This action is funded by the European Union

ANNEX

of the Commission Decision on the individual measure "creation of an Africa Investment Facility" under the 11th European Development Fund

Action Document for the creation of the Africa Investment Facility

1. Title/basic act/ CRIS number	Creation of the Africa Investment Facility (AfIF) under the European Development Fund (EDF) blending framework
2. Zone benefiting from the action/location	Africa
3. Programming document	European Development Fund (EDF)[1]regional indicative programmes (Eastern Africa, Southern Africa and Indian Ocean[2], West Africa; Central Africa), the intra-ACP Indicative Programme , relevant national indicative programmes , the multi-annual Pan-African indicative programme[3] and other relevant thematic programmes of Regulation No 233/2014 [4]
4. Sector of concentration/ thematic area	Investments in infrastructure (i.a energy, transport, communication, environment including water and sanitation, social, Information and Communication Technologies (ICT)), agriculture as well as support to private sector development, mainly SMEs.
5. Amounts concerned	Complementary financing of the Africa Investment Facility will come from the different programmes under the European Development Fund (EDF)[5], such as regional indicative programmes (Eastern Africa, Southern Africa and Indian Ocean[6], West Africa; Central Africa), the intra-ACP indicative programme and relevant national indicative programmes as well as from the multi-annual Pan-African indicative programme[7] and other relevant thematic programmes of Regulation No 233/2014 [8].The amounts for blending operations to be financed under

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

[2] Commission Decision C(2015) 3379 of 22 May 2015 on the adoption of the Regional Indicative Programme between the European Union and Eastern Africa, Southern Africa and the Indian Ocean (EA-SA-IO)

[3] Commission Implementing Decision C(2014) 5375of 30 July 2014 adopting a Multiannual Indicative Programme for the Pan-African programme for the period 2014-2017

[4] Regulation (EU) no 233/2014 of the European Parliament and of the Council of 11 March 2014 establishing a financing instrument for development cooperation for the period 2014-2020, OJ L77

[5] Council Regulation (EU) 2015/322; OJ 58;3.3.2015, p. 1

[6] C(2015) 3379.

[7] C(2014) 5375

[8] Regulation (EU) no 233/2014, OJ L77/44

<table>
<tr><td></td><td colspan="4">the Africa Investment Facility will be decided in the context of the relevant annual action programmes.</td></tr>
<tr><td>6. Aid modality(ies) and implementation modality(ies)</td><td colspan="4">Project Approach
The action regarding this Regional Blending Facility shall be implemented in indirect management and will be determined in the supplementary financing decisions..</td></tr>
<tr><td>7. DAC code(s)</td><td colspan="4">– 41010 Environmental policy and administrative management;
– 23010 Energy policy and administrative management;
– 21010 Transport policy and administrative management;
– 32130 SME development;
– 240 banking financial services
– 24040 informal and semi-formal financial intermediaries
– 140 Water and sanitation 16050 Multisector aid for basic social services31110 Agriculture policy and administrative management ICT</td></tr>
<tr><td rowspan="12">8. Markers (from CRIS DAC form)</td><td>General policy objective</td><td>Not targeted</td><td>Significant objective</td><td>Main objective</td></tr>
<tr><td>Participation development/good governance</td><td>☒</td><td>☐</td><td>☐</td></tr>
<tr><td>Aid to environment</td><td>☐</td><td>☒</td><td>☐</td></tr>
<tr><td>Gender equality (including Women In Development)</td><td>☐</td><td>☒</td><td>☐</td></tr>
<tr><td>Trade Development</td><td>☐</td><td>☒</td><td>☐</td></tr>
<tr><td>Reproductive, Maternal, New born and child health</td><td>☒</td><td>☐</td><td>☐</td></tr>
<tr><td>RIO Convention markers</td><td>Not targeted</td><td>Significant objective</td><td>Main objective</td></tr>
<tr><td>Biological diversity</td><td>☐</td><td>☒</td><td>☐</td></tr>
<tr><td>Combat desertification</td><td>☐</td><td>☒</td><td>☐</td></tr>
<tr><td>Climate change mitigation</td><td>☐</td><td>☒</td><td>☐</td></tr>
<tr><td>Climate change adaptation</td><td>☐</td><td>☒</td><td>☐</td></tr>
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<tr><td>9. Global Public Goods and Challenges (GPGC) thematic flagships</td><td colspan="4">n/a</td></tr>
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SUMMARY

The Agenda for Change puts the support of inclusive growth and job creation as a key priority of EU external cooperation. In this context the Agenda recognises blending, which combines EU grants with loans or with equity from other public and private financiers[9], as an important vehicle for leveraging additional resources and increasing the impact of EU aid.

[9] Understood as all potential financial partners associated to blending projects both as lead financial institutions and co financiers.

In order to further improve the effectiveness of blending operations in meeting their policy objectives of poverty reduction and socio-economic development as well as the efficiency of their management including a reduction of transaction costs, blending operations in the ACP will be managed under the EDF blending framework, with three facilities covering the Caribbean (Caribbean Investment Facility – CIF), the Pacific (Investment Facility for the Pacific – IFP) and Sub-Saharan-Africa (*Africa Investment Facility* – AfIF). Financing of the EDF blending framework will include EDF and where relevant Development Cooperation Instrument (DCI [10]) resources

Complementary financing of the Africa Investment Facility will come from the different programmes under the European Development Fund (EDF)[11], such as regional indicative programmes (Eastern Africa, Southern Africa and Indian Ocean[12], West Africa; Central Africa), the intra-ACP indicative programme and relevant national indicative programmes as well as from the multi-annual Pan-African indicative programme[13] and other relevant thematic programmes of Regulation No 233/2014 [14].The amounts for blending operations to be financed under the Africa Investment Facility will be decided in the context of the relevant annual action programmes.

The AfIF is a blending facility which combines EU grants with other public and private sector resources such as loans and equity in order to leverage additional non-grant financing, and achieve investments in infrastructure and support to the private sector. The AfIF aims at supporting sustainable growth and reducing poverty in Africa by promoting actions which foster economic activities in different sectors.

In line with EU and partner countries agreed policy objectives, AfIF aims at promoting, sustainable and inclusive growth, through supporting access to finance for households, microenterprises, to small and medium sized enterprises, social sectors and municipal development. It also aims at fostering investments which will have a positive impact on the socio-economic development in Africa such as infrastructures in transport, communication and energy interconnections and promotion of renewable energies. It can also support actions in the environment sector, including water supply and sanitation and climate change adaptation and mitigation, agriculture, information and communication technologies, as well as social infrastructure.

Support for all actions aims at strengthening the formal economy and promoting the progressive formalisation of the informal sector, in line with the EU position on the post-2015 agenda.

