



European  
Commission

# IFCA

Investment Facility  
for Central Asia

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# AIF

Asia  
Investment Facility

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# IFP

Investment Facility  
for the Pacific

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**2016**  
OPERATIONAL  
REPORT



*International  
Cooperation and  
Development*



# 2016 Operational Report

## IFCA

Investment Facility  
for Central Asia

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## AIF

Asia  
Investment Facility

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## IFP

Investment Facility  
for the Pacific

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These projects are implemented in partnership with:



Asian Development Bank



European Bank  
for Reconstruction and Development



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# INTRODUCTION

## 2016 Operational Report

The Investment Facility for Central Asia (IFCA), the Asia Investment Facility (AIF) and the Investment Facility for the Pacific (IFP) are blending facilities - innovative financial instruments used by the EU to attract public and private finance to drive economic growth as a basis for poverty reduction in partner countries in Asia, Central Asia and the Pacific.

This report covers the sixth year of activity for the IFCA, the fourth for the AIF (although launched in 2010, the first grants were not finalised until 2012) and the third full year for the IFP. In the report, you can find an overview of the AIF and IFCA facilities' operational activities in 2016, in addition to a comprehensive analysis of projects funded in a wide range of sectors, from water and sanitation, which accounted for all of the funding provided in the Central Asian region last year, to energy, transport and the environment. The operational activities of IFP will gain a new momentum from 2017 onwards when the replenishment of the facility with new funds has been approved. The three investment facilities are important tools used by the EU to achieve its development policy objectives, so the report also examines how the facilities have advanced the EU's policy goals by engaging the private sector and providing support to sectors with high potential to generate economic growth and reduce poverty.

Countries in all three regions are also highly vulnerable to the effects of climate change, so efforts to adapt to and mitigate these effects are an important cross-cutting element of blending support. For this reason, the report also analyses how many of the contributions provided under the three facilities can be reported as climate action support according to the Rio Convention on Climate Change.

In the six years since its launch, the IFCA has provided over €143 million in contributions to projects in the region. This, in turn, has leveraged €970 million in financing for projects that have had a significant economic and societal impact. The AIF, which started allocating funding in 2012, has contributed over €147 million to leverage a combined total of almost €3.2 billion for 25 projects in a range of sectors, from energy and transport, to health and the environment. The IFP has made a more modest, but equally impactful contribution, with €9.3 million leveraging a total of €310 million to support energy, transport, water and urban development infrastructure in the Pacific region.

The IFCA, AIF and IFP act as a catalyst to raise the funds needed to implement large-scale infrastructure projects that might otherwise be shelved due to a lack of finance. These projects can have a major economic, environmental and societal impact on the communities involved. When applicable, they target good governance, participation and gender equality, thereby ensuring that the growth generated by development assistance is equitable, has the widest possible impact and makes the greatest possible contribution to economic growth and job creation.

# IFCA

Investment Facility  
for Central Asia

# AIF

Asia  
Investment Facility

# IFP

Investment Facility  
for the Pacific

# IFCA / AIF / IFP

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IFCA / AIF / IFP

## FOREWORD

Neven Mimica



Neven Mimica

European Commissioner,  
International Cooperation and  
Development

A handwritten signature in black ink, appearing to read 'Neven Mimica', written in a cursive style.

In 2016, the European Commission took a number of important steps to honour the commitments we made as an international community under the United Nations 2030 Agenda for Sustainable Development. And in June this year the European Union and all of its Member States adopted the European Consensus on Development, which is our short vision and framework for action in development cooperation.

In order to fully implement the 2030 Agenda, we will need to use more innovative financial instruments, in order to attract greater public and private investment. We know from 10 years of previous development cooperation that we can successfully use EU grants as a catalyst to generate this kind of large-scale investment, through a system we call 'blending.'

Going one step further, the European Commission launched in 2016 an ambitious External Investment Plan. This combines blending activities with a new guarantee to de-risk the cost of investing in sectors and areas in our partner countries which need it the most. Combined with this, it will provide technical assistance and policy dialogue through our Delegations on the ground to help create a business environment more attractive to investors.

Blending covers all regions of EU external cooperation, including in the Asian, Central Asian, and Pacific regions, where it has been successfully used to leverage funds for capital-intensive projects in a variety of sectors, including energy, transport, water infrastructure, support for small and medium-sized enterprises and social sectors, and for the environment and climate change.

The EU institutions have earmarked a total of EUR 67.22 billion in development assistance for 2014-2020, including EUR 30.5 billion which has been made available under the 11<sup>th</sup> European Development Fund and almost EUR 19.7 billion under the Development Cooperation Instrument. Blending will ensure that this funding is used in the most effective way, to leverage the huge investment needed to help achieve the ambitious global goals of eradicating poverty and ensuring a sustainable future for all.

We have already accomplished a lot, but much remains to be done. We need to ensure that our cooperation with Central Asia, Asia and the Pacific region has the greatest possible positive impact on the lives of people and their communities in these regions. With their capacity to leverage the funds needed to finance inclusive, sustainable and equitable development projects, the Investment Facility for Central Asia, the Asia Investment Facility and Investment Facility for the Pacific are ideally suited to help the European Commission support the efforts of our partners in the region to deliver on the promise of a better future for all.

# IFCA


## Investment Facility for Central Asia

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The Investment Facility for Central Asia (IFCA) is the instrument with which the European Union supports the development priorities of its partner countries in the Central Asia region. The facility provides assistance in implementing key infrastructure projects that contribute to inclusive and sustainable growth in the region. Since its launch in 2010, the IFCA has helped beneficiary countries in Central Asia to implement major energy, environmental and social programmes that have had a significant impact in terms of economic growth and job creation.







Like the other EU blending facilities, the IFCA steps in when the market fails to offer sufficient or affordable financing for capital-intensive infrastructure projects that have the potential to promote inclusive and sustainable socio-economic development and change people's lives. By using grant funding, the IFCA has leveraged loans from finance institutions to implement infrastructure projects in five countries in Central Asia: Kazakhstan, Kyrgyzstan, Tajikistan, Turkmenistan and Uzbekistan.

The IFCA's overarching aim is to contribute to sustainable development and economic growth in the region. To achieve this, it focuses on projects with the goal of improving energy infrastructure and social service systems, particularly in health and education. It also aims to increase protection of the environment and to support partner countries in their efforts to adapt to and mitigate the effects of climate change. A key aim of the facility is also to tap into the potential of the private sector, particularly small and medium-sized enterprises (SMEs), as an engine to generate growth and create jobs.

The European Commission allocated €166 million to the IFCA for 2010–2016. The IFCA uses this funding to provide support in a number of ways. Contributions are made to projects in the form of investment grants, technical assistance or risk capital and other risk sharing instruments. Sometimes the IFCA contribution can be a combination of two or three of these elements. Investment co-financing has been the primary form of support used by the facility over the past six years, accounting for 61% of total IFCA contributions. Technical assistance, which helps ensure the long-term sustainability of projects, has accounted for almost 31% of support, and risk capital has accounted for 8%.

The IFCA sets up partnerships with multilateral and bilateral European Finance Institutions, Regional Development Banks, partner countries and beneficiary institutions in Central Asia. The range of international expertise and regional knowledge that these partnerships provide ensures that IFCA funding is used to the greatest possible effect. Furthermore, the IFCA Board, which is made up of representatives from the European Commission, Member States and other donors, works closely with the European Commission to ensure overall coherence of IFCA operations.



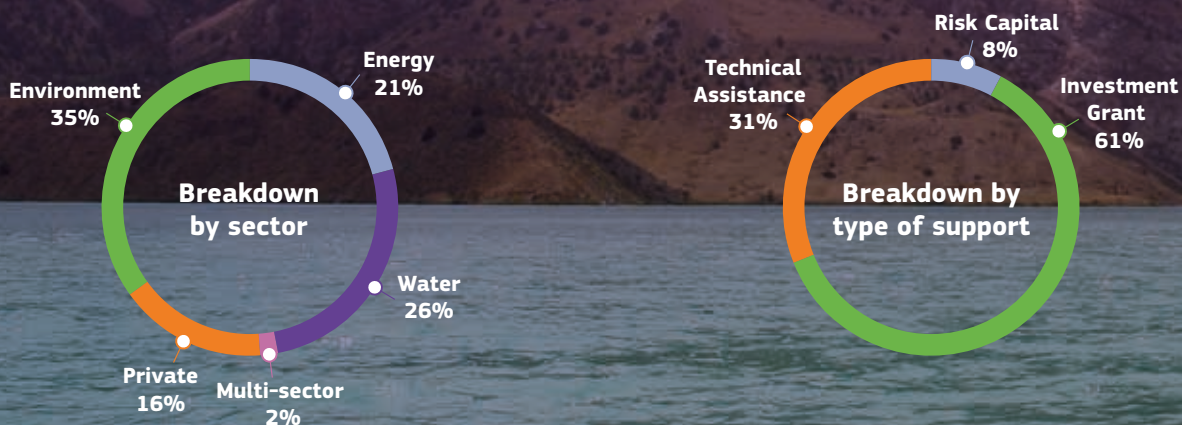
# IFCA

## AT A GLANCE

The European Commission allocated an overall amount of €166 million to the IFCA for 2010-2016.



### IFCA portfolio 2010-2016



### Key IFCA figures 2010-2016

IFCA resources allocated to 25 approved projects

€ **143**  
million

EFI financing to approved projects

€ **605**  
million

IFCA contribution leveraged total investment of

€ **970**  
million



Regional (24%)  
**€34.3** million / **5** projects


Kazakhstan (8%)  
**€11.8** million / **4** projects

Uzbekistan (6%)  
**€8** million / **1** project

Kyrgyzstan (50%)  
**€71.6** million / **11** projects

Turkmenistan (2%)  
**€3.5** million / **2** projects

Tajikistan (10%)  
**€14** million / **2** projects

 Development Cooperation Instrument (DCI) countries directly eligible under the IFCA

 Total volume of IFCA contribution approved



## 1. OVERVIEW

The IFCA board approved three projects in 2016, involving a total IFCA contribution of €24.2 million to projects with a total investment cost of over €139 million.

