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This action is funded by the European Union

ANNEX 1

of the Commission Implementing Decision on the financing of the annual action programme in favour of the Asia region for 2018 part III, 2019 part I, and in favour of Central Asia for 2018 part III

Action Document for the Asia Investment Facility (AIF) 2019

1. Title/basic act/ CRIS number	Asia Investment Facility (AIF) 2019 CRIS number: ACA/2019/041-115 financed under Development Cooperation Instrument	
2. Zone benefiting from the action/ location	DCI region Asia and Middle East The action shall be carried out at the following location: all countries of Asia eligible under the Multiannual Regional Indicative Programme for Asia for the period 2014-2020 and possibly for Iraq	
3. Programming document	Addendum No 1 to the Multiannual Regional Indicative Programme for Asia for the period 2014-2020 ¹ (RIP) Possibly, upcoming Multiannual Indicative Programme for Iraq for the period 2019 - 2020 ²	
4. Sector of concentration/ thematic area	Investment and Partnerships	DEV. Aid: YES
5. Amounts concerned	Total estimated cost: EUR 48 000 000 Total amount of EU budget contribution EUR 48 000 000 The contribution is for an amount of EUR 48 million from the general budget of the European Union for financial year 2019, subject to the availability of appropriations following the adoption of the relevant budget. This action is co-financed by entities for amounts specified in the indicative project pipeline, which is the appendix I of this Action Document.	
6. Aid modality(ies) and implementation modality(ies)	Project Modality Indirect management with the entities to be selected in accordance with the criteria set out in section 5.3.	

¹ Decision C(2018) 4741.

² Expected to be approved by 2019.

7. a) DAC code(s)	23010 - Energy Policy and administrative management 41010 - Environmental policy and administrative management 32130 - SME Development 21010 - Transport policy and administrative management 16050 - Multi-sector aid for basic social services			
b) Main delivery Channel	42004 - European Investment Bank European Development Banks			
8. Markers (from CRIS DAC form)	General policy objective	Not targeted	Significant objective	Main objective
	Participation development/good governance	X	<input type="checkbox"/>	<input type="checkbox"/>
	Aid to environment	<input type="checkbox"/>	X	<input type="checkbox"/>
	Gender equality (including Women In Development)	<input type="checkbox"/>	X	<input type="checkbox"/>
	Trade Development	X	<input type="checkbox"/>	<input type="checkbox"/>
	Reproductive, Maternal, New born and child health	X	<input type="checkbox"/>	<input type="checkbox"/>
	RIO Convention markers	Not targeted	Significant objective	Main objective
	Biological diversity	X	<input type="checkbox"/>	<input type="checkbox"/>
	Combat desertification	X	<input type="checkbox"/>	<input type="checkbox"/>
	Climate change mitigation	<input type="checkbox"/>		X
Climate change adaptation	<input type="checkbox"/>		X	
9. Global Public Goods and Challenges (GPGC) thematic flagships	N/A			
10. SDGs	Main SDG Goal: 13 Climate Action Secondary SDG Goal(s): 7 Affordable and Clean Energy; 8 Decent work and economic growth, 11 Sustainable cities and communities			

SUMMARY

The Asia Investment Facility ("AIF" or "the Facility") was created in 2010 under the Development Cooperation Instrument (DCI) and the Regional Strategy – Asia Region - and then aligned to the objectives of the new DCI Regulation³ and of the new Regional Strategy - Asia Region⁴, the Multiannual Regional Indicative Programme for Asia for the period 2014-2020⁵ which has recently undergone a Mid Term Review (MTR)⁶. One of the key changes under the MTR is the creation of earmarked investment allocations within the RIP in view of ensuring country ownership and alignment of focal sectors with countries' priorities (RIP and bilateral focal sectors can be covered). These allocations will remain

³ Regulation (EU) No 233/2014 of the European Parliament and of the Council establishing a financing instrument for development cooperation, for the period 2014-2020, OJ L 77, 15.3.2014.

⁴ Decision C(2014) 9382

⁵ Decision C(2014) 6112

⁶ Decision C(2018) 4741

earmarked indicatively until the end of 2019 and complement regional investment funds. Their main purpose is to promote additional SDG relevant investments and key infrastructure with a focus on climate change relevant and "green" investments in the areas of energy, environment including water, and transport. In addition, the investment allocations may help to improve access to finance for small and medium sized enterprises (SMEs) and to promote social sector investments. The Facility is the preferred implementation modality for the earmarked investment allocations which fund the 2019 allocation to the AIF.

In order to ensure the effectiveness of blending operations in meeting their policy objectives of poverty reduction and sustainable socio-economic development as well as the efficiency of their management including a reduction of transaction costs, blending operations funded under the Development Cooperation Instrument (DCI) will be managed under the "DCI blending framework", covering three regional facilities for Asia (AIF) , Central Asia (IFCA), and Latin America (LAIF) as well as thematic facilities. Financing of the DCI blending framework will be possible from DCI Regional and Bilateral Multi-Annual indicative programmes as well as relevant Thematic Programmes.

In order to facilitate blending operations in the Middle East region, the regional facility for ASIA benefitting from this action will be enlarged to the DCI-eligible countries of the Middle East region, notably Iraq. If suitable actions are identified, funds will be allocated from the respective budget line and be subject to another Financing Decision or a substantial modification of the present one⁷.

The Facility is designed to combine EU grants with other public and private financial resources such as loans and equity in order to leverage additional non-grant financing. By reducing, through co-financing, the overall cost of the project and/or its perceived risk, the Facility will encourage beneficiary governments, private sector and/or public institutions to carry out essential development relevant investments in sectors which could otherwise be postponed or even not financed at all due to lack of appropriate resources.

