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The Africa Investment Facility (AfIF)

Blending, as an innovative form of financing combining EU grants with loans or equity from other public and private financiers, aims at leveraging additional public and private resources for sustainable economic growth and job creation as instruments for reducing poverty. Blending is defined as the strategic use of a limited grant amount to mobilise financing from partner Financial Institutions (FI) and private sector in view of an enhanced development impact of investment projects.

The EU implements blending operations in the context of the EU Blending Framework through facilities that support projects contributing to the fulfilment of the EU and Partner countries' strategic development goals.

The **EDF blending framework** covers three regional Facilities, one of which is the **Africa Investment Facility (AfIF)**. The AfIF was set up in 2015, based on the successful experience of the EU Africa Infrastructure Trust Fund (ITF). With the ITF, between 2008 and 2015, the Commission supported 96 infrastructure projects in Africa, mainly in the energy and transport sectors, for an amount of EUR 712 million, contributing to more than EUR 9.5 billion of investment. The Africa Investment Facility (AfIF) has a broad sector scope and, so far, total resources allocated to AfIF amount to EUR 862 million, coming from Regional Indicative Programmes (RIPs) and National Indicative Programmes (NIPs). Projects approved until end 2016 are mainly in the transport and energy sectors and represent a total grant amount of EUR 251.9 million, supporting total investments of more than EUR 2.4 billion.

In the context of blending, the Commission works with multilateral European Finance Institutions such as the European Investment Bank (EIB) but also with regional banks, such as the African Development Bank, and with bilateral Development Finance Institutions from EU Member States (AFD, KfW, AECID, OeEB, CDP, SOFID, Proparco...). The work with a variety of Finance Institutions with different expertise in terms of sectors and financial instruments is key to the success of the blending modality, allowing for efficient use of EU funds and ultimately a high development impact for partner countries.

The grant element in blending projects can be in the form of technical assistance (to support the preparation of investment projects or improve the quality of the investment), investments grants (financing of specific components of a project or co-financing part of the total investment cost); guarantees or risk capital in order to crowd in more private financing and to support smart and sustainable investments.

The strategic objectives and priorities of the operations financed under the Africa Investment Facility are discussed with partner countries at bilateral level or at regional level in the context of the **Regional Steering Committees** (i.e. the **High Level Group** in the context of the EA-SA-IO

RIP). These strategic discussions will cover regional investment plans and priorities, as well as provide strategic and policy guidance and advice for the preparation of proposals for blending.

The operations of the Africa Investment Facility are governed by the **Board** of the EDF blending framework. The Board is supported by a **Technical Assessment Meeting (TAM)** which assesses project and funding proposals from a technical and financial point of view before they are submitted to the Board.

The Board is chaired by the Commission and consists of representatives of the Commission, the EEAS, the EU Member States as voting members, and the Financial Institutions (FIs) as observers. A Secretariat, run by the Commission, assists the Board, which meets in Brussels two to four times a year, depending on the needs. The Board is responsible for formulating, on the basis of the agreed strategic orientations, an opinion on individual blending operations, which the Finance Institutions submit to the Secretariat.

The opinions of the Board draw on technical and financial assessments of proposed blending operations. These assessments are prepared in regular Technical Assessment Meetings (TAM) in Brussels, chaired by the Commission and composed of experts of the Commission, the EEAS and FIs.

The FI uses a harmonised project application form for the presentation of its proposal. This application form is the basis for the technical and financial assessment and includes alignment to EU political and thematic policy objectives, justification of the added value of the grant contribution, social and environmental aspects, appropriate financial structure and other issues such as debt sustainability and EU visibility. Only technically mature proposals are then submitted to the Board.

Based on their discussions with the partner countries and the EU, including the Delegations, FIs provide also information on the pipeline of operations for possible AfIF funding. The updated pipeline is regularly reviewed and discussed between the Commission, the EEAS and the participating FIs based on its geographical balance and its contribution to the EU objectives. Information on the pipeline discussion is also shared in the Board meetings.

The European Investment Plan

The Commission proposed on 14 September 2016 to the European Parliament and Council an ambitious European External Investment Plan (EIP).

This Plan would provide an integrated approach to boosting investments in Africa and the Neighbourhood region. The objective is twofold: (1) to contribute to reaching the sustainable development goals by 2030 and implement the Addis Ababa Action Agenda (AAAA) on Financing for Development and, by doing so, (2) to address root causes of migration.

Building on the EU experience under the blending framework, the EIP would be closely aligned to partner countries' and regions' priorities and would be coordinated with the EIB's resilience initiative, by leveraging funds from other donors, financial institutions and private investors and respecting the EU's commitments on development effectiveness.

Under **Pillar 1** of the EIP, a new **European Fund for Sustainable Development (EFSD)** rests on two innovative financial instruments. On the hand it would provide a **guarantee** for investments, with an overall budget of up to EUR 1.5 billion. On the other hand it would encompass two regional investment platforms – one for each region – building on the existing EU blending facilities (Africa Investment Facility and Neighbourhood Investment Facility) which have already an overall allocation of EUR 2.6 billion for supporting investments under the regional and national programmes for Africa and the Neighbourhood. With these instruments of a total value of up to EUR 4.1 billion, the EFSD is expected to leverage until 2020 EUR 44 billion of investments in both regions. These funds would be accessible for the private sector and local banks mainly through European and Regional Development Banks. Proposals for investments or investment windows could also be channelled directly to the Commission through a new web portal. The Commission will assess whether such proposals are in line with its policy objectives before submitting them to Financial Institutions for consideration.

In addition, under **Pillar 2 & 3** of the investment plan, support for project development and an enhancement of the investment climate is foreseen. Under pillar 2, **technical assistance** would be provided to help authorities in the region to improve the regulatory and policy environment and to help partners to develop bankable projects. Pillar 3 would focus on enhancing the **investment climate** in partner countries, through the country- and regional-level policy and political dialogues and the EU's cooperation instruments, as well as by providing analysis on investment constraints, with EU Delegations in the lead. It will ensure synergies with relevant EU external policies, such as migration, economic diplomacy and Economic Partnership Agreements as well as coordination with other partners' interventions.