One of the projects approved last year was a regional project, while the other two were national projects. Kyrgyzstan was the main beneficiary of IFCA funding in 2016, accounting for the two national projects and for a share of the regional project, along with Tajikistan. In total, Kyrgyzstan received over €22 million in IFCA funding last year - €19 million for the two national projects and a €3-million stake in the regional project. The regional project received total IFCA funding of €5 million, with Tajikistan receiving €1.95 million and €50,000 going towards actions related to communications and visibility.

In terms of overall investment cost, the largest project approved for funding last year was the regional Central Asian Technical Assistance Framework for Implementation Support of EBRD Municipal and Environmental Infrastructure Projects. This is an extension of the original Central Asian Technical Assistance Framework, which was contracted in 2011. Technical assistance provided under the Framework Extension will support EBRD investments in municipal water and sanitation infrastructure in Kyrgyzstan and Tajikistan.

The remaining two projects are based in Kyrgyzstan. The largest of these is Tranche II of Support to the Kyrgyz Republic for Water and Wastewater Investments. This project will use €15.65 million in IFCA support to leverage over €63.5 million to support urgent infrastructure rehabilitation projects at water utility companies across the country. The final project - an additional sub-project under the Support to the Kyrgyz Republic for Water and Wastewater Investments: Kyzyl-kiya Water Project, will see an IFCA contribution of €3.52 million leverage €7.42 million for projects to address urgently needed infrastructure rehabilitation needs at Kyrgyz water companies.

Consequently, in terms of sectoral distribution, there was not much diversity among the projects approved in 2016. The water and sanitation sector is the beneficiary of all project funding approved last year.

As regards the type of support provided - one of the three projects approved by the IFCA board in 2016 consists of technical assistance only, while the other two take the form of investment grants. In total, the investment grant component of the IFCA contributions amounts to over €19 million (79%), while technical assistance accounted for €5 million (21%). The combined IFCA contribution of €24.2 million will leverage total investment of over €139 million, which equates to almost €6 leveraged by every euro provided by the IFCA.





## 2 . SUPPORTING EU POLICY GOALS IN CENTRAL ASIA

Although the Central Asia region has seen economic growth in recent years, this growth has not been spread evenly throughout society in the region and, as a result, there is a significant level of economic and social inequality. Furthermore, the region is particularly vulnerable to environmental risks and to the adverse impact of climate change. These impacts are exacerbating regional tensions over the management of shared resources, particularly water. This is compounded further by the fact that aging Soviet-era infrastructure is struggling to cope with modern demands, as a result of which countries in the region are struggling to cope with the needs of a growing young population.

In this context, the aim of European Union policy in the region is to promote infrastructure development in an effort to create economic opportunity and reduce poverty and inequality. It aims to achieve this by supporting sustainable regional development and inclusive growth while at the same time promoting democracy, rule of law, good governance and respect for human rights. A number of sectors are targeted, including energy, the environment, water and sanitation and the social sector. The aim is to support large-scale infrastructure projects that are environmentally, socially and politically sustainable in the Central Asian regional context. These should contribute to sustainable energy sector development, ensure an integrated water resources policy, strengthen environmental governance and provide support for a business-enabling regulatory environment.

These policy priorities are reflected in the projects funded by IFCA over the past six years. The lion's share of IFCA support since the facility's launch in 2010 has been to the environmental sector, which has accounted for 35% of overall support, followed by funding awarded to water and sanitation projects (26%) and energy (21%), while support to the private sector accounted for 16% of total funding. Climate action is an important cross-cutting component of IFCA projects, and 17 of the 25 projects funded can report climate action as a significant or principal component according to the Rio Convention on Climate Change. IFCA projects' contribution to climate change mitigation and adaptation is covered in more detail later in this report.

IFCA projects approved for funding in 2016 are also clearly in line with the EU's general policy agenda. All three projects approved for funding last year are in the water and sanitation sector. The first is a regional project in Kyrgyzstan and Tajikistan that aims to support the significant need for infrastructure investment and to ensure ongoing technical assistance to improve the availability, reliability and quality of municipal services. The other two projects are in Kyrgyzstan and both of them support projects that will benefit Kyrgyz municipalities and their water companies by addressing urgently needed infrastructure rehabilitation needs.

3 . PROJECTS







## WATER AND SANITATION

### Central Asian Technical Assistance Framework for Implementation Support of EBRD Municipal and Environmental Infrastructure Projects – Extension

#### REGIONAL (KYRGYZ REPUBLIC AND TAJIKISTAN)

**Total budget:** €68.4 million

**IFCA contribution:** €5 million

**Lead finance institution:** EBRD

**Type of IFCA support:** Technical Assistance

This is an extension of the original Central Asian Technical Assistance Framework for Implementation Support of EBRD Municipal and Environmental Infrastructure Projects, which was contracted in 2011. The extension is required to support the significant investment needs in the infrastructure sector of the beneficiary countries and to ensure ongoing technical assistance support to continue improving the availability, reliability and quality of municipal services, including in water supply and treatment, wastewater treatment and solid waste management.

In the municipal sector in Central Asia, the EBRD is focusing on investments that bring operational and financial sustainability, as well as energy efficiency improvements and enhanced environmental standards. By providing the appropriate implementation support, the bank limits the risk of project cancellations and cost overruns, and enhances the positive environmental and financial effects of the projects being implemented. The EBRD is currently developing several municipal infrastructure investments in the Kyrgyz Republic and Tajikistan. Technical assistance from the Framework Extension will support these underlying investments.



In Tajikistan, the bank is focusing its water sector policy dialogue on building capacity in the urban drinking water and wastewater sector. Tariff reform has already been implemented with the bank's support and work is ongoing on the elaboration of a tariff methodology to enhance the financial and operational sustainability of the water sector on a regional basis.

In the Kyrgyz Republic, the bank works directly with the water utilities, in close cooperation with the technical regulator Gosstroy. By working in multiple cities, the bank addresses sector development throughout the country, with projects that largely focus on financial and operational sustainability. Moreover, environmental and social sustainability are fundamental to all investments, which aim to raise environmental standards and promote social engagement with citizens, in addition to supporting efforts to adapt to climate change.

Only projects that are in line with the IFCA priorities and criteria are being financed through the Technical Assistance Framework Extension. It is envisaged that the investments that are implemented will bring further policy gains for the region. Past experience has shown that policy dialogue that is conducted hand-in-hand with practical improvements and investments tends to be more efficient than stand-alone policy dialogue, and that projects complemented by important reform objectives achieve results that might otherwise be unattainable.



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## WATER AND SANITATION

### Support to the Kyrgyz Republic for Water and Wastewater Investments – Tranche II

#### KYRGYZ REPUBLIC

**Total budget:** €63.52 million

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**IFCA contribution:** €15.65 million

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**Lead finance institution:** EBRD

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**Co-financiers:** EIB, SECO, ADB, EBRD, SSF

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**Type of IFCA support:** Investment Grant

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The programme of Support to the Kyrgyz Republic for Water and Wastewater Investments provides grant co-financing to support urgent infrastructure rehabilitation projects at water utility companies across the country.

The programme addresses common problems in the water and wastewater sector in the republic through a number of relatively small but well-designed projects. A key feature of all sub-projects is that any participating water company will be financially and operationally sustainable once implementation has been completed. This is because, when the quality of municipal services improves, consumers generally become more willing to pay for services. This in turn generates resources that allow the utilities to further improve quality and extend their service areas.

The sub-projects under the EBRD Framework also focus on improving the climate resilience of household water services, which are vulnerable to climate change risks. They promote effective and inclusive community involvement in water governance and improved awareness of climate resilience issues through stakeholder participation programmes and institutional capacity building on integrating climate resilience measures into water resource management and water service delivery.



This component of the programme will assist the beneficiary water companies with the preparation of business, long-term investment, and tariff reform plans, in addition to plans to improve financial, operational and environmental management. Furthermore, the stakeholder participation programmes will help the participating cities and water utilities to conduct media and house-to-house campaigns to educate the population on the benefits of basic hygiene techniques, water conservation and water metering.

The programme addresses the key IFCA objective of helping bring water and wastewater services in line with EU directives on drinking water quality and wastewater treatment. The rehabilitation of some of the most deteriorated sections of the water supply network will reduce water losses and energy consumption, thereby making an important contribution towards economical and responsible groundwater resource management. Moreover, the investments will support general improvements in public health.

## The Broader Context

The Kyrgyz Republic faces immense challenges in maintaining and improving the basic infrastructure of its urban areas. Since the collapse of the former Soviet Union, there has been a rapid deterioration in the availability and quality of public infrastructure and basic services. The water supply and waste water disposal sectors are no exception.

Water supply operations in the republic are characterised by severely deteriorated assets. Wastewater treatment is very limited and operational and maintenance costs are high, due to the deteriorated state of the assets. Water supplies are unreliable and sporadic - sometimes supplies last only for a couple of hours every second day, forcing families to store water in bathtubs and buckets when supply is available.

In addition, water supplies are vulnerable to the projected impacts of climate change on water resources. The unreliable nature of the water supply also has implications for the public health situation in the country, with frequent outbreaks of water borne disease – especially in the summer months. In these circumstances, public willingness to pay for water is low. In turn, low collection rates make it difficult for utility companies to carry out reforms.





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## WATER AND SANITATION

### **Additional sub-project under the Support to the Kyrgyz Republic for Water and Wastewater Investments: Kyzyl-kiya Water Project**

#### KYRGYZ REPUBLIC

**Total budget:** €7.42 million

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**IFCA contribution:** €3.52 million

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**Lead finance institution:** EBRD

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**Co-financiers:** EIB, EBRD bilateral donors / SSF

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**Type of IFCA support:** Investment Grant

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The Support to the Kyrgyz Republic for Water and Wastewater Investments programme, approved by the DCI Board in 2015 with an IFCA contribution of €11.2 million, is providing grant co-financing to support projects that will benefit municipalities and their water companies across Kyrgyzstan by addressing urgently needed infrastructure rehabilitation needs.

The programme focuses on ensuring safe and high-quality water supply, wastewater disposal and sanitation, and improving management practices in the sector. It also addresses the financial and economic sustainability of water utilities. Towards these aims, other priorities of the programme include improving transparency, trust and accountability and optimising technical standards.

