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This action is funded by the European Union

ANNEX 5

of the Commission Implementing Decision on the financing of the annual action programme in favour of Central Asia for 2018 part 2 and in favour of the Asia region for 2018 part 4

Action Document for the Investment Facility for Central Asia (IFCA) 2018bis

1. Title/basic act/ CRIS number	Investment Facility for Central Asia (IFCA) CRIS number: 2018/041-116 financed under the Development Cooperation Instrument	
2. Zone benefiting from the action/location	Central Asia Region (Kazakhstan, Kyrgyzstan, Tajikistan, Turkmenistan, Uzbekistan)	
3. Programming document	Addendum No 1 to the Multiannual Indicative Programme between the European Union and Central Asia for the period 2014-2020[1]	
4. Sector of concentration/ thematic area	• Regional Sustainable Development	DEV. Aid: YES
5. Amounts concerned	Total estimated cost: EUR 20 000 000 Total amount of EU budget contribution EUR 20 000 000 The contribution is for an amount of EUR 20 million from the general budget of the European Union for financial year 2018. This action is co-financed by entities and for amounts specified in the indicative project pipeline which is the appendix I of this Action Document.	
6. Aid modality(ies) and implementation modality(ies)	Project Modality **Indirect management** with the entities to be selected in accordance with the criteria set out in section 5.3.	
7 a) DAC code(s)	14010 Water sector policy and administrative management 14050 Waste management / disposal 16050 Multi-sector aid for basic social services	

[1] Decision C(2018)4741 of 20/07/2018

	21010 Transport policy and administrative management 23010 Energy Policy and administrative management 32130 SME Development 41010 Environmental policy and administrative management
b) Main Delivery Channel	46015 European Bank for Reconstruction and Development 42004 European Investment Bank European Development Banks

8. Markers (from CRIS DAC form)	**General policy objective**	**Not targeted**	**Significant objective**	**Main objective**
	Participation development/good governance	X	☐	☐
	Aid to environment	☐	☐	X
	Gender equality (including Women In Development)	☐	X	☐
	Trade Development	X	☐	☐
	Reproductive, Maternal, New born and child health	X	☐	☐
	RIO Convention markers	**Not targeted**	**Significant objective**	**Main objective**
	Biological diversity	X	☐	☐
	Combat desertification	X	☐	☐
	Climate change mitigation	☐	X	☐
	Climate change adaptation	☐	☐	X

9. Global Public Goods and Challenges (GPGC) thematic flagships	N/A
10. Sustainable Development Goals (SDGs)	SDG 6: Clean Water and Sanitation SDG 7: Affordable and Clean Energy SDG 8: Decent work and economic growth SDG 13: Climate Action

SUMMARY

The Investment Facility for Central Asia ("IFCA" or "the Facility") is a regional blending facility designed to combine EU grants with other public and private financial resources such as loans and equity in order to leverage additional non-grant financing. By reducing, through co-financing, the overall cost of the project and/or its perceived risk, the Facility will encourage beneficiary governments, private sector and/or public institutions to carry out

essential investments in sectors which could otherwise be postponed or even not financed at all due to lack of appropriate resources.

IFCA has been established in 2010 through the Development and Cooperation Instrument (DCI). It is aligned with the objectives of the "EU-Central Asia Strategy for a New Partnership" as well as the Regional Indicative Programme for Central Asia for the period 2014 – 2020 which has recently undergone a Mid-term Review (MTR)[2]. One of the key changes under the MTR is the creation of earmarked bilateral investment allocations within the RIP in view of ensuring country ownership and alignment of focal sectors with countries' priorities (RIP and bilateral focal sectors can be covered). These "country allocations" will remain indicatively earmarked until the end of 2019 and complement regional investment funds. The main purpose of these investment funds is to promote additional SDG relevant investments in key infrastructure with a focus on climate action and environmental protection, including energy efficiency as well as waste and water management. In addition, the investment allocations may help to improve access to finance for small and medium sized enterprises (SMEs) and to promote social sector investments. The Facility is the preferred implementation modality for the earmarked bilateral investment allocations as well as the non-earmarked regional investment funds. Other modalities such as stand-alone technical assistance for capacity building are possible implementation mechanisms, too, though.