The present Action Document is a continuation of Commission decision C(2011)9053, decision C(2013)8672, decision C(2014)878, decision C(2015)5830, decision C(2016)7768 and decision C(2017)6311 on AIF.

1 CONTEXT

1.1. Regional context

The Asia region covers a very large geographic area having the highest growth rates in the world and ASEAN remains one of the most important trading partners of the EU. The economic development in the region has led to a remarkable progress in fighting poverty. A number of countries have "graduated" from our bilateral assistance as a result, but not of our interest to remain fully engaged with them through other means of cooperation. There are also new emerging donors/players (Russia, China, India, etc.) which increasingly seek to enhance their influence in the region, putting pressure on the EU to "position itself" more strategically to stay relevant. However, economic and social development is diverse and Asia still encompasses very poor LDC and significant "poverty pockets" in many of the middle-income countries. There is widening inequalities and the region remains vulnerable to shocks —

⁷ An ex ante assessment of the market in the Middle East region will be done to ascertain the need for blending and to indicate potential market distorting elements when using financial instruments

whether economic or environmental. Climate change, population density and rapid urbanisation contribute to increased fragility. Climate change, natural disasters and environmental degradation are interlinked and have a far-reaching impact on the resilience of communities and the ecological support systems upon which life depends. They are cause or contributing factors to many conflicts also in Asia. Economic resilience requires ensuring adequate financing of the infrastructure necessary to provide essential public services, ensuring a more diversified economy with efficient water, sanitation and secure energy supply, the necessary financial contingency measures, and measures to ensure continuity of business and the protection of vital services and key facilities in the face of shocks. The Asian Development Bank (ADB) estimates that Asia infrastructure needs exceed USD 1.7 trillion per year.⁸ In line with the New Consensus⁹, a higher share of EU aid will be allocated to boost investments. Large infrastructure projects, such as road and bridge building, drinking water supply and sanitation, sustainable hydro-power constructions, which aim to address connectivity while considering the environmental protection, resource challenges and climate resilience, cannot be financed by grants alone but the grants can be used to leverage loans.

The investment sector aims at facilitating the establishment of macro projects which will in the long-term bring about wide-scale poverty reduction. Funds will cover the priorities under this regional programme related to jobs and growth as well as climate change and environment, including water, but also the focal sectors of the bilateral Multiannual Indicative Programmes for which earmarked investment allocations have been created. The funds of the investment sector will facilitate pro-poor investments in the areas of sustainable energy, environment, water and climate change, as well as SME financing. In middle income countries (MIC) supporting investments will mean sharing expertise and facilitating technology transfer and exchange of good practices, including through setting up business platforms for MSMEs, encouraging responsible investment and fiscal reform in favour of renewable energy, sustainable natural resource management and the promotion of good governance, the rule of law and human rights.

Years of protracted conflicts, instability and insufficient economic investments in the Middle East have generated massive needs and have created the urgency to address the fundamental conditions required to revive growth and support human development and promoting protection and sustainable use of natural resources.

At the recent International Conference on Iraq held in Kuwait in February 2018, the international community pledged USD 30 billion (out of the estimated gap of USD 88 billion) to support Iraq's reconstruction efforts. Iraq has now a unique window of opportunity to stabilise the country but is facing a struggle to relaunch its economy and generate jobs for a fast growing young population, one of the best defences against the appeal of terrorist ideology.

1.2. EU Policy Framework

The Rio+20 Outcome, strongly supported by the EU, identify the transition to a green economy as a key goal of sustainable development. Under the Regional Asia programme

⁸ Asian Development Bank: Meeting Asia's Infrastructure Needs, February 2017.

⁹ OJ C 210, 30.06.2017, p.1

green economy is addressed in two areas. The first area is the adoption of sustainable consumption and production techniques by Asian manufacturers and service providers, in order to decouple economic growth from environmental degradation and natural resource depletion that so often accompany it. The second area is the leveraging of investment funding in green infrastructure that will limit the emission of CO₂ and equivalents and increase resilience to climate change in vulnerable countries. The AIF is the vehicle for leveraging this investment funding. These regional programmes will contribute to achieving the EU's target of at least 20% of spending on climate change adaptation and mitigation.

One of the EU's strategic objectives in Iraq is the promotion of sustainable, knowledge-based and inclusive economic growth which can generate jobs and an economic perspective for the growing young population in line with the Sustainable Development Goals and the 2018 EU Strategy for Iraq. EU assistance will therefore play a key role in helping kick start recovery and reforms, supporting investments, and progress in key strategic areas such as economic diversification and development.

Investment needs in EU partner countries are huge as was concluded in the Addis Ababa Action Agenda on Financing for Development in July 2015. Government and donor funds are far from sufficient to cover these needs. Already the Agenda for Change emphasises the support of inclusive growth and job creation as a key priority of EU external cooperation. Blending and leveraging private investments are also key components in the context of the Sustainable Development Goals and the new European Consensus on Development as well as the climate finance objectives agreed upon in the COP 21 and in the discussions of the new Investment Plan.

In accordance with the Regulation (EU) No 236/2014¹⁰, the Union should seek the most efficient use of available resources in order to optimise the impact of its external action. That should be achieved through coherence and complementarity between the Union's instruments for external action, as well as the creation of synergies between the Instruments and other policies of the Union. This should further entail mutual reinforcement of the programmes devised under the Instruments, and, where appropriate, the use of financial instruments that have a leverage effect.

1.3. Stakeholders analysis

The beneficiaries of the Facility will be the Asian countries via their central, regional and local administrations or semi-public institutions, and the private sector, in particular local Financial Institutions and SMEs.

In addition, stakeholders include European or multi-national Financial Institutions that are eligible to become Lead Financial Institutions for AIF funded operations.