This additional sub-project involves a sovereign loan to the Kyrgyz Republic, which is to be on-lent to the city of Kyzyl-kiya to enable the municipal enterprise Kyzyl-kiya Suukanal to rehabilitate water supply services in the city. The project will also include significant technical co-operation to support implementation, including engineering design services, procurement and contract supervision alongside a Corporate Development and Stakeholder Participation Programme to enhance the company's sustainability and efficiency.



The rehabilitation of some of the most deteriorated sections of the water supply network in Kyzyl-kiya will reduce water losses and energy consumption, making an important contribution towards economical and responsible groundwater resource management. The project aims at reducing water losses from 78% at present to 30%, or to reduce total water production from 13.7 million m<sup>3</sup> to 5.2 million m<sup>3</sup> while raising water sales from 3.0 to 3.6 million m<sup>3</sup>. Additional strategic network extensions will contribute to increasing the connection rate.

These actions will not only improve the cost/revenue situation at the company by reducing power consumption, but will prevent over-exploitation of the groundwater resources, making the water supply system more resilient to the impacts of climate change. Reduced energy consumption will also help balance out expected energy price hikes.

The project will also reduce public health risks, which is a key prerequisite for development and poverty reduction, as a sustainable water supply and wastewater management programme will contribute to a healthy environment and to economic growth.







# AIF

## The Asia Investment Facility

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The Asia Investment Facility (AIF) was set up in 2010 to help generate additional investments in key infrastructure in partner countries in Asia, in an effort to promote sustainable and socially-inclusive development. Like the EU's other blending facilities, the AIF has a priority focus on investments in the energy, water, environment and transport sectors with the potential to help countries adapt to and mitigate the impacts of climate change. The social impact of projects is also a major consideration and, with this in mind, the AIF also aims to tap the potential of the private sector, in particular small and mid-sized companies (SMEs), as an engine of equitable economic growth.





Specifically, the AIF provides finance to projects that improve energy infrastructure and increase environmental protection. Funded projects also create and expand SMEs, particularly within the context of "green" investments and climate change. Furthermore, AIF support aims to result in improved social services and increased regional integration, through investments in better transport and communications infrastructure.

As one of the EU's innovative blending facilities, the AIF provides funds to mobilise loans and other financing for capital-intensive projects that, despite being commercially sustainable, might struggle to raise the necessary volume of financing on the market. These AIF contributions are used to support loans from European national and multilateral Development Finance Institutions to beneficiaries in partner countries.

The AIF provides support in a number of ways, either through direct investment grants, guarantees, interest rate subsidies, technical assistance, risk capital operations and other risk sharing mechanisms. The most common form of support provided to projects over the past six years has been technical assistance, which has accounted for over 61% of total AIF funding, followed by investment grants – 30%, with risk capital in third place.

Resources for the AIF are made available from the EU's Development Cooperation Instrument (DCI), and the European Commission decides its contribution to the AIF on an annual basis. The Commission has allocated an overall amount of €183 million to the AIF for 2010-2016. The AIF uses these funds to support increased infrastructure investment in priority sectors, in an effort to secure more equitable and sustainable development in partner countries throughout Asia.



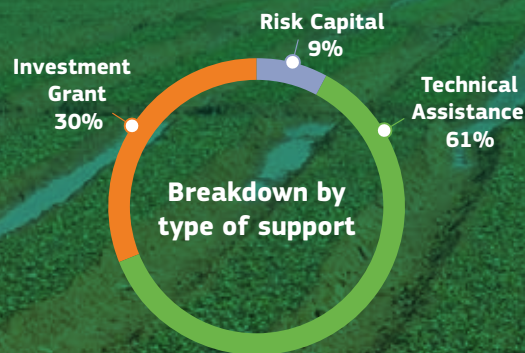
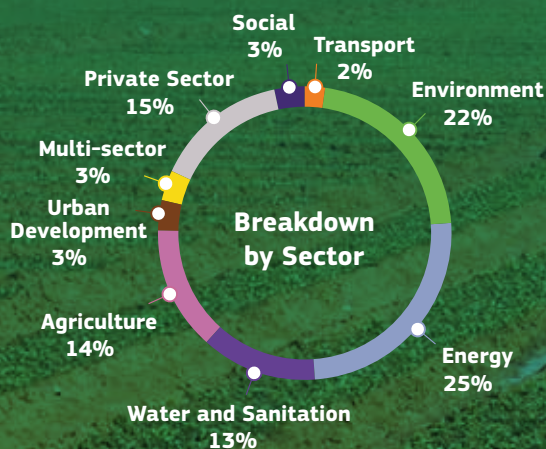
# AIF

## AT A GLANCE

The European Commission allocated an overall amount of €183 million to the AIF for 2010-2016. Although the facility was launched in 2010, the first grants were not finalised until April 2012.



### AIF portfolio 2010-2016



### Key AIF figures 2012-2016

AIF resources allocated to 25 approved projects

€ **147**  
million

EFI financing to approved projects

€ **1.8**  
billion

AIF contribution leveraged total investment of

€ **3.2**  
billion



Regional (7.5%)  
**€11.1 million / 3 projects**

Mongolia (6.3%)  
**€9.3 million / 1 project**

India (10.5%)  
**€15.5 million / 2 projects**

Nepal (1.6%)  
**€2.3 million / 1 project**

Bangladesh (13.5%)  
**€19.9 million / 4 projects**

Vietnam (11.5%)  
**€17 million / 3 projects**

Myanmar (22.4%)  
**€33 million / 3 projects**

Laos (3.4%)  
**€5 million / 1 project**

Pakistan (4.8%)  
**€7 million / 2 projects**

Philippines (3.3%)  
**€4.8 million / 1 project**

Cambodia (4%)  
**€6 million / 1 project**

Sri Lanka (3.9%)  
**€5.7 million / 1 project**

Indonesia (7.3%)  
**€10.7 million / 2 projects**

■ Development Cooperation Instrument (DCI) countries directly eligible under the AIF

€ Total volume of AIF contribution approved



# 1. OVERVIEW

The AIF board approved seven projects in 2016, with a total AIF contribution of €57.8 million. This contribution will be used to leverage funding for projects involving total investment of almost €558 million.

All of the projects approved in 2016 have a country-specific focus. The main beneficiary of AIF support in 2016 was Myanmar, which received AIF funding for the first time. This country received a total of €25 million in AIF support to two projects with a total investment cost of almost €145 million. The largest of these – the Irrigation Agriculture Inclusive Development Project – received an AIF contribution of €20 million which will be used to leverage almost €118 million to support the modernisation of irrigation systems and the creation of a district-wide agricultural value chain in several districts in Myanmar's Central Dry Zone (CDZ) over a period of seven years. The second project approved for AIF funding in Myanmar last year is a project that will improve the capabilities and facilities of the National Health Laboratory, in an effort to improve healthcare provision in the country. This project is receiving AIF funding of €5 million in support of a project with a total investment cost of €27.3 million.

The second largest recipient of AIF support in 2016, also with two projects, was Vietnam, which received an AIF contribution of €11 million towards projects with a total investment value of almost €42 million. The larger of these two AIF contributions was to a project that aims to develop sustainable management and climate change adaptation strategies for ecosystems in the Red River Delta, which received AIF support to the tune of €10 million, which will leverage total financing of €40 million. The second project in Vietnam received €1 million from the AIF to finance a €1.7-million study into the causes of erosion and sediment build-up in the Lower Mekong Delta and the central coastal area of Vietnam.

Projects in India also received AIF funding for the first time last year, with a total AIF contribution of

€15.5 million towards projects worth over €291 million. The first of these – Mobilise Your City – is part of an international initiative that aims to support governments at both local and national levels in their efforts to achieve more sustainable urban mobility. This project received €3.5 million from the AIF, which will leverage almost €134 million. Also in India, SUNREF Housing India received €12 million from the AIF, which will be used to mobilise over €157 million in support of projects to reduce the negative impacts on the environment of the dramatic growth in the housing industry in the country.

The final project to receive AIF support last year was a programme to finance environmental and safety retrofits in the Bangladeshi ready-made garment sector. This project received €6.3 million in support from the Asia Investment Facility, which will be used to leverage €80.5 million in investment. With this project, Bangladesh is now the country with the highest number of projects to receive AIF funding – with four projects in total.

The projects approved in 2016 cover a range of sectors. The environmental sector received the most support, accounting for three of the projects – two in Vietnam and the SUNREF project in India. In total, AIF support to environmental sector projects amounted to €23 million, towards combined investments of almost €199 million. The second project in India was in the transport sector, while the remaining projects were in the private sector in Bangladesh and in the agricultural and social sectors in Myanmar.

Six of the seven projects approved by the AIF board in 2016 have a technical assistance component, with €34 million in total earmarked for this purpose (59% of AIF contributions). Five projects consist of technical assistance alone, while one combines this assistance with an investment grant component. In total, the investment grant component of the AIF contributions in 2016 amounts to €23.8 million (41%). The AIF contributions of €57.8 million will leverage total investment of €558 million, which equates to almost €10 leveraged by every euro provided by the AIF.





## 2. SUPPORTING EU POLICY GOALS IN ASIA

The Asia region is characterised by high diversity in terms of political, economic, social, cultural, and environmental systems. Economies in Asia have experienced high rates of economic growth in recent years and there has been a significant reduction in poverty. Nevertheless, despite the impressive progress that has been achieved, social inequalities and extreme poverty continue to exist and present a considerable challenge. The economic growth in the region has also had an impact on the environment, which is subject to increased pressure as a result of population growth, urbanisation, water scarcity, land degradation, deforestation and climate change.

Within this context, as set out in the 2014–2020 Multiannual Indicative Programme for Asia, the EU is seeking to broaden its already close relationship with the Asian region, to encompass economic integration and political cooperation. By intensifying cooperation with partners in Asia in this way, the EU hopes to jointly address major global issues such as security, trade, energy, nuclear safety, non-proliferation, cyber security, migration, marine pollution and climate change. A number of policy priorities have been set as regards cooperation with countries in the region. These include promoting socially-inclusive economic development, particularly through support to small and mid-sized enterprises (SMEs), improving environmental protection and promoting regional integration.

These policy goals are reflected in most, if not all, of the projects approved for AIF funding over the past six years,

and 2016 was no exception. As we have seen above, the environmental sector was the main beneficiary of AIF support last year. Furthermore, six of the seven projects approved for AIF funding have actions to support partner countries' efforts to adapt to and mitigate the effects of climate change as significant or principal objectives under the Rio Convention on Climate Change.

