

Report on

EU development Cooperation Instruments

with particular emphasis on the EU-Africa Infrastructure Trust
Fund and its potential for development of African European
Research Infrastructures Partnerships



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1. INTRODUCTION

This report describes and analyses the major EU development cooperation instruments with a view to potential development of African European Research Infrastructures Partnerships.

The following instruments are described:

1. Development Cooperation Instrument (DCI),
2. European Neighborhood and Partnership Instrument (ENPI)
3. European Development Fund (EDF).
4. EU-Africa Infrastructure Trust Fund.

The report analyses the structure, functioning and objectives of these instruments which are the EU's primary mechanism for funding and implementing infrastructure projects in Africa.

2. DEVELOPMENT COOPERATION INSTRUMENT

Launched in January 2007, the Development Co-operation Instrument (DCI) replaced a wide range of geographic and thematic instruments which had built up over time. This decision was taken with a view to increasing the effectiveness of the EU development cooperation.

The Development Co-operation Instrument (DCI) covers both geographic and thematic programmes¹:

Geographic programmes supporting cooperation with 47 developing countries in Latin America, Asia and Central Asia, the Gulf Region, South Africa. Among the areas of cooperation supported by these programmes are:

- social cohesion and employment;
- sustainable development through environmental protection and sustainable management of natural resources;
- sustainable integrated water resource management and fostering greater use of sustainable energy technologies;
- developing infrastructure and an increased use of information and communication technologies;

Thematic programmes benefiting all developing countries. These programmes support actions in the following fields:

¹ http://ec.europa.eu/europeaid/how/finance/dci_en.htm

- investing in people;
- environment and sustainable management of natural resources including energy;
- non-state actors and local authorities in development;
- food security;
- migration and asylum

The budget allocated under the DCI for the period 2007-2013 is €16.9 billion:

- €10.06 billion for the geographic programmes (60% of the total),
- €5.6 billion for the thematic programmes (33% of the total),
- €1.24 billion for the ACP Sugar Protocol countries (7% of the total).

Geographic programmes encompass cooperation with partner countries and regions determined on a geographical basis. They cover five regions, namely Latin America, Asia, Central Asia, the Middle East and **South Africa**. All developing countries qualify for support under the thematic programmes, including African States.

Thematic programmes complement geographic programmes. They cover a specific area of activity of interest to a group of partner countries not determined by geography or cooperation activities focusing on various regions or groups of partner countries, or an international operation that is not geographically specific. In other words, their scope of application is wider than that of geographic cooperation programmes because they encompass not only the countries eligible for geographic cooperation under the DCI but also the countries and regions eligible under the European Development Fund (EDF) and under Regulation (EC) No 1638/2006.

Geographic Programme for South Africa

The Joint Country Strategy Paper 2007-2013² on “Cooperation between the European Union and South Africa” includes a commitment to the development of science and technology cooperation, most notably page 30 which states that “areas of development cooperation with a strong direct or indirect link to the focal areas are:

Science and technology within the EU framework programmes and within development cooperation between the EU and South Africa, with the aim of establishing science and technology capacity and enabling science-based interventions for poverty alleviation and economic growth promotion.”

Thematic Programmes

The Investing in People 2007-2013³ strategy paper notes the need to support education developing countries in a range of areas that can be relevant to astronomy partnerships e.g.

² http://ec.europa.eu/development/icenter/repository/print_csp07_za_en.pdf

³ http://ec.europa.eu/development/icenter/repository/how_we_do_strategy_paper_en.pdf

- “Support for higher education exchanges through bilateral or multilateral programmes” (p. 12)
- “Where realistically feasible the use of information and communication technologies for knowledge dissemination, effective learning and strengthening of educational services should be promoted” (p. 13)

Both of these strategic aspects are key to the development of human capacity that is required for well-functioning scientific research infrastructures. Research infrastructures operate and plan over decades and require a steady stream of qualified young individuals. Introduction of children to the attractions of Science and IT today are vital to ensuring well-functioning research infrastructures 15 years from now. Exchange of young PhD students between Africa and Europe is already a key part of EU-Africa relationship – strengthening this can consolidate the development of shared infrastructures and ensure that universities on both continents are well-positioned to benefit as scientific partners.