In accordance with Article 4 e) the Regulation (EU) No 236/2014, financial instruments 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

¹⁰ Regulation of the European Parliament and of the Council (EU) No 236/2014 of 11 March 2014 establishing common implementing rules and procedures for the implementation of the Union's instruments for external action

Development (EBRD), or a bilateral European financial institution. The Agence Française de Développement (AFD) has so far been the main financial institution partner in Asia followed by Kreditanstalt für Wiederaufbau (KfW). The main focus has been on projects relevant to climate change objectives and "green" investments in areas of environment and energy, as well as in SME's and social infrastructure.

In accordance with the recommendations made under the EU Platform for Blending in External Cooperation (EUBEC), the involvement of non-European FIs as lead financiers should be examined by the Board of the DCI Blending Framework 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.

In accordance with art 2 of the Rules of Procedure of the DCI Blending Framework, non-European finance institutions active in a particular region should be invited to attend relevant Technical Assessment and Board meetings as observers.

1.4. Priority areas for support/problem analysis

See point 1.1. and 1.2 above.

2 RISKS AND ASSUMPTIONS

Risks	Risk level (H/M/L)	Mitigating measures
Debt level of beneficiary countries is not sustainable.	M	Close attention is paid to this issue during the project selection process. This is facilitated by detailed information that the applying Financial Institution needs to provide on the application form.
Worsening of security situation in conflict-prone areas in Asia (e.g. Pakistan, Myanmar, Iraq, ...)	M	Regular monitoring of the security situation and assessment of the changing context and politico-economic vulnerabilities conducted by EU, UN and other international stakeholders.
Assumptions		
<ul style="list-style-type: none"> • The political and security climate at the regional as well as country level in Asia will remain sufficiently stable to promote and secure investments. • Partner countries have identified priority investments and are ready to finance them through their own resources as well as through loans. 		

- The Financial Institutions' pipeline of projects is of sufficient volume and quality to consume the present allocation to the Asia Investment Facility within the period n+1.
- Financial Institutions' capability to provide sufficient loan amounts also depends on the availability/accessibility of financial guarantees/grant resources in countries with a concessionality requirement.
- Partner countries and other local beneficiaries are engaged since the early stage and have full ownership of the project prepared by the eligible European Financial Institutions.

3 LESSONS LEARNT, COMPLEMENTARITY AND CROSS-CUTTING ISSUES

3.1 Lessons learnt

The AIF draws to the maximum extent possible lessons from previous similar experiences through reviews, assessments, monitoring results (Results Oriented Monitoring), evaluations of previous actions and, where possible, other assessments from other donors, relevant to this specific action. An evaluation of the EU regional cooperation with Asia was carried out in 2013, but all AIF projects were still ongoing at the time of the evaluation, so that their development impact could not be assessed.

An overall evaluation on blending¹¹ was conducted between July 2015 and July 2016 incorporating all regional investment facilities¹² active during the period 2007-2014. The outcome of the evaluation is positive and following recommendations are relevant for further follow-up under AIF:

- Focus strongly on the additionality of the blending grant
- Expand the number and specialisation of IFI partners
- Sharpen the alignment of the blending projects with national policies
- Expand the use of risk sharing instruments to financial intermediaries selected for their strategy and policies with respect to pro-poor and pro-development risk taking
- Achieve greater development impact through blending projects by placing greater focus on job creation and poverty alleviation.

These findings have been used, with other reports, by the EU Platform for Blending in External Cooperation, set-up in December 2012, to make concrete recommendations for further increasing the effectiveness of aid delivered by the European Union through blending. At the same time, 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: need to improve the documentation on additionality of the grant, ensure the maturity of projects submitted to the facilities' Boards, produce guidelines, ensure a more pro-active role of Delegations, simplify the decision making process, improve the Commission's monitoring of the projects, and ensure appropriate visibility for EU funding.

¹¹ Evaluation of Blending, final report, December 2016, ADE

¹² ITF, NIF, LAIF, CIF, IFCA, AIF and IFP

These recommendations have been dealt with by the EU policy group established under the EU Platform for Blending in External Cooperation. They were consequently incorporated in an improved project application form, as well as in a newly developed blending results measurement framework. These will continue to be improved according to arising needs as well as knowledge obtained from the implementation of blending projects.

In order to ensure a more pro-active role and increase ownership of EU Delegations and beneficiaries, the Asia region made use of the MTR to shift bilateral resources to the RIP as earmarked investment allocations. This earmarking of investment resources is expected to encourage Delegations and beneficiaries in taking the lead in discussing investment priorities with financing institutions and in building an investment project pipeline of quality.

3.2 Complementarity, synergy and donor coordination

AIF provides Asian countries with the possibility to fund investments where funding cannot not (yet) be obtained on the financial market. It is funded under the EU's Regional Indicative Programme 2014 – 2020 for the region of Asia and the various National Indicative Programmes, thus, focuses on activities that are in line with the priorities of these Regional and/or National Indicative Programmes respectively.

Notably, AIF, as it encourages green investments¹³, is complementary to the SWITCH-Asia programme which pursues a similar objective and has been tentatively allocated EUR 120 million over the programming period 2014-2020. The former, however, by combing grant resources with other type of financing could even support larger scale projects, while the latter targets SMEs' small scale projects. Furthermore, in terms of access to finance for SMEs, SWITCH-Asia's interventions are limited to capacity building measures while AIF can intervene in risk sharing activities. Links between AIF and SWITCH-Asia have already been established via the SWITCH-Asia magazine¹⁴, highlighting relevant projects. Furthermore, links between the two programmes will be encouraged during SWITCH networking events and through webinars organised under SWITCH ASIA on Access to green finance for SMEs and MSMEs.