Projects will be selected in respect of the foreseen geographical distribution in the regional and national annual action programmes decided on by the Commission.

The Facility is designed to combine EU grants with other public and possibly private financing. By reducing the overall cost or perceived risk of the project or by financing technical assistance, the Facility will encourage the beneficiary governments, private sector and/or public institutions to carry out essential investments with a development impact which otherwise would not be carried out. Decisions on AfIF financing are conditioned to the additionality of the AfIF contribution. AfIF is a mechanism able to generate an important leverage effect on priority investments which could not be faced by domestic financial resources alone. Therefore, AfIF does not support any operation which could normally be financed by the market.

[10] Regulation (EU) No 236/2014, OJ L77/44
[11] Council Regulation (EU) No 2015/322, OJ 58; 3.3.2015, p. 1
[12] C(2015) 3379
[13] C(2014) 5375
[14] Regulation (EU) No 233/2014, OJ L77/44

Overall coordination aimed at achieving complementarity between the different aid modalities and tools (budget support operations, projects and programmes implemented under direct management, ACP Investment facility, EU-Africa Investment Trust Fund, energy for all initiative, the Global Energy Efficiency and Renewable Energy Fund) and with other donors shall be ensured in all countries and regions while implementing the AfIF.

1. CONTEXT

1.1 Sector/Country/Regional context/Thematic area

The funding gap for **Small and Medium Enterprises (SMEs)** in Sub-Saharan Africa (SSA) (in the formal and informal sectors) is estimated by the International Finance Corporation at USD 140 billion – USD 170 billion. More than 85% of Micro Small and Medium Enterprises (MSMEs) in SSA do not have access to finance and are therefore unserved or underserved. The majority of the population in Low income countries (LICs) is employed in the informal sector in agriculture (70%), non-farm household enterprises (18%) and only 5% of the population in wage employment (formal sector). The numbers are only slightly different in Lower Middle Income Countries (LMICs), 54, 21 and 15% respectively. A lack of finance is a key constraint to the growth of SMEs in the region but it is also limiting employment, as well as economic and inclusive growth. Whereas banks are still the main source of formal funding across the region, very few SMEs actually have access to bank credit and even less to long-term lending; around 60% of loans in SSA have a maturity of less than one year. SMEs in the region need alternatives to the current short-term debt financing options being offered, local financial sector needs to be strengthened. Furthermore, micro and informal enterprises financing need is close to double than for formal SMEs. Although SME and microfinance investment funds have been continuously growing in the region, there is still a significant need for more specialised and adequate investments vehicles responding to MSMEs effective financial needs

Agriculture and rural infrastructure is likely to remain a major development concern for SSA in the foreseeable future. The agriculture sector is the main source of employment (65%) and is essential for pro-poor economic growth in most African countries. The sector requires substantial investments, public and private, to increase agriculture productivity and to achieve food security, in particular in food storage and processing. In many countries bank lending to agriculture is less than 10% and interest rates are relatively high. In addition, physical access to rural banking is very limited with high transaction costs. If risks can be managed and impediments to investment alleviated along with the provision of finance, agribusiness can play a critical role in jump-starting economic transformation through the development of agro-based industries that bring much-needed jobs and incomes. Rural infrastructure is particularly key for ensuring connectivity and hence development of the local economic activity.

Sub-Saharan Africa is the most vulnerable region in the world to the impacts of **climate change**, particularly in the health, agriculture, water and sanitation sector. Therefore, investments in improving the climate resilience of infrastructure in these sectors, and in adaptation are a priority for Africa. Adaptation costs are in the range of USD 20 - 30 billion per year over the next 10 to 20 years and up to USD 70 billion, depending on the estimations, much higher than is currently available. Also, Africa has the opportunity to transition onto a low carbon development path, which requires prioritising such investments in all relevant sectors in the AfIF. Africa's capacity to adapt to and effectively participate in mitigating climate change depends critically on access to funding.

Infrastructure investment and development remains critical to sustaining Africa's strong growth, through economic diversification and structural transformation.

In particular, power and transport infrastructure development are needed to support the African economies diversification, widen the industrial base in a number of countries and create more inclusive patterns of growth in the region. Investment needs in the **energy** sector are around USD 40 billion per year[15], the main challenges being: (i) access to electricity – average access rates in urban areas is 58% but only 12% in rural areas; (ii) cost of producing power is exceptionally high and on the rise; (iii) economic costs of frequent power outages across the region, specifically for SMEs and thus also regional economic growth; (iv) low energy efficiency in production, transmission and distribution, as well as end-use; and (v) the majority of investments in energy in SSA go towards energy for exports and not energy to be consumed within the region. It is estimated that renewable energies could reach 44% by 2040 in the African energy mix. There are still important barriers to private sector investments in renewable/green energy projects such as the lack of regulatory and legal transparency, the (perceived) risk of retroactive changes to the Feed-in Tariff schemes and the limited creditworthiness of a single-off taker. Increasing the efficiency of energy transmission and generation, in order to increase supply and decrease the costs of energy will be important to creating positive change in the energy sector in Africa. Access to energy in rural areas is of particular importance for sustainable development in Africa.
Access to energy in rural areas remains a challenge. By involving the private sector into the rural electrification business, through providing the missing seed capital via appropriate schemes (such as "ElectriFI) it will be possible to increase and improve access to modern, affordable and sustainable energy services for poor populations living principally in rural areas.

Transport needs in SSA are estimated at USD 36 billion[16] per year required to create a transport network that provides adequate regional, national, rural, and urban road connectivity complemented by adequate rail, port, and airport infrastructure.
Transport is an integral part of daily subsistence for the poor: poor households transport their water, their fuel and their food and need infrastructural improvements and transport services to get to markets, jobs, health care and education services. Investments remain a high priority to improve infrastructure and services, while financing must be increased in parallel for maintenance and management.

Improvements to transport infrastructure and other investments in support of trade facilitation will benefit from their alignment with improvements made in 'soft' infrastructure and customs and border procedures in the course of implementing the WTO Trade Facilitation Agreement. In combination these measures present a strong contribution to the promotion of regional integration, African intra-regional and international trade and overall economic growth in the region, in particular in the context of the Economic Partnership Agreements that are being concluded with the different ACP regions.

Social infrastructure in Africa requires substantial capital and non-capital expenditures, particularly in the field of health where the lack of a skilled workforce is as severe as the lack of hard infrastructure in coping with the increasing demands from a growing population. Investments needed in health infrastructure are between USD 25 – USD 30 billion in new investment over the next decade. Investment needs in education are around USD 10 billion from 2007 – 2015 in order to achieve universal primary school enrolment. Urban housing requires large infrastructure investments (70% of African urban dwellers live in slums).