3. EUROPEAN NEIGHBORHOOD POLICY INSTRUMENT

The European Neighbourhood and Partnership Instrument (ENPI) supports the European Neighbourhood Policy (ENP). It has been in operation since 1 January 2007. The Instrument includes a focus on Eastern European Countries and Southern Mediterranean countries. Thus in terms of promoting African European research infrastructure cooperation, this is of particular interest to the following “beneficiary” countries: **Morocco, Algeria, Tunisia, Libya and Egypt.**

The ENPI has the following **strategic objectives**⁴:

- Support transitions to democracy and promotion of human rights,
- Encourage the transition towards a market economy,
- Promotion of sustainable development and policies of common interests

The ENPI finances actions in the various sectors, including:

- more equitable development
- regulatory trade and reforms
- the liberalisation of certain sectors
- justice and home affairs
- energy
- transport
- information society
- environmental sustainability
- research and innovation

⁴ http://ec.europa.eu/europeaid/how/finance/enpi_en.htm

A particular focus under the ENPI is on cross-border cooperation with a view to promoting economic and social development in regions on both sides of common borders. Particular emphasis is given to helping public and private actors to address the opportunities and challenges offered by proximity with the EU.

Agencies that are eligible for funding include:

- Decentralised institutions and entities in partner countries and regions
- Mixed organisations
- International and regional organisations
- International financial institutions
- European institutions and agencies to a certain extent
- Non-Governmental Organisations

4. EUROPEAN DEVELOPMENT FUND

The European Development Fund (EDF) is a key instrument for providing Community development aid in the African, Caribbean and Pacific (ACP) countries and the overseas countries and territories (OCTs). It is distinctive in that it is not legally part of the EU budget, but instead is funded directly with contributions from Member State budgets.

The EDF supports action in three key areas: economic development, social and human development, regional cooperation and integration.

The EDF consists of several instruments:

- Grants managed by the European Commission
- Risk capital and loans to the private sector, managed by the European Investment Bank under the Investment Facility,
- The FLEX mechanism, aiming at remedying the adverse effects of instability of export earnings

The first two instruments are particularly suitable for providing support to research infrastructure cooperation between Europe and Africa.

Specific EDF research grants are managed under the Partnership on Science, Information Society and Space. For example, a €15 million pan-African scheme for research grants is funded by the 10th EDF Intra-ACP Indicative Programme, and will build the African Union Commission HRST (Human Resources in Science and Technology) capacity to launch, implement and monitor calls for proposals at the African continent level. Similarly structured targeted calls for research infrastructure cooperation can be included in this scheme.

5. THE EU-AFRICA INFRASTRUCTURE TRUST FUND

5.1. Purpose of the fund

The EU-Africa Infrastructure Trust Fund is the EU's primary mechanism for funding and implementing infrastructure projects in Africa **that have a regional dimension**. Created in 2007, it is an instrument of the **EU-Africa Partnership on Infrastructure**. The fund shares the same broad objectives as the Infrastructure Consortium for Africa (ICA), a network of bilateral donors and multilateral agencies. However, it is unique in targeting infrastructure projects with a regional dimension.

5.2. Origin

The EU-Africa Infrastructure Trust Fund emerged as a consequence of the **2005 EU Strategy for Africa**, which set out priorities for supporting Africa's efforts to achieve the Millennium Development Goals. The Strategy explicitly highlighted the concept of "One Africa", recognizing that the continent has collectively embarked on a path of political, economic and cultural integration.⁵ As such, the Strategy highlighted the interdependence of Africa's socioeconomic growth and regional integration. Several "partnerships" were designed as cornerstones of this strategy.