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 financial instruments. Financing of the DCI blending framework will be possible from DCI Regional and Bilateral Multi-Annual indicative programmes as well as relevant thematic budget lines.

The present Action Document is a continuation of Commission decisions C(2010)2314, C(2011)9224, C(2013)9345, C(2014)9534, C(2015)5877, C(2016)8253 an C(2017)8730 on IFCA.

1 CONTEXT

1.1. Regional context

Central Asia is a landlocked region situated between Russia and China which forms a bridge to the Middle East. With a total population of about 69 million (2015 figures), the region covers an area of 3,994,300 km2. Its population includes more than 100 different ethnic groups.

Central Asian countries have been undergoing significant political and social change, although at varying pace and with different outcomes, despite their common Soviet heritage. The orderly transition of power from late Uzbek President Karimov to President Mirziyoyev in late 2016 has triggered a period of newly found openness, and unprecedented engagement with the world, as well as constructive regional dialogue on many core issues in Central Asia. The election of President Mirziyoyev is seen as a positive step for the EU and a region as a

[2] Decision C(2018)4741 of 20/07/2018

whole, as Uzbekistan is not only a natural development cooperation partner and a growing trade partner, but is also well positioned geo-strategically with the largest population in Central Asia. In Kazakhstan, which considers itself as a regional leader (e.g. by facilitating international and multilateral initiatives such as World Expo or the Syrian Peace Process talks), the overall political situation is stable. The recent election of a new Kyrgyz leader – President-elect Sooronbay Jeenbekov – was largely peaceful and competitive, despite suffering from “significant procedural problems” (OSCE). By contrast, in Tajikistan and Turkmenistan the human rights situation continues to deteriorate. In Turkmenistan, sharp drop in its gas revenues (4th largest natural gas reserves in the world), paired with protracted currency crisis and arbitrary travel bans puts the country at high risk of economic collapse in 2018.

Economically, the five Central Asian countries continue their transition towards market economies at varying pace, with important socio-economic differences. Their economies are vulnerable to external shocks: GDP growth is largely dependent on hydro-carbon revenues (Kazakhstan and Turkmenistan), and on remittances which represent 30% of the GDP (Tajikistan and Kyrgyzstan) with most migrants living in Russia (and Kazakhstan). The region has been negatively affected in recent years by the by the fall in global commodity prices and economic recession in Russia. As a direct consequence, remittances from migrant labourers are significantly down and all Central Asian currencies have dramatically depreciated against the US dollar, increasing prices for imported goods and creating inflation. However, there is a sense that the worst is over and that Central Asian economies are turning a corner. Oil prices have stabilised, Chinese investment has picked up in the region and the Russian economic crisis seems to have weakened. EU trade with Central Asia has grown and the EU is now the main trading partner of the region, accounting for about a third of its overall external trade. China's Belt and Road Initiative (BRI) also signifies an opportunity for Central Asia to improve and modernize infrastructure and increase inter-regional trade. However, the region risks becoming a mere transit region without the accompanying structural reforms. The potential of the private sector to drive GDP growth, employment generation and poverty alleviation remains largely unexploited as the state-led model has not been fully abandoned. It is difficult to determine the extent of unemployment in the region as data are sparse. What is clear, though, is that jobs are lacking throughout the region, particularly in rural areas.

The region is environmentally at risk and vulnerable to regional tensions over the management of natural resources, notably water and energy, as well as in relation to the management of the nuclear and chemical heritage from the ex-Soviet Union. The region is expected to experience more intense warming than the global average. Climate variability and change in Central Asia will impact key economic sectors, such as agriculture, energy, and water (adding to the on-going tensions), and put at risk the livelihoods of rural populations, which account for 50 to 75 percent of the Central Asian countries’ populations, with often high poverty rates.

The EU priorities for development with the Central Asia region are aligned with the "EU-Central Asia Strategy for a New Partnership", the key EU policy reference document. The Strategy was approved in 2007, and has since been reviewed by the Council of Ministers multiple times, with the most recent review having taken place in 2015. Poverty reduction as well as the promotion of sustainable and inclusive growth remain relevant. Countries are under growing pressure to cope with demographic growth and the needs of a surging young population seeking education and income generating activities. The rational use of natural resources is a key factor for socio-economic development and political stability of the region. There is a significant need for capital investment in order to increase energy efficiency and energy savings as well as to develop renewable energy sources since the energy and water infrastructure from the Soviet area is largely outdated and inefficient. The development of private SMEs is crucial for providing economic diversification and increasing living standards. Finally, adequate governance remains a major obstacle to development in the region, especially corruption.

