SUMMARY

Individual Measure 2017 for the Pan-African Programme to be financed from the general budget of the Union

1. Identification

Title	Contribution to the African Investment Facility in support of continental economic integration in Africa
Budget heading	Budget line 21.0209 of the general budget of the European Union (EU) for 2017
Total cost	EU contribution: EUR 70 000 000 Contribution of other donors and beneficiaries (estimates): See Action Document
Basic act	Regulation (EU) No 233/2014 of the European Parliament and of the Council establishing a financing instrument for development cooperation for the period 2014-2020[1]

2. Pan-African background

Currently, Africa is the least integrated continent physically and economically, with low levels of intra-regional trade and global trade at 10% and 3% respectively[2]. Infrastructure inefficiencies are costing the continent billions of dollars annually, stunting African Gross Domestic Product (GDP) growth by an estimate of 2% every year. Bridging the gap in infrastructure is thus vital for economic advancement and sustainable development.

At a continental level, the African Union considers the improvement of basic infrastructure as a priority for economic development on the continent. It adopted the PIDA (Programme for Infrastructure Development in Africa) strategy, defining the large regional and continental networks judged to be essential for economic growth for the continent.

3. Summary of the Action Programme

1) Background and coherence with the programming and policy documents

The Pan-African Programme (PanAf) has been created as one of the instruments that will support the Joint Africa-EU Strategy (JAES) adopted at the Lisbon Summit in December 2007. The 4th EU-Africa Summit held in Brussels on 2-3 April 2014 adopted a Roadmap 2014-2017 (the Roadmap) for actions at inter-regional, continental or global levels.

By contributing to poverty reduction and to sustainable and inclusive economic development through regional economic integration across Africa, this individual measure places a specific emphasis on the improvement of continental/ inter-regional infrastructures. The measure is in line with Strategic Area (iv) Sustainable and inclusive development and growth and continental integration, Component 4 (Infrastructure) of the Multi-Annual Indicative Programme (MIP) 2014-2017 and §46-50 of the Roadmap.

[1] OJ L 77, 15.3.2014, p. 44.
[2] Programme for Infrastructure Development in Africa (PIDA)

2) Identified action

The individual measure titled "*Contribution to the African Investment Facility in support of continental economic integration in Africa*" has the objective of improvement of the realisation of trans-regional infrastructures, strengthening of continental and regional interconnectivity of infrastructure networks (Energy, Transport, ICT); and the scaling up of infrastructure investment by combining EU grants with loans from public financial institution and private sector.

3) Expected results

The actions will contribute to the implementation of the Roadmap, and to the Sustainable Development Goals (SDGs), mainly goal 9: "Build resilient infrastructure, promote sustainable industrialization and foster innovation". Both climate change mitigation and adaptation will be targeted as a significant objective under the proposed action.

4) Past EU assistance and lessons learnt

During the period 2007-2013, the EU has set up eight blending facilities, 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 sectors. Findings stemming from the Mid-Term Evaluations (MTE) of some of the facilities, namely the EU-Africa Infrastructure Trust Fund in 2012 and the Neighbourhood Investment Facility in 2013, concluded that both instruments are valuable and effective in supporting their respective objectives. In 2014 a special report on blending by the Court of Auditors found support to EU external policies through blending the regional investment facility grants with loans from financial institutions to be generally effective. The Africa Investment Facility (AfIF) 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.

5) Complementary actions/donor coordination

The programme will be implemented in the framework of the JAES by complementing, through a continental or trans-regional approach, the other EU instruments and programmes that address the priority areas of the EU development policy on the African continent. The coordination structures of the JAES and, in particular, the Reference Group on Infrastructure, will allow for exchanges of information between African and EU partners. More specifically, 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.

Overall coordination aimed at achieving complementarity between the different aid modalities and tools shall be ensured while implementing the AfIF, through the regular internal consultation processes and exchanges between the different Commission services. 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 (ACP IF) under the EU ACP Partnership Agreement ("Cotonou Agreement"), and the EU-Africa Infrastructure Trust Fund (ITF).

4. Communication and visibility

Communication activities are planned as part of the action (see section 5.10 of the Action Document).

5. Cost and financing (in EUR)

Contribution to the African Investment Facility in support of continental economic integration in Africa	70 000 000
Total EU contribution to the measure	**70 000 000**

The Committee is invited to give its opinion on the individual measure for the Pan-African Programme to be financed from the general budget of the European Union.

