



**EN**

This action is funded by the European Union

**ANNEX 1**

of the Commission Implementing Decision on the Annual Action Programme 2017 Part II and 2018 Part I in favour of the Asia region to be financed from the general budget of the Union

**Action Document for the Asia Investment Facility (AIF) 2017**

<b>1. Title/basic act/ CRIS number</b>	Asia Investment Facility (AIF) CRIS number: ACA/2017/040-370 (MA - part 1) and ACA/2018/040-409 (MA - part 2) financed under Development Cooperation Instrument	
<b>2. Zone benefiting from the action/ location</b>	DCI regions "South Asia" and "North and South East Asia" 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	
<b>3. Programming document</b>	Multi-annual Regional Indicative Programme for Asia for the period 2014-2020 (RIP) Multi-annual Indicative Programme for Vietnam for the period 2014-2020 (MIP)	
<b>4. Sector of concentration/ thematic area</b>	Promotion of Green Economy	DEV. Aid: YES
<b>5. Amounts concerned</b>	Total estimated cost: EUR 71 000 000 Total amount of EU budget contribution EUR 71 000 000  The contribution is for an amount of EUR 39 million from the general budget of the European Union for financial year 2017 (040-370) and for an amount of EUR 32 million from the general budget of the European Union for financial year 2018 (040-409), subject to the availability of appropriations following the adoption of the relevant budget.  This action will unlock investments for indicative amounts as specified in the indicative project pipeline in appendix 2.	
<b>6. Aid modality(ies) and implementation modality(ies)</b>	Project Modality  This action shall be implemented in indirect management by entities to be indicated in complementary financing decisions to be adopted at the end of the Regional Blending Facilities award procedure.	

<b>7a) DAC codes</b>	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>b) Main delivery Channel</b>	42004	European Investment Bank European Development Banks			
<b>8. Markers (from CRIS DAC form)</b>	<b>General policy objective</b>		<b>Not targeted</b>	<b>Significant objective</b>	<b>Main objective</b>
	Participation development/good governance		X	<input type="checkbox"/>	<input type="checkbox"/>
	Aid to environment		<input type="checkbox"/>		X
	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"/>
	<b>RIO Convention markers</b>		<b>Not targeted</b>	<b>Significant objective</b>	<b>Main objective</b>
	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
	<b>9. Global Public Goods and Challenges (GPGC) thematic flagships</b>	N/A			
<b>10. SDGs</b>	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				
<b>SUMMARY</b>					
<p>The Asia Investment Facility ("AIF" or "the Facility") was created in 2010 under the former Development Cooperation Instrument (DCI) and the Regional Strategy – Asia Region - and then aligned to the objectives of the new DCI Regulation<sup>1</sup> and of the new Regional Strategy - Asia Region<sup>2</sup> and Multiannual Regional Indicative Programme for Asia for the period 2014-2020<sup>3</sup>. Its main purpose is to promote additional investments and key infrastructure with a focus on climate change relevance and "green" investments in the areas of energy, environment, and transport. In addition, the Facility may help to improve access to finance for small and medium sized enterprises (SMEs) and to promote social sector investments. Where</p>					

<sup>1</sup> 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.

<sup>2</sup> Decision C(2014) 9382

<sup>3</sup> Decision C(2014) 6112

relevant and possible, a regional dimension should be included to the above mentioned sectors.

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 this replenishment an allocation from the bilateral multi-annual indicative programme for Vietnam<sup>4</sup> will be added as well.

The Facility is designed to combine EU grants with other public and private financing. By reducing, through co-financing, the overall cost of the project or its perceived risk, the Facility will encourage beneficiary governments, private sector and/or public institutions to carry out essential 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, the decision C(2013)8672 the decision C(2014)878, the decision C(2015)5830 and the decision C(2016)7768 on AIF.

## **1 CONTEXT**

### **1.1. Regional context**

Asia is a vast and non-homogenous continent, very diverse in population, languages, religions, traditions, cultures, economic development and socio-political systems. Wealth and economic performances reflect this diversity and have been unevenly distributed across the region and across countries. As a result, poverty remains a significant challenge as Asia is still home to two thirds of the world poor, although it is worth noting a middle class is gradually developing thanks to the combination of economic growth and improved access to secondary and tertiary education.

The region covered by the EU-Asia regional cooperation accounts for more than half of the world's population, a significant part of the world economic wealth created every year, and is home to two of the ten largest economies in the world, China and India. Fast growth rates in the region are achieved at the cost of environmental degradation. In this context, EU support to regional cooperation aims at contributing to the smooth, fair and sustainable development of Asia while coping with common problems and globalisation challenges, in particular the setting up of common rules and fair trade to facilitate regional integration, environment preservation, the reduction of poverty pockets, humanitarian aid supporting uprooted people and the amplification of the emergence of a middle class through access to internationally recognized tertiary education programmes.