In order to help Africa reap the benefits of its "youth bulge" and "urbanisation" process it is necessary to ensure that the infrastructure is in place to support the major demographic changes

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15 Check source in ex ante assessment.
16 Programme for Infrastructure Development in Africa (PIDA) studies.

taking place on the continent. This includes financing basic infrastructure, such as water and sanitation, public transport, and energy in the growing urban centres across the region. Financing needs go way beyond the possibilities of public resources and meeting these challenges will require not only better coordination of public support but also leveraging private sector financing.

Innovation and research infrastructures are at the epicentre of Africa's socio-economic development and growth making crucial impact across critical sectors such as agriculture, energy, environment, health, mining and water. Support to innovation and research infrastructures is essential to achieving the knowledge economy and sustainable socio-economic development across Africa. The current level of investment in innovation and research infrastructures by Africa as a continent (of which more than half is internationally funded) puts Africa at a strategic disadvantage. Most innovation activities are not sustainable as they are over reliant on short-term project funding often linked to events such as workshops and consultancies. By and large, this is reflected in Africa's low scores in many major classifications or indices such as the world's leading universities and competiveness indexes. This also reflects the gap in achieving the 1% of GDP target agreed by African Union (AU) Member States as desired minimum expenditure on R&D.

Promoting innovations in Africa requires the upgrading of science laboratories and the establishment of world class research infrastructure. This includes research and innovation facilities such as laboratories (for teaching, engineering and clinical trials), teaching hospitals, ICT equipment and infrastructure, Innovation Spaces, Living Labs and National Research and Education Networks (NRENs). Existing physical and digital infrastructure and resources should be leveraged and networked to increase utilization efficiency at national and regional level and reduce maintenance and operating costs through Shared Services.

Access to water and sanitation is highly inequitable across the income distribution. Access to sanitation is rare and only half of the large cities in the region operate a sewage network and patterns of access are very different among the income groups. The tariff levels do not cover capital expenditure, or rehabilitation or maintenance, hindering the further development of water and sanitation infrastructure. The poorest households, which are excluded from the utilities coverage cannot benefit from subsidies and suffer from affordability constraints. Along with the development of water and sanitation infrastructure there is a need for continuous institutional reform for better water sector performance. Water requirements in Africa are expected to increase significantly by 2040 with irrigated agriculture being the largest consumer. An increase in water demand (population growth and demand for water for food) and water scarcity in many basins creates the need for the expansion of water storage infrastructure and large-scale irrigation schemes.

Poor waste management practices, including widespread dumping of waste in bodies of water and uncontrolled dumpsites are common. Waste management infrastructure is practically non-existent in rural areas of Africa. There is a need for urgent improvements in waste management infrastructure, especially in urban areas. The generation of waste is expected to increase as a result of industrialisation, urbanisation, and modernisation of agriculture. The main challenge is creating sufficient capacity for sound waste management, access to finance and technical know-how. The scale of investment needed is beyond the capacity of African countries.

Meeting the challenges faced by the African continent will require the best possible use of grant resources including via increased mobilisation of private resources for the benefit of development projects in all relevant sectors.

Information, Communication and Technology (ICT)

Evidence shows that the private sector is likely to undertake the majority of investments in the sector. However, a number of specific projects might still require support, with a targeted approach, in particular on the aspects of inclusiveness and security as well as the development of e-infrastructures.

E-infrastructures are particularly important for developing regions (e.g. more than 12 million students and researchers in Africa) because e-infrastructures reduce the barriers of distance and location. A dedicated research and education network is key to provide better facilities and possibilities for students, scientists and professional experts to stay in their countries, allowing them to be linked over international access to worldwide valuable work and educational resources and databases and preventing thus brain drain.

Limitation to a proper connectivity is a critical handicap for education and research where the access to up-to-date information and networking (e.g. instantaneous sharing of knowledge, virtual collaborations within and between continents, and remote access to MOOCs[17], scientific resources and instruments), and involvement in education and research projects are an absolute must.

Despite a better access to connectivity, access to Internet connection is often limited, the connectivity prices are excessive and the available Internet capacity is insufficient as broadband network services are owned either by monopoly incumbents or a few dominant operators that set high prices. This is also partly a result of a regulatory failure, as the legal and regulatory provisions (in general and in particular for research and education networking) are not fully developed in Africa (for example legislative gaps or bottlenecks to allow cross-border connectivity of research and education networks).

1.1.1 Public Policy Assessment and EU Policy Framework

The European Union's cooperation policy with Africa is based on Article 208 Treaty on the Functioning of the European Union with poverty eradication as its primary objective.
Relations with Sub-Saharan countries are framed by the Partnership Agreement with the African[18], Caribbean and Pacific States (the so called Cotonou Agreement)[19]. The Agreement is based on three pillars:

(1) Development cooperation
(2) Economic and trade cooperation (including the negotiation of new WTO compatible Economic Partnership agreements)
(3) Stronger political dimension and dialogue.

Poverty eradication and sustainable development are the priorities. The Cotonou Agreement covers both political dialogue and financial cooperation at the national, regional and intra-ACP level.

The EU-Africa Strategic Partnership is defined through the Joint Africa-EU Strategy (JAES). The Joint Africa-EU Strategy (JAES)[20] is the overall political framework, which defines continent to continent relations based on a shared vision and common principles. The overall

[17] MOOC: A massive open online course aimed at large-scale interactive participation and open access via the web
[18] 48 sub-Saharan countries belong to the EU's comprehensive the Cotonou Agreement.
[19] The latest Cotonou Agreement was revised in 2010. http://www.eeas.europa.eu/acp/cotonou_en.htm.
[20] http://www.africa-eu-partnership.org/key-documents.

objectives of the relations are (1) Improving the Africa-EU political partnership (2) Promoting peace, security, demographic governance and human rights, basic freedoms, gender equality, sustainable economic development, including industrialisation, regional and continent integration and (3) Ensuring that all millennium development goals (MDGs) are met in all African countries by 2015. JAES[21] remains the strategic political reference for EU-Africa relations for the years to come. The strategy implementation is guided by the Roadmap 2014-2017[22] which defines key priorities as well as areas for joint actions and provides necessary orientations for their implementation. The implementation of the Strategy 2014-2017 focuses on the following joint priority areas:

1. Peace and security
2. Democracy, good governance and human rights
3. Human development
4. Sustainable and inclusive development and growth and continental integration
5. Global and emerging issues

Moreover, the Commission issued in May 2014 a Communication on the Stronger Role of the Private Sector in Achieving Inclusive and Sustainable Growth in Developing Countries[23]. The Communication sets out the future direction of EU policy and support for private sector development in partner countries. In line with the 'Agenda for Change', it introduces private sector engagement as a new dimension in EU development policy and cooperation and proposes concrete actions in areas where the Commission believes it can add value and effectively complement actions by Member States and other development partners, including through the use of blending. Following the Commission Communication, the Council issued two sets of conclusions calling for continued efforts to promote the active role of the private sector as a strategic and accountable partner in achieving development objectives.

