000 000	Low

Ghana, Burkina Faso, Mali	**Ghana – Burkina Faso – Mali Interconnection**	AfDB/AFD/EIB	140 000 000	10 000 000	High
Nigeria, Bénin	**Interconnexion Nigéria - Bénin 330 kV (Dorsale sud)**	AFD	tbc	tbc	High
Togo, Benin	**Construction de la ligne d'interconnexion 161kV Natitingou – Dapaong**	tbc	73 000 000	tbc	High
Togo, Ghana	**Electrification des communautés rurales transfrontalières au Nord du Togo à partir du Ghana**	tbc	13 000 000	tbc	High
Togo, Ghana, Nigeria, Benin	**Project de la dorsale médiane: phase 1 – construction de ligne d'interconnexion 161 kV Kara – Yendi**	tbc	20 000 000	tbc	High
Ghana, Burkina Faso, Mali	**Ghana – Burkina Faso – Mali Interconnection**	AfDB/AFD/EIB	140 000 000	10 000 000	High
Nigeria, Bénin	**Interconnexion Nigéria - Bénin 330 kV (Dorsale sud)**	AFD	tbc	tbc	High