---

<sup>4</sup> 26 MEURO, part of the AAP 2017 and AAP 2018 for Vietnam

Asia emits more than 30% of worldwide green-house gases (GHG) which on the basis of current trends would reach over 40% in 2030. In the recent past, the degradation and burning of peat soils in South-East Asia represented 6-7 per cent of global fossil fuel emissions. Asia also has the 3<sup>rd</sup> largest incidence of natural disasters worldwide. The anticipated effects of climate change imply a serious risk for future development in Asia.

Since 2002, Vietnam is firmly engaged in a power sector reform aimed at ensuring the sustainability of the sector, through establishing a fully competitive power market, leading to a more cost-reflective pricing of electricity. In terms of climate change, energy (38.9%) and agriculture (47.8%)<sup>5</sup> are the two sectors generating most GHG with a substantial increase over the last 20 years, followed by the industry sector which is also expected to further increase GHG emissions. In the future, energy is expected to become by far the main source of GHG emission with a projection of 86% by 2030<sup>6</sup>. Renewable energy and energy efficiency constitute major un-tapped areas for mitigation.

## 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 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 CO<sub>2</sub> and equivalents and increase resilience to climate change in vulnerable countries. The AIF is the vehicle for leveraging this investment funding. These continental programmes will contribute to achieving the EU's target of at least 20% of spending on climate change adaptation and mitigation.

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 for 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 236/2014<sup>7</sup>, 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.

---

<sup>5</sup> UN Climate Change Secretariat.

<sup>6</sup> Technical report on VN's INDC (Ministry of Natural Resources and Environment – Nov 2015).

<sup>7</sup> 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

Within Vietnam's policy framework, decision 2068 adopting a "Renewable Energy Development Strategy until 2030, vision 2050" serves as basis for delivering on Vietnam's commitments at COP 21 in the field of renewable energy<sup>8</sup>.

### 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 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.

---

<sup>8</sup> Decision 2068/ QĐ-TTg (Nov. 2015)

## 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. For the specific case of Vietnam, high level of debt is an issue. However, investments in the areas of sustainable energy and more broadly on climate change are expected to be prioritized by the Government.
<b>Assumptions</b>		
<ul style="list-style-type: none"> <li>• The political and security climate at the regional as well as country level in Asia will remain sufficiently stable to promote and secure investments.</li> <li>• Partner countries have identified priority investments and are ready to finance them through their own resources as well as through loans.</li> <li>• 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.</li> <li>• 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.</li> <li>• 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.</li> </ul>		

## 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 blending<sup>9</sup> was conducted between July 2015 and July 2016 incorporating all regional investment facilities<sup>10</sup> 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

<sup>9</sup> Evaluation of Blending, final report, December 2016, ADE

<sup>10</sup> ITF, NIF, LAIF, CIF, IFCA, AIF and IFP

- Expand the number and specialization 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.

In line with the overall objective of the Asia Regional Indicative Programme 2014-2020, the AIF encourages multi-country projects which address common constraints and efficiently uses available resources and institution, complementing national efforts, enhancing sustainable and inclusive development within the Asia region. However, most projects approved so far have mainly national objectives. The AIF Technical Assessment Meeting and the AIF Board have therefore encouraged the Financing Institutions to consider additional regional projects in the future.

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.

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.

Finally, DCI blending facilities have been working since 2014 in context of a revised and harmonized governance framework that improves the accountability of the decision making process while reducing transaction costs.

### **3.2 Complementarity, synergy and donor coordination**

AIF provides Asian countries with the possibility to fund investments where funding cannot (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 and 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 investments<sup>11</sup>, 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

---

<sup>11</sup> A green investment is to be understood as an investment that promotes green economy (see definition of a green economy on page 1)

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 magazine<sup>12</sup>, highlighting relevant projects. Furthermore, links between the two programmes will be encouraged during SWITCH networking events and through webinars organized under SWITCH ASIA on access to green finance for SMEs and MSMEs.

The allocation from the MIP Vietnam is fully linked with the main focal sector of the MIP which is Sustainable Energy with three main objectives: Access to Energy in Rural Areas, Energy Efficiency and Renewable Energy. In support of these objectives the EU wants to promote infrastructure investments in the sector and this via blending operations.

In line with the overall objective of the Asia Regional Indicative Programme 2014-2020, the AIF encourages multi-country projects which addresses common constraints and efficiently uses available resources and institutions, complementing national efforts, enhancing sustainable and inclusive development within the Asia region,

By combining grant funds from the European Commission's budget with financing from European 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) No 966/2012. 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 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 Impact Assessment, gender equality, good governance and human rights.

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.