In addition to the environment, other sectors targeted for AIF support in 2016 include the private sector, transport, agriculture and the social sector, and this support reflects the prominence of these sectors in the EU policy landscape. Improved conditions for workers were a key goal of the programme to finance environment and safety retrofits in the Bangladeshi ready-made garment sector, reflecting the general policy objective of improving labour conditions in an effort to ensure that growth is equitable. The Mobilise Your City project aims to reduce urban transport-related GHG emissions and help national governments to improve their sustainable urban transport policies, helping to advance the overarching environmental and climate agenda in the region.

By providing the funding needed to improve energy infrastructure, increase environmental protection, support SMEs and improve social and transport services, the AIF continues to support not only the strategic objectives of the EU by helping to generate sustainable and inclusive growth, but also the economic and infrastructural development goals of partner countries in the Asia region.

# 3. PROJECTS

## ENVIRONMENT

### Coastal Management in the Red River Delta

VIETNAM

**Total budget:** €40 million

**AIF contribution:** €10 million

**Lead finance institution:** KfW

**Type of AIF support:** Investment Grant



The Coastal Management in the Red River Delta project adopts an integrated approach to the development of sustainable management and climate change adaptation strategies for ecosystems in the Red River Delta in Vietnam. By focusing on participatory planning and interventions in mangrove belts, dyke systems, protected areas, coastal wetlands and agricultural land, it will help to protect important coastal ecosystems in the region. Moreover, the livelihoods of local communities will improve thanks to the implementation of ecological and social systems to meet the challenges arising from climate change.

In the Red River Delta, the high risks of negative impacts of climate change are matched by the low resilience of ecosystems and the low capacity of public administration and the local population to deal with these risks. As a result, there is the potential for significant economic disruption due to the need to relocate aquaculture farms, the disappearance of coastal fisheries and the loss of habitat for fresh water fauna. Moreover, the cost of sea dyke maintenance will increase.

To meet these challenges, the project's main general policy objective is to support environmental protection in the region. According to climate change scenarios from various institutions, Vietnam will face an increased occurrence of storms, and areas of the Red River Delta will be subject to flooding due to rising sea levels.

In light of these risks, the project aims to increase the resilience of local communities and coastal ecosystems to climate change by strengthening capacities for integrated coastal zone management, improving the climate resilience of communities and local livelihood systems, and establishing, improving and sustaining coastal ecosystems.

The AIF grant will be used preliminarily for "green" interventions in coastal eco-systems. These interventions will target the coastal land-use planning process and its subsequent implementation, and the development of measures to improve the livelihoods of people living in the region. Here, a grant is more appropriate than loan financing, given that many of these interventions are innovations or focus on environmental/biodiversity activities. The interventions will be based on preliminary Vulnerability Assessments and Environmental Impact Assessments.

The main project beneficiaries will be local people, many of them low-income households, whose properties and livelihood activities will be safeguarded by enhanced coastal protection and improved mangrove use.



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## SOCIAL INFRASTRUCTURE



### Improving the capabilities and facilities of the National Health Laboratory

#### MYANMAR

**Total budget:** €27.3 million

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**AIF contribution:** €5 million

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**Lead finance institution:** AFD

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**Co-financiers:** Fondation Mérieux

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**Type of AIF support:** Technical Assistance

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This project aims to improve healthcare in Myanmar through better diagnosis and monitoring of infectious diseases and epidemics and by improving the state's ability to ensure national health security. In line with the priorities of the new Myanmar government, the project will enable the Yangon-based National Health Laboratory (NHL) to become a national reference laboratory by reinforcing its infrastructure and strengthening its technical and organisational capacities. It will also strengthen the national laboratory network in Myanmar.

Although in recent years there have been significant advances in Myanmar's national laboratory capacity, in most of the country reliable confirmation of suspected infectious disease is hindered by a lack of infrastructure, and poor capacity in terms of networking, communications and biosafety and biosecurity. This is compounded further by a shortage of funds, trained staff and laboratory supplies, and a lack of standardisation. The upgrade of the laboratories, and especially the NHL, is a crucial element in strengthening Myanmar's capacity to investigate all kinds of disease and to control emerging public health security threats.

The project's main objectives are to support the NHL in meeting Myanmar's needs in terms of biosafety/biosecurity, by building high-security laboratories and reinforcing the NHL's surveillance system. It will also support the NHL's sustainability and capacity to gradually meet international standards regarding equipment and waste management. The NHL's technical expertise will also be strengthened, establishing it as the National Reference Laboratory, as will the capacity of the whole laboratory system in Myanmar.

The AIF contribution will help improve state governance in public health in Myanmar. It will also reduce social imbalances and vulnerability through better monitoring and diagnosis and greater prevention of infectious diseases, which mainly affect the poorest levels of society. At the same time, the EU grant will contribute to reducing inequalities in access to essential health services, through a better deliverance and quality of laboratory testing services throughout the Myanmar public health laboratory network.

The grant will also help improve health and safety in the workplace by defining and setting up a global quality approach as well as biosafety and biosecurity guidelines. Finally, training will help reduce social inequality among laboratory staff.





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## AGRICULTURE

### Irrigated Agriculture Inclusive Development Project

#### MYANMAR

**Total budget:** €117.68 million

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**AIF contribution:** €20 million

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**Lead finance institution:** AFD

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**Co-financiers:** ADB

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**Type of AIF support:** Technical Assistance

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The Irrigated Agriculture Inclusive Development Project plans to support the promotion of a district-wide agricultural value chain and the modernisation of irrigation systems in several districts in Myanmar's Central Dry Zone (CDZ) over a period of seven years. Activities at the district/township level will focus on good agricultural practices, value chain promotion and actions related to agribusiness. The project will result in improved welfare and income for farmers, farm labourers and their dependents in the CDZ, thanks to improved agricultural production value in the project areas, where water is a key limiting factor.

Rehabilitation and improved management of irrigation systems will be supported in a total of about 90,000 acres. The project will also target integrated water resource management more broadly, as physical changes in the irrigation system will only lead to a sustainable improvement in performance if management processes are improved at the same time.

The project aims to produce a comprehensive package of outputs covering agricultural value chain improvements, irrigation system modernisation, and national and regional capacity strengthening for integrated water resources management.





Another significant goal of the project is to improve environmental protection in the region by promoting the sustainable management of agricultural land and water resources. The AIF contribution will help make agriculture more environmentally friendly in this drought-prone region, which is increasingly likely to be affected by climate change. This will be achieved by promoting crop diversification and agricultural best practices that are appropriate to the CDZ, especially with regards to Climate Smart Agriculture (CSA).

The AIF contribution will also lead to an increase in water use efficiency and water productivity through the promotion of extensive non-rice crops that have much higher water productivity. Actions will also target the better operation of reservoirs and control of water in the irrigation system and improved institutional arrangements between the Myanmar Irrigation and Water Utilisation Management Department (IWUMD) and water users for the operation and management of schemes.

The project reflects the AIF's strategic thrust on 'promotion of green economy', through its focus on supporting environmentally friendly, climate smart and economically feasible technologies and approaches for sustainable agricultural outcomes.

## The Broader Context

Agriculture accounts for 31% of Myanmar's GDP, down from 60% in 1999. Annual sector growth reached 12.1% in 2005 but has since slowed considerably to below 5% since 2010 and to 3.3% in 2014. Agriculture accounts for 50% of employment, down from 69% in 2003, and 20% of exports compared to 30% in 2005. Although these indicators reflect an economy in transition, Myanmar's agricultural development potential is considerable and offers a significant opportunity for inclusive economic growth.

The country has 18.2 million hectares of arable land, of which only 13.3 million are cultivated at present. Myanmar is well positioned to access agricultural export markets thanks to its strategic geographic location with respect to China and India and participation in regional groupings such as the Association of Southeast Asian Nations (ASEAN) and the Greater Mekong Subregion (GMS). In particular, export potential exists in non-rice crops such as beans, pulses, and oil seeds. Myanmar is the world's second-largest producer of pulses and beans, and ranks third for sesame.

The proposed project is closely aligned to the Myanmar government's strategy. The government regards agricultural development as one of the driving forces of the economy and the foundation for the broad-based development and inclusive growth that is needed to improve the well-being of Myanmar's people.





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## TRANSPORT

### Mobilise Your City

#### INDIA

**Total budget:** €133.5 million

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**AIF contribution:** €3.5 million

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**Lead finance institution:** AFD

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**Type of AIF support:** Technical Assistance

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Mobilise Your City is part of an international initiative that aims to support governments at both local and national levels in their efforts to achieve more sustainable urban mobility. The programme proposed for India will support three pilot cities (Nagpur, Kochi and most probably Ahmedabad, although the third city has yet to be confirmed) in formulating and implementing sustainable urban mobility plans and measuring and reporting their impact in terms of GHG emissions reduction.

Mobilise Your City has a twofold objective: to assist cities in their efforts to reduce their urban transport-related GHG emissions and to help national governments to improve their sustainable urban transport policy. The purpose is to encourage the development of low-carbon pathways, from a project-based approach at the city level to a policy-based strategy at the national level.

Mobilise Your City is fully in line with the AIF's regional objective of supporting climate change related investments. The project will provide additional non-infrastructure components related to green investments in the urban transport sector in India, with a priority focus on climate change mitigation.

Through a better control of land use and a modal shift to public transport, Mobilise Your City will allow a

reduction of GHG emissions in the selected Indian cities. Beyond improvements in air quality, the reduction of traffic congestion will ease urban mobility in general, facilitating the access of poor people to health and educational facilities and economic activities, and improving the living standards of all city dwellers while at the same time increasing safety for travellers. It will also strengthen economic growth and enhance overall urban productivity through an easier access to employment, time saving for individuals, and economies of scale for the selected cities.

In addition, Mobilise Your City will generate a leverage effect which will benefit the overall urban development and urban transport sectors in India, both directly - by enhancing mobility in the selected cities - and indirectly through potential replication in other cities and through the initiation of policy dialogue on sustainable urban transport.

