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EU-AFD FACILITY ON INEQUALITIES (2026-2028) MAKING GLOBAL GATEWAY INVESTMENTS WORK FOR INCLUSION

Building on nearly ten years of collaboration, the European Union (EU) and Agence Française de Développement (AFD) have launched the third phase of the Facility on Inequalities. Taking a more operational orientation, this phase focuses on how public and private investments, particularly in infrastructures, can help reduce inequalities. It aims to strengthen the effective integration of inequality reduction into Global Gateway investments by mainstreaming inequality consideration from the outset, developing tools and methodologies, and improving the tracking of distributional impacts.

Why inequalities matter for investment

The EU has progressively placed investment at the centre of its external action, notably through the Global Gateway strategy, which aims to mobilise large-scale public and private finance in support of sustainable connectivity, economic transformation and resilience. **These investments, as well as those financed by AFD Group in partner countries, are expected to deliver not only economic returns, but also social and territorial cohesion**, in line with the EU's commitment to inclusive development and the principles of the 2030 Agenda.

At the same time, extensive research and operational experience from EU external action, AFD Group's investment portfolio, and other European partners have shown that **investment-led growth does not automatically translate into equitable outcomes**. In contexts marked by deep structural inequalities, public and private investment operations, particularly in

infrastructure, can generate highly differentiated effects across territories, population groups and economic actors, depending on their design, governance and accompanying policies. Without explicit attention to distributional dynamics, investments may reinforce existing disparities related to income, geography, gender, age or access to essential services.

The EU-AFD Facility on Inequalities was established in this context as **a long-term research partnership aimed at strengthening the analytical foundations of inequality reduction in development policy and practice**. Its work has evolved over successive phases, reflecting both advances in the international policy agenda and changing operational priorities within EU external action, AFD Group's investment strategy, and the broader European development finance landscape.

From diagnostics to investment processes: the evolution of the Facility

Since its inception, the EU-AFD Facility on Inequalities has developed as a cumulative research programme. **The first two phases (2017-2020 and 2021-2025) focused primarily on diagnosing inequality dynamics and strengthening the evidence base for policy dialogue**. They produced comparative analyses, country and regional studies, and thematic research that deepened understanding of income, multidimensional and structural inequalities, as well as their links to fiscal policy, labour markets, social protection and access to services.

These phases contributed to positioning inequality as a central concern of EU development cooperation, informing strategic debates and supporting the emergence of shared analytical frameworks. They also helped consolidate networks of researchers, policymakers and practitioners around inequality-sensitive approaches.

The current phase builds directly on these foundations. Rather than revisiting policy and strategy questions, **this third phase shifts the analytical focus towards investment processes**,

in line with the growing centrality of infrastructure and private sector finance in EU external action. This evolution reflects a strategic question: **how can the insights generated by inequality research be mobilised more systematically in the design, implementation and evaluation of large-scale investments, particularly under the Global Gateway?**

A long-term research partnership
to strengthen the analytical
foundations of inequality reduction
in development policy and practice



A coherent research agenda on inequality-sensitive investment

The Facility's work is structured around three analytical areas that correspond both to key stages of the investment cycle and to the four criteria of the EU Inequality Marker (I-Marker). Taken together, these three areas form an integrated research framework that accompanies investments throughout their lifecycle, from upstream strategic choices to outcome assessment and institutional learning.

AREA 1

INEQUALITY ANALYSIS AT THE PROJECT ORIENTATION AND SCOPING STAGE

The first analytical area examines how inequality considerations are incorporated—or overlooked—at the earliest stages of investment design, when project rationales, target populations and expected benefits are defined. Rather than treating inequality as an ex post impact, the Facility analyses **how investment choices shape the distribution of economic value, opportunities and risks** from the outset.



Linking inequality analysis and investment decisions

By linking cumulative inequality diagnostics with investment-focused methodologies and policy dialogue, the Facility strengthens the capacity of European investment actors to **anticipate distributional effects, make informed design choices and assess results in a consistent and evidence-based manner**. In doing so, it helps anchor inequality reduction as a practical and operational dimension of European development finance.

AREA 2

INCLUSIVE DESIGN AND IDENTIFICATION OF INFRASTRUCTURE INVESTMENTS

This analytical area addresses the identification and early design of infrastructure projects, where beneficiaries are often indirect and distributional effects less visible. The Facility develops and tests **ex ante inequality assessment methodologies** that seek to understand how infrastructure projects generate and distribute economic value across actors, territories and social groups.

These methodologies extend existing appraisal approaches by **incorporating multidimensional and territorial dimensions of inequality**, and are intended to support project teams during identification missions and early policy dialogue.



Knowledge sharing & policy dialogue

The Facility places strong emphasis on **translating cumulative research findings into structured policy dialogue and institutional learning**. Outputs are disseminated through policy briefs, technical notes and targeted learning sessions with EU institutions, development finance actors and partner governments, supporting the uptake of the EU I-Marker and fostering shared approaches to inclusive investment.

AREA 3

MONITORING AND EVALUATION OF DISTRIBUTIONAL IMPACTS

A third strand focuses on the **assessment of investment outcomes**. Building on the Distributional Impact Assessment (DIA/DIA+) methodology developed by AFD and the European Commission, the Facility applies and refines distributional analysis tools in Global Gateway investment contexts.

This work examines **how benefits and costs are distributed** across income groups, regions and social categories, and contributes to the development of pragmatic inequality-related indicators that can be integrated into institutional monitoring frameworks.

The Facility on Inequalities is funded by the European Union and coordinated by Agence Française de Développement (AFD).



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More information on the Facility: www.afd.fr/en/eu-afd-facility-inequalities

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