The Commission has also issued communications preparing for the new sustainable development agenda to be agreed in September 2015 and for climate action before and after 2020. The AfIF is also in line with the objectives of these communications.

The European Development Fund is the main financing instrument for the 2014-2020 framework aimed at the implementation of the Cotonou Agreement priorities. EDF resources will be implemented in the context of the national, regional and Intra-ACP programmes.

Under the Union's budget, the Development Cooperation Instrument (DCI) establishes the Pan-African Programme[24] which provides dedicated support to the Africa-EU Strategic Partnership and has a budget of EUR 845 million for 2014-2020. It is a key programme for the implementation of the Joint Africa-EU Strategy and is fully aligned with its priorities. The programme allows the EU to link up the cooperation it has with Northern Africa, South Africa and sub-Saharan Africa.

The ACP-EU Council of Ministers adopted in June 2014 a Declaration on the Post-2015 Development Agenda[25], reaffirming the shared commitment to work together towards achieving poverty eradication and sustainable development, as outlined in the Cotonou Agreement.

The Africa Investment Facility will support operations financed by EDF and DCI resources that are relevant to the different priorities and development objectives defined in the regional and national programmes, see 1.1.3 and section 4 for more information.

21 JAES was adopted in 2007.
22 The roadmap was adopted during the 4th EU-Africa Summit in April 2014.
23 http://eur-lex.europa.eu/legal-content/EN/TXT/PDF/?uri=CELEX:52014DC0263&from=EN; COM(2014) 263 final
24 http://europa.eu/rapid/press-release_IP-14-908_en.htm.
25 Declaration on the Post-2015 Development Agenda. June 2014. ACP-EU Council of Ministers.

1.1.2 Stakeholder analysis

The final beneficiaries of the Facility will be the partner countries, either directly or indirectly through their central, regional and local administrations or public or semi-public institutions. Other final beneficiaries can be the private sector and in particular households and SMEs for categories of operations dedicated to the private sector development.

Also, all African countries eligible to receive financing under the EDF regional and national programmes as well as under the intra-ACP programme and the DCI Pan-African Programme shall be the final beneficiaries of the Facility.

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

In accordance with Article 40 of Council Regulation (EU) 2015/323, financial instruments (FIs) 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 FIs 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 in a particular project or region. This would include those aspects in which non-European FIs might contribute to fill the gap left by European FIs, 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 previous conditions are met. In the context of the 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 finance 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

The European Commission Agenda for Change[26] outlines the following EU policy commitments relevant for African Investment Facility interventions 2014-2020:

"The EU will further develop blending mechanisms to boost financial resources for development, building on successful experiences such as the European investment facilities (…). In selected sectors and countries, a higher percentage of EU development resources should be deployed through existing or new financial instruments, such as blending grants and loans and other risk-sharing mechanisms, in order to leverage further resources and thus increase impact"[27].

[26] Increasing the impact of EU Development Policy: an Agenda for Change SEC(2011)1172.
[27] Extract from chapter 3.2 (page 8) of Agenda for Change.

The Agenda for Change states that EU development policies should be effective and efficient in supporting development countries' efforts to eradicate poverty. In particular, it proposes that a higher share of EU aid should be channelled through innovative financial instruments, including under facilities for blending grants and loans such as AfIF. Among the policy commitments, inclusive and sustainable economic growth is considered crucial to long-term poverty reduction. The EU should focus its support for growth on enabling sectors for inclusive and sustainable growth, notably a deeper regional integration, and on sectors that have a strong multiplier impact on developing countries' economies and contribute to environmental protection and mitigating climate change. The Agenda for Change indicates that improving infrastructure or attracting or retaining private domestic and foreign investment is crucial to developing countries success and their integration into global markets.

These objectives are in line with the EU position in the international negotiations for a Post-2015 agenda and international climate agreements.

In line with the Sendai Framework commitments, disaster resilient infrastructure will be promoted, together with public and private investment in disaster risk prevention and reduction measures that can be drivers of innovation, growth and job creation.

Blending can be of particular relevance in contributing to these new goals, in particular 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 because 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. Across all sectors aid can be used to attract investments through blended operations.

The added value (or additionality) of the EUs assistance in blending operations is defined by the positive results that the EU grant achieves above and beyond what could have been achieved without the grant. The use of the scarce grant funding is justified only when additionality is shown for the funding. The EU support can make the project happen, make it happen faster or on a greater scale. Additionality can also lie in greater quality and better development impact, improvements in terms of sustainability, implementation of reforms and policy improvements or use of innovative technologies. Some forms of additionality are quantifiable, and the EU and financial institutions should make every effort to calculate these benefits. Other forms of additionality are not quantifiable and should be addressed in a qualitative manner.

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	M	Project application form contains information about debt sustainability provided by FIs. FIs also have internal policies in terms of sovereign lending. Assessment process involves EU

(IMF)/World Bank (WB) debt sustainability framework. This can negatively impact blending operations in selected regions, in particular those countries that are under a moderate to high risk of debt distress.	M	Delegations and other competent services on the issue of debt sustainability and investment programmes, including the information available on IMF/WB debt sustainability framework.
The 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. 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 fulfil the criteria of sufficient additionality. Projects should not crowd out private sector financing. Lack of robustness of the financial sector may have a negative impact on the preparation/ implementation of the projects.	L L L	Delegations are involved at a very early stage in project identification, and blending operations are leveraged in the sector policy dialogue. 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 finance institutions. Commitment of FI showed to be very strong, including in the context of the Platform for Blending in External Cooperation (EUBEC). Avoidance of market distortions is one of the 12 key requirements included in annex 1 to the project application form. Any qualitative aspects should be commented in section 27 of the project application form completed by the finance institutions and then assessed internally at Commission and EEAS level. The pillar assessment on financial instruments is carried out by all the lead financial institutions.
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 IFIs all the possibilities of financing technical assistance (TA) for projects which could potentially lead to bankable and sustainable projects.
Financial risks when dealing with local financial intermediaries in partner countries, also stemming from capital markets situation.	L/M	Due diligence of local financial intermediaries is performed by the IFI's and related information is examined in the context of the assessment of the project application form.

Lack of knowledge regarding disaster risk might limit the integration of appropriate prevention and mitigation measures in the investment design	L/M	Better understanding of disaster risks in all its dimensions, promotion of mainstreaming of disaster risk assessment, mapping and management into investment planning
Implementing blending operations in particular sectors in certain countries may be considered as not enough bankable / leverage effect generating while being strategically important for the fulfilment 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 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 Finance Institutions with partner countries in close cooperation with the EU Delegation, taking into account the reality and challenges of each country/region.		