The initiative will be implemented within the framework of existing and envisaged green investments supported by AFD in the urban transport sector in India. The EU support will make India's public transport investments more efficient and will support the preparation of new investment projects in the urban transport sector. By formulating new projects, the proposed technical assistance aims to establish a continuous process of improvement in the urban mobility sector in India.

## The Broader Context

With 1.2 billion inhabitants and 40 cities with populations of more than a million, India has become the third largest global source of GHG emissions. Faced with the challenge of sustaining its rapid economic growth while dealing with the global threat of climate change, the Indian government issued a National Action Plan on Climate Change (NAPCC) in 2008, outlining existing and future policies and programmes related to climate mitigation and adaptation. Among other challenges, this Action Plan addresses the need to incentivise the use of public transportation, notably through better urban planning and a modal shift through long-term transport plans.

The policy landscape in the transport sector in India has changed recently and now has a heightened focus on two cross-cutting themes: sustainability and integration. Reflecting this, India has been investing heavily in urban transport infrastructure - mostly metros - in recent years and can testify to the fact that this has contributed to a global reduction in GHG emissions. However, India lacks the resources for strategic planning, capacity building and more generally for "soft-component" support to their projects. Therefore, the Indian government has asked external donors to tie their financing with technical assistance for work on institutional arrangements, multi-sector policies, and innovative issues such as climate finance, etc.





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## PRIVATE SECTOR

### Programme to Finance Environment & Safety Retrofits in the Bangladeshi Ready-Made Garment (RMG) Sector

#### BANGLADESH

**Total budget:** €80.5 million

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**AIF contribution:** €6.3 million

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**Lead finance institution:** AFD

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**Co-financiers:** KfW

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**Type of AIF support:** Technical Assistance (€1.5 million)  
Investment Grant (€4.8 million)

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The Programme to Finance Environment & Safety Retrofits in the Bangladeshi Ready-Made Garment (RMG) Sector offers incentives in the form of financial tools and technical assistance for Bangladeshi garment manufacturers to upgrade the safety conditions of their factories and to mitigate the environmental and social cost of their activities. This programme is particularly important as, although the RMG sector is the main pillar of Bangladesh's economy, there is a blatant disregard for basic safety standards in some factories.

The project will be divided into four components, the first of which is a credit facility to finance RMG factories' investments related to safety improvements and upgrading

of environmental and social standards. Under the second component, technical assistance will be provided to RMG companies and Participating Financing Institutions to facilitate access to finance and secure compliance with optimal environmental and social standards.

The project also includes a performance-based investment grant mechanism to create incentives and to lower the cost of investments for RMG companies. Furthermore, cross-cutting project implementation support will be provided to reinforce the Central Bank's institutional capacity to support the initiative and its active stakeholders.

The project will help RMG factories in Bangladesh to receive the financing they need to carry out safety investments as recommended by fire, electricity and building structure audits through the implementation of Corrective Action





Plans. They will also get help in designing the investment projects requested by these plans, and support in carrying out environmentally friendly investments that have been pre-validated by an independent technical expert. This support will help ensure full compliance with national labour and environmental protection regulations.

In the short-term, the programme is expected to benefit up to 150 RMG factories, which will be compelled to make safety-related investments, thereby improving working conditions for more than 190,000 workers, of which about 80% are women.

In the long-term, the project also aims to improve the environmental and social sustainability of the RMG sector beyond the implementation phase of the project through technical assistance to be provided to factory owners.

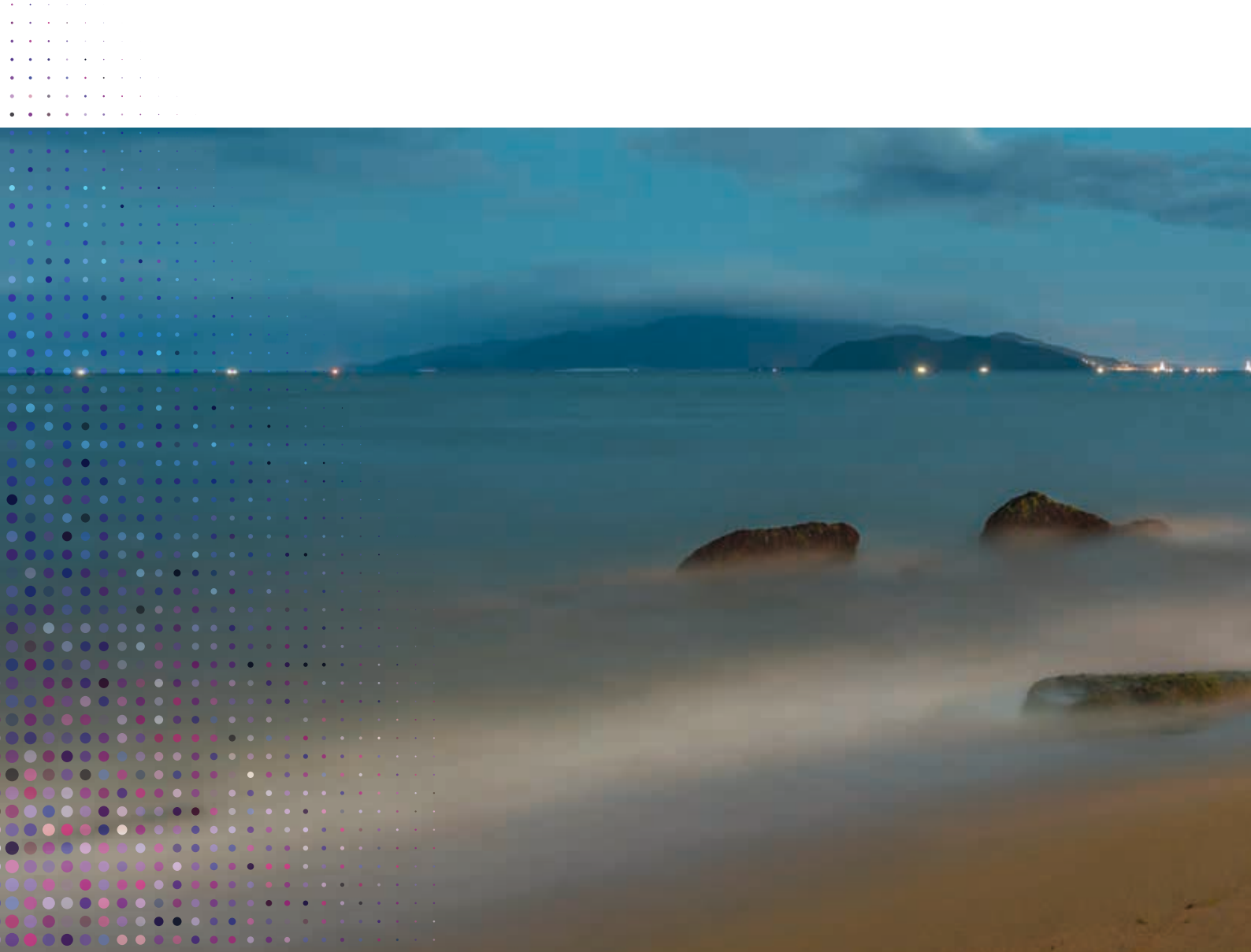
## The Broader Context

The ready-made garment (RMG) industry is the leading driver of Bangladesh's economy. With revenues representing about 15% of the national GDP, the country's 4,500 export-oriented textile factories are said to employ more than 4 million workers and constitute 80% of national exports. The RMG industry largely participates in the empowerment of women - who represent 80% of the workforce - in a country where patriarchal traditions still prevail.

However, the positive contribution of the RMG industry in Bangladeshi society has been deeply tarnished by a series of tragedies, culminating in a fire at the Tazreen Fashion factory in 2012 and the collapse of the Rana Plaza complex in 2013, which resulted in 1,138 casualties. These disasters have highlighted the poor safety standards at garment factories and have brought into question the capacity of the RMG industry to sustain its growth.

In July 2013, the EU, the United States, the International Labour Organisation and the Bangladeshi government adopted the "Compact for Continuous Improvements in Labour Rights and Factory Safety in the Ready Made Garment and Knitwear Industry in Bangladesh", more commonly referred as the Sustainability Compact.

The Sustainability Compact comprises a list of measures that the Bangladeshi government is expected to implement, with deadlines for their completion. Though not legally binding, this international commitment has served as a framework to catalyse action in this area, and a lot of progress has been made since 2013.



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## ENVIRONMENT

### Scientific Study upon coastal erosion in Quang Nam, Tien Giang and Ca Mau provinces

#### VIETNAM

**Total budget:** €1.675 million

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**AIF contribution:** €1 million

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**Lead finance institution:** AFD

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**Co-financiers:**

Ministry of Science & Technology (MoST) via Southern Institute of Water Resources Research (SIWRR)

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**Type of AIF support:** Technical Assistance

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This study is being carried out in support of a project to restore the mangrove belt in Ca Mau and Tien Giang provinces in Vietnam, and to rehabilitate Cua Dai beach in Quang Nam province. It aims to gain a better understanding of the causes of the erosion and sediment build-up process in the Lower Mekong Delta (Tien Giang and Ca Mau provinces) and the central coastal area of Vietnam (Quang Nam province).

The study will provide a strong scientific basis for the three provinces to identify structural measures, including restoration of forest belts, and non-structural measures to implement in the framework of a future investment programme to protect the shoreline from erosion.

As part of the study, data collection and measurements will be conducted at each of the three sites. Experiments will also be conducted using modelling and simulations of waves, coastal currents, sediment transport and so on. Based on these studies, it will be possible to identify appropriate measures to protect the shoreline.

Following this work, the three provinces will receive a report on the protection measures identified along with a comprehensive assessment of these measures, including financial and economic aspects, and recommendations





for action. They will also receive a report on the expected morphological changes to the shoreline once the selected measures have been implemented.

At the end of the study, the three provinces will be able to launch the relevant feasibility studies to define an investment programme. The aim of this programme will be to cope with the erosion process and the effects of climate change on the seashore, such as rising sea levels and extreme weather. The study will also contribute to a better general understanding of the erosion process at work in coastal zones of Vietnam and will contain recommendations applicable to other coastal areas in the east and west of the country.