EN

This action is funded by the European Union

ANNEX

of the Commission Implementing Decision on the 2017 individual measure for the Pan-African Programme to be financed from the general budget of the Union

Action Document for the project "*Contribution to the African Investment Facility in support of continental economic integration across Africa*"

1. Title/basic act/ CRIS number	*Contribution to the African Investment Facility in support of continental economic integration in Africa.* CRIS number: DCI/PANAF/039-296 Financed under the Development Cooperation Instrument (DCI)
2. Zone benefiting from the action/location	Pan-African The action shall be carried out at the following location: Africa.
3. Programming document	Pan-African Programme Multi-Annual Indicative Programme 2014-2017
4. Sector of concentration/ thematic area	Strategic area 4: Sustainable and inclusive development and growth and continental integration Component 4: Infrastructure
5. Amounts concerned	Total estimated cost: 70 000 000 EUR Total amount of EU budget contribution: 70 000 000 EUR 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 African 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 African Investment Facility's project selection procedure.
7. DAC code(s)	140 – Water and Sanitation 210 – Transport and storage 220 – Communications 230 – Energy generation, distribution and efficiency 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)	☒	☐	☐
	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			
Sustainable Development Goals (SDGs)	Goal 9: "Build resilient infrastructure, promote sustainable industrialization and foster innovation"			

SUMMARY

The overall objective of this action is to contribute to poverty reduction and to sustainable and inclusive economic development through regional economic integration across Africa, with an emphasis on the improvement of continental/ inter-regional 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 competition at continental/ inter-regional level allows for smooth integration into the global trading system and makes integration a vehicle for inclusive growth and accelerated poverty reduction.

The action is in line with the European Commission's proposal for an EU External Investment Plan (EIP), and would contribute to its first pillar aimed at enhancing blending activities to address and unblock bottlenecks to private investment.

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In line with the roadmap adopted at the 4th Africa-EU Summit in November 2014 (§46-50), and with the multi-annual indicative programme 2014-2017 of the Pan-African Programme, the action will result in the improvement of the realisation of trans-regional infrastructures, strengthening of continental and regional interconnectivity of infrastructure networks (Energy, Transport, ICT); and the scaling up of infrastructure investment by combining EU grants with loans from public financial institutions and private sector.

The action consists in a contribution to the African Investment Facility (AfIF) to support a pipeline of bankable sustainable infrastructure projects adequately prepared and ready for financing. These projects are in line with the Pan-African priorities for infrastructure.

1. CONTEXT

1.1 Country/Regional context

On average over 2005-2015, Africa has experienced impressive growth, with an annual real Gross Domestic Product (GDP) increase of 5.6%. This has not only been driven by favourable commodity prices but also extended to countries that do not possess significant natural resources. This dynamism should continue since Africa's GDP is expected to double by 2030. With 30 million km² of land, making Africa the second biggest continent, the subsoil is a tremendous asset. Demography is also dynamic. Today, 16% per cent of the world's population lives in Africa. Around 2030, 1 person out of 4 will be African and at the end of the 21st century, 4 out of 10. In the long run, only Africa will be capable of satisfying the global need for a young and cheap labour force, with an economically active population (15-64 years) that will almost double. The population will not only be increasingly younger but also urbanised. Sub-Saharan Africa's urban population is thus projected to double by 2030.

Yet Africa's growth is not generating the jobs that its people need. In 2013, approximately 27.2% of young people in the labour force were without work compared to 26.6% in 2012. Although the proportion of people living in extreme poverty (i.e. on less than USD 1.25 a day) in sub-Saharan Africa decreased from 53% percent in 1981 to 47% percent in 2011, almost one out of every two Africans lives in extreme poverty . If Africa fails to create the jobs its growing population needs, unemployed urban youth could become a source of potential future instability and irregular migration. Typically, out of the 33 fragile states identified in 2015, 18 are African. There is also room for more progress in the areas of inclusion, gender equality and environmental sustainability which are needed to further promote sustainable human development.

Currently, Africa is the least integrated continent physically and economically, with low levels of intra-regional trade and global trade at 10% and 3% respectively[1]. Infrastructure inefficiencies are costing the continent billions of dollars annually, stunting African GDP growth by an estimate of 2% every year. Bridging the gap in infrastructure is thus vital for economic advancement and sustainable development.

At a continental level, the African Union considers the improvement of basic infrastructure as a priority for economic development on the continent. PIDA (Programme for Infrastructure Development in Africa), the African Union (AU) strategy regarding infrastructure development priorities for the whole continent[2], 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.