---

<sup>12</sup> <http://www.switch-asia.eu/publications/switch-asia-magazine/>

## 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 a green economy through the leverage of additional investments and key infrastructure with a priority focus on climate change relevant and "green" investments in areas of environment, energy as well as in SMEs and social infrastructure.

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 mobilize additional financing amounts several times the amount of the AIF grant contribution.

AIF promotes investments in the sectors energy, environment, SMEs development, social infrastructure and transport. The Facility thus contributes to the realization of projects aiming to reduce unemployment and poverty and to advance the economy in a sustainable way.

Furthermore, AIF aims to support investments with the potential to mitigate or reduce the negative impact of climate change. AIF is an appropriate instrument to co-finance some of these investments and to develop a range of climate change oriented operations in Asia. Synergies will be sought with other partners active in this sector.

The expected results of AIF include contributions to:

(1) *Better energy infrastructure*<sup>13</sup>, notably:

- Improved transit connections between Asian countries, thus increasing security of energy supply for Asian countries;
- Improved safety and security of 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 better focus and control of climate change impacts*, notably:

- Introduction of integrated water management, 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 integrated waste management (household, municipal and industrial) including necessary related infrastructures.

---

<sup>13</sup> The MIP allocation of Vietnam will be totally allocated in order to attain the expected results formulated for energy.

- (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 pools, 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.
- (5) *Better transport infrastructure, notably in the area of climate change relevant and "green" investments:*
- 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 capital operations and risk-sharing operations, e.g. guarantees
- 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 foreseen that a financing agreement may be concluded with partner countries, referred to in Article 184(2)(b) of Regulation (EU, Euratom) No 966/2012.

## **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 entry into force of the financing agreement or, when none is concluded, from the adoption by the Commission of this Action Document.

Extensions of the implementation period may be agreed by the Commission’s authorising officer responsible by amending this decision and the relevant contracts and agreements; such amendments to this decision constitute technical amendments in the sense of point (i) of Article 2(3)(c) of Regulation (EU) No 236/2014.

**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 indicative amounts identified in the appendix of this action document, in accordance with Article 58(1)(c) of Regulation (EU, Euratom) No 966/2012. The entrusted budget-implementation tasks consist in the implementation of procurement, grants, financial instruments and payments. The entrusted Member State agency or international organisation shall also monitor and evaluate the project and report on it. The Lead Financial Institutions are not definitively known at the moment of adoption of this Action Document but are indicatively listed in its appendix. Complementary financing decisions will be adopted under Article 84(3) of Regulation (EU, Euratom) No 966/2012 to determine the Lead Financial Institutions definitively.

Certain entrusted entities are currently undergoing the ex-ante assessment in accordance with Article 61(1) of Regulation (EU, Euratom) No 966/2012. The Commission’s authorising officer responsible deems that, based on the compliance with the ex-ante assessment based on Regulation (EU, Euratom) No 1605/2002, they can be entrusted with budget-implementation tasks under indirect management.

**5.4 Procurement (direct management)**

Subject in generic terms, if possible	Type (works, supplies, services)	Indicative number of contracts	Indicative trimester of launch of the procedure
Visibility	services	1	Q2 - 2018

**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
----------	-----------------

	<b>(Amount in EUR)</b>
5.3.1. 2014-2020 RIP contribution to AIF in support of activities covered by the regional programme	44 950 000
5.3.2. 2014-2020 MIP contribution to AIF for Vietnam in support of activities covered by Vietnam's bilateral programme	26 000 000
5.10. 2014-2020 RIP contribution to AIF communication & visibility	50 000
<b>Total</b>	<b>71 000 000</b>

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 that Indicative Programme. In case the total budget of the projects recommended by the Board for this country is lower than the amount allocated under the MIP, the Commission may consider financing other eligible projects in other countries covered by the Facility. In this case, a non-substantial rider to the Decision will be duly processed in order to use the Regional Indicative Programme (RIP) resources, up to an amount corresponding to the difference between the amount initially allocated under the MIP and the total amount of the projects relating to the concerned country.

## **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. FIs<sup>14</sup> 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;

---

<sup>14</sup> Financial Institutions for the purposes of this document comprise European Financial Institutions participating in AIF and invited non-European Financial Institutions.

- 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 FIs 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:

- 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 organization 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 140 of Regulation (EU, Euratom) No 966/2012. 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 I, 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.

It will be carried out for 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. An additional budget indicated in section 5.5 above is reserved for communication and visibility activities on the facility in general.

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 delegation 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.

Indicatively one contract for visibility shall be concluded under a service contract in 2018.