Increasingly, EU Delegations are seeking complementarity between budget support actions and blending operations. Especially in sectors benefitting from a sector reform program, blending operations facilitating priority investments within the focal sector are on the one hand expected to benefit from the policy dialogue linked to budget support, notably where it contributes to an improvement of the investment climate. On the other hand, they can provide additional leverage to this dialogue. Lao PDR and Vietnam are already applying this approach while other countries like Pakistan, Sri Lanka and Myanmar are planning to follow within the next year.

By combining grant funds from the European Commission's budget with financing from Financial Institutions, the Facility promotes coherence and enhanced coordination between donors, in line with the Paris Declaration principles and in compliance with the Regulation (EU, Euratom) 2018/1046. Since Financial Institutions' resources reinforce EU resources, AIF is able to finance larger operations and bring more EU visibility than classical stand-alone projects. In addition, by helping to carry out public investments, the EU will be able to exert

¹³ A green investment is to be understood as an investment that promotes green economy

¹⁴ <http://www.switch-asia.eu/publications/switch-asia-magazine/>

greater influence on the beneficiary governments or their public bodies to carry out necessary reforms.

Following the recommendations of the EU Platform for Blending in External Cooperation, the involvement of non-European FIs, including the possibility to act as lead FIs is to be examined by the Board of the relevant blending framework on the basis of their value added to a particular project or region.

3.3 Cross-cutting issues

The European Commission will ensure during the project selection process as well as through the normal project monitoring process that funds entrusted to eligible Financial Institutions for projects financed under AIF from the EU budget respect European Union principles in terms of climate change, environmental sustainability, EU law on Environment and Social Impact Assessment, gender equality, good governance and human rights. All projects will be aligned to the extent possible to the EU-standards in terms of application of environmental and climate change safeguards and will be based upon relevant analysis done.

Synergies between the blending facilities and EU funded capacity building programmes related to cross cutting issues and, where applicable, policy reform instruments including sector budget support will be sought.

4 DESCRIPTION OF THE ACTION

4.1 Objectives/results

This programme is relevant for the Agenda 2030. It contributes primarily to the progressive achievement of SDG target(s) 13, but also promotes progress towards Goal(s) 7, 8 and 11. This does not imply a commitment by the Asian countries benefiting from this programme.

In line with the objectives of the Regional Indicative Programme 2014 – 2020 for Asia, AIF's main objective is the promotion of SDG related investments through the leverage of additional investments in key infrastructure with a priority focus on climate change relevant and "green" investments in areas of environment, energy, sustainable urban development, transport and social infrastructure as well as in SMEs development. The Facility thus contributes to the realisation of projects aiming to improve connectivity, reduce unemployment and poverty and to advance the economy in a sustainable and resilient way. The mid-term review of the Asia Regional Indicative Programme increased the flexibility for the Facility, opening the new sector 'Investment and Partnerships' to contribute also to the priorities listed under the other sectors of the regional programme (prosperity, planet and people) as well as the focal sectors of the bilateral Multiannual Indicative Programmes when linked to the earmarked investment allocations.

In order to facilitate blending operations in the Middle East region, the regional facility for ASIA benefitting from this action will be enlarged to the DCI-eligible countries of the Middle East region, notably Iraq. If suitable actions are identified, funds will be allocated from the respective budget line and be subject to another Financing Decision or a substantial modification of the present one

The blending mechanism allows mitigating financial risks, and thus, funding of projects that without blending would not be possible or only possible at a higher price/interest rate, later

stage, lower quality etc. The leverage effect of AIF is expected to mobilise additional financing amounts several times the amount of the AIF grant contribution.

Policy dialogue becomes an increasingly important element of blending projects as well as discussions with IFIs on investment projects. Details on responsibilities and results linked to policy dialogue will be specified at project level.

The expected results of AIF include inter alia contributions to:¹⁵

(1) *Better energy infrastructure, notably:*

- Improved sustainable transit connections between Asian countries, thus increasing security of energy supply for Asian countries;
- Improved safety and security of sustainable energy infrastructure;
- Improved energy efficiency and energy savings;
- Increased production and use of renewable energy (e.g. wind, solar energy, bio-mass).

(2) *Increased protection of the environment and sustainable use of natural resources and better focus and control of climate changes impacts, notably:*

- Introduction of integrated water management at basin level, improving drinking water access and sanitation, including necessary related infrastructure;
- Reduction of air, soil and water pollution including monitoring infrastructure when needed;
- Increased forest protection including by strengthening forest governance
- Promotion of climate change related investments, i.e. renewable energy, energy saving and cleaner production and other environment friendly techniques;
- Promotion of sustainable integrated waste management (household, municipal and industrial) waste reduction, recycling, and necessary related infrastructures.

(3) *Creation and growth of SMEs and improvement of the employment situations, notably in the area of climate change relevant and "green" investments:*

- Better access to financing for SMEs (availability of a larger range of financial products than currently available) at the different stages of enterprise creation, restructuring and modernisation, favouring cleaner and low carbon production focused projects;
- Creation of technological poles, enterprise incubators, etc.

(4) *Improved social services and infrastructures, notably in the area of climate change relevant and "green" investments:*

- Better access to health care and improved health services installations in urban and rural areas;
- Better education facilities, increased access to education in urban and rural areas;
- Improve vocational training facilities.

¹⁵ At project level these expected results will be further detailed taking into account the necessary gender disaggregation and gender sensitive issues.

(5) *Better transport infrastructure, notably in the area of climate change relevant and "green" investments:*

- Sustainable urban transport
- Better (faster, cheaper and safer, environmental friendly and low carbon) transport infrastructure within beneficiary countries and between them;
- Better interconnection between Asian countries;
- Faster and cheaper movement of people and goods within Asia.

