MITIGATION & ADAPTATION
BLENDED

FUND NAME	**The Emerging Africa Infrastructure Fund Ltd (EAIF)**[1]
COUNTRY/REGION	Targets all African countries.
MANDATE	To provide long-term debt to private sector companies building or expanding essential infrastructure for economic development in sub-Saharan Africa
SIZE, FINANCIAL CLOSE AND TERM	Size: USD 1.05 billion
INVESTOR(S) AND FUNDERS	UK Department for International Development (DFID), Swiss State Secretariat for Economic Affairs (SECO), Swedish International Development Cooperation Agency (Sida), and Dutch Directorate-General for International Cooperation (DGIS); all through the PIDG Trust. Allianz, Standard Chartered Bank
GUIDEBOOK TAXONOMY FINANCIAL SYSTEM ACTOR	Bilateral, Multilateral & Development Finance Institutions Private Institutional Investors and Asset Managers
OBJECTIVE	The overall goal of the Project was the creation of the Emerging Africa Infrastructure Fund Ltd (EAIF), which is a blended multi-donor fund that operates as a specialized development finance institution (DFI). The Fund provides needed financing to infrastructure projects across Africa.
ENVIRONMENTAL IMPACT (ON CLIMATE MITIGATION AND/OR ADAPTATION)	Environmental impacts of the Fund have not been fully assessed. However, the nature of the projects financed by EAIF have likely resulted in clear environmental benefits (both mitigation and adaptation). For example, EAIF assisted in the financing of a Bulk Service Water Supply project in Rwanda via Kigali Water Limited (KWL). The water treatment plant is a critical piece of Rwanda's water infrastructure, supplying approximately 40,000 m³ of clean water per day.
TECHNICAL ASSISTANCE (IF PROVIDED)	All PIDG companies, including EAIF, can draw on PIDG's Technical Assistance Facility (TAF). Established in 2004 and housed within the PIDG Trust, the TAF was designed to provide general technical assistance to facilitate project development, build local capacity, and enhance inclusion and other social development opportunities. Approximately 55% of EAIF investments have been accompanied by some form of technical assistance (i.e., 39 of 71 EAIF projects have an associated TAF grant). In addition, EAIF operates in close coordination with the other PIDG companies, with several of the projects financed by EAIF benefitting from the services and products of other PIDG companies.
CAPITAL STRUCTURE	**~ USD 1.05 billion**[2] ● First-loss equity - USD 419 million ● Senior debt - USD 627 million
FINANCING MODEL/APPROACH (EX: BLENDED FINANCE)	Blended finance, including first-loss equity.
RATIONALE FOR FINANCING MODEL/APPROACH	It has taken considerable time as well as an explicit effort to build a track record and investment opportunity that can successfully attract institutional capital, largely reflecting the difficult nature of private infrastructure development in sub-Saharan Africa; blended finance was integral in successfully attracting this institutional capital.

[1] This case was provided by Convergence as a contribution to the Sharm El-Sheikh Guidebook for Just Financing

[2] Convergence/PIDG/Emerging Africa Infrastructure Fund. Case Study - The Emerging Africa Infrastructure Fund Ltd. December 2018.

Financial instrument(s) (loans (commercial/ concessional), equity, guarantee)	Senior debt; first-loss equity; subordinated and/or mezzanine debt; bridging finance