**APPENDIX 1: STANDARD OUTPUT AND OUTCOME INDICATORS FOR BLENDING PROJECTS<sup>15</sup>**

<b>Energy</b>	<b>OUTPUT INDICATORS</b>	<b>UNIT</b>	<b>DEFINITION</b>
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.)
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

<sup>15</sup> Source: guidance note on project application form; version January 2016

			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	Amount of wastewater treated, independently of the maximum capacity of the treatment

		equivalent "p.e."	plant.
--	--	----------------------	--------

**Private sector development**

	<b>OUTPUT INDICATORS</b>	<b>UNIT</b>	<b>DEFINITION</b>
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).
	<b>OUTCOME INDICATORS</b>	<b>UNIT</b>	<b>DEFINITION</b>
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 pro-rata basis.

**Social (social housing, health and education)**

	<b>OUTPUT INDICATORS</b>	<b>UNIT</b>	<b>DEFINITION</b>
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.).
	<b>OUTCOME INDICATORS</b>	<b>UNIT</b>	<b>DEFINITION</b>
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**

	<b>OUTPUT INDICATORS</b>	<b>UNIT</b>	<b>DEFINITION</b>
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 <sup>16</sup>	CO <sub>2</sub> 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.

<sup>16</sup> 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'.

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.

## APPENDIX 2: Indicative pipeline

							EU Contribution			
Year	Country	Lead Finance Institution	FIs consort	Operation's Title	Sector	Total budget (MEUR)	Technical Assistance	Investment Grants	Risk sharing instruments (guarantee/risk capital)	
1	2017	Myanmar	AFD	AFD	Urban development and heritage protection Yangon	Sustainable cities. Climate adaptation	88,7	5,0	8,0	
2	2016	Philippines	AFD		RENAISSANCE Project	Environment - mngt of natural resources	55,0		10,0	
3	2017	Cambodia	AFD		Access to renewable energy in remote areas	Energy	34,0	4,0		
4	2017	Cambodia	AFD		Provincial Water Supply and Sanitation Project	Sustainable cities. Climate adaptation	92,4	4,0		
5	2017	Cambodia	AFD		PSEA 2	Irrigation	200,0	8,0		
6	2017	India	AFD	AFD	Programmatic approach supporting the Smart Cities Mission	Urban development	110,0	5,0	5,0	

7	2017	Myanmar	AFD	AFD	Satellite Fishery resources monitoring	Environment	58,0	To be specified	8,0	
8	2017	Regional	AFD	AFD / ADB	CICLASIA	Sustainable cities		8,0		
9	2017	Vietnam	AFD	AFD	Integrated Coastal Zone Management	Natural resources	114,5		10,0	
10	2017	Vietnam	AFD	AFD	Support to EVN for sustainable and renewable energy ( Italy hydropowerplant and solar powerplant)	Sustainable energy/Renewable energy	202,0	2,0		
							80,0		10,0	
11	2017	Myanmar	CDP	CDP-AICS)	NEP - Italian Contribution to the National Electrification Project	Energy/Rural development	38,1	6,0		
12	2017	Mongolia	EBRD		Secondary cities water/wastewater modernisation	Municipal Infrastructure	22,7	2,0	6,8	
13	2017	Lao PDR	EIB	WB/NDF	Lao Climate Resilient Road	Transport	69,0		5,0	
14	2017	China	KfW		TA Facility for Green Promotional Loans	Environment and Natural Resources	260,0	10,0		
15	2017	Vietnam	KfW		Renewable Energy Development Facility “GET FiT” Vietnam	Energy	248,0		14,0	
16	2018	Cambodia	AFD		Rehabilitation & extension of Calmette Hospital as the national reference hospital	Health and social protection	30,0	5,0		

17	2018	Cambodia	AFD		Modernisation and Extension of National Grid	Energy Efficiency	106,0	6,0		
18	2018	Vietnam	AFD	AFD	Upgrading Fishing Port Project in Da Nang, Khanh Hoa, Kien Giang and Ba Ria Vung Tau	Natural resources/Fisheries	135,0	15,0	TBC	
19	2018	Vietnam	AFD	AFD	Improving resilience of urban water infrastructure to climate change effects in four Provinces of North-Center Vietnam	Water/Urban development	147,0	TBC	10,0	
20	2018	Vietnam	AFD	AFD	Danang City Development Investment Fund (DDIF)	Urban development	35,0		5,0	
21	2017 (or 2018)	Sri Lanka	AFD	AFD	Mundeni Aru Basin Development	Agriculture and Water Resources Management	112,0	10,0	2,0	
22	2018-2019	Vietnam	AFD	AFD	Integrated water resources management	Natural resources/Resilience Climate change	105,0	To be specified	10,0	
23	2019-2020	Mongolia	EBRD		Support for Mongolian Economic Diversification through SME Access to Finance - Phase 2	SME Development	102,3	5,3		4,0
24	2017	Vietnam	KfW	KfW/EIB/ADB	Extension of HCMC Metro Line 2	Transport	1.400,0	6,0		