4.2 Main activities

The types of operations to be financed under AIF are the following:

- Direct investment grants
- Technical assistance;
- Risk risk-sharing operations, e.g. guarantees and risk capital
- Interest rate subsidies

4.3 Intervention logic

To be developed at project level.

5 IMPLEMENTATION

5.1 Financing agreement

In order to implement this action, it is not foreseen to conclude a financing agreement with partner countries.

5.2 Indicative implementation period

The indicative operational implementation period of this action, during which the activities described in section 4.1 will be carried out and the corresponding contracts and agreements implemented, is 120 months from the date of adoption by the Commission of this Action Document.

Extensions of the implementation period may be agreed by the Commission's responsible authorising officer by amending this Decision and the relevant contracts and agreements.

The Commission will ensure that the EU appropriate rules and procedures for providing financing to third parties are respected, including review procedures, where appropriate, and compliance of the action with EU restrictive measures¹⁶.

¹⁶ www.sanctionsmap.eu Please note that the sanctions map is an IT tool for identifying the sanctions regimes. The source of the sanctions stems from legal acts published in the Official Journal (OJ). In case of discrepancy between the published legal acts and the updates on the website it is the OJ version that prevails.

5.3 Contribution to the Asia Investment Facility

This contribution may be implemented under indirect management with the entities, called Lead Financial Institutions and for amounts identified in the appendix I of this action document. The Lead Finance Institutions, are indicatively listed in appendix I and have been selected using the following criteria: (i) alignment with the strategic priorities as agreed with EU partner countries in the context of the programming and MTR process; (ii) compliance with EU policies, sector/thematic policies; (iii) additionality of EU contribution; (iv) potential cooperation on policy dialogue topics and (v) maturity of the project preparation. Moreover in accordance with Article 4 e) the Regulation (EU) No 236/2014, financial instruments 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.

Also in accordance with the recommendations made under the EU Platform for Blending in External Cooperation (EUBEC), the involvement of non-European FIs as lead financiers should be examined by the Board of the DCI Blending Framework 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.

Certain entrusted entities are currently undergoing an ex-ante assessment of their system and procedures. Based on their compliance with the conditions in force at time previously other indirect management actions were awarded to the organisations and based on a long-lasting problem-free cooperation, the international organisations can also now implement this action under indirect management, pending the finalisation of the ex-ante assessment, and, where necessary, subject to appropriate supervisory measures in accordance with Article 154(5) of the Financial Regulation.

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, subject to the following provision.

The Commission's authorising officer responsible may extend the geographical eligibility in accordance with Article 9(2)(b) of Regulation (EU) No 236/2014 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

Facility	EU contribution (Amount in EUR)
1. RIP contribution to AIF	48 000 000

In case additional funds originating from a bilateral Multi-Annual Indicative Programme are added to the Investment Facility, these funds will be allocated to projects benefiting the

country contributing, and in line with the priorities of the respective bilateral Indicative Programme.

5.6 Organisational set-up and responsibilities

DCI Blending Framework

The Asia Investment Facility will operate under the governance of the DCI blending framework.

The operational decision-making process will be prepared in a two level structure:

- opinions on projects will be formulated at the Board meetings, held if possible back to back with the respective financing instrument's committee (DCI Committee);
- such opinions will be prepared in dedicated Technical Meetings.

The Board is chaired by the Commission. The EEAS and the EU Member states are members who provide an opinion. FIs¹⁷ participate as observers. The opinion of the Board can be positive, negative or recommend re-submission of project proposals. FIs will be present for the purposes of presenting their proposals and responding to any request for clarifications on proposals submitted. The conclusions – reached according to DCI rules - of the meetings including their justifications will subsequently be communicated to the Financial Institutions in writing.

The Board will also be responsible for:

- providing guidance to participating institutions on appropriate future financing proposals (based on strategic priorities defined in the context of the programming process and further discussed in the strategic meetings - see hereunder), 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) and monitor the portfolio of approved projects;
- promoting exchanges of best practices;
- drawing upon the specific expertise of the Finance institutions as appropriate and respect the appropriate division of labour;
- examining 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 needs. To improve efficiency, Board meetings will be held back to back with DCI Committee meetings whenever possible. When duly justified by time constraints, opinion on projects could be requested by written procedure.

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

¹⁷ Financial Institutions for the purposes of this document comprise European Financial Institutions participating in AIF and invited non-European Financial Institutions.

- 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 Boards.
- 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.

Such meetings will be held on a regular basis depending on the needs and will be organised pragmatically bringing together appropriate experts from the FI's, the Commission 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, 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. 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 relevant technical and Board meetings as observers.

Strategic orientations will be discussed with beneficiary countries in dedicated strategic meetings when appropriate, under the ownership principle of EU development cooperation. The Commission and the EEAS will conduct and co-chair strategic discussions at the appropriate level with Member States, beneficiary countries and relevant regional organisations. Financial Institutions will participate in the discussions as observers. 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 approve the most relevant projects for achieving the objectives of the EU-Central Asia Strategy.

Rules of procedure for the DCI Blending Framework, adopted in October 2015, provide further details regarding the decision making process as well as the organisation of the strategic meetings.

The Commission will ensure the secretariat of the DCI blending framework. Regarding this role, its tasks may include but are not limited to: providing opinions on individual blending operations, coordinating the internal Commission/EEAS consultation process including DG BUDG, DG SJ, DG ECFIN and DG SG; monitoring of implementation at facility level; consolidation of the pipeline on the basis of the information provided by the Financial Institutions; reporting to EU institutions; production of regular up-to-date information and annual reports on the facilities; preparation of exchanges on best practices etc.. The Commission will also provide 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 organises the technical level assessment of proposals and is the central contact point for all stakeholders involved in the blending framework.