The action aims to support Africa in addressing the infrastructure deficit that hampers competitiveness. This is in line with the continental (PIDA) strategies and/or master plans that call for investments for the development of more integrated transport and energy infrastructures in order to boost continental interconnection and growth.

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[1] Programme for Infrastructure Development in Africa (PIDA)

[2] Endorsed by African Heads of State and Government at their 18th Summit in January 2012 in Addis Ababa, Ethiopia

1.1.1 *Public Policy Assessment and EU Policy Framework*

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.

This is also in line with the Agenda for Change 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 (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 action is also fully in line with the **Joint Africa-EU Strategy** (JAES)[3]. The Declaration of the 4th Africa-EU Summit held in 2014 reflects PIDA objectives and recalls the importance of greater economic integration and therefore a focused cooperation to develop transport, access to drinking water and to sustainable and affordable energy, with a particular focus on renewable energy and energy efficiency and towards the 2020 targets of the Africa-EU Energy Partnership (AEEP). In addition, it confirms the strategic importance of promoting interconnections in the areas of energy and transport between the two continents, as well as better management of water resources and the strengthening of the water-energy-food nexus. The Summit Declaration further acknowledges the strategic priorities developed under the four sectoral strategy papers in above mentioned domains under the umbrella of the Reference Group on Infrastructure (RGI)[4]. This action is also fully aligned with the goal of fostering the strategic role of infrastructure in supporting the continental integration aspirations of the Agenda 2063[5]. It is in line with the European Commission's proposal for an EU External Investment Plan (EIP), aimed at enhancing blending activities to address and unblock bottlenecks to private investment, and would contribute to its first pillar[6].

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1.1.2 *Stakeholder analysis*

The final beneficiaries of the operations financed under the facilities will be the partner countries in Africa either directly or indirectly through their central, regional and local administrations or public or semi-public institutions.

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

[3] For more information on the Africa- EU Partnership and Joint Africa-EU Strategy please visit: http://www.africa-eu-partnership.org/sites/default/files/documents/eas2007_joint_strategy_en.pdf.

[4] Created in 2013 to ensure coordination, knowledge-sharing and coherence of the JAES structures in developing and implementing the sectoral responses in the areas of transport, energy, ICT and transboundary water.

[5] For more information on the Agenda 2063 please visit: http://agenda2063.au.int/

[6] For more information on the EIP please refer to: http://ec.europa.eu/europeaid/news-and-events/state-union-2016-european-external-investment-plan_en

The partner countries in Africa will benefit from improved continental/ inter-regional infrastructure and are fully associated with the definition of priorities and projects considered in the context of the strategic Pan-African steering committee, the Reference Group on Infrastructure (RGI).

Multilateral and national European financial institutions will be direct partners and important stakeholders of the Facility.

In accordance with Article 4 of Regulation (EU) No 236/2014, the Union's financial assistance may be provided through financial instruments such as loans, guarantees, equity or quasi-equity, investments or participations, and risk-sharing instruments, whenever possible under the lead of the European Investment Bank (EIB) in line with its external mandate under Decision No 1080/2011/EU, a multilateral European financial institution, such as the European Bank for Reconstruction and Development, or a bilateral European financial institution.

The involvement of non-European financial institutions as lead financiers should be examined by the board 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 FI’s already acting as lead in specific blending facilities should be preserved, provided that the above conditions are met. In the context of the African Investment Facility (AfIF), 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 continental economic integration requires, among other measures, good continental infrastructure. Despite robust gains in GDP in many African 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;

- 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, resources have to be mobilised from the private sector through public-private partnerships;

- Capacity development: a major constraint to the development of 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.

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, who 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 considered when deciding about a support to an operation in such a way that a systemic impact is being aimed at.	L/M	Governance, policy and capacity issues are addressed via synergies with the relevant RIPs. 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 additionality.	L	Blending facilities have been operating successfully over 2007 and 2013 in all regions covered by the Directorate General for International Cooperation and Development (DEVCO) with financial institutions. Commitment of FI showed to be very strong, including in the context of the 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 assessed internally at European Commission and European External Action Service level.
The results of technical assistance financed by the 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 financial 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 AfIF 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 specific regional level concerned, and on the country(ies) 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[7], 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 500 million mainly in the energy, transport and water sectors.