IFCA aims to contribute to the implementation of national reforms addressing above mentioned issues and to support related investment needs. In addition, the facility is meant to facilitate access to finance for SMEs and to improve the level of governance in the banking and private (SME) sectors. Particular attention to demonstration effects of investments and to governance and risk aspects is paid by the European Financial Institutions during project identification, formulation and implementation.

1.2. EU Policy Framework

IFCA is designed in line with the 2007 EU-Central Asia Strategy for a New Partnership which was re-confirmed by the Council in 2012 and 2015, seeking to ensure stability and security of the Region while promoting poverty reduction and sustainable development. With EU Budget contributions totalling EUR 185 000 000 by the end of the first half 2018, IFCA contributes to implementing the EU-Central Asia Strategy while aiming at reducing the social, economic and political barriers between the EU and the Central Asia, countries, and extending EU policy initiatives to the Central Asia region.

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, estimated by the OECD at USD 2.5 trillion p.a. for developing countries. Already the Agenda for Change emphasises the support of inclusive growth and job creation as a key priority of EU external cooperation. Blending and leveraging private investments are also key components in the context of the new Sustainable Development Goals as well as the climate finance objectives agreed upon in the COP 21, the New European Consensus for Development and in the recently adopted European External Investment Plan (EIP). Although the EIP does not yet cover Central Asia, the MTR of the regional indicative programme for this region underlines adherence to its main principle, i.e. the mobilization of additional development relevant investments.

In accordance with the Regulation (EU) No 236/2014[3], 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.

[3] 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

IFCA is an instrument included in the EU's Regional Indicative Programme 2014 – 2020 for Central Asia as one of the funding modalities for the implementation of its focal sector "Sustainable Regional Development ".

1.3. Stakeholder Analysis

The beneficiaries of the Facility will be the Central 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 (FIs) that are eligible to become Lead Financial Institutions for IFCA 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 EBRD has so far been the main Financial Institution partner under IFCA: around 86% of all IFCA contracts signed by year end 2017 have been signed with this institution.

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 to a particular project or region. This would include those aspects in which non-European Financial Institutions might contribute to fill the gap left by European Financial Institutions, 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 and Board meetings as observers.

1.4. Priority areas for support/problem analysis

See point 1.1. and 1.2. above.

2 RISKS AND ASSUMPTIONS

Risks	Risk level (H/M/L)	Mitigating measures
Debt level of beneficiary countries is not sustainable.	M	Close attention is paid to this issue during the project selection process. This is facilitated by detailed information that the applying Financial Institution needs to provide on the application form.

Corruption, an important problem of all countries in the Central Asian region, hinders satisfactory implementation of IFCA.	M	Particular attention to governance and risk aspects is paid by European Financial Institutions during project identification, formulation and implementation. In addition, specific governance issues are covered by the bilateral co-operation programmes with Central Asian countries, in coordination with other donors.
Assumptions		
• The Political and security climate at the regional as well as country level in Central Asia will remain sufficiently stable to promote and secure investments. • Partner countries have identified priority investments and are ready to finance them through their own resources as well as through loans. • The Financial Institutions' pipeline of projects is of sufficient volume and quality to consume the present allocation to the Investment Facility for Central Asia within the period n+1. • Financial Institutions' capability to provide sufficient loan amounts also depends on the availability/accessibility of financial guarantees/grant resources in countries with a concessionality requirement. • Partner countries and other local beneficiaries are engaged from an early stage of project identification on, and have full ownership of the project prepared by the eligible European Financial Institutions.		