The Partnership on Infrastructure was one such cornerstone. It was established with the general aim of facilitating "interconnectivity" at continental level for the promotion of regional integration.⁶ More specifically, it was intended to **identify and address missing links in trans-African and regional networks**. Sector-specific goals included:

- harmonization of transport policies
- development of integrated water management
- development of cross-border and regional energy infrastructure
- Bridging the digital divide in Africa

Furthermore, the Partnership was established with the following key principles:

- **Coherence and complementarity** with actions taken at country and regional level.
- **African ownership** through close engagement with African continental and regional institutions – notably the African Union and Regional Economic Communities – in accelerating the AU-NEPAD⁷ Action Plan on Infrastructure.

Following the establishment of the Partnership on Infrastructure in 2006, the EU-Africa Infrastructure Trust Fund was conceived in 2007 as the EU's primary

⁵“EU Strategy for Africa: Towards a Euro-African pact to accelerate Africa's” development

http://ec.europa.eu/development/icenter/repository/COM_2005_0489_F_EN_ACTE_en.pdf

⁶ “EU Strategy for Africa: Towards a Euro-African pact to accelerate Africa's” development

http://ec.europa.eu/development/icenter/repository/COM_2005_0489_F_EN_ACTE_en.pdf

⁷ New Partnership for African Development

instrument for funding and implementing infrastructure projects in Africa with a regional dimension.

5.3. How does the Trust Fund work?

5.3.1. A “Blending” Mechanism

The fund combines loans from eligible financing institutions with grants from the European Development Fund and EU Member States. It thus constitutes a “blending mechanism” which mixes non-refundable grants with long-term investment from financiers. This integrated nature mitigates the risk taken by financiers, thereby creating an incentive to invest in projects that can have a low financial return but a high development impact. In this way, it enables valuable projects that would otherwise not happen.

The Fund is said to exert a “leverage” or “multiplier” effect, whereby the catalytic effect of a grant mobilises non-grant investment in a project. Each euro of grant support is expected to generate over 12 euros in total added investment⁸.

The Fund’s activities are implemented in line with the principles of the Paris Declaration on Aid Effectiveness and the European Consensus for Development.

5.3.2. Governance Structure

The Fund is structured along 5 levels.

1. The EU-Africa Infrastructure Partnership Steering Committee

The Steering Committee is composed of 58 members, with 29 each from the African Union and European Union. It provides guidance to the fund but does not intervene in choice of grants or day to day running of the fund. There are currently two co-chairmen of the Committee: Mr. Lluís Riera, Director of Development Policy at the European Commission Directorate-General for Development and Relations with African, Caribbean and Pacific (ACP) countries; and Mr. Aboubakari Baba-Moussa, Director for Infrastructure and Energy and the African Union Commission.

2. The Executive Committee

This is the governing body of the Fund and is responsible for all key decisions. It has three categories of members (i) voting participants i.e. donors of at least €1m (ii) non-voting participants i.e. EU non-donors and (iii) the European Investment Bank and the Fund’s secretariat (non-voting). The Chair has been occupied by the European Commission since 2007, but this can be rotated. The current Chairman is Mr. Gary Quince, Director for ACP countries at the European Commission EuropeAid Development and Cooperation Directorate-General.

3. The Project Financiers Group

⁸ EU-Africa Infrastructure Trust Fund Flyer
<http://www.eu-africa-infrastructure-tf.net/attachments/Publications/itf-flyer-en-jan-2011.pdf>

The project financiers are international development institutions who have been nominated by the donors. They assess grant operation requests with a view to submitting them to the Executive Committee for approval. The group is an informal entity operating and cooperating under their own methodology.

4. Trust Fund Manager

This role is filled by the European Investment Bank, which is responsible for treasury management, maintaining financial records etc. The current manager is Mr. Philippe Maystadt, President of the European Investment Bank.

5. Trust Fund Secretariat

The Secretariat assists the Executive Committee, organizes its meetings, reports on progress etc. The role of Head of Secretariat is currently filled by Mr. Yves de Rosee.