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[28], 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 energy, transport and water sector.

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 concluded that these are valuable and effective instruments in supporting their respective objectives: European Neighborhood 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 finance institutions as well as with the Commission. 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, as well as 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 EUBEC, set up in December 2012, to produce deliverable and make concrete recommendations for further increasing the effectiveness

[28] 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).

of aid delivered by the EU through blending. The Court of Auditors published a special report on blending in October 2014. The conclusions were very much in line with the above: blending the regional investment facility grants with loans from FIs to support EU external policies was found generally effective and projects were relevant. The recommendations covered the following aspects: ensure documented assessment of the additionality resulting from the EU grant, ensure the maturity of projects submitted to executive boards, produce guidelines, ensure more proactive role of Delegations, simplify the decision making process, improve Commission's monitoring of the projects and 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 the development of a results measurement framework including standard indicators.

Finally the NIF, LAIF, IFCA, and AIF are working since 2014 in the context of a revised and harmonised governance framework that improves the accountability of the decision making process while reducing transaction costs. The proposed governance structure of the Africa Investment Facility is in line with all these recommendations.

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[29],, 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. The recommendations of this evaluation have been and will be taken into account.

The results of the ex-ante evaluation demonstrated that the nature, magnitude and focus of the challenges faced by Africa (e.g. urbanisation, degrading access to essential service, food insecurity, poverty, impacts of climate change), the current EU and Partner Countries cooperation objectives (i.e. sustainable and inclusive development and growth, continental integration, poverty eradication, climate change) and the commonly understood need to mobilise additional financial resources require a new flexible framework of financing. In this context the planned AfIF can provide a value added in expanding to new sectors which represent key challenges in Africa; private sector and the need for inclusive growth, climate change, agriculture and the need for food security or social sector while at the same time offering a wide range of forms of assistance to be adjusted to the country risk and specific project.

3.2 Complementarity, synergy and donor coordination

Building on the experience in Africa and other regions, the AfIF will be implemented in close coordination with EU Member States.

By enabling joint European operations (combining bilateral and EU grant funding with eligible Finance Institutions loan operations), the AfIF will generate greater coherence and better coordination between the 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.

[29] OJ L298, 26.10.2012, p. 1.

Building on the experience in Africa and other regions, the AfIF governing bodies will provide a very suitable arena for coordination amongst European Finance Institutions (EFIs) –and other Finance Institutions and amongst the EU Member States allowing regular discussions on project pipelines, priority projects and synergies between them.

Special attention will be given to ensure the complementarity to other existing EU instruments for the region notably the African, Caribbean and Pacific Investment Facility (ACP IF) under the EU ACP 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. Complementarity will also be ensured with the operations financed under the energy for all initiative and the different approaches implementing the Commission Communication on Private Sector development. Complementarity will be achieved by providing an opportunity to support within the AfIF a larger variety of sectors (including areas such as agriculture, urban development, ICT), built with a large group of stakeholders and with the help of a diversified toolbox in terms of support modalities.

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, energy for all initiative, GEEREF, "ElectriFI", and any new initiatives related to agri-business) 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 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), Commission and the European External Action Service (EEAS), as well as during the decision making process.

3.3 Cross-cutting issues

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 rights, etc), public procurement, state aid, equal opportunities and will also respect the principles of sound financial management with effective and proportionate anti-fraud measures as well as gender equality, good governance and human rights (applying the recent Rights Based Approach Toolbox[30]).

Synergies between the blending facilities and EU funded (regional) climate change capacity building programmes and, where applicable, policy reform instruments including sector budget support should be strengthened. Capacity building programmes should facilitate the identification and formulation of climate relevant projects at country and/or regional level, and support local

[30] SWD(2014) 152 final.

and regional climate policies. This will strengthen the already ongoing processes of pipeline development and securing local ownership.

As mentioned by the Commission communication on Private sector approved in May 2014[31], EU's support for private sector development will be guided by a set of clear principles[32]. In the case of direct grants to FIs or private businesses, or subsidised business development services the set of defined criteria will have to be applied[33].

4. DESCRIPTION OF THE ACTION

4.1 Objectives/results

AfIF's main purpose is to contribute to poverty reduction by promoting investments, job creation and income generation through MSME's and microfinance institutions support and key infrastructures in energy, including in rural areas, transport, agriculture, environment, water and sanitation, ICT, creative industries, social infrastructures as well as support to private sector development, in particular SMEs. These will support social and economic development in African countries, including through the mobilisation of private sector resources.

The AfIF will also include a Climate Change Window (CCW) aimed at supporting the implementation of projects helping partner countries tackle climate change through mitigation and/or adaptation measures. Such windows have been created in all other blending facilities in order to enable tracking of all climate change related projects funded through the facilities. Their main purpose is to promote additional investments and provide visibility to projects which have climate change as their principal objective. They can target either mitigation or adaptation or both of them and should contribute to the objective of stabilisation of greenhouse gas (GHG) concentrations in the atmosphere. The Climate Change Windows shall be managed in a streamlined way and have the same rules and the same financing and implementation modalities as the AfIF.

Council Regulation (EU) 2015/323 on the financial regulation applicable to the 11th EDF[34] as well as Regulation (EU, Euratom) No 966/2012 foresee that the Union contribution to a financial instrument shall aim at mobilising a global investment exceeding the size of the Union contribution. In practice and based on past experience with blending operations in Africa but also in other regions, the leverage effect of the operations financed under the AfIF is expected to reach a higher multiplying factor.

Operations financed by financial institutions combining their loan resources with the ones from the AfIF can lead to increasing risk and credit ceilings to the benefit of the partner countries. It can result in the financing of categories of investments which at present cannot be financed either by the market or by single development finance Institutions. Support provided by the AfIF can make the project happen, make it happen faster or at a greater scale. It can also result in greater quality and development impact of projects, improvements in terms of sustainability, implementation of policy reforms or use of innovative technologies.

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[31] http://eur-lex.europa.eu/legal-content/EN/TXT/PDF/?uri=CELEX:52014DC0263&from=EN.; COM(2014) 263 final

[32] See 2.1 of the Commission Communication on "A stronger role of the private sector in achieving inclusive and sustainable growth in Developing Countries" – 13.5.2014 - COM(2014)263.

[33] See box 1 under 2.1 of the Commission Communication on "A stronger role of the private sector in achieving inclusive and sustainable growth in Developing Countries" – 13.5.2014 - COM(2014)263.

[34] Art 40 Council Regulation which refers to Budget Financial Regulation.