3 LESSONS LEARNT, COMPLEMENTARITY AND CROSS-CUTTING ISSUES

3.1 Lessons learnt

Since IFCA was created in April 2010, and despite the fact that IFCA eligible European Financial Institutions are not equally represented nor active in all Central Asian countries, IFCA grant contributions worth around EUR 160 million have been contracted to date[4], generating loans worth nearly six times this amount. All projects benefitting from IFCA resources are still ongoing at the time of the formulation of this Action Document, so that their development impact cannot yet be assessed. However, the selection of new IFCA projects will draw on results and recommendations of a recent Internal Audit Exercise (2017/2018) and Results Oriented Monitoring (2017/2018) once results are finalized as well as implementation experience of the Facility to date.

An overall evaluation on blending[5] was conducted between July 2015 and July 2016 incorporating all regional investment facilities[6] active during the period 2007-2014. The outcome of the evaluation is positive and following recommendations are relevant for further follow-up under IFCA:

- Focus strongly on the additionality of the blending grant

[4] As per 31.12.2017, including fees paid under IFCA to lead financial institutions.
[5] Evaluation of Blending, final report, December 2016, ADE
[6] 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.

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.

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

3.2 Complementarity, synergy and donor coordination

IFCA provides Central Asian countries with the possibility to fund investments where funding cannot (yet) be obtained on the financial market, or only at much higher costs. The current allocation is funded under the EU's Regional Indicative Programme 2014 – 2020 for Central Asia and focuses on activities that are line with the priorities of this Regional Indicative Programme and/or in line with investment priorities linked to the National Indicative Programmes of the countries having contributed earmarked investment allocations to the Regional Indicative Programme.

Increasingly, EU Delegations are seeking complementarity between budget support actions and blending operations. Especially in sectors benefitting from a sector reform program, blending operations facilitating priority investments within the focal sector are on the one hand expected to benefit from the policy dialogue linked to budget support, notably where it contributes to an improvement of the investment climate. On the other hand, they can provide additional leverage to this dialogue.

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 Financial Regulation 2018/1046. Since Financial Institutions' resources reinforce EU resources, IFCA 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 IFCA from the EU budget respect European Union principles and standards in terms of climate change, environment, gender equality, good governance and human rights. To ensure high environmental standards of projects funded under this action, environmental assessments will be carried out for actions based on, and according to the requirements of the EU directives on Environmental Impact Assessment and Strategic Environmental Assessment.

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

4 DESCRIPTION OF THE ACTION

4.1 Objectives/results

This programme is relevant for the implementation of the Agenda 2030 as it seeks to contribute to the Sustainable Development Goals (SDGs) related to clean water and sanitation, affordable clean energy, decent work and economic growth as well as climate action.

In line with the objectives of the relevant Indicative Programmes (Central Asia Regional as well as National Indicative Programmes for the Kyrgyz Republic, Tajikistan and Uzbekistan 2014 – 2020), IFCA's main objective is to contribute to sustainable regional development and economic growth by providing funding for key infrastructures which cannot (yet) be adequately funded on financial markets because they are considered as too risky, and by contributing to SMEs development. 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 IFCA is expected to mobilize additional financing several times the amount of the IFCA grant contribution.

IFCA aims to contribute to implementing national and sector reforms as well as valid policies by supporting related investment needs related to sustainable energy, climate change, environment, and SMEs development and social infrastructure, and in line with beneficiary countries' priorities. The Facility thus contributes to sustainable economic growth, and the reduction of unemployment and poverty. Furthermore, IFCA aims to support investments with the potential to mitigate or reduce the negative impact of climate change.

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

The expected results of IFCA activities include contributions to:

1. Improved sustainable energy infrastructure, notably:

- Improved transit connections between Central Asia and partner countries, thus increasing security of energy supply for the Central Asian countries;
- Improved safety, security and climate resilience of energy infrastructure;
- Improved energy efficiency and energy savings;
- Increased production and use of renewable energy (wind, solar energy, etc.).

2. Increased protection of the environment and better focus and control of climate changes impacts, notably:

- Introduction of integrated water management, including necessary related infrastructure;
- Reduction of air, soil and water pollution including monitoring infrastructure when needed;
- 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 – to the extent possible in line with the principles of circular economy - (household, municipal and industrial) including necessary related infrastructures.

3. Creation and growth of SMEs and improvement of the employment situations:

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

4. Improved sustainable social services and infrastructures, notably:

- 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;
- Improved vocational training facilities.

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

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

4.2 Main activities

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

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

4.3 Intervention logic

To be developed at project level.