Overall, the project will help improve environmental protection in coastal zones and allow for a better focus on, and control of, the impacts of climate change. It will also result in improved protection of public and private infrastructure and help provide the stability needed for socio-economic development, particularly for small and medium enterprises in agriculture and aquaculture, and local tourism operators.

## The Broader Context

Vietnam has 3,260 km of coastline with different tidal regimes and two important deltas. Moreover Vietnam has a tropical climate influenced by the northeast monsoon (dry season in winter) and the southwest monsoon (wet season in summer) with storm surges regularly occurring from August to November.

Vietnam's coastline is subject to hydro climatic hazards resulting in serious erosion in many places. This phenomenon, which was initially due to natural causes linked to complex wave and tidal conditions, is getting worse as a result of anthropogenic factors such as reservoirs in the upper basins, coastal infrastructure (including protective infrastructure), sand extraction activities, deforestation, fishing and the shipping industry. This situation is compounded further by the effects of climate change: rising sea levels, extreme weather, change in wave direction, and so on.

This erosion process is harmful to the socio-economic development of the country as a whole, given that a lot of the Vietnamese population and a significant share of public/private investments are concentrated in coastal zones.



## ENERGY

### SUNREF India Housing

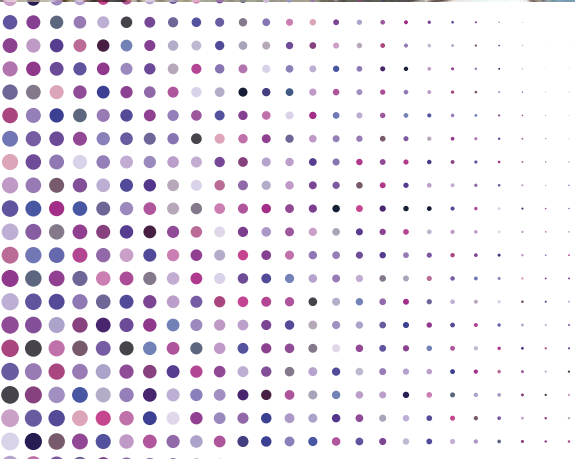
#### INDIA

Total budget: €157.25 million

AIF contribution: €12 million

Lead finance institution: AFD

Type of AIF support: Technical Assistance (€3 million)  
Investment Grant (€9 million)







The SUNREF Housing India projects aims to reduce the negative impacts on the environment of the dramatic growth in the housing industry in India. Specifically, the project aims to spur energy and environmental efficiency measures beyond current housing sector rules by promoting existing ambitious environment/energy labels. This will ensure that the operations financed through the project are easily replicable.

The project also aims to provide financial intermediaries and housing developers in India with technical and financial support to scale-up the green housing industry, particularly in the affordable housing subsector. It will also reinforce the National Housing Bank of India's institutional capacity to support the nascent green housing market and to ease the early adoption of rules favourable to green housing in the public policies of a number of Indian states.

To date, there have been a limited number of green housing units in India, and these have been concentrated among the high and the upper-medium income groups. The SUNREF Housing India project will demonstrate that it is possible for lower income households to access green housing at an affordable price by providing technical assistance and a limited subsidy to absorb the incremental costs of the first operations. This will be phased out once the supply chain of the industry is better organised.

To improve the environmental profile of the housing sector, the project will reduce CO<sub>2</sub> emissions, water consumption and waste production by improving energy and water efficiency and optimising the use of raw materials. By promoting green buildings for the residential sector, which accounts for 22% of total electricity consumption in India, the project will reduce housing's climate footprint. This will be achieved by using raw materials that consume less energy in production and transport and ensuring that the equipment used in the housing units are also energy efficient.

The housing units proposed are not only green but also more comfortable and are located in zones that provide all the basic services, thus improving the lives of their residents.

Of the AIF contribution, the investment grant will be used to reduce the cost of accessing green housing by supporting the cost of label certification for projects and by reducing the cost of credit to the final borrower. The technical assistance component will address needs related to capacity building, marketing and communications, monitoring and evaluation, and regulatory support.

## The Broader Context

By 2030, India's urban population is expected to reach about 600 million, accounting for about 40% of the country's total population. The urban population in India will continue to grow at a rapid pace due to the country's high fertility rate and its current transition from an agricultural to a service-oriented economy. Existing cities and towns will come under additional pressure to deliver basic services and housing and new cities and towns will be built to accommodate the additional work force. In both cases, the need for housing will increase, resulting in increased construction activities.

This situation is significantly different from developed countries, where most of the building stock has already been constructed. This provides both challenges and opportunities for stakeholders to develop this building stock appropriately. Energy and environmental management practices and use of sustainable energy, like solar and wind, should be encouraged in the planning of buildings and in urban planning. In general, environmentally friendly techniques have yet to be put into practice in urban areas, especially in large cities. The environmental sustainability of housing is concerned with the impacts of housing on the environment and climate change, as well as the impacts of the environment on housing itself.



# IFP

## The Investment Facility for the Pacific

Launched in 2012, the IFP responds to the need to support investment in projects that aim to boost economic growth and contribute to poverty reduction in the Pacific region. Funded under the European Development Fund, the IFP is designed to promote “green” investments in sustainable energy, transport, water and sanitation, environmental protection, private sector development and improved social service delivery. The island states of the Pacific are also particularly vulnerable to the impacts of climate change and, as a result, efforts to adapt to and mitigate these impacts are a core element of the IFP strategy.

## SUPPORTING EU POLICY GOALS IN THE PACIFIC

The IFP is a key mechanism through which the European Union pursues its policy goals in the Pacific region. The 11<sup>th</sup> EDF IFP is financed from the Regional Indicative Programme for the Pacific and aligned with Priority Area 1 and 2 of the Regional Indicative Programme 2014-2020. Specifically, these Priority Areas relate to regional economic integration (i.e. trade and private sector development) and sustainable management of natural resources and the environment (i.e. sustainable fisheries and waste management).

The projects approved in 2014 for IFP funding are fully in line with these policy objectives. The aims of both the Technical Economic Feasibility Study for Lower Ba Hydropower Development in Fiji, and the PPI Programme in Timor-Leste include the promotion of good environmental management and support for private sector development in the Pacific island countries. Both projects will use IFP contributions to leverage investments which will, in turn, foster sustainable economic growth stemming from the multiplier effects that these sectors have in the economy. In this way, the projects will support the EU’s development policy objectives for sustainable and inclusive development and the eradication of poverty in line with the Sustainable

Development Goals. The two projects approved in 2014 consumed all of the funds allocated by the 10<sup>th</sup> EDF for 2012-2015. A new €20 million allocation is available as of 2017.

Donor coordination is also a key EU priority and, with respect to the two IFP projects, this is formally conducted by means of annual donor coordination meetings to prevent overlapping activities in sectors and/or regions. Relevant EU policies concerning cross-cutting issues, such as human rights, democratisation, gender, security and the environment, are also taken into consideration in the approved projects.

The island states of the Pacific are particularly exposed to the impacts of climate change, particularly rising sea levels. In light of this, the EU aims to support countries in the Pacific in their efforts to adapt to and mitigate these effects. Here too, the IFP supports EU policy goals and, while neither of the projects approved in 2014 contain specific funding to be reported as climate action support, both projects aim to promote practices that encourage climate-change resilience and help the countries involved to reduce their exposure to natural hazards, including those arising from the impacts of climate change.



# IFP / AT A GLANCE

For the 2012-2014 period, the European Commission has committed up to

**€10**  
million

for the IFP from the 10<sup>th</sup> EDF intra-ACP

The commitments have been made in 2014 with the following breakdown:

## IFP Portfolio

% total IFP Contribution

**Fiji**  
1 Project  
€4.5 million  
49%

**IFP  
Projects**

**Timor-Leste**  
1 Project  
€4.75 million  
51%

# On the frontline of the battle against climate change

Countries in the Central Asia, Asia and Pacific regions are highly vulnerable to the damaging impacts of climate change. According to a recent report from the United Nations Economic and Social Commission for Asia and the Pacific, higher temperatures, sea level rise, and extreme weather events linked to climate change are having a major impact on the region, slowing economic growth and compounding developmental challenges, including poverty, food and energy security and health. The report estimates that, without climate-driven development, climate change could force more than 100 million people into extreme poverty by 2030, wiping out the gains in poverty reduction achieved over the last decades.

In anticipation of this challenge, in December 2010, developed countries committed to the goal of jointly providing funds, increasing to US\$100 billion per year by 2020, to address the needs of developing countries for significant mitigation actions to be implemented in a transparent way. For the EU to meet its commitments in terms of climate finance, specific Climate Change Windows (CCWs) were created in the EU regional blending facilities. The CCWs encompass both public and private investments in strategic areas such as transport, energy, environment, water, sanitation and forests.

The main objectives behind the establishment of **Climate Change Windows (CCWs)** in the EU regional blending facilities are as follows:

1. Establish a tracking system for climate change related operations;
2. Ensure transparency of EU financing of climate change projects, including by making a distinction between programmed funds within geographical instruments and new, additional resources;
3. Guarantee better tracking and EU visibility for all its climate actions;
4. Mainstream the fight against climate change in projects (co)financed by the EU;
5. Attract additional financing for climate change.

The tracking system is based on the contribution of each project to the climate mitigation and/or adaptation objectives of the Rio Convention on Climate Change:

- Rio Marker 1: projects where the contribution to mitigating and/or adapting to climate change represents a significant objective (40% of the LAIF/CIF contribution can be reported as climate action support);
- Rio Marker 2: projects where the contribution to mitigating and/or adapting to climate change represents the principal objective (100% of the LAIF/ CIF contribution can be reported as climate action support).

#### Mitigation measures include:

- Limiting the emission of greenhouse gases caused by human activity;
- Improving energy efficiency and increasing energy saving;
- Increasing the production and use of renewable energy;
- Protecting and/or enhancing greenhouse gas sinks and reservoirs.

#### Adaptation measures include:

- Reducing human and environmental vulnerability to the impact of climate change;
- Promoting climate change adaptation technologies, including the related infrastructures;
- Measures for emergency prevention and preparedness to cope with natural disasters.

At the 21<sup>st</sup> Session of the Conference of Parties to the United Nations Framework Convention on Climate Change (COP21) in Paris in December 2015, countries pledged to strengthen the global response to the threat of climate change, in the context of sustainable development and efforts to eradicate poverty, including by making finance flows consistent with a pathway towards low greenhouse gas emissions and climate-resilient development.