4.2 Main activities

Relevant sectors for blending as an implementation modality should be identified in the relevant regional or national programming documents and defined in a broad way, in close dialogue with partner countries and regional organisations. Complementarity of expertise between the European Commission and the FIs will be pursued, in the spirit of joint programming and division of labour among financing partners.

Strategic orientations will be discussed with beneficiary countries and/or relevant regional organisations in dedicated strategic meetings[35], under the ownership principle of EU development cooperation. These strategic discussions will cover regional investment plans and priorities, provide strategic and policy guidance and advice for identification and preparation of the most relevant proposals for blending and for the Board to review the pipeline and formulate an opinion on the most relevant projects for achieving EU objectives.

AfIF interventions will focus indicatively on the following sectors:

A) Job creation and growth of SMEs notably through:

- Improved access and use of financial services for underserved population (households, micro and SMEs) at the different stages of enterprise creation, restructuring and modernization, including technological poles, vocational centres, enterprise incubators, etc
- Impact financing of social enterprises is increased
- Support to the development of local financial services and functioning of local financial markets

B) Agriculture and rural development

- Improved sustainability and development impact of value chains
- Improved access to finance for households, micro enterprises and SME's
- reduced risks affecting agricultural production, increase competitiveness of smallholders, improve advisory and other services to smallholders and SMEs, enhanced financial absorptive capacity
- Support to agriculture related infrastructure
- Improved compliance with market requirements, safety and quality standards
- Promote, through investment projects, the enabling political and regulatory environment
- Promoting responsible land governance and sustainable land use

C) Better and more sustainable / green energy infrastructure, notably:

- Increased availability and access to renewable and green energy including in rural areas
- Promote, through investment projects, the establishment of the enabling market, regulatory and political framework for deployment of sustainable energy technologies
- Improvement of safety and security of energy infrastructure and respect of EU environmental standards
- Improvement of energy efficiency energy and energy savings including in rural/urban areas

[35] These strategic meetings are the regional steering committees set-up in the context of the different Regional Indicative Programmes, the ACP-EU PSD platform and the Consultative Committee established in the context of the Pan-African programme.

- Support the expansion/improvement of infrastructure in line with regional and continental strategies, with an emphasis on completing the key "missing links" and providing interconnectivity between national energy networks

D) Better and more sustainable transport infrastructure, notably:

- Reducing the transport operating cost and improving the quality of infrastructure and services by promoting the optimum use of existing multimodal transport systems and supporting adequate maintenance of the existing infrastructure including at municipal level
- Contributing to the improvement of regional transport corridors (roads, railways, waterways, ports, airports, intermodal facilities) in order to enhance transportation flows and to promote closer regional integration by strengthened trade exchange
- Improving road conditions, reducing the number of road blocks and avoiding delays at custom posts in order to reduce travel times and, more importantly, transport costs to ports and regional hubs
- Improving transport services (thereby improving access to markets, increasing access to health care/education services)
- Improved rural connectivity
- Increased intermodality

E) Water and Sanitation and increased protection of the environment and enhanced resilience to climate change impacts, notably:

- Integrated waste management including necessary related infrastructures
- Introduction of integrated water management, including the necessary related infrastructure
- Promotion of climate change related investments, i.e. renewable energy, energy saving and cleaner production and other environment friendly techniques, support to adaptation measures
- Promotion of sustainability measures regarding a better management of the urban areas
- Reduction of air, soil and water pollution including monitoring infrastructure when needed
- Support access to safe drinking water and sanitation in both urban and rural areas
- Fighting deforestation

F) ICT

- Increase broadband penetration at reduced costs focusing on physical interconnections and internet exchange points and cyber-security (including regional public key infrastructure)
- Development of research and education e-infrastructure for better access of science and education communities to broadband capability and on-line resources

G) Improved social/urban services and infrastructure, including:

- Better access to health care and improved health services installations
- Better education facilities, increased access to education
- Urban development
- Local/Municipal development

H) Focus on innovation and the research infrastructures, notably:

- Promoting high-potential SMEs, business incubators, start-ups, and innovators
- Building and/or upgrading research infrastructures

- Promoting entrepreneurship and innovation
- Diffusing inventions and innovative methods
- Supporting integration and demonstration activities
- Enhancing professional and technical competencies

The types of operations that can be financed under the AfIF are the following:

- Direct investment grants
- Interest rate subsidies
- Guarantees
- Technical assistance
- Risk capital operations
- Any other risk sharing mechanisms

5. IMPLEMENTATION

5.1 Financing agreement

In order to implement this action, it may be foreseen to conclude financing agreements with the partner countries, referred to in Article 184(2)(b) of Regulation (EU, Euratom) No 966/2012 and in Article 17 of Annex IV to the ACP-EU Partnership Agreement.

5.2 Indicative implementation period

The indicative operational implementation period of the blending operations will be indicated in the relevant regional and annual action programmes.

5.3 Implementation modalities

The AfIF will operate under the governance of the **EDF blending framework** which reflects the recommendations of the EUBEC Platform aiming at improving the effectiveness of blending operations in meeting their policy objectives of poverty reduction and socio-economic development as well as the efficiency of their management including a reduction of transaction costs.

The **decision-making process** will be 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.

Rules of procedure will further detail the decision making process and will be approved in the first meetings of the Board.

The **Board** is chaired by the European Commission, EEAS participates, it includes the EU Member states as the voting members, and FIs as observers. The opinion of the Board can be positive, negative or recommend re-submission of the project proposals. FIs will be present mainly for the purposes of presenting their proposals and responding to any request for clarifications on proposals submitted but they will not be present during the formal formulation of opinions by the Board. The part of the meeting where opinions on EU contributions requests are expressed will be restricted only to voting Members. The conclusions including their justifications will be subsequently communicated to the financial institutions in writing.

The Board will also be responsible for:

- providing strategic guidance to participating institutions on appropriate future financing proposals (based on strategic priorities defined in the context of the programming process and in relevant strategic discussions),
- monitor and review the pipeline of projects, based on the results of the discussions at the technical level,
- examining project related results (including the annual reports), monitor the portfolio of approved projects and feed the discussions on the set-up of EU blending framework based on results,
- promoting exchanges of best practices,
- drawing upon the specific expertise of the Finance institutions as appropriate and respect the appropriate division of labour,
- adopting the Board's Rules of Procedure and amending them as necessary,
- examine the involvement of non-European FIs as lead financiers on a case by case basis following a targeted approach, based on the specific added value as a lead financier brought in a particular project or region.

The Board would meet two to four times a year, depending on the need and back to back with the respective EDF committee meetings. When duly justified by time constraints, opinions on projects could be requested by written procedure.