5 IMPLEMENTATION

5.1 Financing agreement

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

5.2 Indicative implementation period

The indicative operational implementation period of this action, during which the activities described in section 4 will be carried out and the corresponding contracts and agreements implemented, is 120 months from the date of adoption by the Commission of this Action Document.

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

5.3 Implementation modalities

The Commission will ensure that the EU appropriate rules and procedures for providing financing to third parties are respected, including review procedures, where appropriate, and compliance of the action with EU restrictive measures[7].

Contribution to the Investment Facility for Central Asia

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

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

multilateral European Financial Institution such as the European Bank for Reconstruction and Development (EBRD), or a bilateral European Financial Institution.

Also in accordance with the recommendations made under the EU Platform for Blending in External Cooperation (EUBEC), the involvement of non-European FIs as lead financiers should be examined by the Board of the DCI Blending Framework on a case by case basis following a **targeted approach,** based on the **specific added value** as a lead financier brought in a particular project or region.

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

5.4 Scope of geographical eligibility for procurement and grants

The geographical eligibility in terms of place of establishment for participating in procurement and grant award procedures and in terms of origin of supplies purchased as established in the basic act and set out in the relevant contractual documents shall apply.

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 realization of this action impossible or exceedingly difficult.

5.5 Indicative budget

Facility	Amount in EUR
RIP contribution to IFCA	20 000 000

Funds originating from the Regional Indicative Programme (RIP) will finance operations in support of regional sustainable development in all countries covered by the programme, in line with the respective country's priorities. The RIP allocation includes funds from earmarked bilateral investment allocations.

In case additional funds originating from a bilateral Multi-Annual Indicative Programme are added to the Investment Facility, these funds will be allocated to projects benefiting the country contributing, and in line with the priorities of the respective bilateral Indicative Programme.

5.6 Organisational set-up and responsibilities

DCI Blending Framework

The Investment Facility for Central Asia 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[8] participate as observers. The opinion of the Board can be positive, negative or recommend re-submission of project proposals. FIs will be present for the purposes of presenting their proposals and responding to any request for clarifications on proposals submitted. The conclusions – reached according to DCI rules - of the meetings including their justifications will subsequently be communicated to the Financial Institutions in writing.

The Board will also be responsible for:

- providing guidance to participating institutions on appropriate future financing proposals (based on strategic priorities defined in the context of the programming process and further discussed in the strategic meetings - see hereunder), monitor and review the pipeline of projects, based on the results of the discussions at the technical level;
- examining project related results (including the annual reports) and monitor the portfolio of approved projects;
- promoting exchanges of best practices;
- drawing upon the specific expertise of the Finance institutions as appropriate and respect the appropriate division of labour;
- examining the involvement of non-European FIs as lead financiers on a case by case basis following a targeted approach, based on the specific added value as a lead financier brought in a particular project or region.

The Board would meet two to four times a year, depending on the needs. To improve efficiency, Board meetings will be held back to back with DCI Committee meetings whenever possible. When duly justified by time constraints, opinion on projects could be requested by written procedure.

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

- 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.

[8] Financial Institutions for the purposes of this document comprise European Financial Institutions participating in IFCA and invited non-European Financial Institutions.

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 European External Action Service (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 services and EEAS consultation process; 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 Investment Facility for Central Asia, including the details laid down in Article 209 of Regulation (EU, Euratom) No 2018/1046. Reporting will also be carried out at an individual operational level by the entrusted entities, in line with the contractual provisions of the bilateral agreement that the Commission will sign with these entities.

The entrusted entities should provide all the relevant information on the execution of the projects in order to enable the 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 IFCA grants based on the minimum set of results indicators listed in Appendix II, which 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.