5.7 Performance monitoring and reporting

In accordance with Regulation (EU) No 236/2014, 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 Asia Investment Facility, including the details laid down in Article 209 of Regulation (EU, Euratom) 2018/1046. 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 EU Platform for Blending and External Cooperation (EUBEC), the Commission will monitor the performance of the projects benefiting from AIF grants based on the minimum set of results indicators listed in Appendix II, as may be adapted from time to time following the EU Platform on Blending in External Cooperation discussions and considering the relevant EU Result Framework, 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 Regional Indicative Programme and – where applicable – the relevant bilateral Multi-annual Indicative Programme

The day-to-day technical and financial monitoring of the implementation of contracts funded under the Facility will be a continuous process and part of the implementing partner's responsibilities. To this aim, the implementing partner shall establish a permanent internal, technical and financial monitoring system for the action and elaborate regular progress reports (not less than annual) and final reports. Every report shall provide an accurate account of implementation of the action, difficulties encountered, changes introduced, as well as the degree of achievement of its results (outputs and direct outcomes) as measured by corresponding indicators. The report shall be laid out in such a way as to allow monitoring of the means envisaged and employed and of the budget details for the action. The final report, narrative and financial, will cover the entire period of the action implementation.

The Commission may undertake additional project monitoring visits both through its own staff and through independent consultants recruited directly by the Commission for independent monitoring reviews (or recruited by the responsible agent contracted by the Commission for implementing such reviews).

5.8 Evaluation

Having regard to the importance of the action, ex-post evaluations may be carried out for this action or its components via independent consultants contracted by the Commission or through a joint mission in view of accountability and learning purposes at various levels.

The Commission shall inform the implementing partner at least 30 days in advance of the dates foreseen for the evaluation missions. The implementing partner shall collaborate efficiently and effectively with the evaluation experts, and inter alia provide them with all necessary information and documentation, as well as access to the project premises and activities.

The evaluation reports shall be shared with the partner country and other key stakeholders. The implementing partner and the Commission shall analyse the conclusions and

recommendations of the evaluations and, where appropriate, in agreement with the partner country, jointly decide on the follow-up actions to be taken and any adjustments necessary, including, if indicated, the reorientation of the project.

The financing of the evaluation shall be covered by another measure constituting a financing decision.

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.

The financing of the audit shall be covered by another measure constituting a financing decision.

5.10 Communication and visibility

Communication and visibility of the EU is a legal obligation for all external actions funded by the EU.

Actions funded under the Asia Investment Facility shall contain communication and visibility measures which shall be based on specific Communication and Visibility Plans elaborated for each action at the start of implementation.

In terms of legal obligations on communication and visibility, the measures shall be implemented by the Commission, the partner country, contractors, grant beneficiaries and/or entrusted entities. Appropriate contractual obligations shall be included in, respectively, financing agreements, procurement and grant contracts, and other agreements.

The Communication and Visibility Manual for European Union External Action shall be used to establish the Communication and Visibility Plans of the actions and the appropriate contractual obligations.

APPENDIX I: INDICATIVE PIPELINE ASIA INVESTMENT FACILITY

Title action	Sector	Lead FI Lead Org	Overall investment	EU Contribution (fees included)			
				Technical Assistance	Investment Grant	Guarantee	Risk Sharing Mechanism
Bangladesh							
Waste Water Management	Urb. Dev.	ADB	TBD	10.000.000			
Solid Waste Management	Urb. Dev.	ADB	TBD	10.000.000			
ElectriFI	Energy	FMO	TBD				10.000.000
Cambodia							
Access to renewable energy & water	Energy	AFD	TBD	3.000.000			
Modernisation and Extension of National Grid	Energy	AFD	23.000.000	3.000.000			
Investment Grant for Bakheng Water Supply Project	Water	EIB/AFD	197.600.000		15.000.000		
Rural Infrastructure Development Project	Rural Infrastr	KfW/AFD	51.000.000	6.300.000	5.000.000		
Lao							
Sustainable Rural Infrastructure and Watershed Management Sector Project	Agriculture	ADB	51.200.000	4.000.000			
Myanmar							
Resilient Community Development Project	Rural Infrastr	ADB	181.000.000	10.000.000	15.000.000		
ElectriFI	Energy	FMO	TBD				10.000.000

Philippines							
ElectriFI	Energy	FMO	TBD				10.000.000
Sri Lanka							
Mundeni Aru Basin Development	Water	AFD	112.000.000	10.000.000	2.000.000		
Fisheries Harbours Project	Agriculture	AFD	138.000.000	3.000.000	5.000.000		
Vietnam							
Integrated Coastal Zone Management	ENV	AFD	78.500.000		10.000.000		
SME dev in energy sector	Energy	CDP	21.900.000	1.500.000		1.500.000	
Regional - Mobilise Your City	Transport	AFD	10.000.000	9.300.000			
Thailand - ElectriFI	Energy	FMO	TBD				10.000.000
Indonesia - Policy Dialogue Fund	multi	KfW	3.000.000.000	3.600.000			
Indonesia - Cap building for Indonesian Dev Bank	multi	KfW	600.000.000	11.000.000			
China - TA Facility for Green Promotional Loans	ENV	KfW	250.000.000	10.000.000			
China - Biodiversity and Heritage Facility	ENV	AFD	459.000.000		9.000.000		

Selection of the projects will be made based upon the criteria mentioned in section 5.3 and upon approval of the Investment Steering Committee. Selected projects exceeding the budget of this decision will be incorporated in the indicative pipeline of another measure constituting a financing decision.