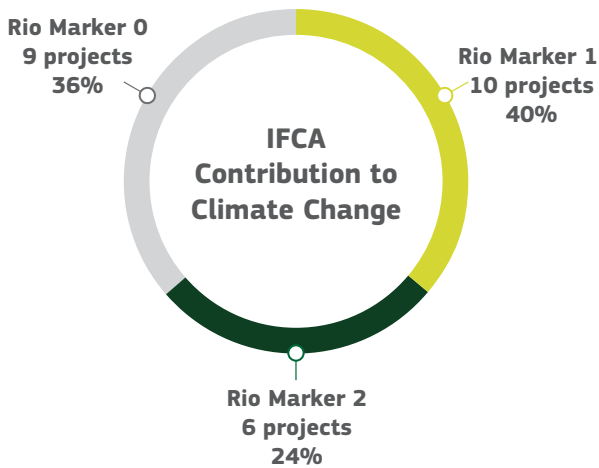


## RESULTS

### IFCA

Of the 25 IFCA contributions approved between 2010 and 2016, 16 have a climate action component. From a total IFCA contribution of over €143 million, over €52 million can be reported as climate action support according to the Rio Convention on Climate Change (Rio Marker 1: 40% of the IFCA grant, Rio Marker 2: 100% of the IFCA grant contribution).

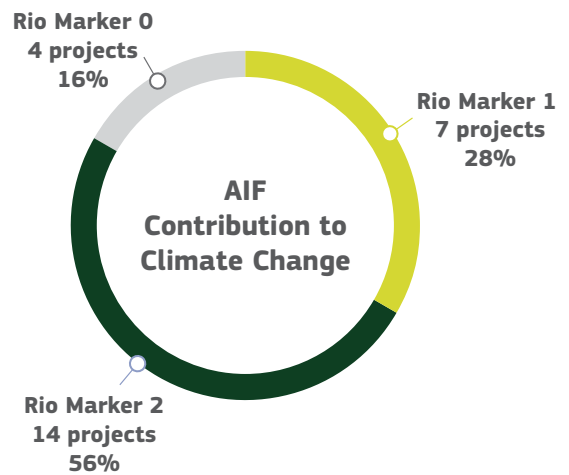
Of the 16 projects with a climate action component, six can be reported as Rio Marker 2, with IFCA contributions to be reported as climate action support totalling almost €34 million. Another ten projects were reported as Rio Marker 1, with IFCA contributions to be reported as climate action support totalling over €18 million.



### AIF

Between 2012 and 2016, 21 of the 25 AIF contributions target climate actions. Out of the €147 million AIF contribution approved, of almost €103 million can be reported as climate action support according to the Rio Convention on Climate Change (Rio Marker 1: 40% of the AIF grant, Rio Marker 2: 100% of the AIF grant contribution).

A total of 14 AIF contributions can be reported as Rio Marker 2, involving total AIF contributions to be reported as climate action support of around €88 million. Another seven projects were reported as Rio Marker 1, with CIF contributions to be reported as climate action support of €14.5 million.



# CLOSING REMARKS



**Stefano Manservigi**

Director-General for International  
Cooperation and Development

Climate change, rising inequalities, irregular migration, and conflicts and insecurity are all global issues, which require global responses. This is why the European Commission put forward proposals in November 2016: to realign European development policy with the new 2030 Agenda for Sustainable Development; and to honour global commitments to deliver peace and prosperity for our people and planet, by working better together in partnership. We adopted the new European Consensus for Development in June 2017.

Part of this integrated response means working with a broader range of actors, including the private sector, to generate the investment needed in vital areas, from energy and transport, to major infrastructure projects and the sustainable use of natural resources. We can help to achieve this by 'blending' limited public resources to generate greater public and private investment.

Innovative financial instruments – including the Investment Facility for Central Asia (IFCA), Asia Investment Facility (AIF) and Investment Facility for the Pacific (IFP) – have again proven their ability to do just this.

In 2016, seven projects were agreed under the AIF for over EUR 55 million, which leveraged over EUR 558 million to finance projects in the fields of transport, agriculture, social and energy efficiency. Meanwhile, IFCA saw three projects approved for more than EUR 24 million, which will leverage almost EUR 140 million of investment in large-scale infrastructure and technical assistance.

The collaborative green solutions financed through these facilities help to support the most vulnerable communities, who are often the most disproportionately affected by devastating climate change. Human well-being and resilient societies depend on healthy ecosystems. So we will continue to support the efforts of our partners in this region to prevent and mitigate its impact, while enabling societies to prosper and benefit from technological innovation through the more sustainable use of natural resources.

EU blending mechanisms are an important tool for achieving these aims and we will continue to build on their success to ensure a more innovative approach to financing sustainable development for all.



# ORGANISATIONAL STRUCTURE

## EU Blending Frameworks

A new governance structure for blending instruments was agreed with the EU Member States in 2014. Within this new structure, the EU implements blending operations under the DCI, EDF, ENI (European Neighbourhood Instrument) and IPA (Instrument for Pre-Accession Assistance) Blending Frameworks, corresponding to the financing instruments supporting the Union's external policies. The Blending Frameworks, through their corresponding facilities, cover the countries and thematic operations concerned.

## Project assessment and Board opinion

A blending operation needs to be developed by a Finance Institution, as it involves the provision of a loan or other type of financing from one or more Finance Institutions.

















The Lead Finance Institution is in charge of submitting a project proposal, using a project application form, for discussion and assessment at a Technical Assessment Meeting. These meetings are chaired by the Commission with the participation of the European External Action Service (EEAS) and Finance Institutions.

Based on the results of the discussions at the Technical Assessment Meeting, proposals may either be considered mature enough for submission to the Board, may be returned for re-submission at a subsequent meeting, or may be rejected.

The Board is responsible for formulating opinions on individual blending operations. It is chaired by the Commission with the participation of the EEAS and the EU Member States, as voting members, and the Finance Institutions as observers. Based on Board decisions for the selected proposals, a complementary decision is adopted by the Commission.

## Secretariat

The Secretariat of the EU Blending Frameworks is run by the Commission. The Secretariat supports the management of the EU Blending Frameworks by providing support, including in the assessment process and formulation of opinions by the Board, coordination of consultations and organisation of technical assessment and Board meetings, reporting, dissemination of information, sharing of best practices and training. The Directorate-General for International Cooperation and Development (DG DEVCO) provides support to the DCI and EDF Blending Frameworks.

Country	Year of approval	Title of the project	Rio Marker 	Consortium of Finance Institutions	Sector	Total project cost (€ million)
Kazakhstan	2010	Kazakhstan Sustainable Energy Financing Facility		EBRD,EIB	energy	30
Tajikistan	2011	Khujand Energy Loss Reduction project (Sugd)		EBRD,EIB	energy	21
Tajikistan	2011	Central Tajik Water Rehabilitation		EBRD	environment	15
Regional	2011	Central Asia Technical Assistance Framework		EBRD	environment	8
Regional	2012	Structured microfinance fund for Central Asia (MIFA Debt Fund)		KFW, IFC	private	27
Kyrgyz Rep.	2012	Kyrgyzstan sustainable energy efficiency financing facility (KyrSEFF)		EBRD	energy	21
Regional	2012	SME Finance Facility for Central Asia		EBRD	private	86
Regional	2013	Framework for Strengthening Municipal Infrastructure in Central Asia (Phase I)		EBRD, WB, GEF, SECO	environment	39
Kazakhstan	2013	Kazagro Climate Loan for SMEs, Midcaps and MSMEs		EIB	private	152
Kazakhstan	2013	Framework for Technical Assistance in Kazakhstan		EBRD	environment	3
Kyrgyz Rep.	2013	Bishkek Solid Waste Project Phase I		EBRD	environment	24*
Uzbekistan	2014	Improvement of solid waste management system in the City of Samarkand		AFD	environment	29
Turkmenistan	2014	Implementation of Enterprise Growth Programme (EGP) and Business Advisory Services (BAS) in Turkmenistan		EBRD	private	3
Kyrgyz Rep.	2014	Bishkek Solid Waste Project Phase 2		EBRD	environment	0*
Turkmenistan	2014	Turkmenistan Project Identification Study		EBRD	multisector	1
Kyrgyz Rep.	2014	Tokmok Water Project		EBRD	water	6
Kyrgyz Rep.	2015	Value Chain Agro-Finance Phase I		KFW, EIB	private	54
Kyrgyz Rep.	2015	Osh and Jalalabad Solid Waste Projects		EBRD, EIB	environment	21
Kyrgyz Rep.	2015	Kyrgyzstan sustainable energy efficiency financing facility - Extension (KyrSEFF II)		EBRD	energy	43
Kyrgyz Rep.	2015	Oshelectro Rehabilitation Project		EBRD	energy	6
Kyrgyz Rep.	2015	Support to the Kyrgyz Republic for Water and Wastewater Investments		EBRD	water	41
Kazakhstan	2015	DAMU Green Loan for SMES and MIDCAPS ("Project")		EIB	multisector	202
Regional	2016	CA TA Framework for implementation support of EBRD Municipal and Environmental Infrastructure Projects – Extension		EBRD	water	69
Kyrgyz Rep.	2016	Kyzyl-Kiya Water Project		EBRD,EIB	water	7
Kyrgyz Rep.	2016	Support to the Kyrgyz Republic for Water and Wastewater Investments tranche 2		EBRD,EIB	water	64
<b>TOTAL</b>						<b>970</b>

