Over the period 2007-2013, two facilities were subject to a mid-term evaluation (MTE): the EU-Africa Infrastructure Trust Fund (ITF) 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:

[7] 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).

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 ;
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 (AfIF) 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[8], applicable by virtue of Article 17 and Articles 40 of Council Regulation (EU) 2015/323, an ex-ante evaluation of the future Africa Investment facility has been carried out[9].

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 AfIF 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 (ACP IF) under the EU ACP Partnership Agreement ("Cotonou Agreement"), and the EU-Africa Infrastructure Trust Fund (ITF). This will be ensured through close cooperation with the ITF 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, ITF, SE4All initiative) shall be ensured while implementing the AfIF, 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

[8] OJ L298, 26.10.2012, p. 1.
[9] See appendix 2

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 FI coordination with the partner(s), the European Commission and the European External Action Service, 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.

Complementarity shall be also ensured with measures aimed at strengthening the governance dimension of infrastructure, in line with the European Commission's overarching approach to infrastructure development and its long-term sustainability tackling both (i) investments and (ii) governance/ institutional reforms.

3.3 Cross-cutting issues

Cross cutting issues will be addressed in all activities implemented under the action. 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[10]). On this basis, appropriate checks shall be put in place, at each stage of the development, implementation and monitoring of the activities under the action in line with the provisions of the Toolbox.

Environmental and social issues will be a key part of the action 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 AfIF 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 individual projects in line with the EU Gender Action Plan 2016-2020 and the EU guidelines on mainstreaming gender equality through the project approach. Partner organisations implementing the Facility will ensure through their standard procedures and guidelines that a sound gender context analysis for any intervention will always be done. The analysis will consider the differential needs, priorities and impact on men and women across the lifecycle and results of the analysis will be used to guide project formulation, objectives setting, selection of relevant expected results and indicators.

4. DESCRIPTION OF THE ACTION

4.1 Objectives/results

This programme is relevant for the United Nations 2030 Agenda for Sustainable Development. It contributes primarily to the progressive achievement of SDG Goal 9: "Build resilient infrastructure, promote sustainable industrialization and foster innovation". This does not imply a commitment by the countries benefiting from this programme.

[10] SWD(2014) 152 final

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

By supporting renewable energy and energy efficiency (grid interconnection), the action intends to contribute to reduced greenhouse gas emissions and thus to climate change mitigation, in addition to specifically targeting adaptation to climate change.

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.

Fully in line with the conclusions of the 2016 plenary session of the Reference Group on Infrastructure (RGI) the following results are intended:

Results in relation with the energy sector:

a) Improved access to, sustainability and affordability of energy services;
b) Greater proportion of energy mix produced from renewable sources;
c) Better policy and regulatory environments through reforms in partner countries and regions;
d) Increased harmonisation at regional/continental level.

Results in relation with the ICT sector:

a) Increased access to ICT, towards universal and affordable Internet connectivity;
b) Better harmonisation and alignment of the appropriate aspects of e-communications policies and regulatory frameworks between Africa and the EU;
c) More effective interconnection of Research and Education Networks through e-infrastructures;
d) Enhanced ICT capacities for all, including skills and literacy.

Results in relation with the transport sector:

a) Lower cost of transport and the lower overall cost of doing business;
b) Improved developments of smart and multimodal transport corridors;
c) Reduced number of road accidents and related casualties;
d) More climate-resilient transportation routes and bridges to extreme weather events or gradual changes in climate;
e) Improved access to roads all year round for populations, including populations vulnerable to climate change impact;
f) Enhanced aviation and maritime safety and security, including developing and deploying the European Geostationary Navigation Overlay Service (EGNOS) in a modular approach in Africa;
g) Greater continental capacity for project preparation and an increased number of bankable projects.

Results in relation with the water sector:

a) Increased level of multi-sector investment through a nexus approach;
b) Strengthened cooperative management of trans-boundary water resources in Africa.

4.2 Main activities

EU support will address projects with a continental dimension that can swiftly and efficiently deliver results in the transport, energy, water and ICT sectors. For all the above subsectors the investments will especially focus on main corridors in line with PIDA priorities ensuring continental coverage or the linking of networks at inter-regional level, aiming at achieving integration and, ultimately, job-generating growth. All contributions will be done through the AfIF.

In addition, funds from this contribution to the AfIF 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 SMEs at all levels, should be facilitated and supported in particular for the energy projects.

Considering the importance of information and communications technologies (ICTs) as drivers of growth attention will also be paid to their potential as cross-sectoral enablers within all subsectors.