APPENDIX II: STANDARD OUTPUT AND OUTCOME INDICATORS FOR BLENDING PROJECTS

ENERGY

	OUTPUT INDICATORS	UNIT	DEFINITION
1.1	Transmission and distribution lines installed or upgraded	Km	The indicator covers power transmission and distribution lines. It is the measure of the ground distance traversed, in kilometres.
1.2	New connections to affordable, reliable and modern energy	Number of connections	Number of 1) new connections to the grid, 2) inferred new connections and calculation methodology.
1.3	Renewable capacity installed	MW	Renewable capacity installed of a new power plant or refurbishment of an existing plant with the aim of increasing capacity.
1.4	Population benefitting from energy production	Number of households	The number of households which are estimated to benefit from new energy supply from the project.
1.5	Power production	MWh/year	Total net annual average electricity generated by project (as registered by a meter).
1.6	Energy efficiency	GWh/year	Energy savings as a result of project against no project or most likely alternative (e.g. loss reduction in generation, distribution, etc.)
	OUTCOME INDICATORS	UNIT	DEFINITION
1.7	Population benefitting from electricity production	Nr. of households	The number of households which are estimated to benefit from new electricity supply from the project.

1.8	Power production	GWh/year	Total net annual average electricity generated by project, independently of its maximum capacity.
1.9	Power production from renewable sources	GWh/year	Total net annual average electricity generated by project from renewable sources, independently of its maximum capacity.
1.10	Energy efficiencies	GWh/year	Energy savings as a result of project against no project or most likely alternative (e.g. loss reduction in generation, distribution, etc.)

TRANSPORT

	OUTPUT INDICATORS	UNIT	DEFINITION
2.1	Length of new or upgraded roads	km	Total length of the road built or upgraded through the project. This indicator will refer to paved roads and in general cover motorways, highways, main or national roads, secondary or regional roads.
2.2	Length of new or upgraded railways	km	Total length of railroad tracks built or upgraded.
2.3	Length of new or upgraded urban transport lanes.	km	Total length of urban transport lanes including bus lane, tramline or metro tracks built or upgraded.
2.4	Port terminal capacity (passenger, container or cargo)	Million passenger per annum "mppa" (passenger); million TEU/year (container); million tons/year (cargo)	The indicator is the future capacity of the container terminal(s). In case of a terminal expansion, it includes the total capacity of the terminal(s) (current terminal(s) + expansion). The baseline is the current capacity of the container terminal(s). Depending on the type of terminal (container, passenger or cargo), the units used will be different.
2.5	Airport terminal capacity	Million Passengers per annum – "mppa" or million tons /year (cargo)	The indicator is the increase in passenger terminal capacity of the airport. It is calculated as the difference between the assessed total passenger terminal capacity of the existing airport prior to the project being implemented and the assessed total passenger terminal capacity of the airport after the project has been implemented.
	OUTCOME INDICATORS	UNIT	DEFINITION
2.6	Users of new or upgraded roads	Average Annual Daily Traffic "AADT"	Average Annual Daily Traffic. All vehicle will be counted, including those of traffic that existed before upgrading, diverted traffic, traffic generated as a result of road improvement, as well as growth in each of these categories.
2.7	Rail use	Million Passengers /year or tons /year (cargo)	Total of passengers or freight using rail service.

2.8	Urban transport users	Million passenger per annum	Total urban transport passengers indicating those shifted from other transport modes as a result of the project.
2.9	Ports: Terminal(s) user traffic (passenger, container or cargo)	Million passenger per annum “mppa” (passenger); million TEU/year (container); million tons/year (cargo)	Total of passengers, containers or cargo using port services. Depending on the type of terminal (container, passenger or cargo), the units used will be different.
2.10	Airport use	Million Passengers per annum – “mppa” or million tons /year (cargo)	Passenger or freight traffic handled at the airport.

ENVIRONMENT (WATER AND SANITATION)

	OUTPUT INDICATORS	UNIT	DEFINITION
3.1	Length of new or rehabilitated water supply pipes	Km	Length of water mains and distribution pipes installed/ upgraded. All sizes of pipes intended to transport water for urban water use expressed in their aggregate length in the network, irrespective of pipe diameter, comprising mains as well as reticulation pipes.
3.2	Length of new or rehabilitated sewer pipes installed	Km	Length of collectors and sewers installed or upgraded. All sizes of sewer pipes expressed in their aggregate length in the network, irrespective of pipe diameter, comprising mains as well as reticulation pipes.
3.3	New connections to water supply	Nr	Number of new connections to the water network. Only new connections resulting from a project are counted; those already connected to the network and receiving improved services through a project are not counted.
3.4	Water treatment capacity	M3/day	Maximum amount of water that the new or improved treatment plant can process. This indicator reflects the total new or additional capacity of treatment plant independently of its production during operation.
3.5	Wastewater treatment capacity	M3/day	Maximum amount of waste water that the new or improved treatment plant can process. This indicator reflects the total new or additional capacity of treatment plant independently of its production during operation.
	OUTCOME INDICATORS	UNIT	DEFINITION
3.6	Population benefitting from safe drinking water	Nr of households	Urban or rural population using a safe drinking water supply, as defined by international standards.
3.7	Population benefitting from improved sanitation services	Nr of households	Urban or rural population with access to improved sanitation services, as defined by international standards.

3.8	Potable Water Produced	M3/day	Amount of potable water produced, independently of the maximum capacity of the network.
3.9	Wastewater Treated	Population equivalent “p.e.”	Amount of wastewater treated, independently of the maximum capacity of the treatment plant.