In the Board, opinions on EU grant requests will be taken by consensus, but if needed for the formulation of the opinion, regular voting rules of the EDF Committee should apply (when DCI resources are being used, the voting rules of DCI will be applied). The conclusions of the board must be incorporated in relevant Commission decisions for the EU budget and EDF as mandated by the relevant Financial Regulations and their Implementing Rules/Rules of Application.

Technical meetings chaired by the Commission with the participation of EEAS and Finance Institutions will be held to:

- review and discuss the pipeline to ensure coordination at an early stage, including in relation to geographical balance and agreed EU political objectives. Results of the pipeline discussion shall be transmitted to the Board.
- assess project proposals submitted by a so called Lead Financial Institution based on the appropriate application form. The proposal will also be shared with other Financial Institutions for peer review and possible written comments. In particular, such assessment will include alignment to EU policy objectives, the justification of the added value of the grant contribution, social and environmental aspects, appropriate financial structure and other issues such as debt sustainability.
- facilitate exchanges on best practices across regions, including the possible development of selected blending operations or financial instruments that extend across geographical regions.

The Chair will summarise the main outcomes of the discussion and recommendations as to the way forward. Such meetings will be held on a regular basis depending on the needs and will be organised pragmatically bringing together appropriate experts from the FIs, the Commission[36] and the EEAS. If appropriate such meetings may include or be complemented by virtual meetings and/or written exchanges facilitated by the Secretariat. The Lead Financial Institution,

[36] DG DEVCO, DG ECFIN, DG BUDG,DG SJ, DG SG, DG NEAR if relevant as well as all relevant line DGs.

on the basis of and depending on the comments made, will then be able to submit a revised proposal for further technical discussions at a later technical meeting or a final revised application form in view of the submission to the Board.

The Commission will ensure the secretariat of the EDF blending framework, supporting the Board in all its tasks (opinions on individual blending operations, internal Commission/EEAS consultation including Directorate General for Budget, the Legal Service, Directorate General for Economic and Financial Affairs and the Secretariat General, monitoring, consolidation of the pipeline on the basis of the information provided by the Financial Institutions including a short project description, production of regular up-to-date information and annual reports on the facility, preparation of exchanges on best practices). It will also support in the organisation of communication events and the general implementation of the communication strategy (websites and other communication tools), thereby contributing to the visibility of the EU. The Secretariat also organises the Technical Meetings and is the central contact point for all stakeholders involved in the blending frameworks.

The strategic orientations will stem from existing strategic meetings[37] in the context of the regional, Intra-ACP and Pan African programmes. Recommendations and strategic guidance at all levels should be reflected in the identification, preparation and implementation of blending operations in the context of the Africa Investment Facility.

Commission and the EEAS will conduct and co-chair strategic discussions with EU Member States, where Financial Institutions participate as observers.

These strategic discussions will cover:

- the Facility's consistency and compatibility with the relevant regional, bilateral and continental agreements and partnerships
- the needs and the situation in the various priority support sectors in the partner countries, including progress made on sectoral policies, in the respect of EU and partner country policy agenda;
- the Facility's effectiveness, results and impacts based at strategic level

5.3.1 Contributions to the Africa Investment Facility

Complementary financing of the Africa Investment Facility will come from the different programmes under the European Development Fund (EDF)[38], such as regional indicative programmes (Eastern Africa, Southern Africa and Indian Ocean[39], West Africa; Central Africa), the intra-ACP indicative programme and relevant national indicative programmes as well as from the multi-annual Pan-African indicative programme[40] and other relevant thematic programmes of Regulation No 233/2014 [41].The amounts for blending operations to be financed under the Africa Investment Facility will be decided in the context of the relevant annual action programmes.

The AfIF Climate Change Windows shall be managed in a streamlined way and shall have the same rules and implementation modalities as the AfIF.

[37] As described in 4.2
[38] Council Regulation (EU) 2015/322, OJ 58; 3.3.2015, p. 1
[39] C(2015) 3379
[40] C(2014) 5375
[41] Regulation (EU) No 233/2014, OJ L77/44

These contributions shall be implemented under indirect management with the entities, called Lead Financial Institutions, and for amounts identified in the relevant regional and national action programmes, in accordance with Article 58(1)(c) of Regulation (EU, Euratom) No 966/2012 applicable by virtue of Article 17 of Council Regulation (EU) 2015/323 to be identified by a complementary decision.

In accordance with Article 40 of Council Regulation (EU) 2015/323, these contributions shall be implemented whenever possible under the lead of the EIB, a multilateral European financial institution such as the EBRD, or a bilateral European financial institution.

These Lead Financial Institutions are not definitively known at the adoption of this Action. Once they will be known, a complementary financing decision needs to be adopted in order to fulfil all the requirements of Article 84.3 of Regulation (EU, Euratom) No 966/2012 also applicable by virtue of Article 26 of Council Regulation (EU) 2015/323.

The Lead Financial Institution will be awarded a contract for an individual operation based on its operational and financial capacity.

The Commission will only entrust budget implementation tasks to Lead Financial Institutions which have been assessed through the pillar assessment pursuant to Article 60 of Regulation (EU, Euratom) No 966/2012 applicable by virtue of Article 40 of Council Regulation (EU) 2015/323 and have transparent, non-discriminatory, efficient and effective review procedures in place. 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 by virtue of Article 17 of Council 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 966/2012 and also applicable by virtue of Article 40 of Council Regulation (EU) 2015/323, they can be entrusted with budget-implementation tasks under indirect management.

The entrusted budget-implementation tasks as foreseen in Article 17 of Council Regulation (EU) 2015/323, as well as in Article 58 and 139.4 of Regulation (EU, Euratom) No 966/2012, consist of the implementation of procurement, grants and payments. The entrusted Lead Financial Institution shall also monitor and evaluate the project and report on it.

For the purpose of using multi-annual indicative programmes (both regional indicative programmes and National Indicative Programmes) resources in support of blending projects, a reference shall be made in the relevant Annual Action Programme (AAP) to the sector, objectives and amount foreseen for the envisaged blended operation. Once the funds are committed through the AAP, the project application form will be completed by the lead finance institution in full coordination with the relevant EU Delegation and the European Commission, and be subject to the governance process foreseen within the AfIF (submission to the Technical Assessment Meetings, Board, etc).

EU Members States will have the opportunity to channel additional contributions to blending operations through a dedicated Fund managed by EIB and operating under the governance of the EDF blending framework. Such fund shall be created by the participating Members States in a dedicated agreement also specifying the relevant rules of procedure. Decisions on the projects to be funded out of the Fund will be taken in the EDF Blending Framework Board based on the proposals made by the secretariat of the EDF blending framework, taking into account earmarking of donor's contributions. The voting rules for the Member States donating resources to the fund shall be established in the Fund Agreement and will reflect donor's contributions. The donors to the fund will have a possibility to earmark their contributions to support blending projects in particular region, sectors or countries.