5.4. Who are the Financiers?

The Project Financiers Group (PFG) brings together financiers who are nominated by each Donor and agreed to by the Executive Committee. They can include development finance institutions, banks, Member State agencies or public bodies with international development project expertise. The PFG currently consists of:

- * **The European Investment Bank (EIB)**
<http://www.eib.org/>
- * **Development Bank of Austria (OeEB)**
<http://www.oe-eb.at/en/Pages/default.aspx>
- * **Belgian Investment Company for Developing Countries SA/NV (BIO)**
<http://www.bio-invest.be/>
- * **Finnish Fund for Industrial Cooperation Ltd (FINNFUND)**
http://www.finnfund.fi/en_GB/
- * **Agence française de développement (AFD),**
<http://www.afd.fr/home/AFD/nospartenaires/cooperation-europeenne-afd>
- * **Kreditanstalt für Wiederaufbau (KfW)**
<http://www.oe-eb.at/en/Pages/default.aspx>
- * **Hellenic Ministry of Economy and Finance**
<http://www.minfin.gr/portal/en>
- * **Società Italiana per le Imprese all'Estero (SIMEST SpA)**
<http://www.simest.it/home.html>
- * **Lux-Development S.A.**
<http://www.lux-development.lu/>

- * **Private Infrastructure Development Group (PIDG)**
<http://www.pidg.org/>
- * **Sociedade para o Financiamento do Desenvolvimento Instituição Financeira de Crédito (SOFID)**
<http://www.sofid.pt/>
- * **Compañía Española de Financiación del Desarrollo (COFIDES)**
<http://www.cofides.es/>
- * **African Development Bank (AfDB)**
<http://www.afdb.org/en/#>

5.5. Procedure for requesting funding

5.5.1. Project Eligibility

Projects may be implemented by public, private or mixed entities. In order to be deemed eligible for funding, projects must:

- a) Be trans-border in nature with a demonstrable regional impact on at least two eligible countries.
- b) Belong to one of the four traditional infrastructure sectors: energy, transport, water and information technology.
- c) Address sustainable and development-oriented goals, assessed in light of their economic viability, contribution to poverty reduction and their environmental impact.
- d) Involve African ownership e.g. identified by the African Union and its New Partnership for African Development as priority trans-Africa infrastructure projects.

5.5.2. Categories of Funding under the Trust Fund

The Trust Fund has four categories of funding that can be deployed.

- **Interest rate subsidies**
These can be applied in flexible ways to reduce the total amount of debt payable by the borrower.
- **Technical assistance**
This can involve preparatory work for, and supervision of, projects as well targeted capacity-building measures.
- **Direct grants**
These are made available in particular to finance project components with social or environmental benefits.
- **Insurance premia**
This involves payment of early-stage premia for launching infrastructure projects.

5.5.3. Authorities involved in funding request process

1. The Project Financier's Group
2. The Executive Committee
3. Trust Fund Manager

5.5.4. Grant approval process

As a blending mechanism, involving both a loan and a grant, the overall act of acquiring support from the Trust Fund is itself a blended process.

Overall Process: Step one
Project promoter approaches a member of the Project Financiers Group (PFG) to request consideration of the project.