PRIVATE SECTOR DEVELOPMENT

	OUTPUT INDICATORS	UNIT	DEFINITION
4.1	<i>For direct operations:</i> Access to finance: number of units served among relevant target group	Nr.	Number of outstanding loans/ at the end of their fiscal year and annual number of new loans/investments disbursed/made during the year.
4.2	<i>For direct operations:</i> Access to finance: Amount of outstanding loans to relevant target group	Currency	Amount of outstanding loans/investments at the end of their fiscal year and annual volume of new loans/investments disbursed/made during the year.
4.3	<i>For indirect operations:</i> New financing made available to financial intermediaries (e.g. banks, microfinance institutions, funds)	Currency	Volume of credit lines/guarantees / capital investment extended to financial intermediaries for on lending to target groups (target groups being understood as Microfinance/MSME/Agribusiness/Energy Efficiency/Renewable Energy/Student Loans/Housing Finance/Retail Finance/Total Portfolio/Other to be specified in each instance).
	OUTCOME INDICATORS	UNIT	DEFINITION
4.4	<i>For indirect operations:</i> Access to finance: number of units served among relevant target group	Nr.	Number of outstanding loans/investments in the portfolio of relevant financial intermediaries at the end of their fiscal year and annual number of new loans/investments disbursed/made during the year.
4.5	<i>For indirect operations:</i> Access to finance: Amount of Outstanding Loans and other sources of financing to relevant target group	Currency	Amount of outstanding loans/investments in the portfolio of relevant financial intermediaries at the end of their fiscal year and annual volume of new loans/investments disbursed/made during the year.
4.6	<i>For direct operations:</i> Number of MSMEs reporting increased turnover (as a result of <u>direct</u> support received from the FIs)	Nr.	Number of MSMEs receiving direct assistance from FI that have increased the volume of their turnover.
4.7	<i>For both direct and, where feasible, indirect operations:</i> Number of jobs sustained (resulting from the project)	FTE	Number of full-time equivalent employees at the end of the reporting period. Includes full-time equivalent worked by seasonal, contractual and part time employees. Part-time jobs are converted to full-time equivalent jobs on a prorata basis.

SOCIAL (SOCIAL HOUSING, HEALTH AND EDUCATION)

	OUTPUT INDICATORS	UNIT	DEFINITION
5.1	New and/or refurbished habitable floor area	Square meter	Square meters of new and/or refurbished social housing.
5.2	New and/or refurbished health facilities	Nr.	Number of new and/or refurbished health facilities of any type (hospitals, clinics, health centres etc.).
5.3	New and/or refurbished educational facility	Nr.	Number of new and/or refurbished educational facility of any type (schools, universities etc.).
	OUTCOME INDICATORS	UNIT	DEFINITION
5.4	Population benefitting from improved housing conditions	Nr. of households	Number of households benefitting from improved housing conditions.
5.5	Bed occupancy rate	%	Percentage of beds occupied at the hospital.
5.6	Inpatients	Nr. per year	Number of patients per year that are admitted and stay at least one night at the hospital.
5.7	Outpatient Consultations	Nr. per year	Number of patients per year that are diagnosed or treated at but do not stay overnight at the hospital from the project.
5.8	Students benefitting from new and/or refurbished educational facility	Nr. per year	Students per year benefitting from new and/or refurbished educational facility by gender and age group.
5.9	Students enrolled	Nr. per year	Total aggregate of pre-primary, primary, secondary, tertiary, further, vocational as required by gender.

AGRICULTURE, FOOD AND NUTRITION SECURITY

	OUTPUT INDICATORS	UNIT	DEFINITION
6.1	Agricultural production	Tons per yr	For the main productions impacted by the project, measured yearly
6.2	Area under cultivation	Ha per yr	For the main productions impacted by the project, measured yearly
6.3	Due diligence report of projects that affect land and property rights	Yes/No	Based on the guidelines developed by the Agence Française de Développement (AFD) and in line with the Voluntary Guidelines on the Responsible Governance of Tenure of Land, Fisheries and Forests in the Context of National Food Security (VGGT)

	OUTCOME INDICATORS	UNIT	DEFINITION
6.4	Additional added value created	Euro (constant value) per yr	For the main productions impacted by the project, measured yearly
6.5	Added value going to farmers	Euro (constant value) per yr	For the main productions impacted by the project, measured yearly
6.6	Net employment creation (gender differentiated)	Nr. per yr	Informal and formal jobs, measured yearly
6.7	Minimum Dietary Diversity Score	Score	Minimum number of food groups consumed by an individual over a reference period. Ref.: FAO Manual Minimum Dietary Diversity in Women (in preparation).

CROSS SECTOR INDICATORS

	INDICATORS	UNIT	DEFINITION
7.1	Total number of beneficiaries	#	Estimated number of people with improved access to services (financial services, social and economic infrastructure, etc.)
7.2	Number of beneficiaries living below the poverty line	# (and/or %)	Sub-group of total beneficiaries above (if applicable). Reference point used, e.g. national or international definitions of poverty, should be made transparent)
7.3	Relative (net) Greenhouse gas emissions impact ¹⁸	CO ₂ ktons eq / year	Average amount of GHG emissions induced, avoided, reduced or sequestered per year by the project during its lifetime or for a typical year of operation: net balance between gross emissions and emissions that would occur in a baseline scenario.
7.4	Direct employment: Construction phase	# (FTE)	Number of full-time equivalent construction workers employed for the construction of the company or project's hard assets during the reporting period.
7.5	Direct employment: Operations and maintenance	# (FTE)	Number of full-time equivalent employees as per local definition working for the client company or project at the end of the reporting period.

¹⁸ Enter baseline according to point (2), expected value with the project according to gross emissions calculation in point (3) and expected result according to net emissions impact calculation in point (4). Indicate in the comments box the project impact category as outlined in point (1). The indicator should be assessed for a 'typical year of operation': there is no need to 'indicate the year'.