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

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

APPENDIX I: INDICATIVE PIPELINE INVESTMENT FACILITY CENTRAL-ASIA

Title action	Sector	Lead FI	Overall investment	EU Contribution (fees included)			
				Technical Assistance	Investment Grant	Guarantee	Risk Sharing Mechanism
Kazakhstan							
Zheruyik Wind Power Plant	Energy	EBRD	87.500.000	850.000	12.700.000		
Development, construction and operation of a solar photovoltaic (PV) power plant	Energy	EBRD	110.000.000	200.000	4.000.000		
Uzbekistan							
Livestock Sector Development Project	Agriculture	AFD	150.000.000		15.000.000		
Energy efficiency facility for industrial enterprises & MSMEs	Energy efficiency	EIB	302.000.000	2.000.000			
Water Framework Loan	Water	EIB	320.000.000	10.000.000			

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

APPENDIX II: STANDARD OUTPUT AND OUTCOME INDICATORS FOR BLENDING PROJECTS[9]

Energy

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

[9] Source: guidance note on project application form; version January 2016

1.7	Population benefitting from electricity production	No. of households	The number of households which are estimated to benefit from new electricity supply from the project.
1.8	Power production	GWh/year	Total net annual average electricity generated by project, independently of its maximum capacity.
1.9	Power production from renewable sources	GWh/year	Total net annual average electricity generated by project from renewable sources, independently of its maximum capacity.
1.10	Energy efficiencies	GWh/year	Energy savings as a result of project against no project or most likely alternative (e.g. loss reduction in generation, distribution, etc.)

Transport

	OUTPUT INDICATORS	UNIT	DEFINITION
2.1	Length of new or upgraded roads	km	Total length of the road built or upgraded through the project. This indicator will refer to paved roads and in general cover motorways, highways, main or national roads, secondary or regional roads.
2.2	Length of new or upgraded railways	km	Total length of railroad tracks built or upgraded.
2.3	Length of new or upgraded urban transport lanes.	km	Total length of urban transport lanes including bus lane, tramline or metro tracks built or upgraded.
2.4	Port terminal capacity (passenger, container or cargo)	Million passenger per annum "mppa" (passenger); million TEU/year (container); million tons/year (cargo)	The indicator is the future capacity of the container terminal(s). In case of a terminal expansion, it includes the total capacity of the terminal(s) (current terminal(s) + expansion). The baseline is the current capacity of the container terminal(s). Depending on the type of terminal (container, passenger or cargo), the units used will be different.
2.5	Airport terminal capacity	Million Passengers per annum – "mppa" or	The indicator is the increase in passenger terminal capacity of the airport. It is calculated as the difference between the assessed total passenger terminal

		million tons /year (cargo)	capacity of the existing airport prior to the project being implemented and the assessed total passenger terminal capacity of the airport after the project has been implemented.
	OUTCOME INDICATORS	**UNIT**	**DEFINITION**
2.6	Users of new or upgraded roads	Average Annual Daily Traffic "AADT"	Average Annual Daily Traffic. All vehicle will be counted, including those of traffic that existed before upgrading, diverted traffic, traffic generated as a result of road improvement, as well as growth in each of these categories.
2.7	Rail use	Million Passengers /year or tons /year (cargo)	Total of passengers or freight using rail service.
2.8	Urban transport users	Million passenger per annum	Total urban transport passengers indicating those shifted from other transport modes as a result of the project.
2.9	Ports: Terminal(s) user traffic (passenger, container or cargo)	Million passenger per annum "mppa" (passenger); million TEU/year (container); million tons/year (cargo)	Total of passengers, containers or cargo using port services. Depending on the type of terminal (container, passenger or cargo), the units used will be different.
2.10	Airport use	Million Passengers per annum – "mppa" or million tons /year (cargo)	Passenger or freight traffic handled at the airport.

Environment (water and sanitation)

	OUTPUT INDICATORS	UNIT	DEFINITION
3.1	Length of new or rehabilitated water supply pipes	Km	Length of water mains and distribution pipes installed/ upgraded. All sizes of pipes intended to transport water for urban water use expressed in their aggregate length in the network, irrespective of pipe diameter, comprising mains as well as reticulation pipes.
3.2	Length of new or rehabilitated sewer pipes installed	Km	Length of collectors and sewers installed or upgraded. All sizes of sewer pipes expressed in their aggregate length in the network, irrespective of pipe diameter, comprising mains as well as reticulation pipes.
3.3	New connections to water supply	Nr.	Number of new connections to the water network. Only new connections resulting from a project are counted; those already connected to the network and