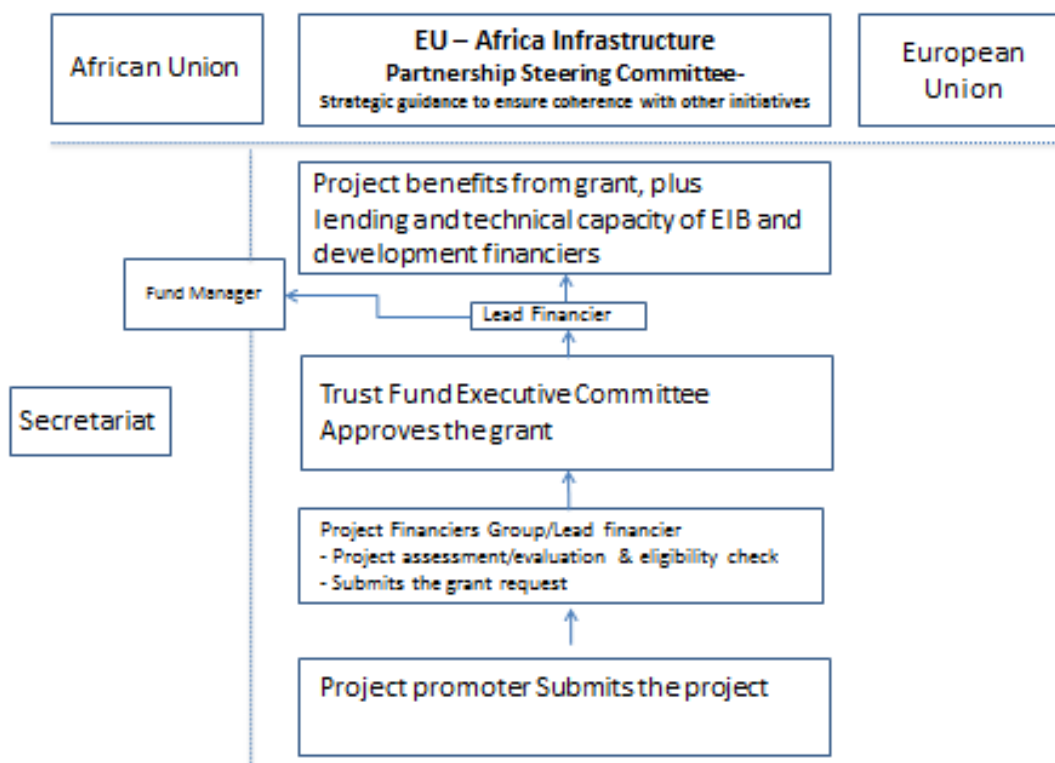
Following step one, the overall process involves two parallel but separate operations:

- I. The Financier's own internal loan approval steps
- II. The approval steps for an Infrastructure Trust Fund (ITF) grant operation

The Financier's own internal process falls into three standard steps: due diligence, board approval and loan signature. The remainder of steps outlined here concerns the approval steps for an ITF grant operation.

Step Two: PFG/Lead Financier assesses project and performs eligibility check.
Step Three: If the project is deemed to fulfil the eligibility criteria, it is given "Clearance In Principle" and the PFG member prepares a grant operation request.
Step Four: The PFG submits the grant operation request to the Executive Committee for consideration.
Step Five: Executive Committee considers the request.
Step Six: If the request is approved by the Executive Committee, the Lead Financier can then request the Fund Manager (European Investment Bank) to transfer a lump sum equal to the entire amount or part of the approved grant operation.
Step Seven: Project is implemented, benefitting from both the grant and the lending and technical capacity of EIB and development financiers

Schematic Presentation of the Project Approval Process



5.6. When do the Executive Committee and PFG meet?

Meetings of the Executive Committee tend to take place approximately one month after meetings of the Project Financier’s Group. Meetings for each group tend to take place approximately five times per year. The last scheduled PFG meeting for 2011 took place on 17/11/2011. The last scheduled Executive Committee meeting for 2011 took place on 15/12/2011. The schedule for 2012 meetings is yet to be announced.

5.7. Review 2007-2011

In its first year, the Trust Fund supported four projects with a total of €15.5m. This has grown consistently, and in 2010 seventeen grants for €111m were approved. 2010 brought the overall total of approved grant operations to nearly 36 projects and €209m. Additionally, in 2010 three grant operations for €86m were given “Clearance in Principle”.

5.7.1. Highlight of 2010: Completion of the Caprivi Interconnector Project

The Caprivi Interconnector Project, with a cost of 3 billion Namibian dollars, consists of a 950 km power transmission line between Katima Mulilo and Gerus in Namibia. It

was financed from NamPower's own funds with support from the Development Bank of Namibia. The long-term funding was advanced by the European Investment Bank, Agence Française de Développement and Germany's KfW, with each institution providing a EUR 35m loan.

The Trust Fund supported the long-term funding with a **EUR 15m interest rate subsidy grant**. The subsidy was fully disbursed at end-2009. The three PFG financiers received one third of the grant each in order to reduce either the interest rate payable by the borrower or the capital outstanding.

5.7.2. Sample of approved ICT grants in 2010

Three grant operations approved in 2010 will help to prepare projects in the ICT sector on a trans-regional basis:

1. The African Internet Exchange System (AXIS)

Project Aim: To support and facilitate the creation of an African internet system.