Diagram of the financing structure

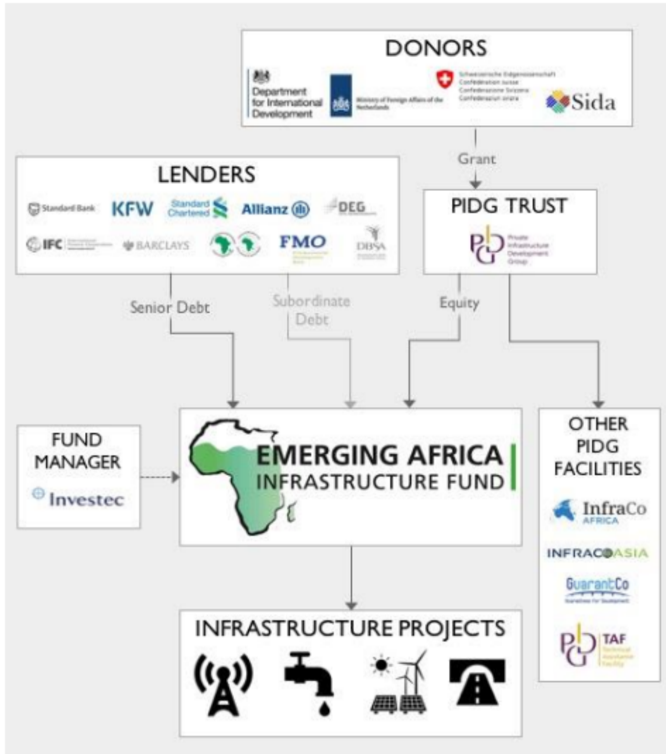

Figure 1 - EAIF Financing Structure

The Emerging Africa Infrastructure Fund Ltd (EAIF) is a blended multi-donor fund that operates as a specialized development finance institution (DFI). EAIF has a 15-year track record, providing $713 million in financing to 71 private infrastructure projects across Africa to date. Most recently, EAIF successfully attracted $120 million in commercial capital from Allianz – a global financial institution. Nearly half of EAIF's capital is invested in the least developed countries as defined by the Organisation for Economic Cooperation and Development (OECD).

As of 2018, EAIF has provided USD 713 million in financing to 71 private infrastructure projects across the African continent. Project types financed vary, including water treatment plants, renewable energy projects, and other critical infrastructure. Implemented projects from EAIF financing are estimated at having impacted upwards of 123 million Africans and created approximately 36,500 jobs.

Four donor agencies established PIDG in early 2002. PIDG is a donor-financed group that provided a platform in which the four members could co-ordinate activities related to promoting private investment in infrastructure development. The four founding PIDG members then established the first debt fund focused on infrastructure in sub-Saharan Africa: The Emerging Africa Infrastructure Fund Ltd (EAIF). PIDG aims to be a "bureaucracy-light, delivery-heavy" structure. PIDG members govern the overall strategy and policies for PIDG activities, while delegating corporate governance for activity-specific strategies, business plans, and day-to-day operations. PIDG members set the investment policies, code of conduct and operating policies and procedures. PIDG members select the board of directors and hold PIDG accountable for all activities of the group through regular reporting, including annual general meetings.

Socioeconomic impacts of the Project include the approximately 36,500 jobs created from infrastructure financing, and the leveraging of commercial capital into local economies (~USD 1.49 of commercial capital mobilized for every USD 1 of concessional capital). Additionally, infrastructure projects financed by EAIF bring social improvements (e.g., increased sanitation services through water related infrastructure projects) that have not been fully assessed.

Analysis

What made this project successful?	Robust technical assistance: Approximately 55% of EAIF investments have been accompanied by some form of technical assistance. This has allowed EAIF partners to develop concepts into fully-fledged projects.

	Financial sustainability: EAIF is a sustainable and profit-generating revolving fund. The costs are covered by the revenues, and retained earnings are reinvested in the fund's activities. Returns are positive on average (typically 2-3% net) with some volatility due to movements on provisions. *It should be noted that EAIF's success, as per the EAIF board (i.e., PIDG members), is not determined by its level of returns or profitability, but by the achievements of its development and impact objectives.* Leveraging a successful performance history in Africa: Mobilizing the private sector is not easy - and a track-record goes a long way. Launched in 2002, EAIF has been in operation for more than 15 years, establishing a strong track-record amidst an evolving infrastructure finance landscape in sub-Saharan Africa. By the end of the 2000s, in part due to the activities of EAIF, both development finance providers and private sector lenders were showing a greater willingness to offer debt finance to infrastructure projects in low-income countries in sub-Saharan Africa.
To what extent is this model scalable?	The fund/project type is likely moderately to very scalable in developing contexts, given necessary conditions (*see below*).
What are the necessary conditions to make it replicable in other countries/regions?	Access to sufficient anchor investments and a robust technical assistance facility for project development are critical components.
Constraints/Drawbacks of Financing Model	The amount of concessional capital needed for infrastructure project development in developing economies is relatively high.
Lessons Learnt	• Blended finance can successfully mobilize private capital to fund much needed infrastructure projects throughout Africa. • Technical assistance is a key feature to ensure that a reliable pipeline of infrastructure projects can be generated. • A successful performance history in project development can be leveraged for future projects.