IFCA contribution (€ million)	Amount to be reported as Climate Action support (€ million)	Type of IFCA support	Status	Tendering of EU financed project components started?	Construction of the project started?	EU financed TA/ Guarantee/Risk Capital started?
5.0	5	TA/Grant	Cancelled	N/A	N/A	N/A
7.0	0	TA/Grant	Implementing	Awarded	Under construction	On-going
7.0	0	TA/Grant	Implementing	Awarded	Under construction	On-going
8.0	3.2	TA	Implementing	N/A	N/A	On-going
3.0	0	RC/TA	Implementing	N/A	N/A	On-going
6.8	6.8	TA/Grant	Implementing	Awarded	N/A	On-going
11.0	0	Guarantee/TA	Implementing	N/A	N/A	On going
7.3	2.9	Grant	Implementing	Awarded	No	Completed
1.8	1.8	TA	Approved	Procurement to be launched	N/A	N/A
3.0	1.2	TA	Implementing	N/A	N/A	On-going
3.6	1.4	grant	Implementing	Awarded	No	N/A
8.0	3.2	TA	Implementing	Awarded	Studies ongoing	No
2.5	0	TA	Implementing	N/A	N/A	N/A
4.4	1.8	Grant	Implementing	Awarded	No	N/A
1.0	0	TA	Implementing	N/A	N/A	On-going
2.1	0.8	Grant	Implementing	Procurement to be launched	No	N/A
5.0	0	Grant	Signed	N/A	N/A	N/A
9.0	9	Grant	Signed	Procurement to be launched	No	N/A
9.2	9.24	TA/Grant	Signed	Procurement to be launched	N/A	Design on-going
1.1	0.42	TA/Grant	Signed	Procurement to be launched	No	Design on-going
11.2	0	Grant	Signed	Procurement to be launched	On-going	N/A
2.0	2	TA	Approved	Procurement to be launched	N/A	N/A
5.0	2	TA	Signed	Procurement to be launched	N/A	Design on-going
3.5	1.4	Grant	Part of Support to Kyrgyz Rep for Water and WW Investments (above, line22)			
15.7	0	Grant	Signed	Procurement to be launched	No	N/A
143.2	52.16					

\* Already accounted in project Bishkek Phase 1



# AIF / ANNEX

## LIST OF APPROVED PROJECTS (ALL FIGURES ARE IN € MILLION)

Country	Year of approval	Title of the project	Rio Marker 	Consortium of Finance Institutions	Sector	Total project cost (€ million)
<b>Regional</b>	<b>2012</b>	Structured Microfinance Fund for Asia (MIFA Debt Fund)		KFW, IFC	private	<b>54</b>
<b>Indonesia</b>	<b>2012</b>	Support to carbon-linked incentive mechanisms to support the implementation of Indonesian energy efficiency and renewable energy policy		KFW	environment	<b>27</b>
<b>Pakistan</b>	<b>2012</b>	Capacity-Building and Development of the Hydropower Sector in Pakistan		AFD	energy	<b>105</b>
<b>Bangladesh</b>	<b>2013</b>	Bangladesh Power Energy Efficiency		EIB, ADB	energy	<b>335</b>
<b>Bangladesh</b>	<b>2013</b>	Dhaka Urban Transport (DTCA Capacity Building)		AFD, ADB, GEF	environment	<b>199</b>
<b>Nepal</b>	<b>2013</b>	Efficient transmission of electricity from renewable sources		KFW, EIB	energy	<b>60</b>
<b>Cambodia</b>	<b>2013</b>	Improvement of access to electricity and water in small towns and rural areas		AFD	energy	<b>90</b>
<b>Regional</b>	<b>2013</b>	MIFA Debt Fund, Biogas/Renewable Energy 1 Component		KFW	energy	<b>18</b>
<b>Philippines</b>	<b>2014</b>	Disaster Risk management and Institutional Strengthening of Local Government Units		AFD, ADB	environment	<b>296</b>
<b>Vietnam</b>	<b>2014</b>	Supporting sustainable urban infrastructure development in Ho Chi Minh City area		AFD, KFW	environment	<b>51</b>
<b>Pakistan</b>	<b>2014</b>	WARSAK Hydropower Plant		AFD, EIB, KFW	energy	<b>146</b>
<b>Bangladesh</b>	<b>2014</b>	Dhaka Environmentally Sustainable Water Supply Project II (Saidabad 3)		AFD, EIB	water	<b>398</b>
<b>Sri-Lanka</b>	<b>2014</b>	Sanitation and Hygiene Initiative for Towns (SHIFT) in South West Sri Lanka		AFD	sanitation	<b>266</b>
<b>Laos</b>	<b>2015</b>	Vientiane Sustainable Urban Transport		EIB, ADB, OFID, GEF	Urban dev.	<b>70</b>
<b>Regional</b>	<b>2015</b>	Technical assistance facility for connectivity and urban dev. in ASEAN		AFD	multi	<b>1</b>
<b>Myanmar</b>	<b>2015</b>	Mandalay Urban Services Improvement Project (MUSIP)		AFD, ADB	Water/sanitation	<b>102</b>
<b>Mongolia</b>	<b>2015</b>	Support for Mongolian Economic Diversification through SME Access to Finance		EBRD	Private	<b>302</b>
<b>Indonesia</b>	<b>2015</b>	Eco fishing ports development pilot project		AFD	multisector	<b>107</b>
<b>India</b>	<b>2016</b>	Mobilize Your city		AFD	transport	<b>134</b>
<b>India</b>	<b>2016</b>	SUNREF India Housing		AFD	energy	<b>157</b>
<b>Bangladesh</b>	<b>2016</b>	Program to finance environment & safety retrofits in the Bangladesh ready-made garment (RMG) sector		AFD, KFW	private sector	<b>81</b>
<b>Vietnam</b>	<b>2016</b>	Scientific study for the development of sustainable measures to protect coastal zones in Quang Nam, Tien Giang and Ca Mau provinces		AFD	environment	<b>2</b>
<b>Vietnam</b>	<b>2016</b>	Coastal Wetland Ecosystems Conservation and Management in the Red River Delta		KFW	environment	<b>40</b>
<b>Myanmar</b>	<b>2016</b>	Irrigated Agriculture Inclusive Development Project		AFD, ADB	agriculture	<b>118</b>
<b>Myanmar</b>	<b>2016</b>	Improving the capabilities and facilities of the National Health Laboratory (NHL) in Myanmar		AFD	social	<b>27</b>
<b>TOTAL</b>						<b>3,185</b>




AIF contribution (€ million)	Amount to be reported as Climate Action support (€ million)	Type of AIF support	Status	Tendering of EU financed project components started?	Construction of the project started?	EU financed TA/ Guarantee/Risk Capital started?
6.0	0	RC/TA	implementing	N/A	N/A	On-going
7.0	7	TA/Grant	implementing	N/A	N/A	On-going
2.5	2.5	TA	Signed	Awarded	Studies ongoing	No
5.7	5.7	TA	Signed	Procurement to be launched	N/A	No
2.9	1.14	TA	Signed	Procurement to be launched	No	No
2.3	2.25	Grant	Signed	Procurement to be launched	No	N/A
6.0	6	TA/Grant	Implementing	Awarded	Under construction	On-going
4.0	4	RC/TA	Approved	N/A	N/A	No
4.8	4.8	TA	Implementing	Procurement to be launched	N/A	N/A
6.0	2.4	TA/Grant	Signed	N/A	No	No
4.5	4.5	TA/Grant	Signed	Procurement started	Studies ongoing	No
5.0	2	TA/Grant	Approved	Procurement to be launched	No	No
5.7	2.28	TA	Signed	Awarded	Studies ongoing	Design on-going
5.0	5	TA	Implementing	Awarded	N/A	On-going
1.1	0	TA	Signed	Procurement to be launched	N/A	No
8.0	3.2	TA/Grant	Signed	Awarded	N/A	Design on-going
9.3	0	TA/risk sharing	Implementing	N/A	N/A	On-going
3.7	1.48	TA/Grant	Cancelled	No	No	No
3.5	3.5	TA	Signed	Procurement to be launched	Under construction	Design on-going
12.0	12	TA/Grant	Signed	Procurement to be launched	No	Design on-going
6.3	0	TA/Grant	Approved	Procurement to be launched	No	No
1.0	1	TA	Signed	Awarded	N/A	On-going
10.0	10	Grant	Approved	N/A	No	No
20.0	20	TA	Approved	Procurement to be launched	N/A	No
5.0	2	TA	Approved	Procurement to be launched	N/A	No
147.2	102.75					



# IFP / ANNEX

## LIST OF APPROVED PROJECTS (ALL FIGURES ARE IN € MILLION)

Country	Year of approval	Title of the project	Rio Marker 	Consortium of Finance Institutions	Sector	Total project cost (€ million)
Fiji	2014	Technical Economic Feasibility Study for Lower Ba Hydropower Development		EIB, ADB	Energy	305
Timor-Leste	2014	Project preparation & Implementation Programme for Timor-Leste (PPI Programme)		EIB, ADB, WB	Multisector (Transport, Water, Waste Water, Urban development)	5
					<b>TOTAL</b>	<b>310</b>





IFP contribution (€ million)	Amount to be reported as Climate Action support (€ million)	Type of IFP support	Status	Tendering of EU financed project components started?	Construction of the project started?	EU financed TA/ Guarantee/Risk Capital started?
4.5	0	TA	Approved	N/A	Studies ongoing	No
4.8	0	TA	Approved	No	No	No
9.3	0					



# ACRONYMS

**ADB:** Asian Development Bank

**AFD:** Agence Française de Développement

**AIF:** Asia Investment Facility

**ASEAN:** Association of Southeast Asian Nations

**CCW:** Climate Change Window

**COP21:** 21<sup>st</sup> Session of the Conference of Parties to the United Nations Framework Convention on Climate Change

**DCI:** Development Cooperation Instrument

**EBRD:** European Bank for Reconstruction and Development

**EDF:** European Development Fund

**EFI:** Eligible Finance Institution

**EIB:** European Investment Bank

**GDP:** Gross Domestic Product

**GEF:** Global Environment Fund

**IFCA:** Investment Facility for Central Asia

**IFP:** Investment Facility for the Pacific

**KfW:** Kreditanstalt für Wiederaufbau

**OFID:** OPEC Fund for International Development

**OPEC:** Organisation of the Petroleum Exporting Countries

**PRIF:** Pacific Region Infrastructure Facility

**SECO:** Swiss State Secretariat for Economic Affairs

**SEFF:** Sustainable Energy Financing Facility

**SME:** Small and Medium-sized Enterprise

**SMRE:** Small and Medium-sized Rural Enterprise

**SSF:** EBRD Shareholder Special Fund

**MPAC:** Master Plan for ASEAN Connectivity

**UCCRTF:** Urban Climate Change Resilient Trust Fund





These projects are implemented in partnership with:



Asian Development Bank



European Bank  
for Reconstruction and Development