Project Activities: The setting up of internet exchange points in 33 African countries; the establishment of five regional internet hubs, five regional internet carriers and three continental internet carriers; policy and regulatory reform, capacity building and technical assistance for internet service provider associations.

Funding from ITF: €5.1m (technical assistance)

Purpose of Funding: The grant will be used to aid the preparation and implementation of the project. Particular focus will be given to financing the establishment of a Project Implementation Unit to be located at the African Union Commission and the mobilization of an Internet Service Provider Association Task Force.

Lead Financier: Lux-development

2. Feasibility study of the Western part of UMOJANET

Project Aim: This study is part of the Umojanet Project which, together with the Uhurunet Project, aims to establish a seamless ICT broadband infrastructure network for the African continent. Umojanet constitutes the terrestrial mesh network, while Uhurunet constitutes the submarine ring network.

Project Activities: The two projects are to be interconnected with each other and the international network. In terms of Umojanet, this will require development and operation of regional broadband infrastructure, primarily through laying new buried or aerial cross-border fibre-optic cables or through the purchase/lease of capacity on existing ones.

Funding from ITF: €1.35m (technical assistance)

Purpose of Funding: The grant will be used to fund a study which will include a detailed technical and commercial feasibility assessment, a complete network design and a business plan for each region. The operation will help bridge the digital divide by accelerating the development of African inter-country regional and global connectivity and encourage economic growth through broader access to information, services and education.

Lead Financier: Agence Française de Développement

3. *Satellite eMedicine for Sub-Saharan Africa*

Project Aim: The objective is to establish a solution for substantially improving medical assistance and the overall health system in sub-Saharan Africa. In particular, this satellite-based infrastructure will enable provision of telemedicine services at an acceptable cost.

Project Activities: Implementation will require analysis of different aspects – from a technological angle based on the efficiency of operational capabilities to the availability of financial resources and potential sustainability of the system.

Funding from ITF: €4m (technical assistance)

Purpose of Funding: The grant will be used to mandate the European Space Agency (ESA) to retain a consultant for the performance of preparatory tasks consisting mainly of four horizontal studies on issues related to governance, interoperability with existing legacy systems, compliance with regulations etc.

Lead Financier: Lux-Development

5.7.3. *Sample of Projects already approved in 2011*

1. *Maputo Airport*

Project Aim: rehabilitation and improvement of Maputo International Airport airside infrastructure e.g. runways, taxiways, aprons and airfield ground lighting.

ITF Funding: €1.6m (technical assistance)

Purpose of Grant: The grant will be used to finance the consulting services for the design of the Maputo International Airport airside infrastructure rehabilitation works. It will provide for the required analysis, design and documentation of the rehabilitation/upgrading works. The consultant will be required to carry out such field investigations and design studies as are necessary to determine the pavement, geometric, and functional characteristics of the pavement and drainage structures which will satisfy projected traffic for a 20 year design life. It will also include the preparation of tender documents and assistance to ADM to evaluate the tenders received and negotiate a contract with the successful Contractor.

Lead Financier: Agence Française de Développement

2. Mozambique Backbone (CESUL) Project

Project Aim: To construct a double transmission line from the Tete Province in Centre Mozambique to the capital Maputo in Southern Mozambique and the Southern African Power Pool (SAPP) interconnected power network. It will transport the electricity generated in new hydro power plants from Mphanda Nkuwa (1 500 MW) and Cahora Bassa (North Bank, 1 245 MW) to the markets. It will comprise a 400kV High voltage alternative line and a 800 kV High voltage direct line to supply Mozambique and **link with the South African market.**

ITF Funding: €1.5m (technical assistance)

Purpose of Grant: The Grant Operation will allow the execution of Consultancy services to accompany and support the Government of Mozambique in the start-up of a new entity that will handle all public shares in the power mega-projects now in preparation. This will be done by (i) reviewing incorporation options (legal and financial structures), (ii) establishing business plan, staffing and incorporating the new company and (iii) supporting the necessary fund raising.

Lead Financier: Agence Française de Développement