			receiving improved services through a project are not counted.
3.4	Water treatment capacity	M3/day	Maximum amount of water that the new or improved treatment plant can process. This indicator reflects the total new or additional capacity of treatment plant independently of its production during operation.
3.5	Wastewater treatment capacity	M3/day	Maximum amount of waste water that the new or improved treatment plant can process. This indicator reflects the total new or additional capacity of treatment plant independently of its production during operation.
	OUTCOME INDICATORS	**UNIT**	**DEFINITION**
3.6	Population benefitting from safe drinking water	Nr. of households	Urban or rural population using a safe drinking water supply, as defined by international standards.
3.7	Population benefitting from improved sanitation services	Nr. of households	Urban or rural population with access to improved sanitation services, as defined by international standards.
3.8	Potable Water Produced	M3/day	Amount of potable water produced, independently of the maximum capacity of the network.
3.9	Wastewater Treated	Population equivalent “p.e.”	Amount of wastewater treated, independently of the maximum capacity of the treatment plant.

Private sector development

	OUTPUT INDICATORS	UNIT	DEFINITION
4.1	*For direct operations*: 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	*For direct operations*: 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	*For indirect operations:* New financing made available to financial intermediaries (e.g. banks, microfinance institutions, funds)	Currency	Volume of credit lines/guarantees / capital investment extended to financial intermediaries for on lending to target groups (target groups being understood as Microfinance/MSME/Agribusiness/Energy Efficiency/Renewable Energy/Student Loans/Housing Finance/Retail Finance/Total Portfolio/Other to be specified in each instance).

	OUTCOME INDICATORS	UNIT	DEFINITION
4.4	*For indirect operations*: 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	*For indirect operations*: 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	*For direct operations*: Number of MSMEs reporting increased turnover (as a result of direct support received from the FIs)	Nr.	Number of MSMEs receiving direct assistance from FI that have increased the volume of their turnover.
4.7	*For both direct and, where feasible, indirect operations*: 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.
4.8.	Net employment creation (gender differentiated)	Nr. per year	Informal and formal jobs, measured yearly

Social (social housing, health and education)

	OUTPUT INDICATORS	UNIT	DEFINITION
5.1	New and/or refurbished habitable floor area	Square meter	Square meters of new and/or refurbished social housing.
5.2	New and/or refurbished health facilities	Nr.	Number of new and/or refurbished health facilities of any type (hospitals, clinics, health centres etc.).
5.3	New and/or refurbished educational facility	Nr.	Number of new and/or refurbished educational facility of any type (schools, universities etc.).
	OUTCOME INDICATORS	**UNIT**	**DEFINITION**
5.4	Population benefitting from improved housing conditions	Nr. of households	Number of households benefitting from improved housing conditions.
5.5	Bed occupancy rate	%	Percentage of beds occupied at the hospital.
5.6	Inpatients	Nr. per year	Number of patients per year that are admitted and stay at least one night at the hospital.

5.7	Outpatient Consultations	Nr. per year	Number of patients per year that are diagnosed or treated at but do not stay overnight at the hospital from the project.
5.8	Students benefitting from new and/or refurbished educational facility	Nr. per year	Students per year benefitting from new and/or refurbished educational facility by gender and age group.
5.9	Students enrolled	Nr. per year	Total aggregate of pre-primary, primary, secondary, tertiary, further, vocational as required by gender.

Agriculture, Food and Nutrition Security

	OUTPUT INDICATORS	UNIT	DEFINITION
6.1	Agricultural production	Tons per year	For the main productions impacted by the project, measured yearly
6.2	Area under cultivation	Ha per year	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 year	For the main productions impacted by the project, measured yearly
6.5	Added value going to farmers	Euro (constant value) per year	For the main productions impacted by the project, measured yearly
6.6	Net employment creation (gender differentiated)	Nr. per year	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[10]	CO_2 ktons eq. / year	Average amount of GHG emissions induced, avoided, reduced or sequestered per year by the project during its lifetime or for a typical year of operation: net balance between gross emissions and emissions that would occur in a baseline scenario.
7.4	Direct employment: Construction phase	# (FTE)	Number of full-time equivalent construction workers employed for the construction of the company or project's hard assets during the reporting period.
7.5	Direct employment: Operations and maintenance	# (FTE)	Number of full-time equivalent employees as per local definition working for the client company or project at the end of the reporting period.

[10] 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'.