Selections of projects:
With the aim of establishing an indicative list of projects to be identified as a priority in the execution of the action, the African Union (AU) and the EU have been engaging in a thorough analysis of the needs in those sectors, in dialogue with RECs, national governments, financial institutions and other donors.

This dialogue resulted in the endorsement of a shortlist of projects (Appendix 1 to this Action Document) by the plenary session of the Reference Group on Infrastructure (RGI) at its meeting in Addis Ababa of February 2016 under the aegis of the AU Commission (AUC).

The list consists of a first group of projects which are at various stages of development and may be launched by the end of 2017 based in the respective level of technical maturity and as soon as final specific agreements will be reached between stakeholders (beneficiary governments, FIs, private partners and donors). New projects in line with the priorities of the Pan-African Programme and the endorsement of the RGI may be taken in consideration for funding, based on proposals by the financial institutions.

5. IMPLEMENTATION

5.1 Financing agreement

In order to implement this action, it is not foreseen to conclude a financing agreement with the partner country, referred to in Article 184(2)(b) of Regulation (EU, Euratom) No 966/2012.

5.2 Indicative implementation period

The indicative operational implementation period of this action, during which the activities described in section ~~0~~4.2 will be carried out and the corresponding contracts and agreements implemented, is 180 months from the date of entry into force of the financing agreement or, when none is concluded, from the adoption by the Commission of this Action Document.

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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 technical amendments in the sense of point (i) of Article 2(3)(c) of Regulation (EU) No 236/2014.

5.3 Implementation modalities

5.3.1 Contribution to the African 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.

The entrusted budget-implementation tasks consist in 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 Appendix 1. A complementary financing decision will be adopted in accordance with Article 84(3) of Regulation (EU, Euratom) No 966/2012 to determine the Lead Financial Institutions definitively.

5.4 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 9(2)(b) of Regulation (EU) No 236/2014 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.

5.5 Indicative budget

	EU contribution (*) (in EUR)	**Indicative third party contribution, in currency identified**
Contribution to the African Investment Facility	70 000 000	See Appendix 1
Evaluation, Audit	To be covered by another measure constituting a financing decision	N.A.
Communication and visibility	To be covered by the contribution.	N.A.
Contingencies	N.A.	N.A.
Totals	**70 000 000**	**See Appendix 1**

(*)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.

5.6 Organisational set-up and responsibilities

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

The contribution will be implemented under the governance of the AfIF 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

5.7 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 relevant 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).

5.8 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 such case the financing of the evaluation shall be covered by another measure constituting a financing decision.

5.9 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 the audit shall be covered by another measure constituting a financing decision.

5.10 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 FI, 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.

2 PRE-CONDITIONS

None.

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APPENDIX 1: INDICATIVE LIST OF PANAF PROJECTS POTENTIALLY ELIGIBLE FOR FUNDING[11]

Title	Sector	Lead Financier	Other IFI	Estimated value (EUR million)	Financial Gap (EUR million)	Year proposal by LFI
Ruzizi III Hydro Power Generation Project	Energy	EIB	AfDB, KfW, AFD, WB, IPS	528	33	end-2016
Multinational Trans Sahara ICT Optic-fibre Backbone Project (TSB)	ICT	AfDB	IsDB	104	30	2017
Serenje- Nakonde Road Rehabilitation Project (Linking Zambia and Tanzania)	Transport	EIB	AFDB	119	45	2016
Bamenda - Enugu Corridor including the Cross River Bridge between Nigeria and Cameroon	Transport	AfDB	EU, JICA, ECOWAS, Cameroon, Nigeria	394	25	2016
EGNOS - ASECNA	ICT	EIB	tba	50	12	beginning 2018
Second Niger Bridge	Transport	AFD	AfDB	600	2	2016
Niger River Basin Integrated Development Program and Adaptation to Climate Change	Water- Management/ Infrastructure/ Environment	AfDB	Kfw, GEF, NBA, UEMOA, Governments	301	121	2017
Zambia Tanzania Kenya Power Interconnector - Section in Tanzania	Energy	AFD	WB	tbd	tbd	2017

[11] As endorsed by the plenary session of the Reference Group on Infrastructure (RGI) in its session of 25-26 February 2016 – Addis Ababa
Projects listed are candidates potentially eligible for funding, pending final assessment of maturity level and within the limits of the total available funding. The list is indicative and not all projects may be funded.