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 Budget Article 9(2)(b) of Regulation (EU) No 236/2014 and EDF-ACP States 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 realisation of this action impossible or exceedingly difficult.

5.5 Indicative budget

The amounts for blending operations to be financed under the Africa investment Facility will be decided on in the context of the relevant regional national or thematic annual action programmes.

5.6 Organisational set-up and responsibilities

Described in chapter 5.

5.7 Performance monitoring and reporting

In accordance with Article 40 of Council Regulation (EU) 2015/323 on the financial regulation, financial instruments may be grouped into facilities for implementation and reporting purposes. The Commission will report annually to the European Parliament and the Council on the activities relating to the AfIF following the requirements set out in Article 140.8 of Regulation (EU, Euratom) No 966/2012 and applicable by virtue of Article 40 of Council Regulation (EU) 2015/323. Reporting will also be carried out at an individual operational level by the entrusted entities, in line with the contractual provisions of the bilateral agreement that the Commission will sign with these entities. The entrusted entities should provide all the relevant information on the execution of the projects in order to enable the European Commission to carry out the required follow up of the actions. As per the recommendation of the EUBEC, the Commission will monitor the performance of the projects benefiting from AfIF grants based on the minimum set of results indicators listed below or any further indicator agreed. The reporting shall also enable the Commission to report on the performance indicators defined in the EU Results Framework as well as in the context of the different regional and national programmes.

SECTOR INDICATORS			
OUTPUTS		**OUTCOMES**	
1 TRANSPORT			
1.1	Length of new or upgraded roads	1.6	Traffic on new or upgraded roads
1.2	Length of new or upgraded railways	1.7	Traffic on new or upgraded railways
1.3	Length of new or upgraded public transport lines.	1.8	Passengers in new or upgraded public transport lines
1.4	Port terminal capacity (passenger, container or cargo)	1.9	Ports: Terminal(s) user traffic (passenger, container or cargo)
1.5	Airport terminal capacity	1.10	Airport traffic

<table>
<tr><th colspan="4">SECTOR INDICATORS</th></tr>
<tr><th colspan="2">OUTPUTS</th><th colspan="2">OUTCOMES</th></tr>
<tr><td colspan="4">2 ENVIRONMENT / Water and Sanitation</td></tr>
<tr><td>2.1</td><td>Length of new or rehabilitated water supply pipes</td><td>2.6</td><td>Population benefitting from safe drinking water</td></tr>
<tr><td>2.2</td><td>Length of new or rehabilitated sewer pipes installed</td><td>2.7</td><td>Population benefitting from improved sanitation services</td></tr>
<tr><td>2.3</td><td>New connections to water supply</td><td>2.8</td><td>Potable Water Produced</td></tr>
<tr><td>2.4</td><td>Water treatment capacity</td><td>2.9</td><td>Wastewater Treated</td></tr>
<tr><td>2.5</td><td>Wastewater treatment capacity</td><td></td><td></td></tr>
<tr><td colspan="4">3 ENERGY</td></tr>
<tr><td>3.1</td><td>Transmission and distribution lines installed or upgraded</td><td>3.5</td><td>Population benefitting from electricity production</td></tr>
<tr><td>3.2</td><td>New connections to electricity</td><td>3.6</td><td>Power production</td></tr>
<tr><td>3.3</td><td>Additional capacity from conventional electricity production</td><td>3.7</td><td>Variation in CO2 emissions</td></tr>
<tr><td>3.4</td><td>Additional capacity from renewable energy sources</td><td>3.8</td><td>Energy efficiencies</td></tr>
<tr><td colspan="4">4 SOCIAL SECTOR (social housing, health, education)</td></tr>
<tr><td>5.1</td><td>New and/or refurbished habitable floor area</td><td>5.3</td><td>Population benefitting from improved housing conditions</td></tr>
<tr><td>5.2</td><td>New and/or refurbished health facilities</td><td>5.5</td><td>Bed occupancy rate</td></tr>
<tr><td>5.3</td><td>New and/or refurbished educational facility</td><td>5.6</td><td>Inpatients</td></tr>
<tr><td colspan="2" rowspan="2"></td><td>5.7</td><td>Outpatient Consultations</td></tr>
<tr><td>5.8</td><td>Students benefitting from new and/or refurbished educational facility</td></tr>
<tr><td colspan="4">5 PRIVATE SECTOR DEVELOPMENT</td></tr>
<tr><td>4.1</td><td><u>For direct operations</u>: Access to finance: number of units served among relevant target group</td><td>4.4</td><td><u>For indirect operations</u>: Access to finance: number of units served among relevant target group</td></tr>
<tr><td>4.2</td><td><u>For direct operations</u>: Access to finance: Amount of outstanding loans to relevant target group</td><td>4.5</td><td><u>For indirect operations</u>: Access to finance: Amount of Outstanding Loans to relevant target group</td></tr>
<tr><td>4.3</td><td><u>For indirect operations</u>: Access to liquidity/capital: volume of new loans made available to financial intermediaries (e.g. banks, microfinance institutions, funds)</td><td>4.6</td><td><u>For direct operations</u>: Number of MSMEs reporting increased turnover (as a result of <u>direct</u> support received from the FIs)</td></tr>
<tr><td></td><td></td><td>4.7</td><td><u>For both direct and, where feasible, indirect operations</u>: Number of jobs sustained (resulting from the project)</td></tr>
</table>

<table>
<tr><td colspan="2">CROSS-SECTOR INDICATORS</td></tr>
<tr><td>1</td><td>Total number of beneficiaries</td></tr>
<tr><td>2</td><td>Number of beneficiaries living below the poverty line (whose living conditions are improved by the project)</td></tr>
<tr><td>3</td><td>Variation CO_2 / Greenhouse gases</td></tr>
<tr><td colspan="2">Application subject to current practices and methodologies by Financial Institutions:</td></tr>
<tr><td>4</td><td>Jobs sustained / created</td></tr>
</table>

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.

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.

Operations can be the subject of financial control by the Commission (including by the European Anti-Fraud Office) as well as by the European Court of Auditors.

5.10 Communication and visibility

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 the involvement of the EU Delegations at key stages of the projects having visibility potential. Additional communication measures might be taken if necessary. The European Commission will publish an annual activity report providing an overview of the financed projects.

Communication and visibility of the EU is a legal obligation for all external actions funded by the EU and the Communication and Visibility Manual for European Union External Action shall be used to establish the Communication and Visibility Plans.

In any event, even in cases where non-European FIs would assume the lead financier role, the European added value and European visibility in each project should be ensured and maximised as much as possible.

In this context, operational/technical coordination and co-operation among European and non-European FIs remains of critical significance, so as to ensure synergies and complementarity of capacities, knowledge and expertise.